LIBERTY LIFE'S
SPECTRUM SELECT® AND SPECTRUM SELECT PLUS®
VARIABLE LIFE INSURANCE

Annual Report
December 31, 2014

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

Annual Report to Shareholders December 31, 2014

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, 2014, Invesco V.I. American Franchise Fund had positive returns, but trailed its style-specific benchmark, the Russell 1000 Growth Index. The Fund outperformed its style-specific index in a number of sectors including the consumer discretionary and health care sectors, but underperformed in the telecommunication services and industrials sectors.

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

Fund vs. Indexes

Total returns, 12/31/13 to 12/31/14, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	8.44%
Series II Shares	8.17
S&P 500 Index▼ (Broad Market Index)	13.69
Russell 1000 Growth Index▼ (Style-Specific Index)	13.05
Lipper VUF Large-Cap Growth Funds Index■ (Peer Group Index)	9.89

Source(s): ▼FactSet Research Systems Inc.; ■Lipper Inc.

Market conditions and your Fund

Slow and steady improvement in the US economy and historically low interest rates led the US equity market higher during the year ended December 31, 2014. As the US economy continued along a slow growth path, the US Federal Reserve reduced its asset purchase program throughout 2014, finally ending all purchases in October. In the early months of 2014, the stock market turned volatile, pulling back as investors began to worry that stocks may have risen too far, too fast in 2013. Unusually cold winter weather also impacted consumers, but only briefly. Relatively quickly, corporate earnings bounced back and remained generally strong through the rest of the year. Stocks rallied through the summer despite political upheaval in Ukraine and signs of economic sluggishness in China.

As investors wrestled with evidence that US growth appeared to be on stronger footing than the rest of the world, in mid-September the price of oil began a sharp decline, along with US equities. Despite the unknown economic impact of significantly lower oil prices for an extended period, the US equity market stabilized and recovered, ending the year in positive territory.

In this environment, the Fund did well, posting positive returns, although underperforming its style-specific benchmark. The Fund outperformed its style-specific index in a number of sectors due to positive stock selection decisions, especially in the consumer discretionary and health care sectors. However, underperformance in the telecommunication services and industrials sectors offset the positive effects from other sectors.

In the telecommunication services sector, underperformance resulted from the impact of **Sprint**, the largest detractor from Fund performance during the year. Speculation about a strategic merger had been building enthusiasm in the stock for a while, but during the year, merger efforts were put on hold, which disappointed investors. Additionally, company management restructured pricing to make it easier for users to understand and offered incentives to attract new subscribers, both of which negatively impacted near-term revenues for the company.

In the industrials sector, engineering and construction company **Jacobs Engineering Group** reported disappointing mid-year results, including the write-off of certain European projects it had acquired through the purchase of another company. Later in the year, the company came under pressure as the fall in global oil prices caused investors to question the viability of a petrochemical build-out cycle from which it would presumably benefit. This build-out cycle depends on the US remaining among the lowest cost natural gas and oil producers, and the recent volatility across energy markets caused projects to be delayed as of the end of the reporting period, until there is further clarity. Jacobs Engineering was sold during the reporting period. **Fluor**, another engineering and construction company, also reported disappointing growth, which did not meet investor expectations and hurt Fund performance. We sold our position in Fluor during the year.

The Fund outperformed its style-specific benchmark by the widest margin in the consumer discretionary sector driven by positive stock selection decisions. **Lowe's** reported continued growth in revenues and earnings throughout the year as well as a favorable outlook for future growth. The company also benefited from the expectation that lower gas prices will act as a tax-cut for consumers and stimulate spending. **Dish Network** was another contributor to Fund performance, benefiting from solid subscriber growth and industry consolidation. In addition, the market showed a growing appreciation of

Portfolio Composition

By sector

Information Technology	32.3%
Consumer Discretionary	24.6
Health Care	18.6
Industrials	7.7
Financials	5.0
Energy	4.8
Consumer Staples	3.3
Materials	2.5
Telecommunication Services	1.0
Money Market Funds Plus Other Assets Less Liabilities	0.2

Top 10 Equity Holdings*

1. Facebook Inc.-Class A	5.9%
2. Apple Inc.	4.4
3. DISH Network Corp.-Class A	4.0
4. MasterCard, Inc.-Class A	3.6
5. Celgene Corp.	3.4
6. Lowe's Cos., Inc.	3.4
7. Time Warner Cable Inc.	2.9
8. Google Inc.-Class A	2.6
9. Carnival Corp.	2.6
10. salesforce.com, Inc.	2.5

Top Five Industries*

1. Biotechnology	11.9%
2. Internet Software & Services	11.1
3. Cable & Satellite	7.9
4. Pharmaceuticals	4.4
5. Technology Hardware, Storage & Peripherals	4.4

Total Net Assets	$741.1 million
Total Number of Holdings*	73

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.

the value of Dish's downlink-focused wireless spectrum assets, especially in light of a government spectrum auction at year-end, when prices quickly escalated beyond expectations.

In the health care sector, one of the strongest contributors to Fund performance was **Gilead Sciences** whose launch of Sovaldi as an effective treatment for the hepatitis C virus was an enormous success. Another contributor during the reporting period was biotechnology company **Celgene**, which had positive developments in its cancer treatment pipeline and benefited from favorable resolution to an intellectual property hearing.

Fund positioning at year-end included a significant underweight position in the consumer staples sector relative to the Fund's style-specific benchmark. Stock valuations in the sector appeared elevated relative to growth prospects and more attractive stable-growth stocks were available in other sectors, especially certain stocks in the consumer discretionary and health care sectors.

As we've discussed, the stock market experienced significant positive performance during the reporting period. However, stocks remained volatile and we caution investors against making investment decisions based on short-term performance.

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.

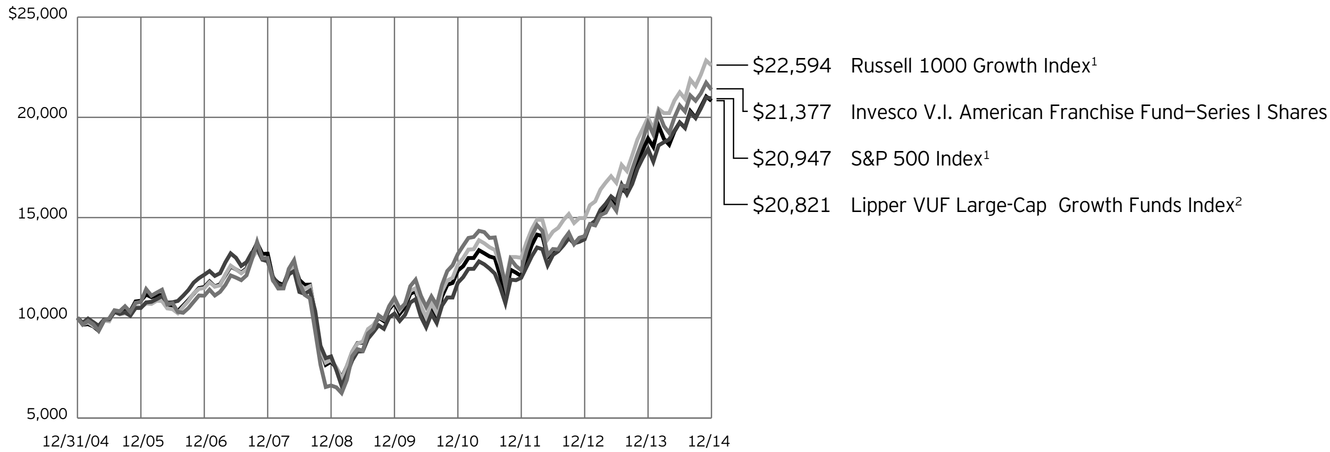
Erik Voss
Chartered Financial Analyst, Portfolio Manager, is lead manager of Invesco V.I. American Franchise Fund. He joined Invesco in 2010. Mr. Voss earned a BS in mathematics and an MS in finance from the University of Wisconsin.

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 12/31/04



1 Source: FactSet Research Systems Inc.
2 Source: Lipper Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/14*	
Series I Shares	
Inception (7/3/95)	9.24%
10 Years	7.89
5 Years	14.21
1 Year	8.44
Series II Shares	
Inception (9/18/00)	0.06%
10 Years	7.62
5 Years	13.93
1 Year	8.17

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 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 0.96% and 1.21%, 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.

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, 2014, 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 Investment[a]

December 31, 2014

	Shares	Value
Common Stocks & Other Equity Interests–99.76%		
Aerospace & Defense–2.04%		
Honeywell International Inc.	113,600	$ 11,350,912
Raytheon Co.	34,884	3,773,402
		15,124,314
Agricultural Products–0.62%		
Archer-Daniels-Midland Co.	88,789	4,617,028
Airlines–0.95%		
Southwest Airlines Co.	166,450	7,044,164
Apparel, Accessories & Luxury Goods–1.34%		
Michael Kors Holdings Ltd.[b]	132,465	9,948,121
Application Software–2.99%		
salesforce.com, inc.[b]	305,823	18,138,362
Splunk Inc.[b]	68,547	4,040,846
		22,179,208
Asset Management & Custody Banks–1.62%		
Ameriprise Financial, Inc.	90,782	12,005,919
Biotechnology–11.85%		
Alkermes PLC[b]	239,800	14,042,688
Amgen Inc.	104,017	16,568,868
Biogen Idec Inc.[b]	37,378	12,687,962
Celgene Corp.[b]	226,850	25,375,441
Gilead Sciences, Inc.[b]	170,710	16,091,125
Vertex Pharmaceuticals Inc.[b]	25,545	3,034,746
		87,800,830
Brewers–0.73%		
Anheuser-Busch InBev N.V.-ADR (Belgium)	48,029	5,394,617
Cable & Satellite–7.87%		
Comcast Corp.-Class A	120,940	7,015,729
DISH Network Corp.-Class A[b]	407,021	29,667,761
Time Warner Cable Inc.	142,410	21,654,865
		58,338,355
Communications Equipment–2.20%		
F5 Networks, Inc.[b]	46,474	6,063,230
Palo Alto Networks, Inc.[b]	52,561	6,442,402
QUALCOMM, Inc.	51,473	3,825,988
		16,331,620
Construction & Engineering–1.07%		
Quanta Services, Inc.[b]	278,135	7,896,253
Construction Materials–0.69%		
Martin Marietta Materials, Inc.	46,474	5,127,012
Consumer Electronics–1.22%		
Harman International Industries, Inc.	84,853	9,054,664

	Shares	Value
Data Processing & Outsourced Services–4.15%		
Alliance Data Systems Corp.[b]	13,112	$ 3,750,688
MasterCard, Inc.-Class A	313,163	26,982,124
		30,732,812
Diversified Chemicals–0.91%		
Dow Chemical Co. (The)	148,569	6,776,232
Drug Retail–1.22%		
CVS Health Corp.	93,902	9,043,702
Fertilizers & Agricultural Chemicals–0.87%		
Monsanto Co.	53,763	6,423,065
General Merchandise Stores–0.48%		
Dollar General Corp.[b]	49,792	3,520,294
Health Care Distributors–0.86%		
McKesson Corp.	30,552	6,341,984
Health Care Facilities–0.44%		
HCA Holdings, Inc.[b]	44,535	3,268,424
Home Entertainment Software–0.23%		
Activision Blizzard, Inc.	84,815	1,709,022
Home Improvement Retail–3.38%		
Lowe's Cos., Inc.	364,594	25,084,067
Hotels, Resorts & Cruise Lines–3.13%		
Carnival Corp.	421,150	19,090,729
Royal Caribbean Cruises Ltd.	50,197	4,137,739
		23,228,468
Household Appliances–1.44%		
Whirlpool Corp.	55,274	10,708,785
Industrial Conglomerates–1.12%		
Danaher Corp.	26,223	2,247,573
Roper Industries, Inc.	38,742	6,057,312
		8,304,885
Industrial Machinery–0.96%		
Flowserve Corp.	118,612	7,096,556
Insurance Brokers–0.74%		
Aon PLC	57,930	5,493,502
Internet Retail–3.44%		
Amazon.com, Inc.[b]	35,979	11,166,083
Priceline Group Inc. (The)[b]	12,534	14,291,392
		25,457,475
Internet Software & Services–11.07%		
Alibaba Group Holding Ltd.-ADR (China)[b]	64,922	6,747,993
Baidu, Inc.-ADR (China)[b]	18,725	4,268,738
Facebook Inc.-Class A[b]	562,427	43,880,555

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

	Shares	Value
Internet Software & Services-(continued)		
Google Inc.-Class A[(b)]	36,002	$ 19,104,821
Google Inc.-Class C[(b)]	15,203	8,002,859
		82,004,966
Investment Banking & Brokerage-1.65%		
Morgan Stanley	314,940	12,219,672
Life Sciences Tools & Services-1.03%		
Thermo Fisher Scientific, Inc.	61,042	7,647,952
Movies & Entertainment-1.50%		
Twenty-First Century Fox, Inc.-Class A	167,583	6,436,025
Walt Disney Co. (The)	49,515	4,663,818
		11,099,843
Oil & Gas Equipment & Services-0.51%		
Baker Hughes Inc.	67,535	3,786,687
Oil & Gas Exploration & Production-3.36%		
Anadarko Petroleum Corp.	182,199	15,031,418
Devon Energy Corp.	68,344	4,183,336
Pioneer Natural Resources Co.	38,119	5,674,013
		24,888,767
Oil & Gas Storage & Transportation-0.90%		
Kinder Morgan Inc.	157,877	6,679,776
Pharmaceuticals-4.41%		
AbbVie Inc.	149,228	9,765,480
Actavis PLC[(b)]	60,763	15,641,004
Bristol-Myers Squibb Co.	123,178	7,271,197
		32,677,681
Railroads-1.62%		
Canadian Pacific Railway Ltd. (Canada)[(c)]	35,991	6,935,106
Union Pacific Corp.	42,346	5,044,679
		11,979,785
Restaurants-0.75%		
Starbucks Corp.	68,020	5,581,041
Semiconductor Equipment-0.62%		
Applied Materials, Inc.	185,267	4,616,854

Investment Abbreviations:

ADR – American Depositary Receipt
REIT – Real Estate Investment Trust

	Shares	Value
Semiconductors-3.89%		
Micron Technology, Inc.[(b)]	358,642	$ 12,556,057
NXP Semiconductors N.V. (Netherlands)[(b)]	212,948	16,269,227
		28,825,284
Soft Drinks-0.75%		
Monster Beverage Corp.[(b)]	51,278	5,555,971
Specialized REIT's-1.00%		
American Tower Corp.	75,200	7,433,520
Systems Software-2.80%		
Check Point Software Technologies Ltd. (Israel)[(b)]	61,207	4,809,034
ServiceNow, Inc.[(b)]	178,306	12,098,062
VMware, Inc.-Class A[(b)]	46,132	3,806,813
		20,713,909
Technology Hardware, Storage & Peripherals-4.37%		
Apple Inc.	293,401	32,385,602
Wireless Telecommunication Services-0.97%		
Sprint Corp.[(b)]	1,725,632	7,161,373
Total Common Stocks & Other Equity Interests (Cost $502,593,902)		739,310,061
Money Market Funds-0.32%		
Liquid Assets Portfolio-Institutional Class[(d)]	1,192,579	1,192,579
Premier Portfolio-Institutional Class[(d)]	1,192,579	1,192,579
Total Money Market Funds (Cost $2,385,158)		2,385,158
TOTAL INVESTMENTS (excluding investments purchased with cash collateral from securities on loan)-100.08% (Cost $504,979,060)		741,695,219
Investments Purchased with Cash Collateral from Securities on Loan		
Money Market Funds-0.74%		
Liquid Assets Portfolio-Institutional Class (Cost $5,459,880)[(d)(e)]	5,459,880	5,459,880
TOTAL INVESTMENTS-100.82% (Cost $510,438,940)		747,155,099
OTHER ASSETS LESS LIABILITIES-(0.82)%		(6,084,892)
NET ASSETS-100.00%		$741,070,207

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

Notes to Schedule of Investments:

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

[(b)] Non-income producing security.

[(c)] All or a portion of this security was out on loan at December 31, 2014.

[(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, 2014.

Counterparty	Gross Amount of Securities on Loan at Value	Cash Collateral Received for Securities Loaned*	Net Amount
State Street Bank and Trust Co.	$5,333,659	$(5,333,659)	$–

* 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, 2014

Assets:	
Investments, at value (Cost $502,593,902)*	$739,310,061
Investments in affiliated money market funds, at value and cost	7,845,038
Total investments, at value (Cost $510,438,940)	747,155,099
Receivable for:	
Investments sold	1,269,107
Fund shares sold	102,528
Dividends	322,908
Investment for trustee deferred compensation and retirement plans	383,705
Other assets	2,774
Total assets	749,236,121
Liabilities:	
Payable for:	
Investments purchased	940,437
Fund shares reacquired	764,212
Collateral upon return of securities loaned	5,459,880
Accrued fees to affiliates	556,784
Accrued trustees' and officers' fees and benefits	456
Accrued other operating expenses	20,236
Trustee deferred compensation and retirement plans	423,909
Total liabilities	8,165,914
Net assets applicable to shares outstanding	$741,070,207
Net assets consist of:	
Shares of beneficial interest	$503,940,417
Undistributed net investment income (loss)	(425,299)
Undistributed net realized gain	838,681
Net unrealized appreciation	236,716,408
	$741,070,207
Net Assets:	
Series I	$541,929,151
Series II	$199,141,056
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	9,874,424
Series II	3,713,151
Series I:	
Net asset value per share	$ 54.88
Series II:	
Net asset value per share	$ 53.63

* At December 31, 2014, securities with an aggregate value of $5,333,659 were on loan to brokers.

Statement of Operations

For the year ended December 31, 2014

Investment income:	
Dividends (net of foreign withholding taxes of $38,460)	$ 5,720,130
Dividends from affiliated money market funds (includes securities lending income of $21,423)	22,967
Interest	23,922
Total investment income	5,767,019
Expenses:	
Advisory fees	5,161,399
Administrative services fees	1,983,055
Custodian fees	29,556
Distribution fees — Series II	546,007
Transfer agent fees	68,278
Trustees' and officers' fees and benefits	40,549
Other	68,655
Total expenses	7,897,499
Less: Fees waived	(222,228)
Net expenses	7,675,271
Net investment income (loss)	(1,908,252)
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities (include net gains (losses) from securities sold to affiliated of $(78,934) and net gains from a redemption-in-kind of $1,272,445)	115,657,743
Foreign currencies	(8,322)
	115,649,421
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(54,153,573)
Foreign currencies	(1,394)
	(54,154,967)
Net realized and unrealized gain	61,494,454
Net increase in net assets resulting from operations	$ 59,586,202

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, 2014 and 2013

	2014	2013
Operations:		
Net investment income (loss)	$ (1,908,252)	$ 62,847
Net realized gain	115,649,421	115,022,775
Change in net unrealized appreciation (depreciation)	(54,154,967)	143,862,178
Net increase in net assets resulting from operations	59,586,202	258,947,800
Distributions to shareholders from net investment income:		
Series I	(227,487)	(2,241,984)
Series II	–	(576,996)
Total distributions from net investment income	(227,487)	(2,818,980)
Share transactions–net:		
Series I	(82,553,486)	(92,234,602)
Series II	(74,143,144)	(46,160,962)
Net increase (decrease) in net assets resulting from share transactions	(156,696,630)	(138,395,564)
Net increase (decrease) in net assets	(97,337,915)	117,733,256
Net assets:		
Beginning of year	838,408,122	720,674,866
End of year (includes undistributed net investment income (loss) of $(425,299) and $(296,947), respectively)	$ 741,070,207	$ 838,408,122

Notes to Financial Statements

December 31, 2014

NOTE 1—Significant Accounting Policies

Invesco V.I. American Franchise 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 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 securities) 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 securities) 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 ask 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.

The Fund may invest in securities that are subject to interest rate risk, meaning the risk that the prices will generally fall as interest rates rise and, conversely, the prices will generally rise as interest rates fall. Specific securities differ in their sensitivity to changes in interest rates depending on their individual characteristics. Changes in interest rates may result in increased market volatility, which may affect the value and/or liquidity of certain of the Fund's investments.

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 (net of withholding tax, if any) 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 net investment 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 recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained. Management has analyzed the Fund's uncertain tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

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. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests and are shown in the Statement of Operations.

K. Forward Foreign Currency Contracts – The Fund may engage in foreign currency transactions either on a spot (i.e. for prompt delivery and settlement) basis or through 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, or the Fund may also enter into forward foreign currency contracts that do not provide for physical settlement of the two currencies, but instead are settled by a single cash payment calculated as the difference between the agreed upon exchange rate and the spot rate at settlement based upon an agreed upon notional amount (non-deliverable forwards). The Fund will set aside liquid assets in an amount equal to daily mark-to-market obligation for forward foreign currency contracts.

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%

For the year ended December 31, 2014, the effective advisory fees incurred by the Fund was 0.67%.

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

Effective July 1, 2014, the Adviser has contractually agreed, through at least June 30, 2015, 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. Prior to July 1, 2014, the Adviser had contractually agreed 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 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, 2015. The fee waiver agreement cannot be terminated during its term.

Further, the Adviser has contractually agreed, through at least June 30, 2016, 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, 2014, the Adviser waived advisory fees of $222,228.

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, 2014, Invesco was paid $182,364 for accounting and fund administrative services and reimbursed $1,800,691 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, 2014, 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, 2014, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the year ended December 31, 2014, the Fund incurred $21,429 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, 2014, 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, 2014, the Fund engaged in securities purchases of $1,622,285 and securities sales of $1,076,115, which resulted in net realized gains (losses) of $(78,934).

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, 2014 and 2013:

	2014	2013
Ordinary income	$227,487	$2,818,980

Tax Components of Net Assets at Period-End:

	2014
Undistributed ordinary income	$ (28,732)
Undistributed long-term gain	3,597,227
Net unrealized appreciation — investments	234,081,156
Net unrealized appreciation — other investments	249
Temporary book/tax differences	(520,110)
Shares of beneficial interest	503,940,417
Total net assets	$741,070,207

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 eight 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 carryforwards in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund utilized $112,222,483 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund does not have a capital loss carryforward as of December 31, 2014.

On May 1, 2014, 221,454 of Series II shares valued at $10,798,113, were redeemed by a significant shareholder and settled through a redemption-in-kind transaction, of which $62,481 consisted of cash, which resulted in a realized gain of $1,272,445 to the Fund for book purposes. From a federal tax perspective, the realized gains are not recognized.

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, 2014 was $494,059,189 and $649,419,469, 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	$242,856,895
Aggregate unrealized (depreciation) of investment securities	(8,775,739)
Net unrealized appreciation of investment securities	$234,081,156

Cost of investments for tax purposes is $513,073,943.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of a redemption in kind and net operating losses, on December 31, 2014, undistributed net investment income (loss) was increased by $2,007,387, undistributed net realized gain was decreased by $1,285,988 and shares of beneficial interest was decreased by $721,399. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

	Summary of Share Activity			
	Years ended December 31,			
	2014[a]		2013	
	Shares	Amount	Shares	Amount
Sold:				
Series I	497,166	$ 25,779,760	372,037	$ 16,044,363
Series II	265,604	13,450,608	211,725	9,101,632
Issued as reinvestment of dividends:				
Series I	4,272	227,487	49,800	2,241,984
Series II	–	–	13,081	576,996
Reacquired:				
Series I	(2,094,994)	(108,560,733)	(2,635,529)	(110,520,949)
Series II	(1,752,048)	(87,593,752)	(1,335,787)	(55,839,590)
Net increase (decrease) in share activity	(3,080,000)	$(156,696,630)	(3,324,673)	$(138,395,564)

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 24% 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	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[d]												
Year ended 12/31/14	$50.63	$(0.09)	$ 4.36	$ 4.27	$(0.02)	$54.88	8.44%	$541,929	0.92%[e]	0.95%[e]	(0.17)%[e]	64%
Year ended 12/31/13	36.28	0.04	14.50	14.54	(0.19)	50.63	40.13	580,620	0.90	0.96	0.08	75
Year ended 12/31/12	31.90	0.19	4.19	4.38	–	36.28	13.73	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)	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	74,870	0.79	0.90	0.12	158
Series II[d]												
Year ended 12/31/14	49.58	(0.22)	4.27	4.05	–	53.63	8.17	199,141	1.17[e]	1.20[e]	(0.42)[e]	64
Year ended 12/31/13	35.55	(0.07)	14.20	14.13	(0.10)	49.58	39.79	257,788	1.15	1.21	(0.17)	75
Year ended 12/31/12	31.35	0.10	4.10	4.20	–	35.55	13.40	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)	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	109,920	1.04	1.15	(0.18)	158

[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, 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.
[d] 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.
[e] Ratios are based on average daily net assets (000's) of $552,744 and $218,403 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. 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 (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2014, 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, 2014 by correspondence with the custodian and brokers, and the application of alternative auditing procedures where confirmations of security purchases have not been received, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas
February 13, 2015

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, 2014 through December 31, 2014.

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 (07/01/14)	Ending Account Value (12/31/14)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/14)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,038.40	$4.93	$1,020.37	$4.89	0.96%
Series II	1,000.00	1,037.20	6.21	1,019.11	6.16	1.21

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2014 through December 31, 2014, 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, 2014:

Federal and State Income Tax	
Corporate Dividends Received Deduction*	87.37%
U.S Treasury*	0.00%

* 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).	144	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; 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), and Short-Term Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	144	None
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; Chairman, Board of Governors of INTELSAT (international communications company); ACE Limited (insurance company); and Investment Company Institute	144	ALPS (Attorneys Liability Protection Society) (insurance company)

[1] Mr. Flanagan is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) 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.

[2] Mr. Taylor is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of the Trust because he is an officer and a director of the Adviser.

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)				
David C. Arch – 1945 Trustee	2010	Chairman of Blistex Inc., a consumer health care products manufacturer	144	Board member of the Illinois Manufacturers' Association; Member of the Board of Visitors, Institute for the Humanities, University of Michigan; Member of the Audit Committee of the Edward-Elmhurst Hospital
James T. Bunch – 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity investments) 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	144	Chairman, Board of Governors, Western Golf Association; Chairman, 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	144	Director of Quidel Corporation and Stericycle, 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); Nature's Sunshine Products, Inc. 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)	144	Director of: Nature's Sunshine Products, Inc., Reich & Tang Funds, Homeowners of America Holding Corporation/ Homeowners of America Insurance Company, the Boss Group
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	144	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired. Formerly: Chief Executive Officer, YWCA of the U.S.A.	144	None
Larry Soll – 1942 Trustee	2004	Retired. Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	144	None
Hugo F. Sonnenschein – 1940 Trustee	2010	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to 2000, President of the University of Chicago	144	Trustee of the University of Rochester and a member of its investment committee; Member of the National Academy of Sciences and the American Philosophical Society; Fellow of the American Academy of Arts and Sciences
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired. Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	144	None

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)				
Suzanne H. Woolsey – 1941 Trustee	2014	Chief Executive Officer of Woolsey Partners LLC	144	Emeritus Chair of the Board of Trustees of the Institute for Defense Analyses; Trustee of Colorado College; Trustee of California Institute of Technology; Prior to 2014, Director of Fluor Corp.; Prior to 2010, Trustee of the German Marshall Fund of the United States; Prior to 2010 Trustee of the Rocky Mountain Institute
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 , PowerShares Actively Managed Exchange-Traded Fund Trust; and PowerShares Actively Managed Exchange-Traded Commodity 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
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, PowerShares Actively Managed Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Commodity 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

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)				
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.; 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), and Short-Term Investments Trust only)	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, and PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, PowerShares Actively Managed Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Commodity 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
1000 Louisiana Street, Suite 5800
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. 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, 2014, Invesco V.I. Government Securities Fund underperformed its style-specific index, the Barclays U.S Government Index. Duration positioning and security selection each played a role in the Fund's underperformance for the reporting period.

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

Fund vs. Indexes

Total returns, 12/31/13 to 12/31/14, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	4.14%
Series II Shares	3.88
Barclays U.S. Aggregate Index▼ (Broad Market Index)	5.97
Barclays U.S. Government Index▼ (Style-Specific Index)	4.92
Lipper VUF General U.S. Government Funds Index■ (Peer Group Index)	4.03

Source(s): ▼FactSet Research Systems Inc.; ■Lipper Inc.

Market conditions and your Fund

The year ended December 31, 2014 turned out to be a surprisingly successful year for many bond market participants, given the predictions for rising rates that dominated the media and investor psyche at the beginning of the year. Falling long-term bond yields were a driving force behind generally positive intermediate- to long-term, higher-quality bond returns during 2014.

The year began on a positive note for bonds, buoyed by a general decline in yields on concerns over US economic growth following unexpectedly disruptive winter weather in the first quarter of 2014. Yields also were pushed lower due to demand driven by rising tensions in eastern Europe and the Middle East as well as global deflationary concerns, which prompted investors to seek safety. The yield on the 10-year US Treasury note fell to 2.5% by the end of June.[1]

Despite growing geopolitical risk and softer-than-expected global economic growth, investors' demand for yield also fueled positive results in credit-related markets, such as emerging market debt and high yield corporate bonds, during the first half of the year. While a favorable supply/demand dynamic and solid credit fundamentals throughout the first part of the year supported an environment in which investors were willing to assume somewhat greater credit risk, these credit sectors experienced notable volatility near the end of the reporting period. A steep drop in oil prices in the second half of 2014 and concerns over the ongoing conflict between Russia and the Ukraine spurred notable sell-offs in both high yield corporate bonds and emerging market debt.

As the reporting period drew to a close, the most credit-sensitive markets made it to the finish line with positive, albeit subdued, returns after a bumpy ride throughout 2014. Meanwhile, long-term Treasury bonds were some of the best-performing bonds in 2014 as yields drifted lower, with the yield on the 30-year U.S. Treasury bond ending the year at 2.75%, down from just under 4.00% at the start of the year.[1]

In this environment, the most interest rate sensitive or longer duration portions of the bond market performed well, while the credit sectors had mixed results, depending on their underlying sensitivity to falling rates. Given this market backdrop, the Fund's total returns were positive, but underperformed its style-specific benchmark due to having less duration than the Barclays U.S. Government Index periodically during the year, and also due to security selection.

We were consistently underweight US Treasuries relative to the style-specific benchmark over the reporting period. Our search for relative value in the spread sectors of the government bond market led to overweight positioning in government-related issues and in off-benchmark, government-backed securitized debt instruments such as agency collateralized mortgage obligations (CMO) and agency mortgage-backed securities (MBS). While the agency CMOs provided valuable yield and price stability, their total return fell short of the style-specific benchmark as rates decreased during 2014.

The decision to hold underperforming Treasury inflation-protected securities as part of our US Treasury allocation also detracted from the Fund's returns versus the style-specific index, as declining energy prices pushed inflation risk premiums lower. Among agency MBS, our emphasis on higher coupon, 30-year, fixed-rate securities was advantageous for the Fund.

The Fund uses duration and yield curve positioning for risk management and for generating returns. Duration measures a portfolio's price sensitivity to interest rate changes, with a shorter duration tending to be less sensitive to these changes. Yield curve positioning refers to actively emphasizing points (maturities) along

Portfolio Composition

By security type

U.S. Government Sponsored Agency Mortgage-Backed Securities	57.5%
U.S. Treasury Securities	16.9
U.S. Government Sponsored Agency Securities	12.3
Bonds	10.0
Corporate Notes	2.4
Money Market Funds Plus Other Assets Less Liabilities	0.9

Top 10 Fixed Income Issuers*

1. Federal National Mortgage Association	15.6%
2. Federal Home Loan Mortgage Corp.	13.6
3. U.S. Treasury Notes	12.4
4. Freddie Mac REMICs	9.6
5. Fannie Mae REMICs	9.4
6. Federal Home Loan Bank	5.7
7. Government National Mortgage Association	4.4
8. Ginnie Mae REMICs	4.2
9. La Hipotecaria Panamanian Mortgage Trust	2.9
10. Federal Agricultural Mortgage Corp.	2.8

Total Net Assets	$687.3 million
Total Number of Holdings*	787

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

*Excluding U.S. Treasury bills and money market fund holdings.

the yield curve with favorable risk/return expectations. Duration was managed with cash bonds and futures positions. Buying and selling interest rate futures contracts was an important tool we used to manage interest rate risk.

Please note that our strategy is implemented using derivative instruments, including futures, swaps and options. Therefore, a portion of the performance of the strategy, both positive and negative, can be attributed to these instruments. Derivatives can be a cost-effective way to gain or hedge exposure to certain risks. However, derivatives may amplify traditional investment risks through the creation of leverage and may be less liquid than traditional securities.

We wish to remind you that the Fund is subject to interest rate risk, meaning when interest rates rise, the value of fixed income securities tend to fall. This risk may be greater in the current market environment because interest rates are at or near historic lows. The degree to which the value of fixed income securities may decline due to rising interest rates may vary depending on the speed and magnitude of the increase in interest rates, as well as individual security characteristics such as price, maturity, duration and coupon and market forces such as supply and demand for similar securities. We are monitoring interest rates, and the market, economic and geopolitical factors that may impact the direction, speed and magnitude of changes to interest rates across the maturity spectrum, including the potential impact of monetary policy changes by the Fed and certain foreign central banks. If interest rates rise, markets may experience increased volatility, which may affect the value and/or liquidity of certain of the Fund's investments

We welcome new investors who joined the Fund during the year and thank you for your investment in Invesco V.I. Government Securities Fund.

1 Source: Board of Governors of the Federal Reserve System (US)

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
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.

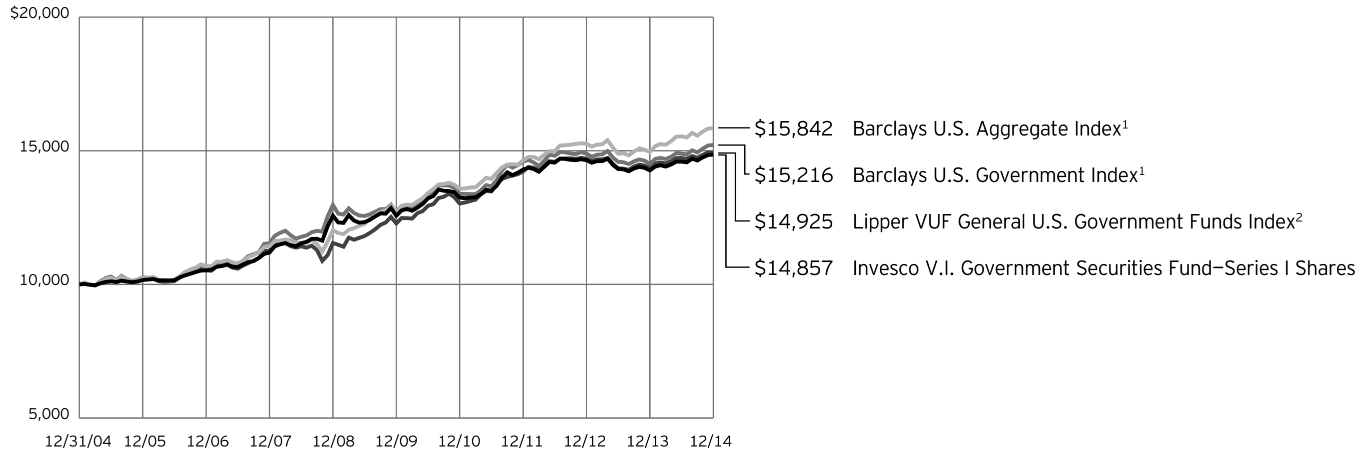
Brian Schneider
Chartered Financial Analyst, Portfolio Manager, is manager of Invesco V.I. Government Securities Fund. He joined Invesco in 1987. Mr. Schneider earned a BA in economics and an MBA from Bellarmine University (formerly Bellarmine College).

Robert Waldner
Chartered Financial Analyst, Portfolio Manager, is manager of Invesco V.I. Government Securities Fund. He joined Invesco in 2013. Mr. Waldner earned a BSE degree in civil engineering from Princeton University.

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/04



1 Source: FactSet Research Systems Inc.
2 Source: Lipper Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/14*	
Series I Shares	
Inception (5/5/93)	4.66%
10 Years	4.04
5 Years	3.40
1 Year	4.14
Series II Shares	
Inception (9/19/01)	3.78%
10 Years	3.77
5 Years	3.14
1 Year	3.88

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, 2014, 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

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.

Credit risk. The issuer of instruments in which the Fund invests may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

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. When the Fund enters into a short sale of a TBA mortgage it does not own, the Fund may have to purchase deliverable mortgages to settle the short sale at a higher price than anticipated, thereby causing a loss. A short position in a TBA mortgage poses more risk than holding the same TBA mortgage long. As there is no limit on how much the price of mortgage securities can increase, the Fund's exposure is unlimited. The Fund may not always be able to purchase mortgage securities to close out the short position at a particular time or at an acceptable price. A Fund will earmark or segregate liquid assets in an amount at least equal to its exposure for the duration of the contract. The Fund will incur increased transaction costs associated with selling TBA mortgages short. In addition, taking short positions in TBA mortgages results in a form of leverage which could increase the volatility of the Fund's share price.

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 risks. 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. The higher yields and interest rates on pay-in-kind securities reflect the payment deferral and increased credit risk associated with such instruments and that such investments may represent a higher credit risk than coupon loans. Pay-in-kind securities may have a potential variability in valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral.

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.

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, 2014

	Principal Amount	Value
U.S. Government Sponsored Agency Mortgage-Backed Securities–57.47%		
Collateralized Mortgage Obligations–24.99%		
Fannie Mae REMICs,		
4.00%, 07/25/18 to 07/25/40	$ 6,193,043	$ 6,537,998
5.00%, 08/25/19 to 09/25/37	2,666,946	2,756,622
4.25%, 12/25/19 to 02/25/37	3,483,270	3,649,619
4.50%, 10/25/22 to 07/25/27	717,245	727,752
3.00%, 10/25/25 to 09/25/36	4,315,914	4,395,145
2.50%, 03/25/26	2,113,465	2,148,650
7.00%, 09/18/27	526,273	587,924
6.50%, 03/25/32	1,470,908	1,656,309
5.75%, 10/25/35	897,183	997,958
0.47%, 05/25/36[(a)]	5,705,596	5,716,679
0.67%, 03/25/37 to 05/25/41[(a)]	10,648,078	10,728,041
0.57%, 06/25/38[(a)]	9,045,870	9,097,264
6.57%, 06/25/39[(a)]	5,721,072	6,571,284
0.72%, 02/25/41[(a)]	6,318,456	6,366,780
0.69%, 11/25/41[(a)]	2,483,777	2,510,348
Federal Home Loan Bank,		
5.07%, 10/20/15	703,886	725,198
5.46%, 11/27/15	9,766,645	10,153,726
5.77%, 03/23/18	1,368,494	1,497,080
Freddie Mac REMICs,		
4.00%, 12/15/17 to 06/15/39	5,760,255	6,016,875
5.00%, 02/15/18 to 04/15/19	2,084,372	2,179,857
4.50%, 07/15/18	599,571	625,344
3.00%, 10/15/18 to 04/15/26	4,836,599	4,965,487
3.75%, 10/15/18	967,086	977,010
4.25%, 01/15/19	20,237	20,232
3.50%, 12/15/27	283,130	286,506
0.56%, 04/15/28 to 06/15/37[(a)]	7,026,845	7,060,743
0.66%, 12/15/35 to 03/15/40[(a)]	8,370,980	8,449,863
0.46%, 03/15/36[(a)]	5,506,932	5,536,641
0.51%, 11/15/36[(a)]	7,955,031	7,974,311
1.02%, 11/15/39[(a)]	1,757,206	1,792,115
0.61%, 03/15/40 to 02/15/42[(a)]	19,723,436	19,849,941
Ginnie Mae REMICs,		
6.00%, 01/16/25	908,022	1,008,708
4.75%, 09/20/32	154,942	156,099
4.00%, 04/16/33 to 02/20/38	3,137,255	3,197,362
4.50%, 10/20/33 to 09/16/34	3,446,461	3,514,030
5.74%, 08/20/34[(a)]	1,996,638	2,234,942
5.00%, 08/16/35	72,990	73,534
5.87%, 01/20/39[(a)]	6,811,868	7,703,746
0.96%, 09/16/39[(a)]	2,489,786	2,546,713
4.50%, 07/20/41[(a)]	1,729,722	1,846,877
1.63%, 09/20/41[(a)]	6,512,376	6,875,317
		171,716,630
Federal Deposit Insurance Co. (FDIC)–0.05%		
Series 2010-S1, Class 1A, Gtd. Floating Rate Notes , 0.70%, 02/25/48[(a)(b)]	$ 354,075	$ 354,248
Federal Home Loan Mortgage Corp. (FHLMC)–12.60%		
Pass Through Ctfs.,		
8.00%, 07/01/15 to 09/01/36	7,166,788	8,742,642
6.50%, 11/01/15 to 12/01/35	5,208,019	5,952,913
7.00%, 12/01/15 to 12/01/37	6,137,058	7,023,581
6.00%, 02/01/16 to 07/01/38	2,097,034	2,305,197
5.00%, 07/01/18 to 01/01/40	2,884,856	3,190,357
10.50%, 08/01/19	501	507
4.50%, 09/01/20 to 08/01/41	16,453,287	18,026,806
8.50%, 09/01/20 to 08/01/31	627,059	723,569
10.00%, 03/01/21	24,720	27,215
9.00%, 06/01/21 to 06/01/22	165,608	179,284
7.50%, 09/01/22 to 08/01/36	1,923,604	2,227,386
5.50%, 12/01/22	920,882	982,658
3.50%, 08/01/26	1,450,065	1,541,025
3.00%, 05/01/27	2,190,375	2,294,310
7.05%, 05/20/27	186,890	214,013
6.03%, 10/20/30	1,226,576	1,427,492
Pass Through Ctfs., ARM,		
2.43%, 09/01/35[(a)]	8,742,974	9,373,112
2.40%, 07/01/36[(a)]	6,775,804	7,261,567
2.05%, 10/01/36[(a)]	4,016,916	4,262,382
2.41%, 10/01/36[(a)]	289,130	311,285
2.52%, 11/01/37[(a)]	3,066,076	3,302,487
2.68%, 01/01/38[(a)]	149,644	161,172
2.52%, 06/01/43[(a)]	6,803,631	7,072,182
		86,603,142
Federal National Mortgage Association (FNMA)–15.38%		
Pass Through Ctfs.,		
7.50%, 02/01/15 to 08/01/37	7,909,581	9,290,587
6.50%, 04/01/15 to 11/01/37	5,902,024	6,653,540
7.00%, 04/01/15 to 06/01/36	8,217,733	9,133,468
8.00%, 06/01/15 to 11/01/37	5,649,901	6,657,947
6.00%, 09/01/17 to 10/01/38	4,384,669	4,958,131
5.00%, 11/01/17 to 12/01/33	676,552	728,323
8.50%, 11/01/17 to 08/01/37	2,462,986	2,923,666
4.50%, 04/01/19 to 08/01/41	13,298,789	14,407,433
5.50%, 03/01/21 to 05/01/35	2,806,057	3,158,073
6.75%, 07/01/24	618,709	705,110
6.95%, 10/01/25	23,107	24,035
3.50%, 03/01/27 to 08/01/27	15,406,775	16,316,038
3.00%, 05/01/27 to 08/01/27	7,361,944	7,674,214

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., ARM, 2.49%, 10/01/34[a]	$ 3,552,269	$ 3,819,978
2.33%, 05/01/35[a]	658,918	704,276
2.31%, 03/01/38[a]	159,209	170,327
2.83%, 02/01/42[a]	3,040,139	3,167,015
2.30%, 06/01/43[a]	4,283,530	4,318,749
2.26%, 08/01/43[a]	4,035,987	4,123,219
Pass Through Ctfs., BAL, 3.84%, 04/01/18	6,359,537	6,785,656
		105,719,785
Government National Mortgage Association (GNMA)-4.45%		
Pass Through Ctfs., 11.00%, 10/15/15	378	380
6.50%, 05/20/16 to 01/15/37	5,825,809	6,615,962
7.50%, 03/15/17 to 10/15/35	3,731,964	4,311,815
7.00%, 04/15/17 to 01/15/37	1,951,621	2,179,944
8.00%, 05/15/17 to 01/15/37	1,992,704	2,352,006
10.50%, 09/15/17	406	408
8.50%, 12/15/17 to 01/15/37	327,362	359,699
10.00%, 06/15/19	10,632	11,645
6.00%, 09/15/20 to 08/15/33	961,177	1,077,900
5.00%, 02/15/25	272,067	299,664
6.95%, 08/20/25 to 08/20/27	358,510	370,695
6.38%, 10/20/27 to 04/20/28	450,008	509,235
6.10%, 12/20/33	5,609,490	6,529,999
3.50%, 10/20/42	5,769,790	5,980,768
		30,600,120
Total U.S. Government Sponsored Agency Mortgage-Backed Securities (Cost $384,209,817)		394,993,925
U.S. Treasury Securities-16.87%		
U.S. Treasury Bills-0.23%[c][d]		
0.08%, 08/20/15	1,535,000	1,533,528
0.12%, 08/20/15	80,000	79,923
		1,613,451
U.S. Treasury Notes-12.36%		
0.50%, 09/30/16	4,000,000	3,994,721
0.75%, 06/30/17	6,250,000	6,225,185
0.88%, 07/15/17	6,000,000	5,992,125
0.63%, 08/31/17	8,400,000	8,318,132
0.75%, 12/31/17	5,000,000	4,946,641
1.38%, 12/31/18	8,300,000	8,265,784
1.50%, 12/31/18	5,500,000	5,508,266
1.63%, 06/30/19	4,000,000	4,009,808
1.63%, 07/31/19	11,200,000	11,215,233
3.63%, 02/15/20	2,000,000	2,192,445
2.00%, 09/30/20	5,000,000	5,047,557
2.13%, 06/30/21	4,500,000	4,552,016
2.13%, 08/15/21	2,700,000	2,729,951
2.00%, 10/31/21	2,500,000	2,504,695

	Principal Amount	Value
U.S. Treasury Notes-(continued)		
2.00%, 11/15/21	$ 3,300,000	$ 3,309,810
2.38%, 08/15/24	6,000,000	6,109,122
		84,921,491
U.S. Treasury Bonds-2.34%		
8.75%, 05/15/20	3,500,000	4,764,913
7.88%, 02/15/21	1,100,000	1,485,190
5.38%, 02/15/31	3,800,000	5,301,776
3.38%, 05/15/44	4,000,000	4,506,085
		16,057,964
U.S. Treasury Inflation – Indexed Bonds-1.94%		
0.63%, 01/15/24	13,229,580[e]	13,344,133
Total U.S. Treasury Securities (Cost $113,874,131)		115,937,039
U.S. Government Sponsored Agency Securities-12.27%		
Federal Agricultural Mortgage Corp. (FAMC)-2.83%		
Sr. Unsec. Medium-Term Notes, 2.00%, 07/27/16	4,000,000	4,087,345
Series 2007-1, Sec. Gtd. Notes, 5.13%, 04/19/17[b]	14,000,000	15,352,409
		19,439,754
Federal Farm Credit Bank (FFCB)-1.43%		
Unsec. Bonds, 1.05%, 03/28/16	7,000,000	7,056,174
Unsec. Medium-Term Notes, 5.75%, 12/07/28	2,100,000	2,761,526
		9,817,700
Federal Home Loan Bank (FHLB)-3.90%		
Unsec. Bonds, 1.50%, 10/12/17	4,800,000	4,845,382
4.50%, 09/13/19	5,000,000	5,621,900
1.88%, 03/13/20	6,000,000	6,012,972
3.38%, 06/12/20	6,220,000	6,698,710
2.88%, 09/11/20	3,455,000	3,631,852
		26,810,816
Federal Home Loan Mortgage Corp. (FHLMC)-0.98%		
Series 1, Unsec. Global Notes, 0.75%, 01/12/18	1,650,000	1,629,298
Unsec. Global Notes, 2.38%, 01/13/22	5,000,000	5,078,533
		6,707,831
Federal National Mortgage Association (FNMA)-0.22%		
Unsec. Global Notes, 2.63%, 09/06/24	1,500,000	1,521,023
Financing Corp (FICO)-0.50%		
Sec. Bonds, 9.80%, 04/06/18	700,000	883,105
Series E, Sec. Bonds, 9.65%, 11/02/18	1,985,000	2,574,300
		3,457,405

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

	Principal Amount	Value
Tennessee Valley Authority (TVA)–2.41%		
Sr. Unsec. Global Bonds, 4.88%, 12/15/16	$13,553,000	$ 14,634,731
Sr. Unsec. Global Notes, 1.88%, 08/15/22	2,000,000	1,943,184
		16,577,915
Total U.S. Government Sponsored Agency Securities (Cost $82,571,339)		84,332,444
Bonds–8.28%		
Collateralized Mortgage Obligations–6.58%		
La Hipotecaria El Salvadorian Mortgage Trust (El Salvador), Series 2013-1A, Class A, Pass Through Ctfs., 3.50%, 10/25/41 (Acquired 04/22/13; Cost $11,729,228)(b)	11,332,587	11,938,178
La Hipotecaria Panamanian Mortgage Trust (El Salvador), Series 2010-1GA, Class A, Floating Rate Pass Through Ctfs., 2.50%, 09/08/39 (Acquired 11/05/10; Cost $19,970,670)(a)(b)	19,330,352	20,091,485
LB-UBS Commercial Mortgage Trust, Series 2005-C3, Class AJ, Pass Through Ctfs., 4.84%, 07/15/40	2,375,000	2,397,236
Series 2005-C7, Class AJ, Pass Through Ctfs., 5.32%, 11/15/40	775,000	795,439
LSTAR Commercial Mortgage Trust, Series 2014-2, Class A2, Pass Through Ctfs., 2.77%, 01/20/41(b)	6,300,000	6,370,305
Morgan Stanley Capital I Trust, Series 2005-HQ6, Class AJ, Pass Through Ctfs., 5.07%, 08/13/42	3,575,000	3,629,281
		45,221,924
Credit Cards–1.03%		
Citibank Credit Card Issuance Trust, Series 2014-A5, Class A5, Pass Through Ctfs., 2.68%, 06/07/23	7,000,000	7,085,775
Sovereign Debt–0.67%		
Israel Government Agency for International Development (AID) Bond, Unsec. Gtd. Global Bonds, 5.13%, 11/01/24	3,800,000	4,574,472
Total Bonds (Cost $55,614,666)		56,882,171

	Principal Amount	Value
Corporate Notes–2.43%		
Private Export Funding Corp.–2.43%		
Series BB, Sec. Gtd. Notes, 4.30%, 12/15/21	$1,540,000	$ 1,719,755
Series DD, Sec. Gtd. Notes, 2.13%, 07/15/16	5,000,000	5,107,075
Series FF, Sec. Gtd. Notes, 1.38%, 02/15/17	5,000,000	5,048,649
Series HH, Sr. Sec. Gtd. Notes, 1.45%, 08/15/19	5,000,000	4,866,320
Total Corporate Notes (Cost $16,537,934)		16,741,799
Non-Agency Sponsored Obligations–1.74%		
Freddie Mac, Series 2014-DN1, Class M2, Floating Rate STACR® Debt Notes, 2.37%, 02/25/24(a)(f)	7,300,000	7,181,068
Series 2014-DN4, Class M2, Floating Rate STACR® Debt Notes, 2.57%, 10/25/24(a)(f)	1,100,000	1,097,433
Series 2014-HQ2, Class M2, Floating Rate STACR® Debt Notes, 2.37%, 09/25/24(a)(f)	3,800,000	3,715,619
Total Non-Agency Obligations (Cost $12,221,626)		11,994,120
	Shares	
Money Market Funds–0.59%		
Government & Agency Portfolio, Institutional Class (Cost $4,040,705)(g)	4,040,705	4,040,705
Options Purchased–0.00%		
(Cost $198,756)(h)		25,780
TOTAL INVESTMENTS–99.65% (Cost $669,268,974)		684,947,983
OTHER ASSETS LESS LIABILITIES–0.35%		2,396,182
NET ASSETS–100.00%		$687,344,165

Investment Abbreviations:

ARM – Adjustable Rate Mortgage
BAL – Balloon
Ctfs. – Certificates
Gtd. – Guaranteed
REMICs – Real Estate Mortgage Investment Conduits
Sec. – Secured
Sr. – Senior
STACR® – Structured Agency Credit Risk
Unsec. – Unsecured

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

Notes to Schedule of Investments:

[a] Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on December 31, 2014.
[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, 2014 was $54,106,625, which represented 7.87% 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] Principal amount of security and interest payments are adjusted for inflation.
[f] Principal payments are determined by the delinquency and principal payment experience on the STACR® reference pool. Freddie Mac transfers credit risk from the mortgages in the reference pool to credit investors who invest in the STACR® debt notes.
[g] The money market fund and the Fund are affiliated by having the same investment adviser.
[h] The table below details options purchased:

Over-the-Counter Swaptions Purchased — Interest Rate Risk

Description	Type of Contract	Counterparty	Premium Rate	Pay/Receive Premium Rate	Floating Rate Index	Expiration Date	Notional Value	Value
30 Year Interest Rate Swap	Put	Goldman Sachs International	3.45%	Receive	3 Month USD BBA LIBOR	05/06/15	$12,250,000	$25,780

Currency Abbreviations:

BBA – British Bankers' Association
LIBOR – London Interbank Offered Rate
USD – U.S. Dollar

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

Statement of Assets and Liabilities

December 31, 2014

Assets:	
Investments, at value (Cost $665,228,269)	$680,907,278
Investments in affiliated money market funds, at value and cost	4,040,705
Total investments, at value (Cost $669,268,974)	684,947,983
Receivable for:	
Investments sold	34,800,782
Variation margin	183,068
Fund shares sold	680,329
Dividends and interest	2,409,435
Principal paydowns	529,838
Investment for trustee deferred compensation and retirement plans	234,935
Total assets	723,786,370
Liabilities:	
Payable for:	
Investments purchased	34,746,142
Fund shares reacquired	743,416
Accrued fees to affiliates	578,463
Accrued trustees' and officers' fees and benefits	903
Accrued other operating expenses	104,479
Trustee deferred compensation and retirement plans	268,802
Total liabilities	36,442,205
Net assets applicable to shares outstanding	$687,344,165
Net assets consist of:	
Shares of beneficial interest	$677,007,132
Undistributed net investment income	12,310,425
Undistributed net realized gain (loss)	(20,807,355)
Net unrealized appreciation	18,833,963
	$687,344,165
Net Assets:	
Series I	$474,556,423
Series II	$212,787,742
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	40,414,588
Series II	18,282,009
Series I:	
Net asset value per share	$ 11.74
Series II:	
Net asset value per share	$ 11.64

Statement of Operations

For the year ended December 31, 2014

Investment income:	
Interest	$16,134,366
Dividends from affiliated money market funds	1,149
Total investment income	16,135,515
Expenses:	
Advisory fees	3,515,893
Administrative services fees	2,001,922
Custodian fees	64,719
Distribution fees — Series II	556,340
Transfer agent fees	52,963
Trustees' and officers' fees and benefits	39,355
Other	240,159
Total expenses	6,471,351
Less: Fees waived	(2,514)
Net expenses	6,468,837
Net investment income	9,666,678
Realized and unrealized gain from:	
Net realized gain from:	
Investment securities	187,573
Futures contracts	9,145,665
	9,333,238
Change in net unrealized appreciation of:	
Investment securities	7,300,849
Futures contracts	3,965,332
	11,266,181
Net realized and unrealized gain	20,599,419
Net increase in net assets resulting from operations	$30,266,097

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, 2014 and 2013

	2014	2013
Operations:		
Net investment income	$ 9,666,678	$ 9,968,610
Net realized gain (loss)	9,333,238	(11,506,190)
Change in net unrealized appreciation (depreciation)	11,266,181	(25,851,310)
Net increase (decrease) in net assets resulting from operations	30,266,097	(27,388,890)
Distributions to shareholders from net investment income:		
Series I	(16,177,318)	(22,128,544)
Series II	(6,330,149)	(7,761,089)
Total distributions from net investment income	(22,507,467)	(29,889,633)
Share transactions–net:		
Series I	(96,681,441)	(265,152,570)
Series II	(16,660,069)	(18,936,311)
Net increase (decrease) in net assets resulting from share transactions	(113,341,510)	(284,088,881)
Net increase (decrease) in net assets	(105,582,880)	(341,367,404)
Net assets:		
Beginning of year	792,927,045	1,134,294,449
End of year (includes undistributed net investment income of $12,310,425 and $20,577,692, respectively)	$ 687,344,165	$ 792,927,045

Notes to Financial Statements

December 31, 2014

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 securities) 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 securities) 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 ask 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.

The Fund may invest in securities that are subject to interest rate risk, meaning the risk that the prices will generally fall as interest rates rise and, conversely, the prices will generally rise as interest rates fall. Specific securities differ in their sensitivity to changes in interest rates depending on their individual characteristics. Changes in interest rates may result in increased market volatility, which may affect the value and/or liquidity of certain of the Fund's investments.

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 (net of withholding tax, if any) 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 net investment 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 recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained. Management has analyzed the Fund's uncertain tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

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. Treasury Inflation-Protected Securities – The Fund may invest in Treasury Inflation-Protected Securities (TIPS"). TIPS are fixed income securities whose principal value is periodically adjusted to the rate of inflation. The principal value of TIPS will be adjusted upward or downward, and any increase or decrease in the principal amount of TIPS will be included as interest income in the Statement of Operations, even though investors do not receive their principal until maturity.

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 ("Counterparties") 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. 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 Counterparty 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.

L. Put Options Purchased – The Fund may purchase put options including options on securities indexes and/or futures contracts. By purchasing a put option, the Fund obtains the right (but not the obligation) to sell the option's underlying instrument at a fixed strike price. In return for this right, the Fund pays an option premium. The option's underlying instrument may be a security, securities index, or a futures contract.

Additionally, the Fund may enter into an option on a swap agreement, also called a "swaption". A swaption is an option that gives the buyer the right, but not the obligation, to enter into a swap on a future date in exchange for paying a market-based premium. A receiver swaption gives the owner the right to receive the total return of a specified asset, reference rate or index. Swaptions also include options that allow an existing swap to be terminated or extended by one of the counterparties.

Put options may be used by the Fund to hedge securities it owns by locking in a minimum price at which the Fund can sell. If security prices fall, the put option could be exercised to offset all or a portion of the Fund's resulting losses. At the same time, because the maximum the Fund has at risk is the cost of the option, purchasing put options does not eliminate the potential for the Fund to profit from an increase in the value of the securities hedged. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations as Net realized gain from Investment securities. A risk in buying an option is that the Fund pays a premium whether or not the option is exercised. In addition, there can be no assurance that a liquid secondary market will exist for any option purchased.

M. Other Risks – The Fund 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.

N. 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%

For the year ended December 31, 2014, the effective advisory fees incurred by the Fund was 0.47%.

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, 2015, 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. 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, 2015. 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 June 30, 2016, 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, 2014, the Adviser waived advisory fees of $2,514.

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, 2014, Invesco was paid $178,312 for accounting and fund administrative services and reimbursed $1,823,610 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, 2014, 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, 2014, 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, 2014. 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	$4,040,705	$ –	$–	$ 4,040,705
U.S. Treasury Securities	–	115,937,039	–	115,937,039
U.S. Government Sponsored Agency Securities	–	479,326,369	–	479,326,369
Non-Agency Sponsored Obligations	–	11,994,120	–	11,994,120
Corporate Debt Securities	–	16,741,799	–	16,741,799
Bonds	–	20,278,036	–	20,278,036
Foreign Debt Securities	–	32,029,663	–	32,029,663
Foreign Sovereign Debt Securities	–	4,574,472	–	4,574,472
Options Purchased	–	25,780	–	25,780
	4,040,705	680,907,278	–	684,947,983
Futures Contracts*	3,154,954	–	–	3,154,954
Total Investments	$7,195,659	$680,907,278	$–	$688,102,937

* Unrealized appreciation.

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, 2014:

	Value	
Risk Exposure/Derivative Type	Assets	Liabilities
Interest rate risk:		
Futures contracts[a]	$3,914,735	$(759,781)
Options purchased[b]	25,780	–
Total	$3,940,515	$(759,781)

[a] Includes cumulative appreciation (depreciation) of futures contracts. Only current day's variation margin receivable is reported within the Statement of Assets and Liabilities.
[b] Options purchased at value as reported in the Schedule of Investments.

Effect of Derivative Investments for the year ended December 31, 2014

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	Options[a]
Realized Gain:		
Interest rate risk	$ 9,145,665	$ 99,000
Change in Unrealized Appreciation (Depreciation):		
Interest rate risk	3,965,332	(172,976)
Total	$13,110,997	$ (73,976)

[a] Options purchased are included in the net realized gain from investment securities and net change in unrealized appreciation on investment securities.

The table below summarizes the twelve month average notional value of futures contracts and the four month average notional value of options purchased during the period.

	Futures Contracts	Options Purchased
Average notional value	$202,576,102	$171,125,000

Open Futures Contracts

Futures Contracts	Type of Contract	Number of Contracts	Expiration Month	Notional Value	Unrealized Appreciation (Depreciation)
U.S. Treasury 2 Year Notes	Long	160	March-2015	$ 34,975,000	$ (5,336)
U.S. Treasury 5 Year Notes	Long	204	March-2015	24,261,656	6,755
U.S. Treasury 10 Year Notes	Long	127	March-2015	16,103,203	47,963
U.S. Ultra Bonds	Long	532	March-2015	87,879,750	3,860,017
U.S. Treasury 30 Year Bonds	Short	208	March-2015	(30,069,000)	(754,445)
Total Futures Contracts — Interest Rate Risk					$3,154,954

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 Fiscal Years Ended December 31, 2014 and 2013:

	2014	2013
Ordinary income	$22,507,467	$29,889,633

Tax Components of Net Assets at Period-End:

	2014
Undistributed ordinary income	$ 12,568,420
Net unrealized appreciation — investments	15,620,031
Temporary book/tax differences	(559,612)
Capital loss carryforward	(17,291,806)
Shares of beneficial interest	677,007,132
Total net assets	$687,344,165

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 eight 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 carryforwards in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund utilized $8,750,211 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, 2014, 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	9,291,880	4,154,087	13,445,967
	$13,137,719	$4,154,087	$17,291,806

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code and may be further limited depending upon a variety of factors, including the realization of net unrealized gains or losses as of the date of any 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, 2014 was $284,137,444 and $367,924,978, respectively. During the same period, purchases and sales of U.S. Treasury obligations were $124,349,754 and $142,154,821, 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	$17,511,408
Aggregate unrealized (depreciation) of investment securities	(1,891,377)
Net unrealized appreciation of investment securities	$15,620,031

Cost of investments for tax purposes is $669,327,952.

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, 2014, undistributed net investment income was increased by $4,573,522 and undistributed net realized gain (loss) was decreased by $4,573,522. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

Summary of Share Activity

	Years ended December 31,			
	2014[a]		2013	
	Shares	Amount	Shares	Amount
Sold:				
Series I	3,780,129	$ 44,538,169	4,151,119	$ 50,366,115
Series II	2,344,721	27,332,900	2,789,136	33,454,648
Issued as reinvestment of dividends:				
Series I	1,398,212	16,177,318	1,892,946	22,128,544
Series II	551,407	6,330,149	669,059	7,761,089
Reacquired:				
Series I	(13,365,628)	(157,396,928)	(27,869,610)	(337,647,229)
Series II	(4,310,995)	(50,323,118)	(5,008,779)	(60,152,048)
Net increase (decrease) in share activity	(9,602,154)	$(113,341,510)	(23,376,129)	$(284,088,881)

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 82% 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	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 12/31/14	$11.64	$0.16	$ 0.32	$ 0.48	$(0.38)	$11.74	4.14%	$ 474,556	0.78%[d]	0.78%[d]	1.36%[d]	55%
Year ended 12/31/13	12.40	0.13	(0.45)	(0.32)	(0.44)	11.64	(2.62)	565,690	0.74	0.76	1.10	139
Year ended 12/31/12	12.49	0.19	0.12	0.31	(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)	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)	12.00	5.40	1,072,405	0.73	0.75	1.98	61
Series II												
Year ended 12/31/14	11.54	0.13	0.31	0.44	(0.34)	11.64	3.88	212,788	1.03[d]	1.03[d]	1.11[d]	55
Year ended 12/31/13	12.29	0.10	(0.45)	(0.35)	(0.40)	11.54	(2.85)	227,237	0.99	1.01	0.85	139
Year ended 12/31/12	12.39	0.16	0.12	0.28	(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)	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)	11.92	5.10	24,074	0.98	1.00	1.73	61

[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 $530,996 and $222,536 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, 2014, 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, 2014 by correspondence with the custodian and brokers, and the application of alternative auditing procedures where confirmations of security purchases have not been received, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas
February 13, 2015

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, 2014 through December 31, 2014.

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 (07/01/14)	Ending Account Value (12/31/14)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/14)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,017.80	$4.02	$1,021.22	$4.02	0.79%
Series II	1,000.00	1,016.80	5.29	1,019.96	5.30	1.04

1 The actual ending account value is based on the actual total return of the Fund for the period July 1, 2014 through December 31, 2014, 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, 2014:

Federal and State Income Tax	
Corporate Dividends Received Deduction*	0%
U.S. Treasury Obligations*	22.97%

* 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).	144	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; 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), and Short-Term Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	144	None
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; Chairman, Board of Governors of INTELSAT (international communications company); ACE Limited (insurance company); and Investment Company Institute	144	ALPS (Attorneys Liability Protection Society) (insurance company)

[1] Mr. Flanagan is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) 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.

[2] Mr. Taylor is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of the Trust because he is an officer and a director of the Adviser.

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)				
David C. Arch – 1945 Trustee	2010	Chairman of Blistex Inc., a consumer health care products manufacturer	144	Board member of the Illinois Manufacturers' Association; Member of the Board of Visitors, Institute for the Humanities, University of Michigan; Member of the Audit Committee of the Edward-Elmhurst Hospital
James T. Bunch – 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity investments) 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	144	Chairman, Board of Governors, Western Golf Association; Chairman, 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	144	Director of Quidel Corporation and Stericycle, 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); Nature's Sunshine Products, Inc. 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)	144	Director of: Nature's Sunshine Products, Inc., Reich & Tang Funds, Homeowners of America Holding Corporation/ Homeowners of America Insurance Company, the Boss Group
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	144	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired. Formerly: Chief Executive Officer, YWCA of the U.S.A.	144	None
Larry Soll – 1942 Trustee	2004	Retired. Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	144	None
Hugo F. Sonnenschein – 1940 Trustee	2010	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to 2000, President of the University of Chicago	144	Trustee of the University of Rochester and a member of its investment committee; Member of the National Academy of Sciences and the American Philosophical Society; Fellow of the American Academy of Arts and Sciences
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired. Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	144	None

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)				
Suzanne H. Woolsey – 1941 Trustee	2014	Chief Executive Officer of Woolsey Partners LLC	144	Emeritus Chair of the Board of Trustees of the Institute for Defense Analyses; Trustee of Colorado College; Trustee of California Institute of Technology; Prior to 2014, Director of Fluor Corp.; Prior to 2010, Trustee of the German Marshall Fund of the United States; Prior to 2010 Trustee of the Rocky Mountain Institute
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 , PowerShares Actively Managed Exchange-Traded Fund Trust; and PowerShares Actively Managed Exchange-Traded Commodity 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
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, PowerShares Actively Managed Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Commodity 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

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)				
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.; 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), and Short-Term Investments Trust only)	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, and PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, PowerShares Actively Managed Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Commodity 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
1000 Louisiana Street, Suite 5800
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, 2014, Invesco V.I. International Growth Fund delivered modest gains, but outperformed its style-specific benchmark, the Custom International Growth Index. Stock selection decisions in the health care and information technology (IT) sectors were key drivers of Fund outperformance.

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

Fund vs. Indexes

Total returns, 12/31/13 to 12/31/14, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	0.33%
Series II Shares	0.09
MSCI EAFE Index▼ (Broad Market Index)	-4.90
Custom International Growth Index■ (Style-Specific Index)	-2.65
Lipper VUF International Large-Cap Growth Funds Index◆ (Peer Group Index)*	-5.24

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

*During the reporting period, Lipper eliminated the Lipper VUF International Growth Funds Index, the former peer group index for the Fund, and replaced it with the Lipper VUF International Large-Cap Growth Funds Index.

Market conditions and your Fund

While 2014 began on an optimistic note, global equity markets pulled back at various points during the year in reaction to economic and geopolitical concerns. In the US, concerns centered around the potential negative effects of the US Federal Reserve reducing the scope of its asset purchase program beginning in early 2014; it ended all purchases in October. Global equity markets also declined in response to an Argentine sovereign bond default, eurozone banking concerns and geopolitical tensions in Ukraine and the Middle East, which weakened the outlook for global economic growth.

Advanced economies such as the UK and US saw an economic rebound that, while modest, was stronger than in Europe, where a nascent recovery stalled. While a more supportive monetary policy in the eurozone failed to ignite dramatic economic recovery, it briefly boosted European equity prices despite having little effect on corporate earnings. Meanwhile, the Bank of Japan remained committed to extraordinary monetary stimulus.

Equity market performance in emerging markets was mixed. In Russia, markets declined significantly as a result of a sharp drop in the price of energy, recession concerns and a sharp decline in the value of the ruble. China continued to face headwinds and struggled to balance structural reforms with its desire to maintain satisfactory growth, while equity markets in other Asian countries, including India, Indonesia and the Philippines, experienced gains.

In this environment, we continued to construct the Fund's portfolio with a bottom-up approach, selecting stocks on an individual basis. The Fund outperformed its style-specific benchmark in seven of 10 sectors, significantly outperforming in the health care and IT sectors.

Stock selection decisions in the health care sector led relative performance during the year. **Shire**, an Ireland-based global specialty biopharmaceutical company, was one of the Fund's top performers. Shire's stock price rose over 50% during the year as it was subject to a takeover bid by US drugmaker AbbVie (not a Fund holding). **Teva Pharmaceutical**, an Israel-based healthcare company engaged in the manufacture and sale of generics, branded and over-the-counter pharmaceuticals, was a top contributor in the sector as well. The departure of the company's chief executive officer led to the board accelerating restructuring costs ahead of expectations. In addition, approval of a new formulation of Copaxone (used to treat multiple sclerosis) helped alleviate concerns of a generic threat. Late in 2014, the company also benefited from third quarter earnings that were well above estimates.

The Fund's IT holdings delivered strong gains as well, meaningfully outperforming the style-specific index in the IT sector. Semiconductor and Internet software stocks showed particular strength. **Avago Technologies**, a Singapore-based semiconductor company, was the Fund's strongest performer. In August 2014, the company reported earnings and forward guidance that were significantly better than consensus expectations. Also, the market was pleasantly surprised by the speed and integration of the company's acquisition of LSI (not a Fund holding). In addition, Avago's stock price rallied in anticipation of greater-than-expected content in the latest iPhones.

Stock selection decisions and underweight positions in the weak industrials and materials sectors also contributed to Fund performance versus the style-specific index, which posted negative returns in the sectors for the reporting period. **Taiwan Semiconductor** also contributed to relative performance during the reporting period.

Geographically, stock selection in Europe, Asia/Pacific, Africa/Middle East and Latin America contributed to relative outperformance versus the style-specific

Portfolio Composition

By sector

Consumer Discretionary	23.7%
Financials	17.5
Information Technology	15.1
Industrials	10.2
Health Care	9.0
Consumer Staples	8.6
Energy	5.2
Materials	3.1
Utilities	0.7
Money Market Funds Plus Other Assets Less Liabilities	6.9

Top 10 Equity Holdings*

1. Sky PLC	2.5%
2. Teva Pharmaceutical Industries Ltd.-ADR	2.3
3. WPP PLC	2.2
4. Reed Elsevier PLC	2.2
5. Avago Technologies Ltd.	2.1
6. British American Tobacco PLC	2.1
7. SAP S.E.	2.1
8. Suncor Energy, Inc.	2.0
9. Toyota Motor Corp.	2.0
10. Baidu, Inc.-ADR	1.9

Top Five Countries*

1. United Kingdom	18.9%
2. Switzerland	8.1
3. Germany	7.7
4. Japan	7.7
5. Canada	7.3

Total Net Assets	$1.7 billion
Total Number of Holdings*	70

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.

index. Top country-level contributors included the UK, Singapore and Australia. Stock selection in each country was the primary driver of relative outperformance. Overweight exposure in Ireland and Israel and 0% exposure in the weak Russian market were supportive on a relative basis as well.

In contrast, exposure to the consumer discretionary sector was the largest sector-level detractor from relative performance versus the Fund's style-specific index. **Galaxy Entertainment** was the largest detractor from performance during the reporting period. After enjoying extremely strong returns, this leading developer and operator of casinos in Macau, succumbed to profit-taking as investors remained somewhat cautious about the growth outlook for the VIP segment in Macau. At the end of the reporting period, we continued to hold Galaxy due to potential earnings growth and the opening of Galaxy Macau Phase 2 on track for the first half of 2015, the first in the next round of openings. Additionally, German sportswear manufacturer **Adidas** detracted from performance during the reporting period.

Fund exposure to the consumer staples sector was also a detractor from relative performance. Denmark-based beer-maker **Carlsberg** was the leading detractor in the sector. The company's significant exposure to Russia and Ukraine caused its stock price to fall as geopolitical tensions rose in the two countries earlier in the year.

Holdings in the utilities sector detracted from both absolute and relative results as well. **Centrica**, the biggest energy supplier to UK households, was the largest detractor from performance in the sector. The company's share price declined during the fourth quarter as it cut its full-year earnings outlook because of mild weather and outages at nuclear power plants.

Geographically, Fund exposure in Hong Kong was the largest detractor from performance versus the style-specific index. Fund exposure in Germany and Canada hurt relative performance as well. In Canada, select holdings within the energy sector were down as prices in the sector fell significantly in the latter part of the year.

As mentioned above, stock selection in the Fund 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 Fund's overall profile. The Fund ended the reporting period with meaningful overweight exposures to the consumer discretionary, financials and IT sectors relative to our style-specific benchmark. The Fund had meaningful underweight exposures to the utilities, materials, industrials and energy 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.

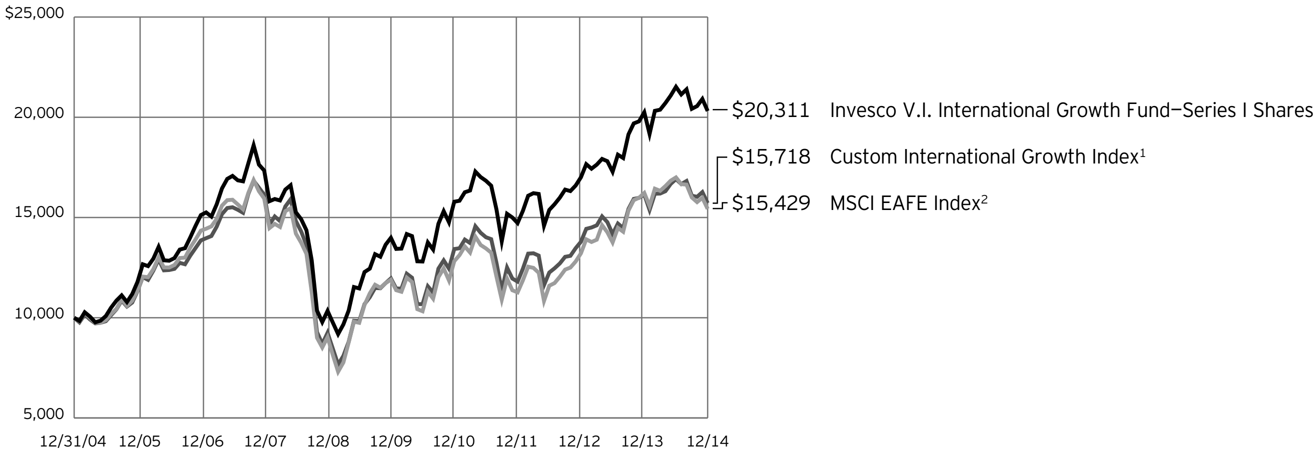
Mark Jason
Chartered Financial Analyst, Portfolio Manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 2001. Mr. Jason earned a BS in finance and a BS in real estate from California State University, Northridge.

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 12/31/04



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

Past performance cannot guarantee comparable future results.

Please note: The Lipper VUF International Large-Cap Growth Funds Index is not shown on the chart as the index does not have 10 years of performance history.

Average Annual Total Returns *As of 12/31/14*	
Series I Shares	
Inception (5/5/93)	7.58%
10 Years	7.34
5 Years	7.74
1 Year	0.33
Series II Shares	
Inception (9/19/01)	8.14%
10 Years	7.08
5 Years	7.48
1 Year	0.09

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

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

The net annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 1.02% and 1.27%, 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 1.03% and 1.28%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

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

The most recent month-end performance 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, 2016. See current prospectus for more information.

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, 2014, 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 market 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.

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.

Preferred securities risk. Preferred securities may include provisions that permit the issuer, in its discretion, to defer or omit distributions for a certain period of time. If the Fund owns a security that is deferring or omitting its distributions, the Fund may be required to report the distribution on its tax returns, even though it may not have received this income. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments.

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 composed of the MSCI EAFE® Growth Index through February 28, 2013, and the MSCI All Country World ex-US Growth Index thereafter.

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

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 **MSCI All Country World ex-US Growth Index** is an index considered representative of growth companies in developed and emerging markets, excluding the US. 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, 2014

	Shares	Value
Common Stocks & Other Equity Interests–93.07%		
Australia–3.69%		
Amcor Ltd.	2,878,348	$ 31,674,792
Brambles Ltd.	2,215,658	19,080,966
CSL Ltd.	184,001	12,955,711
		63,711,469
Belgium–1.55%		
Anheuser-Busch InBev N.V.	237,951	26,778,612
Brazil–4.12%		
Banco Bradesco S.A.–ADR	2,409,615	32,216,553
BM&FBovespa S.A.	6,660,560	24,422,060
BRF S.A.	609,848	14,557,780
		71,196,393
Canada–7.29%		
Canadian National Railway Co.	242,518	16,703,641
Cenovus Energy Inc.	486,806	10,043,673
CGI Group Inc.–Class A [(a)]	771,527	29,412,060
Encana Corp.	1,118,912	15,573,082
Fairfax Financial Holdings Ltd.	36,576	19,165,723
Suncor Energy, Inc.	1,103,737	35,055,858
		125,954,037
China–5.11%		
Baidu, Inc.–ADR[(a)]	146,134	33,314,168
CNOOC Ltd.	5,032,000	6,807,006
Great Wall Motor Co. Ltd.–Class H	5,237,000	29,554,408
Industrial & Commercial Bank of China Ltd.–Class H	25,497,000	18,522,094
		88,197,676
Denmark–2.10%		
Carlsberg AS-Class B	273,100	21,207,233
Novo Nordisk AS-Class B	357,860	15,135,176
		36,342,409
France–2.90%		
Publicis Groupe S.A.	451,199	32,317,637
Schneider Electric S.E.	243,696	17,708,133
		50,025,770
Germany–7.72%		
adidas AG	204,080	14,229,674
Allianz S.E.	132,510	22,024,121
Deutsche Boerse AG	375,856	26,934,638
Deutsche Post AG	427,677	13,996,651
ProSiebenSat.1 Media AG	495,629	20,889,664
SAP S.E.	499,764	35,337,514
		133,412,262

	Shares	Value
Hong Kong–3.31%		
Galaxy Entertainment Group Ltd.	4,580,000	$ 25,495,489
Hutchison Whampoa Ltd.	2,764,000	31,644,147
		57,139,636
Ireland–0.95%		
Shire PLC	232,778	16,447,132
Israel–2.31%		
Teva Pharmaceutical Industries Ltd.–ADR	693,210	39,866,507
Japan–7.71%		
Denso Corp.	259,300	12,086,849
FANUC Corp.	105,000	17,331,950
Japan Tobacco, Inc.	750,900	20,621,719
Keyence Corp.	28,200	12,492,934
Komatsu Ltd.	919,237	20,382,456
Toyota Motor Corp.	540,700	33,723,990
Yahoo Japan Corp.	4,577,000	16,518,426
		133,158,324
Mexico–1.95%		
Fomento Economico Mexicano, S.A.B. de C.V.–ADR[(a)]	120,611	10,617,386
Grupo Televisa S.A.B.–ADR[(a)]	675,475	23,006,679
		33,624,065
Singapore–4.83%		
Avago Technologies Ltd.	364,701	36,685,274
Keppel Corp. Ltd.	2,492,661	16,632,065
United Overseas Bank Ltd.	1,626,000	30,060,124
		83,377,463
South Korea–2.68%		
Hyundai Mobis Co., Ltd.[(a)]	88,706	19,021,241
Samsung Electronics Co., Ltd.	22,509	27,259,611
		46,280,852
Spain–1.07%		
Amadeus IT Holding S.A.–Class A	466,774	18,549,062
Sweden–2.51%		
Investor AB-Class B	693,053	25,116,236
Telefonaktiebolaget LM Ericsson-Class B	1,508,432	18,256,993
		43,373,229
Switzerland–8.09%		
ABB Ltd.	1,055,734	22,332,810
Julius Baer Group Ltd.	426,160	19,449,787
Novartis AG	219,519	20,190,641
Roche Holding AG	115,288	31,250,856
Syngenta AG	70,486	22,635,364
UBS Group AG	1,387,655	23,855,773
		139,715,231

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

	Shares	Value
Taiwan-1.86%		
Taiwan Semiconductor Manufacturing Co. Ltd.-ADR	1,437,456	$ 32,170,265
Thailand-1.23%		
Kasikornbank PCL-NVDR	3,064,300	21,166,099
Turkey-1.20%		
Akbank T.A.S.	5,608,758	20,665,961
United Kingdom-18.89%		
Aberdeen Asset Management PLC	2,831,331	18,912,028
British American Tobacco PLC	673,115	36,575,264
Centrica PLC	2,730,538	11,752,871
Compass Group PLC	1,621,008	27,630,753
Informa PLC	1,719,487	12,547,716
Kingfisher PLC	4,569,563	24,081,350
Next PLC	145,171	15,313,011
Reed Elsevier PLC	2,184,390	37,166,269
Royal Dutch Shell PLC-Class B	669,753	23,010,111

	Shares	Value
United Kingdom-(continued)		
Sky PLC	3,133,082	$ 43,609,707
Smith & Nephew PLC	1,040,354	19,101,492
Unilever N.V.	474,003	18,620,912
WPP PLC	1,826,842	37,902,425
		326,223,909
Total Common Stocks & Other Equity Interests (Cost $1,178,176,250)		1,607,376,363
Money Market Funds-6.48%		
Liquid Assets Portfolio-Institutional Class[b]	55,918,447	55,918,447
Premier Portfolio-Institutional Class[b]	55,918,446	55,918,446
Total Money Market Funds (Cost $111,836,893)		111,836,893
TOTAL INVESTMENTS-99.55% (Cost $1,290,013,143)		1,719,213,256
OTHER ASSETS LESS LIABILITIES-0.45%		7,804,238
NET ASSETS-100.00%		$1,727,017,494

Investment Abbreviations:

ADR - American Depositary Receipt
NVDR - Non-Voting 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, 2014

Assets:	
Investments, at value (Cost $1,178,176,250)	$1,607,376,363
Investments in affiliated money market funds, at value and cost	111,836,893
Total investments, at value (Cost $1,290,013,143)	1,719,213,256
Foreign currencies, at value (Cost $4,164,046)	4,099,483
Receivable for:	
Investments sold	3,777,075
Fund shares sold	1,214,289
Dividends	3,991,599
Investment for trustee deferred compensation and retirement plans	245,422
Other assets	194
Total assets	1,732,541,318
Liabilities:	
Payable for:	
Investments purchased	601,184
Fund shares reacquired	2,033,032
Accrued foreign taxes	742,607
Accrued fees to affiliates	1,733,488
Accrued trustees' and officers' fees and benefits	913
Accrued other operating expenses	131,545
Trustee deferred compensation and retirement plans	281,055
Total liabilities	5,523,824
Net assets applicable to shares outstanding	$1,727,017,494
Net assets consist of:	
Shares of beneficial interest	$1,357,725,245
Undistributed net investment income	13,673,897
Undistributed net realized gain (loss)	(73,318,652)
Net unrealized appreciation	428,937,004
	$1,727,017,494
Net Assets:	
Series I	$ 647,529,796
Series II	$1,079,487,698
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	18,571,292
Series II	31,366,242
Series I:	
Net asset value and offering price per share	$ 34.87
Series II:	
Net asset value per share	$ 34.42

Statement of Operations

For the year ended December 31, 2014

Investment income:	
Dividends (net of foreign withholding taxes of $3,249,364)	$ 45,530,992
Dividends from affiliated money market funds	50,454
Total investment income	45,581,446
Expenses:	
Advisory fees	12,453,165
Administrative services fees	4,665,269
Custodian fees	634,255
Distribution fees — Series II	2,702,711
Transfer agent fees	91,125
Trustees' and officers' fees and benefits	52,519
Other	124,357
Total expenses	20,723,401
Less: Fees waived	(178,782)
Net expenses	20,544,619
Net investment income	25,036,827
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities (net of tax on the sale of foreign investments of $41,368)	111,548,875
Foreign currencies	(1,504,440)
	110,044,435
Change in net unrealized appreciation (depreciation) of:	
Investment securities (net of foreign taxes on holdings of $742,607)	(132,023,737)
Foreign currencies	(328,678)
	(132,352,415)
Net realized and unrealized gain (loss)	(22,307,980)
Net increase in net assets resulting from operations	$ 2,728,847

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, 2014 and 2013

	2014	2013
Operations:		
Net investment income	$ 25,036,827	$ 19,018,143
Net realized gain	110,044,435	56,339,312
Change in net unrealized appreciation (depreciation)	(132,352,415)	199,236,580
Net increase in net assets resulting from operations	2,728,847	274,594,035
Distributions to shareholders from net investment income:		
Series I	(10,756,299)	(7,786,744)
Series II	(15,248,241)	(10,137,283)
Total distributions from net investment income	(26,004,540)	(17,924,027)
Share transactions–net:		
Series I	(30,328,366)	(8,312,424)
Series II	31,387,888	82,024,719
Net increase in net assets resulting from share transactions	1,059,522	73,712,295
Net increase (decrease) in net assets	(22,216,171)	330,382,303
Net assets:		
Beginning of year	1,749,233,665	1,418,851,362
End of year (includes undistributed net investment income of $13,673,897 and $15,206,100, respectively)	$1,727,017,494	$1,749,233,665

Notes to Financial Statements

December 31, 2014

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 securities) 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 securities) 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 ask 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.

The Fund may invest in securities that are subject to interest rate risk, meaning the risk that the prices will generally fall as interest rates rise and, conversely, the prices will generally rise as interest rates fall. Specific securities differ in their sensitivity to changes in interest rates depending on their individual characteristics. Changes in interest rates may result in increased market volatility, which may affect the value and/or liquidity of certain of the Fund's investments.

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 (net of withholding tax, if any) 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 net investment 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 recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained. Management has analyzed the Fund's uncertain tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

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. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests and are shown in the Statement of Operations.

J. Forward Foreign Currency Contracts – The Fund may engage in foreign currency transactions either on a spot (i.e. for prompt delivery and settlement) basis or through 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, or the Fund may also enter into forward foreign currency contracts that do not provide for physical settlement of the two currencies, but instead are settled by a single cash payment calculated as the difference between the agreed upon exchange rate and the spot rate at settlement based upon an agreed upon notional amount (non-deliverable forwards). The Fund will set aside liquid assets in an amount equal to daily mark-to-market obligation for forward foreign currency contracts.

A forward foreign currency contract is an obligation between two parties ("Counterparties") 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%

For the year ended December 31, 2014, the effective advisory fees incurred by the Fund was 0.71%.

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, 2015, 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, 2015. 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 June 30, 2016, 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, 2014, the Adviser waived advisory fees of $178,782.

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, 2014, Invesco was paid $383,952 for accounting and fund administrative services and reimbursed $4,281,317 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, 2014, 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, 2014, 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, 2014. 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, 2014, there were transfers from Level 1 to Level 2 of $225,287,555 and from Level 2 to Level 1 of $61,638,763, due to foreign fair value adjustments.

	Level 1	Level 2	Level 3	Total
Australia	$ –	$ 63,711,469	$–	$ 63,711,469
Belgium	–	26,778,612	–	26,778,612
Brazil	71,196,393	–	–	71,196,393
Canada	125,954,037	–	–	125,954,037
China	33,314,168	54,883,508	–	88,197,676
Denmark	15,135,176	21,207,233	–	36,342,409
France	–	50,025,770	–	50,025,770
Germany	98,074,748	35,337,514	–	133,412,262
Hong Kong	–	57,139,636	–	57,139,636
Ireland	16,447,132	–	–	16,447,132
Israel	39,866,507	–	–	39,866,507
Japan	–	133,158,324	–	133,158,324
Mexico	33,624,065	–	–	33,624,065

	Level 1	Level 2	Level 3	Total
Singapore	$ 36,685,274	$ 46,692,189	$–	$ 83,377,463
South Korea	–	46,280,852	–	46,280,852
Spain	–	18,549,062	–	18,549,062
Sweden	18,256,993	25,116,236	–	43,373,229
Switzerland	23,855,773	115,859,458	–	139,715,231
Taiwan	32,170,265	–	–	32,170,265
Thailand	–	21,166,099	–	21,166,099
Turkey	–	20,665,961	–	20,665,961
United Kingdom	–	326,223,909	–	326,223,909
United States	111,836,893	–	–	111,836,893
Total Investments	$656,417,424	$1,062,795,832	$–	$1,719,213,256

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 Fiscal Years Ended December 31, 2014 and 2013:

	2014	2013
Ordinary income	$26,004,540	$17,924,027

Tax Components of Net Assets at Period-End:

	2014
Undistributed ordinary income	$ 23,663,416
Net unrealized appreciation — investments	404,187,161
Net unrealized appreciation (depreciation) — other investments	(263,109)
Temporary book/tax differences	(269,920)
Capital loss carryforward	(58,025,299)
Shares of beneficial interest	1,357,725,245
Total net assets	$1,727,017,494

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 eight 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 carryforwards in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund utilized $110,938,577 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, 2014, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2016	$ 5,717,826	$–	$ 5,717,826
December 31, 2017	14,504,919	–	14,504,919
December 31, 2018	37,802,554	–	37,802,554
	$58,025,299	$–	$58,025,299

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code and may be further limited depending upon a variety of factors, including the realization of net unrealized gains or losses as of the date of any 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, 2014 was $425,173,254 and $441,987,277, 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	$442,989,769
Aggregate unrealized (depreciation) of investment securities	(38,802,608)
Net unrealized appreciation of investment securities	$404,187,161

Cost of investments for tax purposes is $1,315,026,095.

NOTE 8—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of foreign currency transactions, capital loss carryforward limitation and passive foreign investment company reclasses, on December 31, 2014, undistributed net investment income was decreased by $564,490, undistributed net realized gain (loss) was increased by $951,026 and shares of beneficial interest was decreased by $386,536. This reclassification had no effect on the net assets of the Fund.

NOTE 9—Share Information

Summary of Share Activity

	Years ended December 31,			
	2014[a]		2013	
	Shares	Amount	Shares	Amount
Sold:				
Series I	3,030,640	$ 108,099,105	3,847,472	$ 123,710,056
Series II	6,960,184	245,055,431	5,793,394	183,196,471
Issued as reinvestment of dividends:				
Series I	304,681	10,743,048	231,886	7,786,744
Series II	437,790	15,248,241	305,524	10,137,283
Reacquired:				
Series I	(4,195,088)	(149,170,519)	(4,344,114)	(139,809,224)
Series II	(6,504,328)	(228,915,784)	(3,499,681)	(111,309,035)
Net increase in share activity	33,879	$ 1,059,522	2,334,481	$ 73,712,295

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 33% 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 12/31/14	$35.32	$0.56	$(0.44)	$ 0.12	$(0.57)	$34.87	0.33%	$ 647,530	1.01%[d]	1.02%[d]	1.58%[d]	26%
Year ended 12/31/13	30.03	0.44	5.25	5.69	(0.40)	35.32	19.01	686,305	1.01	1.02	1.37	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
Series II												
Year ended 12/31/14	34.88	0.47	(0.43)	0.04	(0.50)	34.42	0.09	1,079,488	1.26[d]	1.27[d]	1.33[d]	26
Year ended 12/31/13	29.68	0.36	5.18	5.54	(0.34)	34.88	18.72	1,062,929	1.26	1.27	1.12	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

[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 $680,082 and $1,081,084 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, 2014, 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, 2014 by correspondence with the custodian and brokers, and the application of alternative auditing procedures where confirmations of security purchases have not been received, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas
February 13, 2015

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, 2014 through December 31, 2014.

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 (07/01/14)	Ending Account Value (12/31/14)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/14)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$944.00	$4.90	$1,020.16	$5.09	1.00%
Series II	1,000.00	943.00	6.12	1,018.90	6.36	1.25

1 The actual ending account value is based on the actual total return of the Fund for the period July 1, 2014 through December 31, 2014, 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, 2014:

Federal and State Income Tax	
Corporate Dividends Received Deduction*	0%
U.S. Treasury Obligations*	0%
Foreign Taxes	$0.0635
Foreign Source Income	$0.9669

* 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).	144	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; 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), and Short-Term Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	144	None
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; Chairman, Board of Governors of INTELSAT (international communications company); ACE Limited (insurance company); and Investment Company Institute	144	ALPS (Attorneys Liability Protection Society) (insurance company)

1 Mr. Flanagan is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) 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.

2 Mr. Taylor is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of the Trust because he is an officer and a director of the Adviser.

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)				
David C. Arch – 1945 Trustee	2010	Chairman of Blistex Inc., a consumer health care products manufacturer	144	Board member of the Illinois Manufacturers' Association; Member of the Board of Visitors, Institute for the Humanities, University of Michigan; Member of the Audit Committee of the Edward-Elmhurst Hospital
James T. Bunch – 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity investments) 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	144	Chairman, Board of Governors, Western Golf Association; Chairman, 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	144	Director of Quidel Corporation and Stericycle, 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); Nature's Sunshine Products, Inc. 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)	144	Director of: Nature's Sunshine Products, Inc., Reich & Tang Funds, Homeowners of America Holding Corporation/ Homeowners of America Insurance Company, the Boss Group
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	144	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired. Formerly: Chief Executive Officer, YWCA of the U.S.A.	144	None
Larry Soll – 1942 Trustee	2004	Retired. Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	144	None
Hugo F. Sonnenschein – 1940 Trustee	2010	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to 2000, President of the University of Chicago	144	Trustee of the University of Rochester and a member of its investment committee; Member of the National Academy of Sciences and the American Philosophical Society; Fellow of the American Academy of Arts and Sciences
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired. Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	144	None

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)				
Suzanne H. Woolsey – 1941 Trustee	2014	Chief Executive Officer of Woolsey Partners LLC	144	Emeritus Chair of the Board of Trustees of the Institute for Defense Analyses; Trustee of Colorado College; Trustee of California Institute of Technology; Prior to 2014, Director of Fluor Corp.; Prior to 2010, Trustee of the German Marshall Fund of the United States; Prior to 2010 Trustee of the Rocky Mountain Institute
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 , PowerShares Actively Managed Exchange-Traded Fund Trust; and PowerShares Actively Managed Exchange-Traded Commodity 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
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, PowerShares Actively Managed Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Commodity 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

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)				
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.; 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), and Short-Term Investments Trust only)	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, and PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, PowerShares Actively Managed Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Commodity 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

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

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

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

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

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

Auditors
PricewaterhouseCoopers LLP
1000 Louisiana Street, Suite 5800
Houston, TX 77002-5678

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

Annual Report to Shareholders December 31, 2014

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

For the year ended December 31, 2014, Invesco V.I. Technology Fund outperformed 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 technology hardware, storage and peripherals industry, along with the semiconductors and communications equipment industries. An allocation to the biotechnology industry was another key contributor to Fund performance.

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

Fund vs. Indexes

Total returns, 12/31/13 to 12/31/14, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	11.05%
Series II Shares	10.82
S&P 500 Index▼ (Broad Market Index)	13.69
Bank of America Merrill Lynch 100 Technology Index (price only)■ (Style-Specific Index)	10.73
Lipper VUF Science and Technology Funds Classification Average◆ (Peer Group)	12.22

Source(s): ▼FactSet Research Systems Inc.; ■Bloomberg LP; ◆Lipper Inc.

Market conditions and your Fund

Broad US equity markets enjoyed strong returns for the year ended December 31, 2014, buoyed by strong economic growth in the US and worldwide investor demand for US equities. The information technology (IT) sector was among the leading sectors during the year. Diverging trends in economic growth and monetary policy prospects across the globe became more established in 2014. The US and UK remained on their generally positive trajectory, with further improvements noted in labor markets and domestic demand. Towards the end of the year, US gross domestic product growth surpassed expectations, posting the highest level of growth in five years. Conversely, weakness in Continental Europe, the return of recessionary conditions in Japan, moderating growth in Australia and concerns over the growth path for China provided evidence of more challenging conditions. The deflationary impact from lower oil prices offered the US Federal Reserve (Fed) scope to suggest that the zero rate for Fed funds will continue for a longer period. US bond yields moved lower during the year. Additionally, more deliberate guidance from the European Central Bank regarding the prospects for quantitative easing in 2015 had the same effect on European bond yields.

During the reporting period, the S&P 500 Index rose to new heights, delivering strong returns for broad equity markets. Volatility in the market was fairly low for the year, however, spiked in October and December given steep declines in crude oil prices and the resulting selloff in energy equities. The energy sector was the only sector to produce losses for the year. The telecommunications services, materials, consumer discretionary and industrials sectors were also market laggards, yet produced positive returns. Market leading sectors included the utilities, health care and IT sectors.

On an absolute basis, the Fund experienced the greatest benefit from holdings in the following industries: semiconductors, biotechnology, communications equipment and technology hardware, storage and peripherals. Holdings in the software and wireless telecommunication services industries, however, detracted from Fund performance during the year.

On a relative basis, the Fund outperformed its style-specific index primarily as a result of security selection decisions. Specifically, security selection was a contributor to performance in the following industries: semiconductors, communications equipment and technology hardware, storage and peripherals. The Fund also benefited from allocation in the biotechnology industry, which the style-specific benchmark lacked. Relative detractors from performance included security selection in the software and an out-of-index allocation in the wireless telecommunication services industries.

Top contributors to absolute performance for the year were **Apple** and **Facebook**. Apple benefited from its recent product launch of the iPhone 6 and iPhone 6S, while Facebook benefited from increased mobile users and, correspondingly, increased mobile advertising revenues.

Top detractors from absolute performance for the year were **Sprint** and **Monitise**. Sprint came under pressure as investor hopes for a strategic merger were put on hold and news of a pricing restructure threatened to impact near-term revenues. Monitise, a world leader in banking and money transactions with a mobile device, failed to meet its internal targets during the year, but made progress with strategic partnerships which could pave the way for potential future growth.

Portfolio Composition

By sector

Information Technology	66.6%
Health Care	19.8
Consumer Discretionary	10.7
Telecommunication Services	1.1
Money Market Funds Plus Other Assets Less Liabilities	1.8

Top 10 Equity Holdings*

1.	Apple Inc.	6.2%
2.	Facebook Inc.-Class A	6.2
3.	NXP Semiconductors N.V.	4.4
4.	MasterCard, Inc.-Class A	4.3
5.	salesforce.com, inc.	4.2
6.	Micron Technology, Inc.	4.0
7.	Celgene Corp.	3.8
8.	DISH Network Corp.-Class A	3.6
9.	Google Inc.-Class A	3.2
10.	Amgen Inc.	2.9

Top Five Industries*

1.	Semiconductors	15.7%
2.	Internet Software & Services	14.6
3.	Biotechnology	12.4
4.	Data Processing & Outsourced Services	8.6
5.	Communications Equipment	7.1

Total Net Assets	$109.3 million
Total Number of Holdings*	42

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.

Please note that the Fund had a portfolio management change during the reporting period. Erik Voss was named lead portfolio manager and Janet Luby was named portfolio manager effective February 28, 2014. Fund changes during the year were primarily due to the portfolio manager change, as well as a desire to reduce the number of Fund holdings and expand the breadth of investments somewhat.

Previously, the Fund held 65 to 70 individual stocks. However, we intend to reduce that number eventually to approximately 40 to 50 as opportunities arise. Additionally, the qualified universe expanded to include stocks in the areas of health care technology, telecommunications and consumer technology, which gives the Fund an opportunity to participate in a wider range of long-term secular themes that are poised to shape technology today and in the future. For example, recently added health care investments, particularly biotechnology stocks, have exposure to the increased pace of innovation in the health care sector. This acceleration has benefited from technology advancements such as the successful mapping of the human genome and life sciences/analytical tools innovation, which allows for faster and more targeted approaches to drug discovery and development.

While the previous management team had a free cash flow valuation bias, we are taking a more holistic approach by using a variety of techniques to value stocks two to three years from now. We believe this will allow us to select market leaders that are best able to capitalize on the secular themes we have identified.

We attempt to harness multi-year secular trends, which we believe may benefit long-term investors regardless of near-term economic strength. We see modest but resilient US growth, a more advanced recovery and competitive advantages for industrial development when compared to the rest of the world.

Even with the market's significant rise during the reporting period, at the close of the year, valuations appeared to be in line with previous market recovery cycles, and we believed investors were finally developing confidence in longer-term growth opportunities. Though we are optimistic that economic growth and investment in growth prospects appeared solid, we balanced the dynamic growth opportunities with exposure to more durable and defensive growth opportunities.

At the close of the reporting period, we remained optimistic about IT spending in general, which is 40%[1] reliant on US trends. We believed that business confidence was poised to improve with expanding hiring and increased investment. Companies with strong balance sheets started to invest in new disruptive technologies such as cloud, mobile, security and new data architectures, which we believed were likely to continue to drive spending. At the same time, many categories reached maturity and may be in low growth or declining revenue-harvest mode. Substitution, cord cutting and tech deflation represent risks to many of these companies. We're focused on identifying what we believe are category leaders and companies poised to take market share.

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

1 International Strategy & Investment

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.

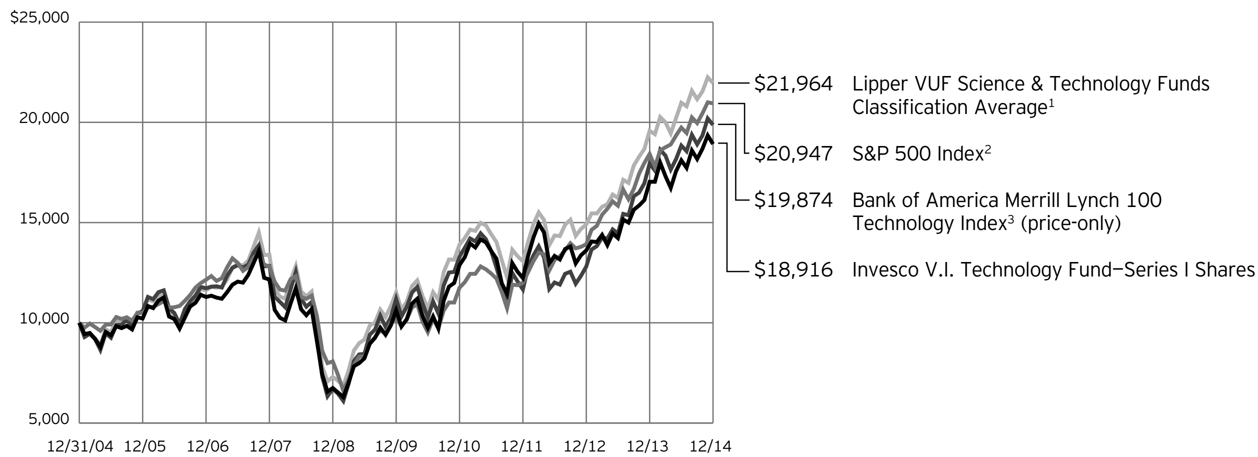
Erik Voss
Chartered Financial Analyst, Portfolio Manager, is lead manager of Invesco V.I. Technology Fund. He joined Invesco in 2010. Mr. Voss earned a BS in mathematics and an MS in finance from the University of Wisconsin.

Janet Luby
Chartered Financial Analyst, Portfolio Manager, is manager of Invesco V.I. Technology Fund. She joined Invesco in 2011. Ms. Luby earned a BBA in finance from Texas A&M University. She is also a Certified Public Accountant.

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/04



1 Source: Lipper Inc.
2 Source: FactSet Research Systems Inc.
3 Source: Bloomberg LP

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/14*	
Series I Shares	
Inception (5/20/97)	5.02%
10 Years	6.58
5 Years	12.24
1 Year	11.05
Series II Shares	
Inception (4/30/04)	7.00%
10 Years	6.32
5 Years	11.97
1 Year	10.82

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 1.17% and 1.42%, 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, 2014, 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 market 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.

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.

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.

Technology sector risk. The Fund will concentrate its investments in the securities of issuers primarily engaged in technology-related industries. 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 and Technology Funds Classification Average** represents an average of all variable insurance underlying funds in the Lipper Science and 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

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[a]

December 31, 2014

	Shares	Value
Common Stocks & Other Equity Interests–98.21%		
Application Software–6.12%		
Monitise PLC (United Kingdom)[b][c]	3,497,707	$ 1,359,737
salesforce.com, inc.[b]	77,317	4,585,671
Splunk Inc.[b]	12,713	749,431
		6,694,839
Biotechnology–12.43%		
Alkermes PLC[b]	49,298	2,886,891
Amgen Inc.	19,986	3,183,570
Biogen Idec Inc.[b]	5,057	1,716,599
Celgene Corp.[b]	36,804	4,116,895
Gilead Sciences, Inc.[b]	17,906	1,687,819
		13,591,774
Cable & Satellite–5.23%		
DISH Network Corp.-Class A[b]	53,673	3,912,225
Time Warner Cable Inc.	11,893	1,808,450
		5,720,675
Communications Equipment–7.13%		
F5 Networks, Inc.[b]	17,800	2,322,277
Palo Alto Networks, Inc.[b]	21,207	2,599,342
QUALCOMM, Inc.	38,650	2,872,855
		7,794,474
Consumer Electronics–2.11%		
Harman International Industries, Inc.	21,638	2,308,991
Data Processing & Outsourced Services–8.60%		
Alliance Data Systems Corp.[b]	9,582	2,740,931
MasterCard, Inc.-Class A	54,051	4,657,034
Visa Inc.-Class A	7,629	2,000,324
		9,398,289
Home Entertainment Software–0.87%		
Activision Blizzard, Inc.	47,368	954,465
Internet Retail–3.38%		
Amazon.com, Inc.[b]	5,132	1,592,716
Priceline Group Inc. (The)[b]	1,841	2,099,127
		3,691,843
Internet Software & Services–14.57%		
Alibaba Group Holding Ltd.-ADR (China)[b]	20,689	2,150,415
Facebook Inc.-Class A[b]	86,398	6,740,772
Google Inc.-Class A[b]	6,608	3,506,601
Google Inc.-Class C[b]	4,101	2,158,767
Yelp Inc.[b]	25,010	1,368,797
		15,925,352
Life Sciences Tools & Services–1.82%		
Thermo Fisher Scientific, Inc.	15,881	1,989,730
Pharmaceuticals–5.55%		
AbbVie Inc.	21,236	$ 1,389,684
Actavis PLC[b]	10,488	2,699,716
Bristol-Myers Squibb Co.	33,548	1,980,338
		6,069,738
Semiconductor Equipment–1.54%		
Applied Materials, Inc.	67,375	1,678,985
Semiconductors–15.73%		
ARM Holdings PLC-ADR (United Kingdom)	11,732	543,192
Avago Technologies Ltd. (Singapore)	29,548	2,972,233
Micron Technology, Inc.[b]	124,810	4,369,598
NXP Semiconductors N.V. (Netherlands)[b]	62,407	4,767,895
ON Semiconductor Corp.[b]	109,215	1,106,348
Skyworks Solutions, Inc.	29,916	2,175,192
Texas Instruments Inc.	23,638	1,263,806
		17,198,264
Systems Software–5.78%		
Check Point Software Technologies Ltd. (Israel)[b]	13,899	1,092,044
ServiceNow, Inc.[b]	44,555	3,023,057
VMware, Inc.-Class A[b]	26,757	2,207,988
		6,323,089
Technology Hardware, Storage & Peripherals–6.21%		
Apple Inc.	61,532	6,791,902
Wireless Telecommunication Services–1.14%		
Sprint Corp.[b]	299,466	1,242,784
Total Common Stocks & Other Equity Interests (Cost $75,465,194)		107,375,194
Money Market Funds–1.97%		
Liquid Assets Portfolio-Institutional Class[d]	1,078,808	1,078,808
Premier Portfolio-Institutional Class[d]	1,078,808	1,078,808
Total Money Market Funds (Cost $2,157,616)		2,157,616
TOTAL INVESTMENTS (excluding investments purchased with cash collateral from securities on loan)–100.18% (Cost $77,622,810)		109,532,810
Investments Purchased with Cash Collateral from Securities on Loan		
Money Market Funds–1.08%		
Liquid Assets Portfolio-Institutional Class (Cost $1,180,476)[d][e]	1,180,476	1,180,476
TOTAL INVESTMENTS–101.26% (Cost $78,803,286)		110,713,286
OTHER ASSETS LESS LIABILITIES–(1.26)%		(1,382,078)
NET ASSETS–100.00%		$109,331,208

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

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, 2014.
[(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, 2014.

Counterparty	**Gross Amount of Securities on Loan at Value**	**Cash Collateral Received for Securities Loaned***	**Net Amount**
State Street Bank and Trust Co.	$1,032,515	$(1,032,515)	$–

* 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, 2014

Assets:	
Investments, at value (Cost $75,465,194)*	$107,375,194
Investments in affiliated money market funds, at value and cost	3,338,092
Total investments, at value (Cost $78,803,286)	110,713,286
Foreign currencies, at value (Cost $1,495)	1,474
Receivable for:	
Fund shares sold	12,000
Dividends	14,877
Investment for trustee deferred compensation and retirement plans	65,801
Total assets	110,807,438
Liabilities:	
Payable for:	
Fund shares reacquired	119,203
Collateral upon return of securities loaned	1,180,476
Accrued fees to affiliates	72,235
Accrued trustees' and officers' fees and benefits	445
Accrued other operating expenses	32,415
Trustee deferred compensation and retirement plans	71,456
Total liabilities	1,476,230
Net assets applicable to shares outstanding	$109,331,208
Net assets consist of:	
Shares of beneficial interest	$ 66,421,533
Undistributed net investment income (loss)	(65,409)
Undistributed net realized gain	11,065,105
Net unrealized appreciation	31,909,979
	$109,331,208
Net Assets:	
Series I	$104,556,295
Series II	$ 4,774,913
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	5,293,777
Series II	249,650
Series I:	
Net asset value per share	$ 19.75
Series II:	
Net asset value per share	$ 19.13

* At December 31, 2014, securities with an aggregate value of $1,032,515 were on loan to brokers.

Statement of Operations

For the year ended December 31, 2014

Investment income:	
Dividends (net of foreign withholding taxes of $1,217)	$ 515,536
Dividends from affiliated money market funds (includes securities lending income of $23,521)	24,372
Total investment income	539,908
Expenses:	
Advisory fees	800,864
Administrative services fees	312,289
Custodian fees	12,254
Distribution fees — Series II	9,633
Transfer agent fees	29,515
Trustees' and officers' fees and benefits	24,563
Other	57,929
Total expenses	1,247,047
Less: Fees waived	(3,071)
Net expenses	1,243,976
Net investment income (loss)	(704,068)
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from investment securities:	
Investment securities (includes net gains from securities sold to affiliates of $22,336)	9,615,530
Foreign currencies	(4,027)
	9,611,503
Change in net unrealized appreciation (depreciation) of:	
Investment securities	2,192,851
Foreign currencies	(21)
	2,192,830
Net realized and unrealized gain	11,804,333
Net increase in net assets resulting from operations	$11,100,265

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, 2014 and 2013

	2014	2013
Operations:		
Net investment income (loss)	$ (704,068)	$ (401,721)
Net realized gain	9,611,503	9,373,941
Change in net unrealized appreciation	2,192,830	13,198,790
Net increase in net assets resulting from operations	11,100,265	22,171,010
Distributions to shareholders from net realized gains:		
Series I	(8,529,977)	(7,820,860)
Series II	(353,110)	(230,772)
Total distributions from net realized gains	(8,883,087)	(8,051,632)
Share transactions–net:		
Series I	(755,417)	(5,971,175)
Series II	1,518,646	713,763
Net increase (decrease) in net assets resulting from share transactions	763,229	(5,257,412)
Net increase in net assets	2,980,407	8,861,966
Net assets:		
Beginning of year	106,350,801	97,488,835
End of year (includes undistributed net investment income (loss) of $(65,409) and $2,102,537, respectively)	$109,331,208	$106,350,801

Notes to Financial Statements

December 31, 2014

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 securities) 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 securities) 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 ask 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.

The Fund may invest in securities that are subject to interest rate risk, meaning the risk that the prices will generally fall as interest rates rise and, conversely, the prices will generally rise as interest rates fall. Specific securities differ in their sensitivity to changes in interest rates depending on their individual characteristics. Changes in interest rates may result in increased market volatility, which may affect the value and/or liquidity of certain of the Fund's investments.

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 (net of withholding tax, if any) 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 net investment 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 recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained. Management has analyzed the Fund's uncertain tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

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. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests and are shown in the Statement of Operations.

K. Forward Foreign Currency Contracts – The Fund may engage in foreign currency transactions either on a spot (i.e. for prompt delivery and settlement) basis or through 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, or the Fund may also enter into forward foreign currency contracts that do not provide for physical settlement of the two currencies, but instead are settled by a single cash payment calculated as the difference between the agreed upon exchange rate and the spot rate at settlement based upon an agreed upon notional amount (non-deliverable forwards). The Fund will set aside liquid assets in an amount equal to daily mark-to-market obligation for forward foreign currency contracts.

A forward foreign currency contract is an obligation between two parties ("Counterparties") 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.

L. 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%

For the year ended December 31, 2014, the effective advisory fees incurred by the Fund was 0.75%.

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, 2015, 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, 2015. 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 June 30, 2016, 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, 2014, the Adviser waived advisory fees of $3,071.

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, 2014, Invesco was paid $50,000 for accounting and fund administrative services and reimbursed $262,289 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, 2014, 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, 2014, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the year ended December 31, 2014, the Fund incurred $3,972 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, 2014. 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	$109,353,549	$1,359,737	$–	$110,713,286

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, 2014, the Fund engaged in securities sales of $966,941, which resulted in net realized gains of $22,336.

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 Fiscal Years Ended December 31, 2014 and 2013:

	2014	2013
Ordinary income	$ 364,534	$ –
Long-term capital gain	8,518,553	8,051,632
Total distributions	$8,883,087	$8,051,632

Tax Components of Net Assets at Period-End:

	2014
Undistributed ordinary income	$ 42,785
Undistributed long-term gain	11,189,757
Net unrealized appreciation — investments	31,742,563
Net unrealized appreciation (depreciation) — other investments	(21)
Temporary book/tax differences	(65,409)
Shares of beneficial interest	66,421,533
Total net assets	$109,331,208

The difference between book-basis and tax-basis unrealized appreciation is (depreciation) 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 eight 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 carryforwards 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, 2014.

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, 2014 was $80,836,344 and $90,085,079, 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	$35,476,874
Aggregate unrealized (depreciation) of investment securities	(3,734,311)
Net unrealized appreciation of investment securities	$31,742,563

Cost of investments for tax purposes is $78,970,723.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of partnerships and net operating losses, on December 31, 2014, undistributed net investment income (loss) was decreased by $1,463,878 and undistributed net realized gain was increased by $1,463,878. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

	Summary of Share Activity			
	Years ended December 31,			
	2014[a]		2013	
	Shares	Amount	Shares	Amount
Sold:				
Series I	661,326	$ 13,151,750	448,059	$ 8,062,294
Series II	100,308	1,917,074	51,711	908,329
Issued as reinvestment of dividends:				
Series I	450,844	8,529,977	434,492	7,820,860
Series II	19,264	353,110	13,157	230,772
Reacquired:				
Series I	(1,131,140)	(22,437,144)	(1,221,518)	(21,854,329)
Series II	(39,211)	(751,538)	(23,922)	(425,338)
Net increase (decrease) in share activity	61,391	$ 763,229	(298,021)	$ (5,257,412)

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

NOTE 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 12/31/14	$19.42	$(0.13)	$ 2.20	$ 2.07	$ –	$(1.74)	$(1.74)	$19.75	11.05%	$104,556	1.16%[d]	1.16%[d]	(0.65)%[d]	77%
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	1.17	(0.40)	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
Series II														
Year ended 12/31/14	18.90	(0.17)	2.14	1.97	–	(1.74)	(1.74)	19.13	10.82	4,775	1.41[d]	1.41[d]	(0.90)[d]	77
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	1.42	(0.65)	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

(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 $102,929 and $3,853 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. 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, 2014, 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, 2014 by correspondence with the custodian, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Houston, Texas
February 13, 2015

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, 2014 through December 31, 2014.

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 (07/01/14)**	**Ending Account Value (12/31/14)[1]**	**Expenses Paid During Period[2]**	**Ending Account Value (12/31/14)**	**Expenses Paid During Period[2]**	**Annualized Expense Ratio**
Series I	$1,000.00	$1,044.90	$5.98	$1,019.36	$5.90	1.16%
Series II	1,000.00	1,043.70	7.26	1,018.10	7.17	1.41

1 The actual ending account value is based on the actual total return of the Fund for the period July 1, 2014 through December 31, 2014, 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, 2014:

Federal and State Income Tax	
Long-Term Capital Gain Distributions	$8,518,553
Corporate Dividends Received Deduction*	100%
U.S. Treasury Obligations*	0.00%

* 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).	144	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; 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), and Short-Term Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	144	None
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; Chairman, Board of Governors of INTELSAT (international communications company); ACE Limited (insurance company); and Investment Company Institute	144	ALPS (Attorneys Liability Protection Society) (insurance company)

[1] Mr. Flanagan is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) 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.

[2] Mr. Taylor is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of the Trust because he is an officer and a director of the Adviser.

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)				
David C. Arch – 1945 Trustee	2010	Chairman of Blistex Inc., a consumer health care products manufacturer	144	Board member of the Illinois Manufacturers' Association; Member of the Board of Visitors, Institute for the Humanities, University of Michigan; Member of the Audit Committee of the Edward-Elmhurst Hospital
James T. Bunch – 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity investments) 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	144	Chairman, Board of Governors, Western Golf Association; Chairman, 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	144	Director of Quidel Corporation and Stericycle, 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); Nature's Sunshine Products, Inc. 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)	144	Director of: Nature's Sunshine Products, Inc., Reich & Tang Funds, Homeowners of America Holding Corporation/ Homeowners of America Insurance Company, the Boss Group
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	144	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired. Formerly: Chief Executive Officer, YWCA of the U.S.A.	144	None
Larry Soll – 1942 Trustee	2004	Retired. Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	144	None
Hugo F. Sonnenschein – 1940 Trustee	2010	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to 2000, President of the University of Chicago	144	Trustee of the University of Rochester and a member of its investment committee; Member of the National Academy of Sciences and the American Philosophical Society; Fellow of the American Academy of Arts and Sciences
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired. Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	144	None

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)				
Suzanne H. Woolsey – 1941 Trustee	2014	Chief Executive Officer of Woolsey Partners LLC	144	Emeritus Chair of the Board of Trustees of the Institute for Defense Analyses; Trustee of Colorado College; Trustee of California Institute of Technology; Prior to 2014, Director of Fluor Corp.; Prior to 2010, Trustee of the German Marshall Fund of the United States; Prior to 2010 Trustee of the Rocky Mountain Institute
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 , PowerShares Actively Managed Exchange-Traded Fund Trust; and PowerShares Actively Managed Exchange-Traded Commodity 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
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, PowerShares Actively Managed Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Commodity 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

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)				
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.; 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), and Short-Term Investments Trust only)	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, and PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, PowerShares Actively Managed Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Commodity 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
1000 Louisiana Street, Suite 5800
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

December 31, 2014

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 9.80% for the 12-month period that ended December 31, 2014.

> The Fund underperformed its Blended Benchmark, which returned 10.62% over the same time period.

> The broad U.S. equity market, as measured by the S&P 500 Index, returned 13.69%, while the broad U.S. fixed-income market, as measured by the Barclays U.S. Aggregate Bond Index, returned 5.97% for the same 12-month period.

> A decision early in the year to bring Fund allocations more closely in line with its Blended Benchmark aided results. Strong equity manager performance also had a positive impact on relative returns. The performance drag, relative to the Blended Benchmark, occurred as a result of asset class diversifiers used that fell outside of the Blended Benchmark.

Average Annual Total Returns (%) (for period ended December 31, 2014)

	Inception	1 Year	5 Years	10 Years
Class 1	01/01/89	10.05	10.58	6.69
Class 2	06/01/00	9.80	10.33	6.49
Blended Benchmark		10.62	11.18	6.77
S&P 500 Index		13.69	15.45	7.67
Barclays U.S. Aggregate Bond Index		5.97	4.45	4.71

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.

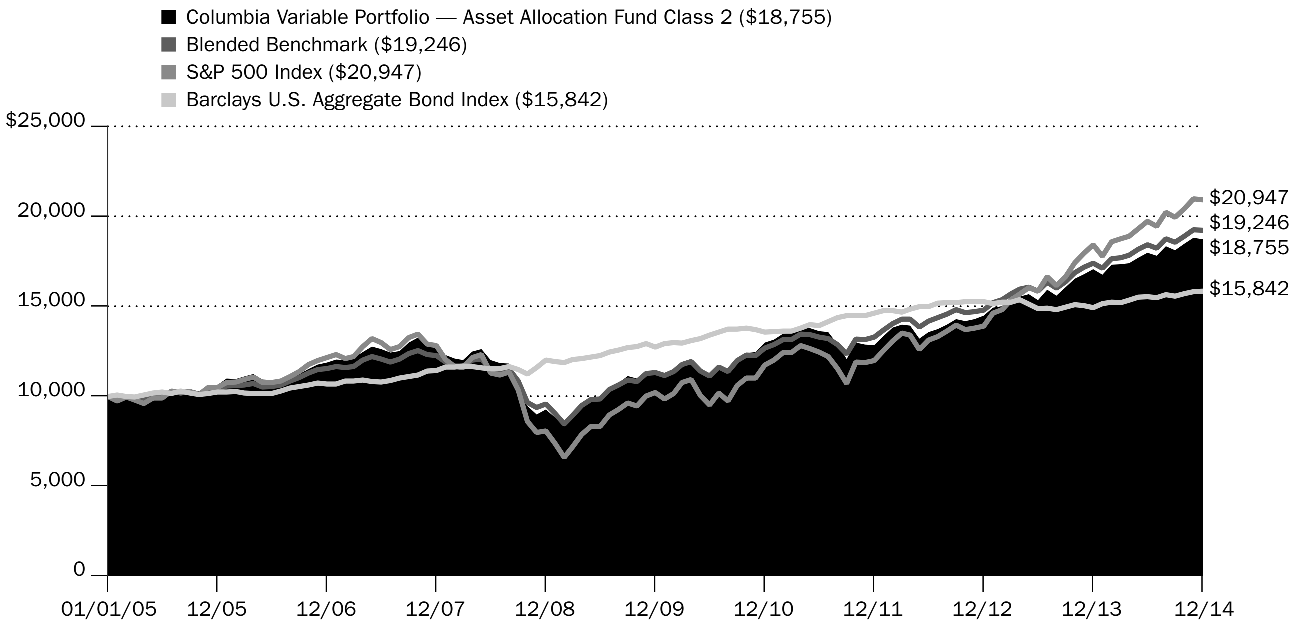
The S&P 500 Index, an unmanaged index, measures the performance of 500 widely held, large-capitalization U.S. stocks and is frequently used as a general measure of market performance.

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, 2005 – December 31, 2014)



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

Portfolio Management

Jeffrey Knight, CFA

Anwiti Bahuguna, Ph.D.

Marie Schofield, CFA

Beth Vanney, CFA

Effective October 31, 2014, Melda Mergen no longer serves as a Portfolio Manager of the Fund.

Portfolio Breakdown (%) (at December 31, 2014)	
Alternative Investment Funds	**2.0**
Equity Funds	**58.3**
U.S. Large Cap	58.3
Fixed-Income Funds	**32.9**
Emerging Markets	1.9
High Yield	3.9
Investment Grade	27.1
Money Market Funds	**6.8**
Total	**100.0**

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

For the 12-month period that ended December 31, 2014, the Fund's Class 2 shares returned 9.80%. The Fund underperformed its Blended Benchmark, which returned 10.62% for the same time period. During the 12 months, the Fund's equity benchmark, the S&P 500 Index, returned 13.69%, and the Fund's fixed-income benchmark, the Barclays U.S. Aggregate Bond Index, returned 5.97%. A decision early in the year to bring Fund allocations more closely in line with its Blended Benchmark aided results. Strong equity manager performance also had a positive impact on relative returns. The performance drag, relative to the Blended Benchmark, occurred as a result of asset class diversifiers used that fell outside of the Blended Benchmark.

U.S. Stood Out in a Mixed Year for Global Markets

A cold and difficult 2014 winter brought many parts of the United States to a standstill. However, the pace of U.S. economic growth picked up as 2014 unfolded. The U.S. labor market added just under 250,000 new jobs monthly, on average, during the 12-month period. Solid new job growth drove the unemployment rate down to 5.6%, its lowest mark since 2008. After languishing during the winter months, manufacturing activity recovered, Consumer confidence reached a seven-year high, as improved job availability and prospects for higher wages buoyed expectations that the economy was gaining ground, and falling energy prices helped boost spending. The housing market struggled as bad winter weather, tighter borrowing standards, rising prices and higher mortgage rates restrained the sector's recovery to a slower pace than in 2013. New and existing home sales improved in the spring but weakened near year end. One bright spot: building permits for both single- and multi-family housing rose to a post-recession high.

Investors responded favorably to the good economic news. However, concerns about increased global tensions, uncertainty about the Federal Reserve's (the Fed's) next move and sinking oil prices created periods of volatility, which tempered investor enthusiasm. The Fed spent the year winding down its monthly bond purchases, ending its program of quantitative easing in October. Now, all eyes are on the Fed's next major policy statements for clues to the timing of its first hike in short-term interest rates since 2006.

Outside the United States, economic growth was lackluster and financial market returns were modest, at best. Japan slipped into recession midway through the year, but growth appeared to rebound in the fourth quarter. Eurozone economies were so weak that the European Central Bank introduced new stimulus to stoke both inflation and growth. China's growth slowed in line with expectations. This lackluster growth, combined with geopolitical uncertainties in Russia and the Middle East and a rising dollar all weighed on equity markets outside the United States. The MSCI World Index (Net), a broad measure of global equity market performance, gained just 4.94% for the year, in U.S. dollars, compared to a 13.69% return for the S&P 500 Index. Domestic mid- and small-cap index returns were positive, but lower than returns on large-cap stocks.

In the U.S. bond market, most sectors generated positive returns, but the range of returns was quite wide. As investors grew defensive during periods of volatility, the highest quality sectors outperformed. Long-term Treasuries were the period's strongest performers, as interest rates fell. High-yield corporate and emerging market bonds, both of which appeared attractive at the beginning of the year, generated returns in the low single digits after a particularly weak second half.

Manager Discussion of Fund Performance *(continued)*

Significant Performance Factors

A decision to bring the Fund's allocations more closely in line with its Blended Benchmark aided performance, as U.S. large-cap stocks and U.S. investment-grade bonds were two of the strongest major investable markets in 2014. Within the Fund's equity segment, we eliminated direct exposure to international markets and to U.S. mid- and small-caps. The Fund also benefited from solid performance by managers of underlying equity funds. Columbia Large Core Quantitative Fund, Columbia Large Value Quantitative Fund and Columbia Large Growth Quantitative Fund each outperformed their respective benchmarks. Their gains more than offset modest relative underperformance from Columbia Contrarian Core Fund, Columbia Select Large Cap Growth Fund and Columbia Select Large Cap Value Fund. Within the Fund's fixed-income segment, we eliminated direct exposure to global and convertible bonds and reduced exposure to emerging market bonds. We used the proceeds to significantly increase exposure to U.S. Treasuries, which raised the Fund's overall fixed-income exposure and aided relative returns.

We lost ground on a small position in international equities, on positions in high yield and emerging market bonds and from exposure to absolute return strategies, which underperformed in 2014. During the period, we eliminated international equities from the portfolio and reduced exposure to high yield, emerging market bonds and absolute return.

Looking Ahead

We think capital markets can continue to move higher, absent a global recession, in 2015. At this time, we expect stocks to outperform, while we expect cash and fixed-income assets to underperform. Within equities, we believe that the currency-based advantage of U.S. stocks may be offset somewhat by the valuation advantage from overseas equities, notably in Japan. In our opinion, economic growth in Japan and Europe is an essential ingredient for global equities to continue to perform well. Most strategists believe that at some point in 2015, the Fed will remove its zero interest rate policy and start to move short-term rates higher.

In our current view, key drivers for returns in 2015 include a strong U.S. dollar, commodity price trends and the threat of monetary tightening. Even though we believe financial markets have the potential to move higher, we begin calendar year 2015 with a somewhat cautious view. We believe that market volatility is likely to rise in 2015, and this will help steer our primary asset allocation decisions during the period ahead.

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, 2014 – December 31, 2014

	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	1,043.60	1,024.35	0.88	0.87	0.17	3.86	3.83	0.75
Class 2	1,000.00	1,000.00	1,042.20	1,023.09	2.16	2.14	0.42	5.15	5.10	1.00

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, 2014

(Percentages represent value of investments compared to net assets)

Equity Funds 58.2%

Issuer	Shares	Value ($)
U.S. Large Cap 58.2%		
Columbia Contrarian Core Fund, Class I Shares[a]	897,345	19,409,568
Columbia Large Core Quantitative Fund, Class I Shares[a]	2,289,087	22,204,141
Columbia Large Growth Quantitative Fund, Class I Shares[a]	414,429	3,692,567
Columbia Large Value Quantitative Fund, Class I Shares[a]	191,046	1,849,327
Columbia Select Large Cap Growth Fund, Class I Shares[a][b]	178,991	3,218,251
Columbia Select Large-Cap Value Fund, Class I Shares[a]	137,573	3,237,100
Total		53,610,954
Total Equity Funds (Cost: $43,602,833)		**53,610,954**

Fixed-Income Funds 32.9%

Issuer	Shares	Value ($)
Emerging Markets 1.9%		
Columbia Emerging Markets Bond Fund, Class I Shares[a]	163,138	1,743,944
High Yield 3.9%		
Columbia Income Opportunities Fund, Class I Shares[a]	365,601	3,623,107
Investment Grade 27.1%		
Columbia Corporate Income Fund, Class I Shares[a]	804,166	8,154,238
Columbia Limited Duration Credit Fund, Class I Shares[a]	275,154	2,693,761
Columbia U.S. Government Mortgage Fund, Class I Shares[a]	1,155,757	6,379,778
Columbia U.S. Treasury Index Fund, Class I Shares[a]	683,828	7,672,554
Total		24,900,331
Total Fixed-Income Funds (Cost: $29,757,922)		**30,267,382**

Alternative Investment Funds 2.0%

Issuer	Shares	Value ($)
Columbia Absolute Return Multi-Strategy Fund, Class I Shares[a]	302,593	1,833,710
Total Alternative Investment Funds (Cost: $2,546,842)		**1,833,710**

Money Market Funds 6.8%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.115%[a][c]	6,211,342	6,211,342
Total Money Market Funds (Cost: $6,211,342)		**6,211,342**
Total Investments (Cost: $82,118,939)		**91,923,388**
Other Assets & Liabilities, Net		48,800
Net Assets		**91,972,188**

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

Portfolio of Investments *(continued)*

December 31, 2014

Investments in Derivatives

Futures Contracts Outstanding at December 31, 2014

At December 31, 2014, cash totaling $161,000 was pledged as collateral to cover initial margin requirements on open futures contracts.

Long Futures Contracts Outstanding

Contract Description	Number of Contracts	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
S&P500 EMINI	35	USD	3,591,700	03/2015	108,589	—

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 the company's 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, 2014, 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	1,933,498	79	(1,793,044)	(140,533)	—	—	—	—
Columbia Absolute Return Multi-Strategy Fund, Class I Shares	2,830,451	798,543	(1,066,066)	(16,086)	2,546,842	706,851	13,305	1,833,710
Columbia Contrarian Core Fund, Class I Shares	7,150,763	11,487,165	(2,751,631)	85,237	15,971,534	1,194,835	167,315	19,409,568
Columbia Convertible Securities Fund, Class I Shares	2,358,696	57,441	(3,165,603)	749,466	—	23,423	33,300	—
Columbia Corporate Income Fund, Class I Shares	8,427,978	445,355	(1,024,018)	(6,300)	7,843,015	—	269,971	8,154,238
Columbia Emerging Markets Bond Fund, Class I Shares	1,934,432	127,168	(219,335)	(3,576)	1,838,689	1,496	83,255	1,743,944
Columbia Emerging Markets Fund, Class I Shares	4,688,604	2,085	(4,689,977)	(712)	—	—	—	—
Columbia Greater China Fund, Class I Shares	1,144,383	6	(950,627)	(193,762)	—	—	—	—
Columbia Income Opportunities Fund, Class I Shares	4,144,597	1,149,780	(1,780,861)	38,909	3,552,425	11,313	193,939	3,623,107
Columbia International Bond Fund, Class I Shares	1,921,886	28	(1,875,207)	(46,707)	—	—	—	—
Columbia Large Cap Growth Fund, Class I Shares	3,363,573	—	(4,898,817)	1,535,244	—	—	—	—
Columbia Large Core Quantitative Fund, Class I Shares	6,891,634	13,919,075	(4,030,467)	100,708	16,880,950	—	320,483	22,204,141
Columbia Large Growth Quantitative Fund, Class I Shares	3,774,357	450,479	(819,304)	47,702	3,453,234	383,034	28,391	3,692,567
Columbia Large Value Quantitative Fund, Class I Shares	1,530,530	125,600	(389,132)	65,085	1,332,083	85,504	26,648	1,849,327
Columbia Limited Duration Credit Fund, Class I Shares	2,869,367	136,268	(255,970)	(1,350)	2,748,315	2,580	55,628	2,693,761
Columbia Mid Cap Growth Fund, Class I Shares	3,372,459	123,206	(4,659,423)	1,163,758	—	—	—	—
Columbia Mid Cap Value Fund, Class I Shares	3,174,079	234,962	(4,823,979)	1,414,938	—	217,609	8,021	—

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

Portfolio of Investments *(continued)*

December 31, 2014

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 Overseas Value Fund, Class I Shares	1,681,657	34,914	(2,082,285)	365,714	—	—	8,464	—
Columbia Select Large Cap Growth Fund, Class I Shares	3,311,763	705,131	(711,035)	14,692	3,320,551	494,220	—	3,218,251
Columbia Select Large-Cap Value Fund, Class I Shares	3,050,669	114,560	(563,041)	42,293	2,644,481	50,332	37,377	3,237,100
Columbia Short-Term Cash Fund	1,857,479	6,998,519	(2,644,656)	—	6,211,342	—	3,331	6,211,342
Columbia Small Cap Growth Fund I, Class I Shares	2,596,081	—	(2,974,001)	377,920	—	—	—	—
Columbia Small Cap Value Fund I, Class I Shares	826,413	—	(973,817)	147,404	—	—	—	—
Columbia Small Cap Value Fund II, Class I Shares	1,507,259	—	(1,949,902)	442,643	—	—	—	—
Columbia U.S. Government Mortgage Fund, Class I Shares	6,730,551	337,396	(759,526)	(44,731)	6,263,690	—	194,948	6,379,778
Columbia U.S. Treasury Index Fund, Class I Shares	1,403,892	7,081,456	(963,865)	(9,695)	7,511,788	5,933	107,073	7,672,554
Total	84,477,051	44,329,216	(52,815,589)	6,128,261	82,118,939	3,177,130	1,551,449	91,923,388

(b) Non-income producing.

(c) The rate shown is the seven-day current annualized yield at December 31, 2014.

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, 2014

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, 2014:

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	53,610,954	—	—	53,610,954
Fixed-Income Funds	30,267,382	—	—	30,267,382
Alternative Investment Funds	1,833,710	—	—	1,833,710
Money Market Funds	6,211,342	—	—	6,211,342
Total Mutual Funds	91,923,388	—	—	91,923,388
Derivatives				
Assets				
Futures Contracts	108,589	—	—	108,589
Total	92,031,977	—	—	92,031,977

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

There were no transfers of financial assets between levels 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, 2014

Assets	
Investments, at value	
Affiliated issuers (identified cost $82,118,939)	$91,923,388
Margin deposits	161,000
Receivable for:	
Investments sold	224,320
Capital shares sold	114
Dividends	69,581
Reclaims	558
Prepaid expenses	591
Trustees' deferred compensation plan	41,805
Total assets	92,421,357
Liabilities	
Payable for:	
Investments purchased	69,017
Capital shares purchased	242,304
Variation margin	42,525
Investment management fees	96
Distribution and/or service fees	115
Transfer agent fees	153
Administration fees	51
Compensation of board members	25,188
Chief compliance officer expenses	12
Other expenses	27,903
Trustees' deferred compensation plan	41,805
Total liabilities	449,169
Net assets applicable to outstanding capital stock	**$91,972,188**
Represented by	
Paid-in capital	$71,638,112
Undistributed net investment income	1,677,784
Accumulated net realized gain	8,743,317
Unrealized appreciation (depreciation) on:	
Investments — affiliated issuers	9,804,449
Foreign currency translations	(63)
Futures contracts	108,589
Total — representing net assets applicable to outstanding capital stock	**$91,972,188**

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

Statement of Assets and Liabilities *(continued)*
December 31, 2014

Class 1	
Net assets	$75,415,413
Shares outstanding	4,774,720
Net asset value per share	$15.79
Class 2	
Net assets	$16,556,775
Shares outstanding	1,056,702
Net asset value per share	$15.67

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

Statement of Operations

Year Ended December 31, 2014

Net investment income	
Income:	
Dividends — affiliated issuers	$1,551,449
Foreign taxes withheld	(473)
Total income	1,550,976
Expenses:	
Investment management fees	19,237
Distribution and/or service fees	
Class 2	42,292
Transfer agent fees	
Class 1	45,818
Class 2	10,150
Administration fees	18,656
Compensation of board members	24,649
Custodian fees	20,517
Printing and postage fees	24,352
Professional fees	18,096
Chief compliance officer expenses	49
Other	2,969
Total expenses	226,785
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(42,320)
Total net expenses	184,465
Net investment income	1,366,511
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments — unaffiliated issuers	54,119
Investments — affiliated issuers	6,128,261
Capital gain distributions from underlying affiliated funds	3,177,130
Foreign currency translations	36
Futures contracts	63,655
Net realized gain	9,423,201
Net change in unrealized appreciation (depreciation) on:	
Investments — affiliated issuers	(1,959,580)
Foreign currency translations	(118)
Futures contracts	68,631
Net change in unrealized depreciation	(1,891,067)
Net realized and unrealized gain	7,532,134
Net increase in net assets resulting from operations	**$8,898,645**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operations		
Net investment income	$1,366,511	$1,558,689
Net realized gain	9,423,201	7,005,839
Net change in unrealized appreciation (depreciation)	(1,891,067)	7,440,832
Net increase in net assets resulting from operations	8,898,645	16,005,360
Distributions to shareholders		
Net investment income		
Class 1	(1,889,185)	(1,860,222)
Class 2	(379,501)	(390,306)
Net realized gains		
Class 1	(1,682,640)	—
Class 2	(371,188)	—
Total distributions to shareholders	(4,322,514)	(2,250,528)
Decrease in net assets from capital stock activity	(8,825,333)	(13,485,359)
Total increase (decrease) in net assets	(4,249,202)	269,473
Net assets at beginning of year	96,221,390	95,951,917
Net assets at end of year	**$91,972,188**	**$96,221,390**
Undistributed net investment income	$1,677,784	$2,197,486

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	88,659	1,373,480	62,903	892,661
Distributions reinvested	234,988	3,571,825	132,778	1,860,222
Redemptions	(757,762)	(11,661,614)	(963,128)	(13,534,601)
Net decrease	(434,115)	(6,716,309)	(767,447)	(10,781,718)
Class 2 shares				
Subscriptions	38,743	586,365	24,470	340,167
Distributions reinvested	49,715	750,689	28,039	390,306
Redemptions	(225,512)	(3,446,078)	(246,225)	(3,434,114)
Net decrease	(137,054)	(2,109,024)	(193,716)	(2,703,641)
Total net decrease	**(571,169)**	**(8,825,333)**	**(961,163)**	**(13,485,359)**

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. Total return and portfolio turnover are not annualized for periods of less than one year. The portfolio turnover rate is calculated without regard to purchase and sales transactions of short-term instruments and certain derivatives, if any. If such transactions were included, the Fund's portfolio turnover rate may be higher.

	Year Ended December 31,				
Class 1	**2014**	**2013**	**2012**	**2011**	**2010**
Per share data					
Net asset value, beginning of period	$15.05	$13.05	$11.81	$12.22	$11.08
Income from investment operations:					
Net investment income	0.23	0.24	0.25	0.24	0.26
Net realized and unrealized gain (loss)	1.25	2.11	1.27	(0.33)	1.19
Total from investment operations	1.48	2.35	1.52	(0.09)	1.45
Less distributions to shareholders:					
Net investment income	(0.39)	(0.35)	(0.28)	(0.32)	(0.31)
Net realized gains	(0.35)	—	—	—	—
Total distributions to shareholders	(0.74)	(0.35)	(0.28)	(0.32)	(0.31)
Net asset value, end of period	$15.79	$15.05	$13.05	$11.81	$12.22
Total return	10.05%	18.17%	13.03%	(0.85%)	13.43%
Ratios to average net assets[(a)]					
Total gross expenses	0.20%	0.19%	0.24%	0.40%	0.97%
Total net expenses[(b)]	0.15%	0.15%	0.16%	0.13%	0.68%[(c)]
Net investment income	1.51%	1.67%	1.99%	1.93%	2.27%
Supplemental data					
Net assets, end of period (in thousands)	$75,415	$78,390	$77,976	$81,002	$95,031
Portfolio turnover	41%	15%	51%	89%	234%[(d)]

Notes to Financial Highlights

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

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

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

(d) 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	**2014**	**2013**	**2012**	**2011**	**2010**
Per share data					
Net asset value, beginning of period	$14.94	$12.96	$11.73	$12.15	$11.02
Income from investment operations:					
Net investment income	0.19	0.20	0.22	0.20	0.24
Net realized and unrealized gain (loss)	1.25	2.09	1.26	(0.32)	1.18
Total from investment operations	1.44	2.29	1.48	(0.12)	1.42
Less distributions to shareholders:					
Net investment income	(0.36)	(0.31)	(0.25)	(0.30)	(0.29)
Net realized gains	(0.35)	—	—	—	—
Total distributions to shareholders	(0.71)	(0.31)	(0.25)	(0.30)	(0.29)
Net asset value, end of period	$15.67	$14.94	$12.96	$11.73	$12.15
Total return	9.80%	17.88%	12.76%	(1.09%)	13.26%
Ratios to average net assets(a)					
Total gross expenses	0.45%	0.44%	0.49%	0.68%	1.22%
Total net expenses(b)	0.40%	0.40%	0.41%	0.38%	0.85%(c)
Net investment income	1.26%	1.42%	1.72%	1.66%	2.10%
Supplemental data					
Net assets, end of period (in thousands)	$16,557	$17,832	$17,976	$20,036	$25,624
Portfolio turnover	41%	15%	51%	89%	234%(d)

Notes to Financial Highlights

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

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

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

(d) 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, 2014

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 is a “fund-of-funds”, investing significantly in funds managed by Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), or its affiliates (Underlying Funds).

For information on the Underlying Funds, please refer to the Fund’s current prospectus and the prospectuses of the Underlying Funds.

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 the Trust’s organizational documents or 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

Basis of Preparation

The Fund is an investment company that applies the accounting and reporting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services — Investment Companies* (ASC 946). The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) which 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 income and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies 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 the applicable class of the Underlying Fund determined as of the close of the New York Stock Exchange (NYSE) on the valuation date.

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.

Foreign Currency Transactions and Translations

The values of all assets and liabilities denominated in foreign currencies are generally translated into U.S. dollars at exchange rates determined at the close of the NYSE. 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 increase investment flexibility (including to maintain cash reserves while maintaining exposure to certain other assets), for risk management (hedging) purposes, 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

Notes to Financial Statements *(continued)*

December 31, 2014

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 marked-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. The 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 variation margin held by the counterparty. With exchange-traded or centrally cleared derivatives, there is reduced 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 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 account. 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 (including the Fund), 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 the 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 marked-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 if 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 exposure to the securities market. 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

Notes to Financial Statements *(continued)*

December 31, 2014

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; and 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 (not considered to be hedging instruments for accounting disclosure purposes) at December 31, 2014:

Asset Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Equity risk	Net assets — unrealized appreciation on futures contracts	108,589*

*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 (not considered to be hedging instruments for accounting disclosure purposes) in the Statement of Operations for the year ended December 31, 2014:

Amount of Realized Gain (Loss) on Derivatives	
Risk Exposure Category	**Futures Contracts ($)**
Equity risk	63,655

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Equity risk	68,631

The following table is a summary of the average outstanding volume by derivative instrument for the year ended December 31, 2014.

Derivative Instrument	Average notional amounts ($)*
Futures contracts — Long	2,282,669

*Based on ending quarterly outstanding amounts for the year ended December 31, 2014.

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.

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.

Notes to Financial Statements *(continued)*

December 31, 2014

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

Guarantees and Indemnifications

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

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, 2014 was 0.021% 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. These expenses are not reflected in the expenses shown in Statement of Operations and are not included in the ratios to average net assets shown in the Financial Highlights.

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 of Trustees (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, 2014

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 the Fund 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. The Fund pays no distribution and service fees for Class 1 shares.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

The Fund's expense ratio is subject to an expense reimbursement arrangement pursuant to which fees will be waived and/or expenses reimbursed (excluding certain fees and expenses described below), so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the annual rates of:

	Voluntary Expense Cap Effective December 1, 2014	Voluntary Expense Cap Effective May 1, 2014 through November 30, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.15%	0.13%	0.13%
Class 2	0.40	0.38	0.38

The voluntary expense cap arrangement may be revised or discontinued at any time. Under the 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 and extraordinary expenses. The Fund's investment management fee is also excluded from the waiver/reimbursement commitment and is therefore paid by the Fund.

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, 2014, these differences are primarily due to differing treatment for deferral/reversal of wash sale losses, Trustees' deferred compensation, foreign currency transactions, 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	$382,473
Accumulated net realized gain	(382,473)

Net investment income (loss) 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,	2014	2013
Ordinary income	$2,268,686	$2,250,528
Long-term capital gains	2,053,828	—
Total	4,322,514	2,250,528

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

At December 31, 2014, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$2,213,556
Undistributed long-term capital gains	8,519,263
Net unrealized appreciation	9,665,063

At December 31, 2014, the cost of investments for federal income tax purposes was $82,258,325 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$10,629,794
Unrealized depreciation	(964,731)
Net unrealized appreciation	9,665,063

Notes to Financial Statements *(continued)*

December 31, 2014

Management of the Fund has concluded that there are no significant uncertain tax positions in the Fund 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 and certain derivatives, if any, aggregated to $37,330,697 and $50,170,933, respectively, for the year ended December 31, 2014. The amount of purchase and sale activity impacts the portfolio turnover rate reported in the Financial Highlights.

Note 6. Affiliated Money Market Fund

The Fund invests 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, 2014, two unaffiliated shareholders of record owned 82.2% of the outstanding shares of the Fund in one or more accounts. The Fund has no knowledge about whether any portion of those shares was owned beneficially. 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. (JPMorgan) whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. Pursuant to a December 9, 2014 amendment, the credit facility agreement, 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 $550 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations. Prior to the December 9, 2014 amendment, the credit facility agreement permitted borrowings up to $500 million under the same terms and interest rates as described above.

The Fund had no borrowings during the year ended December 31, 2014.

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. (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 quarterly (10-Q), annual (10-K) and, as necessary, 8-K filings with the

Notes to Financial Statements *(continued)*

December 31, 2014

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 — 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, 2014, and 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, 2014 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 our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2015

Federal Income Tax Information

(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2014.

Tax Designations:

Dividends Received Deduction	34.83%
Capital Gain Dividend	$8,960,261

Dividends Received Deduction. The percentage of ordinary income distributed 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.

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 Series 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 Series Trust.

Independent Trustees

Name, Year of Birth and Position Held with the Trust	Year First Appointed or Elected as Trustee to any Fund Currently in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) during the Past Five Years	Number of Funds in the Columbia Funds Complex Overseen	Other Directorships Held by Trustee During the Past Five Years
Douglas A. Hacker (Born 1955) Trustee and Chairman of the Board	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	59	Spartan Stores, Inc. (food distributor); Nash Finch Company (food distributor) from 2005 to 2013; Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd. (container leasing) from 2010 to 2013
Janet Langford Kelly (Born 1957) Trustee	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	59	None
Nancy T. Lukitsh (Born 1956) Trustee	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	59	None
William E. Mayer (Born 1940) Trustee	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	59	DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; BlackRock Kelso Capital Corporation (investment company); Premier, Inc. (healthcare)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Year of Birth and Position Held with the Trust	Year First Appointed or Elected as Trustee to any Fund Currently in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) during the Past Five Years	Number of Funds in the Columbia Funds Complex Overseen	Other Directorships Held by Trustee During the Past Five Years
David M. Moffett (Born 1952) Trustee	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	59	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) Trustee	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	59	None
John J. Neuhauser (Born 1943) Trustee	1984	President, Saint Michael's College since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005; University Professor, Boston College from November 2005 to August 2007	59	Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)
Patrick J. Simpson (Born 1944) Trustee	2000	Partner, Perkins Coie LLP (law firm)	59	None
Anne-Lee Verville (Born 1945) Trustee	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)	59	Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

Trustees and Officers *(continued)*

Interested Trustee Affiliate with Investment Manager*

Name, Year of Birth and Position Held with the Trust	Year First Appointed or Elected as Trustee to any Fund Currently in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) during the Past Five Years	Number of Funds in the Columbia Funds Complex Overseen	Other Directorships Held by Trustee During the Past Five Years
William F. Truscott (Born 1960) Trustee	2012	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; Director, Threadneedle Asset Management Holdings, SARL since 2014; President and Chief Executive Officer, Ameriprise Certificate Company, 2006 – August 2012	191	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2010; Director, Columbia Management Investment Distributors, Inc. since May 2010; Director, Ameriprise Certificate Company, 2006 to 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 Statement of Additional Information 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.

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:

Fund 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
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	President and Principal Executive Officer (2015)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since January 2015 (previously, Vice President and Chief Counsel January 2010 – December 2014; and Vice President and Group Counsel or Lead Counsel 2004 – January 2010); officer of Columbia Funds and affiliated funds since 2007.
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, September 2004 – April 2010; senior officer of Columbia Funds and affiliated funds since 2002.

Trustees and Officers *(continued)*

Fund 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
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Senior Vice President (2011), Chief Legal Officer (2015) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (previously Chief Counsel, January 2010 – January 2013 and Group Counsel, November 2008 – January 2010).
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Senior Vice President and 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, 2005 – 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; Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, 2007 – 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, 2005 – April 2010.
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011), Assistant Treasurer (2012) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Treasurer, Columbia Management Investment Advisers, LLC since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC, 2006 – April 2010.
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1965	Vice President (2006)	Managing Director and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, 2009 – April 2010, and Vice President — Asset Management and Trust Company Services, 2006 – 2009).
Lyn Kephart-Strong 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1960	Vice President (2015)	President, Columbia Management Investment Services Corp. since October 2014; Vice President & Resolution Officer, Ameriprise Trust Company since August 2009; President, RiverSource Service Corporation 2004 – 2010.
Ryan C. Larrenaga 225 Franklin Street Boston, MA 02110 Born 1970	Vice President and Secretary (2015)	Vice President and Group Counsel, Ameriprise Financial, Inc. since August 2011 (previously, Counsel from May 2010 to August 2011); Assistant General Counsel, Bank of America, 2005 – April 2010; officer of Columbia Funds and affiliated funds since 2005.

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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 31st for the most recent 12-month period ending June 30th of that year, and is available without charge by visiting columbiamanagement.com or searching the website of the SEC at sec.gov.

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

ColumbiaManagement®

Columbia Variable Portfolio — Asset Allocation Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. **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 E (2/15)

Annual Report

December 31, 2014

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.

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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, 2014.

> The Fund's annualized simple yield and annualized compound yield were both 0.01% for the seven-day period ended December 31, 2014. 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, 2014)

	Inception	1 Year	5 Years	10 Years
Class 1*	05/03/10	0.01	0.01	1.41
Class 2*	05/03/10	0.01	0.01	1.41
Class 3	10/13/81	0.01	0.01	1.42

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/investment-products/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.

Portfolio Overview

(Unaudited)

Portfolio Breakdown (%) (at December 31, 2014)	
Asset-Backed Commercial Paper	17.6
Asset-Backed Securities — Non Agency	4.3
Certificates of Deposit	15.8
Commercial Paper	25.7
Repurchase Agreements	7.2
U.S. Government & Agency Obligations	23.3
U.S. Treasury Obligations	6.1
Total	**100.0**

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

Portfolio Management

Leonard Aplet, CFA

John McColley

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, 2014 – December 31, 2014

	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	1,024.75	0.45	0.46	0.09
Class 2	1,000.00	1,000.00	1,000.10	1,024.75	0.45	0.46	0.09
Class 3	1,000.00	1,000.00	1,000.10	1,024.75	0.45	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, 2014, 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 $2.27 for Class 1, $3.53 for Class 2 and $2.92 for Class 3; the hypothetical expenses paid would have been $2.29 for Class 1, $3.57 for Class 2 and $2.96 for Class 3.

Portfolio of Investments

December 31, 2014

(Percentages represent value of investments compared to net assets)

Asset-Backed Commercial Paper 17.5%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Chariot Funding LLC[a]			
04/08/15	0.190%	6,000,000	5,996,928
05/01/15	0.200%	8,000,000	7,994,667
Fairway Finance Co. LLC[a]			
01/06/15	0.150%	7,000,000	6,999,825
Jupiter Securitization Co. LLC[a]			
04/20/15	0.210%	5,000,000	4,996,821
05/01/15	0.200%	9,000,000	8,994,000
Liberty Street Funding LLC[a]			
01/02/15	0.010%	3,000,000	2,999,999
MetLife Short Term Funding LLC[a]			
01/26/15	0.130%	15,000,000	14,998,646
Old Line Funding LLC[a]			
03/10/15	0.170%	10,000,000	9,996,789
04/06/15	0.160%	1,400,000	1,399,409
Regency Markets No. 1 LLC[a]			
01/20/15	0.170%	8,000,000	7,999,240
Thunder Bay Funding LLC[a]			
03/23/15	0.170%	5,000,000	4,998,087
04/07/15	0.190%	6,000,000	5,996,960
Total Asset-Backed Commercial Paper (Cost: $83,371,371)			**83,371,371**

Commercial Paper 25.7%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Banking 8.4%			
HSBC USA, Inc.			
01/23/15	0.160%	8,000,000	7,999,169
04/02/15	0.170%	6,000,000	5,997,422
Royal Bank of Canada			
03/17/15	0.170%	5,000,000	4,998,281
04/01/15	0.090%	7,000,000	6,998,425
State Street Corp.			
03/05/15	0.160%	7,000,000	6,998,040
03/12/15	0.160%	7,000,000	6,997,822
Total			39,989,159
Consumer Products 1.5%			
Procter & Gamble Co. (The)[a]			
03/16/15	0.120%	7,000,000	6,998,274
Integrated Energy 5.9%			
Chevron Corp.[a]			
02/02/15	0.100%	5,000,000	4,999,556
02/03/15	0.090%	9,000,000	8,999,257
Exxon Mobil Corp.			
02/02/15	0.120%	14,000,000	13,998,507
Total			27,997,320
Life Insurance 3.0%			
New York Life Capital Corp.[a]			
02/09/15	0.100%	4,000,000	3,999,567
02/12/15	0.100%	10,000,000	9,998,833
Total			13,998,400

Commercial Paper *(continued)*

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Pharmaceuticals 2.9%			
Roche Holdings, Inc.[a]			
01/06/15	0.110%	3,000,000	2,999,946
02/09/15	0.110%	5,000,000	4,999,404
03/23/15	0.100%	6,000,000	5,998,650
Total			13,998,000
Property & Casualty 2.1%			
Travelers Co., Inc.[a]			
01/02/15	0.050%	10,000,000	9,999,972
Transportation Services 1.9%			
NetJets, Inc.[a]			
01/02/15	0.050%	6,000,000	5,999,983
01/07/15	0.070%	3,000,000	2,999,960
Total			8,999,943
Total Commercial Paper (Cost: $121,981,068)			**121,981,068**

Certificates of Deposit 15.8%

Australia & New Zealand Banking Group Ltd.			
01/07/15	0.070%	14,000,000	14,000,000
BB&T Corp.			
03/02/15	0.150%	13,000,000	13,000,000
Canadian Imperial Bank of Commerce			
01/05/15	0.060%	14,000,000	14,000,000
Toronto Dominion Bank Ltd.			
01/05/15	0.150%	13,000,000	13,000,000
US Bank			
02/02/15	0.130%	10,000,000	10,000,000
Wells Fargo Bank NA			
04/01/15	0.170%	6,000,000	6,000,000
04/01/15	0.190%	5,000,000	5,000,000
Total Certificates of Deposit (Cost: $75,000,000)			**75,000,000**

U.S. Government & Agency Obligations 23.3%

Federal Home Loan Banks Discount Notes			
01/02/15	0.020%	13,000,000	12,999,982
01/07/15	0.070%	5,000,000	4,999,932
01/08/15	0.040%	1,000,000	999,990
01/09/15	0.030%	2,000,000	1,999,987
01/16/15	0.070%	15,000,000	14,999,567
01/21/15	0.080%	18,500,000	18,499,178
01/23/15	0.080%	11,000,000	10,999,476
02/10/15	0.040%	5,000,000	4,999,778
02/11/15	0.080%	5,000,000	4,999,516
02/18/15	0.080%	3,000,000	2,999,680
03/04/15	0.060%	11,000,000	10,998,863
03/06/15	0.080%	3,000,000	2,999,573
Federal Home Loan Banks			
01/16/15	0.090%	2,200,000	2,199,983

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

Portfolio of Investments *(continued)*
December 31, 2014

U.S. Government & Agency Obligations *(continued)*

Issuer	Effective Yield	Principal Amount ($)	Value ($)
03/11/15	0.100%	2,700,000	2,699,839
05/01/15	0.125%	3,000,000	2,999,928
06/03/15	0.125%	1,500,000	1,499,957
07/17/15	0.200%	2,700,000	2,700,000
08/03/15	0.230%	1,500,000	1,500,000
08/27/15	0.245%	2,500,000	2,500,000
Federal National Mortgage Association Discount Notes			
01/06/15	0.030%	2,000,000	1,999,992
Total U.S. Government & Agency Obligations (Cost: $110,595,221)			**110,595,221**

Repurchase Agreements 7.2%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Tri-Party Barclays Bank PLC dated 12/31/14, matures 01/02/15 repurchase price $12,200,027 (collateralized by U.S. Treasury Securities, total market value $12,200,097)	0.040%	12,200,000	12,200,000
Tri-Party RBC Capital Markets LLC dated 12/31/14, matures 01/02/15 repurchase price $11,000,037 (collateralized by U.S. Treasury Securities, total market value $11,220,055)	0.060%	11,000,000	11,000,000
Tri-Party TD Securities (USA) LLC dated 12/31/14, matures 01/02/15 repurchase price $11,000,037 (collateralized by U.S. Government Agencies and U.S. Treasury Securities, total market value $11,220,079)	0.060%	11,000,000	11,000,000
Total Repurchase Agreements (Cost: $34,200,000)			**34,200,000**

Asset-Backed Securities — Non-Agency 4.3%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
ABS Other 1.3%			
CIT Equipment Collateral Series 2014-VT1 Class A1[b] 12/21/15	0.300%	2,039,579	2,039,579
CNH Equipment Trust Series 2014-C Class A1 11/16/15	0.200%	2,633,190	2,633,190
Dell Equipment Finance Trust Series 2014-1 Class A1[b] 08/14/15	0.260%	954,117	954,117
MMAF Equipment Finance LLC Series 2014-AA Class A1[b] 07/02/15	0.200%	553,647	553,647
Total			6,180,533

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Car Loan 3.0%			
Ally Auto Receivables Trust Series 2014-3 Class A1 12/15/15	0.270%	3,500,000	3,500,000
AmeriCredit Automobile Receivables Trust Series 2014-2 Class A1 06/08/15	0.210%	39,539	39,539
Bank of the West Auto Trust Series 2014-1 Class A1[b] 11/16/15	0.250%	1,145,748	1,145,748
CarMax Auto Owner Trust Series 2014-4 Class A1 11/16/15	0.210%	1,503,992	1,503,992
Enterprise Fleet Financing LLC Series 2014-2 Class A1[b] 08/20/15	0.250%	1,371,163	1,371,163
Fifth Third Auto Trust Series 2014-3 Class A1 11/16/15	0.210%	1,270,752	1,270,752
Nissan Auto Receivables Owner Trust Series 2014-B Class A1 12/15/15	0.230%	3,500,000	3,500,000
TCF Auto Receivables Owner Trust Series 2014-1A Class A1[b] 07/15/15	0.260%	11,086	11,086
Westlake Automobile Receivables Trust Series 2014-1A Class A1[b] 06/15/15	0.350%	114,392	114,392
Wheels SPV 2 LLC Series 2014-1A Class A1[b] 05/20/15	0.240%	491,427	491,427
World Omni Auto Receivables Trust Series 2014-B Class A1 11/16/15	0.230%	1,094,956	1,094,956
Total			14,043,055
Total Asset-Backed Securities — Non-Agency (Cost: $20,223,588)			**20,223,588**

U.S. Treasury Obligations 6.1%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
U.S. Treasury[c]			
01/31/16	0.075%	23,000,000	22,996,274
04/30/16	0.099%	6,000,000	6,000,080
Total U.S. Treasury Obligations (Cost: $28,996,354)			**28,996,354**
Total Investments (Cost: $474,367,602)			**474,367,602**
Other Assets & Liabilities, Net			**495,844**
Net Assets			**474,863,446**

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

Portfolio of Investments *(continued)*

December 31, 2014

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, 2014, the value of these securities amounted to $151,364,773 or 31.88% 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, 2014, the value of these securities amounted to $6,681,159 or 1.41% of net assets.

(c) Variable rate security.

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.

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, 2014

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2014:

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	—	83,371,371	—	83,371,371
Commercial Paper	—	121,981,068	—	121,981,068
Certificates of Deposit	—	75,000,000	—	75,000,000
U.S. Government & Agency Obligations	—	110,595,221	—	110,595,221
Repurchase Agreements	—	34,200,000	—	34,200,000
Total Short-Term Securities	—	425,147,660	—	425,147,660
Bonds				
Asset-Backed Securities — Non-Agency	—	20,223,588	—	20,223,588
U.S. Treasury Obligations	—	28,996,354	—	28,996,354
Total Bonds	—	49,219,942	—	49,219,942
Total	—	474,367,602	—	474,367,602

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 during the period.

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

Statement of Assets and Liabilities
December 31, 2014

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $440,167,602)	$440,167,602
Repurchase agreements (identified cost $34,200,000)	34,200,000
Total investments (identified cost $474,367,602)	474,367,602
Cash	4,349
Receivable for:	
Capital shares sold	1,149,384
Interest	25,984
Expense reimbursement due from Investment Manager	197,546
Prepaid expenses	2,740
Trustees' deferred compensation plan	42,262
Total assets	475,789,867
Liabilities	
Payable for:	
Capital shares purchased	495,433
Dividend distributions to shareholders	130
Investment management fees	142,593
Distribution and/or service fees	39,875
Transfer agent fees	25,926
Administration fees	25,925
Compensation of board members	58,406
Printing and postage fees	67,051
Other expenses	28,820
Trustees' deferred compensation plan	42,262
Total liabilities	926,421
Net assets applicable to outstanding capital stock	**$474,863,446**
Represented by	
Paid-in capital	$477,473,673
Excess of distributions over net investment income	(78,531)
Accumulated net realized loss	(2,531,696)
Total — representing net assets applicable to outstanding capital stock	**$474,863,446**
Class 1	
Net assets	$146,142,666
Shares outstanding	146,118,253
Net asset value per share	$1.00
Class 2	
Net assets	$22,843,019
Shares outstanding	22,844,094
Net asset value per share	$1.00
Class 3	
Net assets	$305,877,761
Shares outstanding	305,845,930
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, 2014

Net investment income	
Income:	
Interest	$549,632
Total income	549,632
Expenses:	
Investment management fees	1,810,553
Distribution and/or service fees	
Class 2	55,809
Class 3	424,083
Transfer agent fees	
Class 1	112,238
Class 2	13,394
Class 3	203,553
Administration fees	326,515
Compensation of board members	21,091
Custodian fees	14,458
Printing and postage fees	81,127
Professional fees	32,390
Other	13,171
Total expenses	3,108,382
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(2,613,513)
Total net expenses	494,869
Net investment income	54,763
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	110
Net realized gain	110
Net realized and unrealized gain	110
Net increase in net assets resulting from operations	**$54,873**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operations		
Net investment income	$54,763	$62,051
Net realized gain	110	373
Net increase in net assets resulting from operations	54,873	62,424
Distributions to shareholders		
Net investment income		
Class 1	(18,662)	(31,631)
Class 2	(2,233)	(1,569)
Class 3	(33,908)	(41,000)
Total distributions to shareholders	(54,803)	(74,200)
Decrease in net assets from capital stock activity	(228,141,111)	(79,282,779)
Total decrease in net assets	(228,141,041)	(79,294,555)
Net assets at beginning of year	703,004,487	782,299,042
Net assets at end of year	**$474,863,446**	**$703,004,487**
Excess of distributions over net investment income	$(78,531)	$(78,491)

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	22,405,420	22,405,420	6,624,850	6,624,850
Fund reorganization	—	—	62,585,727	62,585,732
Distributions reinvested	18,705	18,705	31,814	31,814
Redemptions	(179,352,920)	(179,352,920)	(90,364,516)	(90,364,517)
Net decrease	(156,928,795)	(156,928,795)	(21,122,125)	(21,122,121)
Class 2 shares				
Subscriptions	24,454,326	24,454,326	36,797,961	36,797,960
Distributions reinvested	2,233	2,233	1,570	1,570
Redemptions	(22,569,947)	(22,569,946)	(24,066,343)	(24,066,343)
Net increase	1,886,612	1,886,613	12,733,188	12,733,187
Class 3 shares				
Subscriptions	32,792,987	32,792,987	51,969,701	51,969,701
Distributions reinvested	33,928	33,928	41,264	41,264
Redemptions	(105,925,844)	(105,925,844)	(122,904,810)	(122,904,810)
Net decrease	(73,098,929)	(73,098,929)	(70,893,845)	(70,893,845)
Total net decrease	**(228,141,112)**	**(228,141,111)**	**(79,282,782)**	**(79,282,779)**

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 is not annualized for periods of less than one year.

	Year Ended December 31,				
Class 1	**2014**	**2013**	**2012**	**2011**	**2010(a)**
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(b)	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)	0.00(b)
Increase from payment by affiliate	—	—	—	—	0.00(b)
Total from investment operations	0.00(b)	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)	(0.00)(b)
Total distributions to shareholders	(0.00)(b)	(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	$1.00
Total return	0.01%	0.01%	0.01%	0.01%	0.01%(c)
Ratios to average net assets					
Total gross expenses	0.48%	0.48%	0.47%	0.47%	0.51%(d)
Total net expenses(e)	0.09%	0.10%	0.14%	0.15%	0.23%(d)
Net investment income	0.01%	0.01%	0.01%	0.01%	0.01%(d)
Supplemental data					
Net assets, end of period (in thousands)	$146,143	$303,071	$324,195	$283,185	$212,830

Notes to Financial Highlights

(a) Based on operations from May 3, 2010 (commencement of operations) through the stated period end.

(b) Rounds to zero.

(c) The Fund received a payment from 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 fee waivers/expense 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	2014	2013	2012	2011	2010[(a)]
	Year Ended December 31,				
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[(b)]	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)]	0.00[(b)]
Increase from payment by affiliate	—	—	—	—	0.00[(b)]
Total from investment operations	0.00[(b)]	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)]	(0.00)[(b)]
Total distributions to shareholders	(0.00)[(b)]	(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	$1.00
Total return	0.01%	0.01%	0.01%	0.01%	0.02%
Ratios to average net assets					
Total gross expenses	0.73%	0.73%	0.72%	0.71%	0.76%[(c)]
Total net expenses[(d)]	0.09%	0.10%	0.14%	0.15%	0.23%[(c)]
Net investment income	0.01%	0.01%	0.01%	0.01%	0.00%[(b)(c)]
Supplemental data					
Net assets, end of period (in thousands)	$22,843	$20,957	$8,224	$9,774	$3,829

Notes to Financial Highlights

(a) Based on operations from May 3, 2010 (commencement of operations) through the stated period end.

(b) Rounds to zero.

(c) Annualized.

(d) Total net expenses include the impact of certain fee waivers/expense 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	**2014**	**2013**	**2012**	**2011**	**2010**
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 payment by affiliate	—	—	—	—	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)]
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%	0.01%[(b)]
Ratios to average net assets					
Total gross expenses	0.60%	0.61%	0.60%	0.59%	0.62%
Total net expenses[(c)]	0.09%	0.11%	0.14%	0.16%	0.22%
Net investment income	0.01%	0.01%	0.01%	0.01%	0.01%
Supplemental data					
Net assets, end of period (in thousands)	$305,878	$378,976	$449,880	$579,896	$621,642

Notes to Financial Highlights

(a) Rounds to zero.

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

(c) Total net expenses include the impact of certain fee waivers/expense 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, 2014

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

Basis of Preparation

The Fund is an investment company that applies the accounting and reporting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services — Investment Companies* (ASC 946). The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) which 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 income and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies 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 purchases and redemptions of Fund shares 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, 2014

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, 2014:

	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 ($)	Gross Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount[b] ($)
				Financial Instruments[a] ($)	Cash Collateral Received ($)	Securities Collateral Received ($)	
Repurchase agreements	34,200,000	—	34,200,000	—	—	34,200,000	—

(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, including amortization of premium and discount, is recognized daily.

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 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 share class of the Fund at the net asset value as of the ex-dividend date of the distribution.

Guarantees and Indemnifications

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

Money Market Fund Reform

In July 2014, the Securities and Exchange Commission adopted amendments to the rules that govern money market funds. The new rules address potential systemic risks associated with money market funds and improve transparency for money market fund investors. The Fund will be required to comply with provisions of money market fund reform, the majority of which will become effective in 2016.

Notes to Financial Statements *(continued)*
December 31, 2014

As a result, the Fund may be required to take certain steps that will impact its structure and/or operations, which could impact the return potential of the Fund.

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, 2014 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, 2014 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, 2014, other expenses paid by the Fund to this company were $2,074.

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 the Fund 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 Fund's expense ratio is subject to an expense reimbursement arrangement pursuant to which fees will be waived and/or expenses reimbursed (excluding certain fees and expenses described below), so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the annual rates of:

	Voluntary Expense Cap Effective May 1, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.450%	0.450%
Class 2	0.700	0.700
Class 3	0.575	0.575

The voluntary expense cap arrangement may be revised or discontinued at any time. Under the 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, 2014

inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest and extraordinary expenses.

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, 2014, 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:

Accumulated net realized loss	$2,408
Paid-in capital	(2,408)

Net investment income (loss) 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,	2014	2013
Ordinary income	$54,803	$74,200

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

At December 31, 2014, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$20,567
Capital loss carryforwards	2,531,696

At December 31, 2014, the cost of investments for federal income tax purposes was $474,367,602.

The following capital loss carryforwards, determined at December 31, 2014, 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	210,492
2017	2,314,650
2018	6,554
Total	2,531,696

For the year ended December 31, 2014, $110 of capital loss carryforward was utilized and $2,410 expired unused.

Management of the Fund has concluded that there are no significant uncertain tax positions in the Fund 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, 2014 affiliated shareholders of record owned 90.3% of the outstanding shares of the Fund in one or more accounts. 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. (JPMorgan) whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. Pursuant to a December 9, 2014 amendment, the credit facility agreement, 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 $550 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations. Prior to the December 9, 2014 amendment, the credit facility agreement permitted borrowings up to $500 million under the same terms and interest rates as described above.

Notes to Financial Statements *(continued)*

December 31, 2014

The Fund had no borrowings during the year ended December 31, 2014.

Note 7. Fund Reorganization

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 a plan of reorganization 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 reorganization were $703,069,052 and the combined net assets immediately after the reorganization were $765,654,784.

The reorganization 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 reorganization and the combined fund for the period subsequent to the reorganization. Because the combined investment portfolios have been managed as a single integrated portfolio since the reorganization 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 reorganization was completed.

Assuming the reorganization 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.

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 quarterly (10-Q), annual (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

Notes to Financial Statements *(continued)*

December 31, 2014

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, 2014, 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 three 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, 2014 by correspondence with the custodian and brokers, and the application of alternative auditing procedures where such confirmations had not been received, provide a reasonable basis for our opinion. The financial highlights of 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, 2015

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(s) During Past Five Years and Other Relevant Professional Experience	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; specializing in arbitration and mediation; Chief Justice, Minnesota Supreme Court, 1998-2006; Associate Justice, Minnesota Supreme Court, 1996-1998; Fourth Judicial District Court Judge, Hennepin Country, 1994-1996; Attorney in private practice and public service, 1984-1993; State Representative, Minnesota House of Representatives, 1979-1993, which included service on the Tax and Financial Institutions and Insurance Committees	132	Trustee, BlueCross BlueShield of Minnesota (Chair of the Business Development Committee) since 2009; Chair of the Robina Foundation since August 2013
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; FINRA Industry Arbitrator, 2002-present; Chairman and Chief Executive Officer, John Hancock Funds (asset management), Chairman and Interested Trustee for open-end and closed-end funds offered by John Hancock, 1989-2000; John Hancock Life Insurance Company, including SVP and Treasurer and SVP Information Technology, 1968-1988	130	Former Trustee, BofA Funds Series Trust (11 funds), 2005-2011; Trustee, Boston Museum of Science (Chair of Finance Committee), 1985-2013
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; Managing Director of US Equity Research, JP Morgan Chase, 1999-2003; Director of US Equity Research, Chase Asset Management, 1996- 1999; Co-Director Latin America Research, 1993-1996, CCO Global Research, 1992-1996, Co-Director of US Research, 1991-1992, Investment Banker, Morgan Stanley, 1982-1991	132	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; Co-founder, The Succession Fund (provides exit strategies to owners of privately held companies) 1998-2007; Adjunct Professor of Finances, Kelley School of Business, Indiana University, 1993-2007; Senior Vice President, Sara Lee Corporation, 1991-1993; Senior Vice President and Chief Financial Officer, Beatrice Foods Company, 1984-1990; Vice President, Esmark, Inc, 1973-1984.; Associate, Price Waterhouse, 1968-1972	132	Director, Cobra Electronics Corporation (electronic equipment manufacturer), 1994 - August 2014; 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) 2009-2011; Director, Spectrum Brands, Inc. (consumer products), 2002-2009; Director, Simmons Company (bedding), 2004-2010

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation(s) During Past Five Years and Other Relevant Professional Experience	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (Within Past 5 Years)
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 (also teaches and conducts research on corporate governance); Dean, McCallum Graduate School of Business, Bentley University, 1992-2002	132	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; Operation Hope, COO, 2004-2007; IndyMac Bancorp, President, CBG, 1999-2003; American General Bank, President, 1997-1999; Griffin Financial Services, CEO, 1981-1997; The Griffin Funds, CEO, 1992-1998	130	Trustee, BofA Funds Series Trust (11 funds)
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	130	Chairman, BofA Funds Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance) 2003-2011
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) since September 1998; Managing Director and Partner, Interlaken Capital, Inc., 1989-1997; Managing Director, Morgan Stanley, 1982-1989; Vice President, Investment Banking, 1980-1982, Associate, Investment Banking, 1976-1980, Dean Witter Reynolds, Inc.	132	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2012; Trustee, Carleton College (on the Investment Committee); Trustee, Carnegie Endowment for International Peace (on the Investment Committee)
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	Board member since 2000 for Seligman Funds, since 11/08 for RiverSource Funds and since 6/11 for Nations Funds	Counsel, Lewis & Munday, P.C. (law firm) since 2004; Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation, 1993-1997	132	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. (family investment business) 1998-2011	130	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; Chair of the Duke Endowment; Director, National Association of Corporate Directors, Carolinas Chapter, since 2013; former Trustee, BofA Funds Series Trust (11 funds), 2003-2011
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	Managing Director, Forester Biotech (consulting) since 2001; Chief Executive Officer and Director, RiboNovix, Inc., (biotechnology) 2003-2010; President and Chief Executive Officer of CMT Inc., 2001-2003; Aquila Biopharmaceuticals Inc., 1996-2000; Cambridge Biotech Corporation, 1995-1996, Mitotix Inc., 1993-1994	132	Director, Healthways, Inc. (health and well-being solutions) 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; President, Federal Reserve Bank of Philadelphia, 2000-2006, Professor of Finance, The Wharton School, University of Pennsylvania, 1972-2002	130	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), 2008-2011

* 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; Director, Threadneedle Asset Management Holdings, SARL since 2014; President and Chief Executive Officer, Ameriprise Certificate Company, 2006-August 2012	191	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 Statement of Additional Information 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:

Fund 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
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	President and Principal Executive Officer (2015)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since January 2015 (previously, Vice President and Chief Counsel January 2010-December 2014; and Vice President and Group Counsel or Lead Counsel 2004-January 2010); officer of Columbia Funds and affiliated funds since 2007.
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, September 2004-April 2010; senior officer of Columbia Funds and affiliated funds since 2002.
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Senior Vice President (2011), Chief Legal Officer (2015) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (previously Chief Counsel, January 2010-January 2013 and Group Counsel, November 2008-January 2010).
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Senior Vice President and 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, 2005-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; Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, 2007-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, 2005-April 2010.
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011), Assistant Treasurer (2012) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Treasurer, Columbia Management Investment Advisers, LLC since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC, 2006-April 2010.
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1965	Vice President (2006)	Managing Director and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, 2009-April 2010, and Vice President — Asset Management and Trust Company Services, 2006-2009).
Lyn Kephart-Strong 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1960	Vice President (2015)	President, Columbia Management Investment Services Corp. since October 2014; Vice President & Resolution Officer, Ameriprise Trust Company since August 2009; President, RiverSource Service Corporation 2004-2010.
Ryan C. Larrenaga 225 Franklin Street Boston, MA 02110 Born 1970	Vice President and Secretary (2015)	Vice President and Group Counsel, Ameriprise Financial, Inc. since August 2011 (previously, Counsel from May 2010 to August 2011); Assistant General Counsel, Bank of America, 2005-April 2010; officer of Columbia Funds and affiliated funds since 2005.

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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 31st for the most recent 12-month period ending June 30th 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 E (2/15)

Annual Report

December 31, 2014

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.

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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 — Dividend Opportunity Fund (the Fund) Class 3 shares returned 9.91% for the 12-month period that ended December 31, 2014.

> During the same time period, the Fund underperformed the MSCI USA High Dividend Yield Index (Net), which returned 13.85%, as well as the Russell 1000 Value Index, which returned 13.45%.

> The Fund lagged the MSCI index due both to overall stock selection and sector allocation decisions.

Average Annual Total Returns (%) (for period ended December 31, 2014)

	Inception	1 Year	5 Years	10 Years
Class 1*	05/03/10	10.08	12.14	7.04
Class 2*	05/03/10	9.79	11.85	6.83
Class 3	09/15/99	9.91	12.00	6.97
MSCI USA High Dividend Yield Index (Net)		13.85	15.59	7.71
Russell 1000 Value Index		13.45	15.42	7.30

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/investment-products/variable-products/appended-performance for more information.

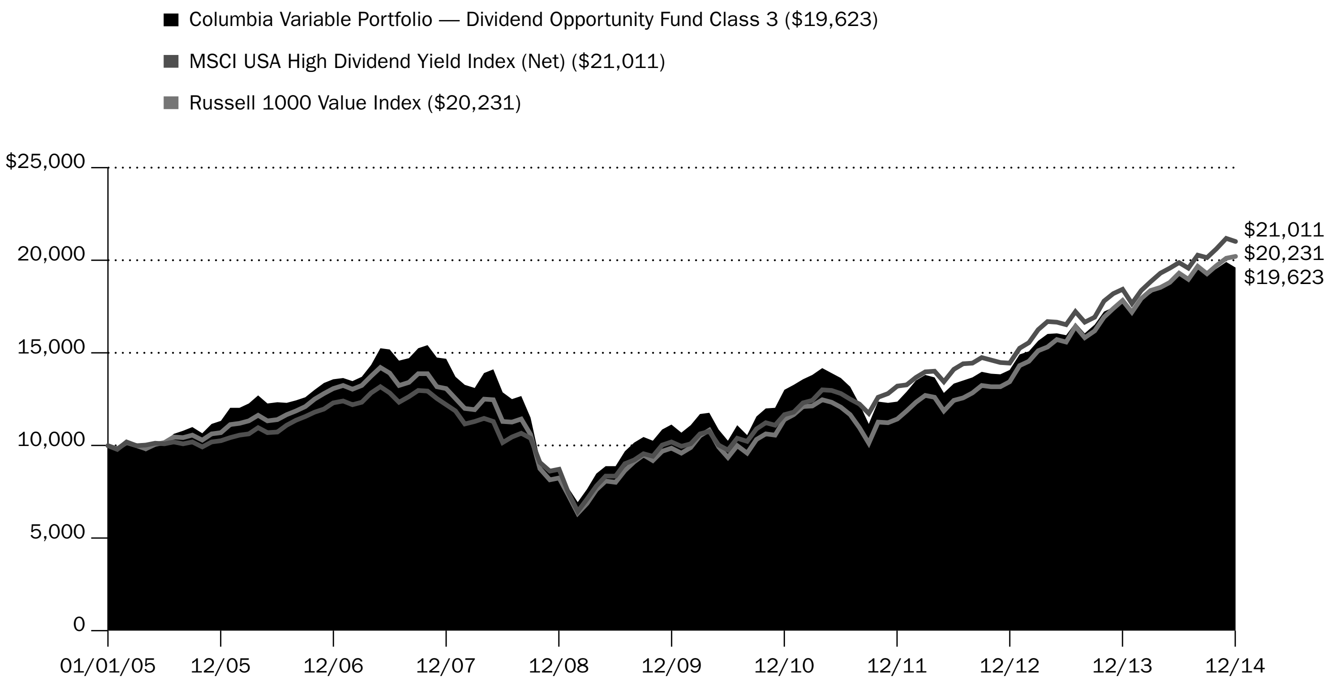
The MSCI USA High Dividend Yield Index (Net) is composed of those securities in the MSCI USA Index that have higher-than-average dividend yield (e.g. 30% higher than that of the MSCI USA Index), a track record of consistent dividend payments and the capacity to sustain future dividend payments. The MSCI USA Index is a free float adjusted market capitalization index that is designed to measure large- and mid-cap U.S. equity market performance. Effective May 1, 2014, the MSCI USA High Dividend Yield Index (Net) was added as a more dividend-focused benchmark for the Fund.

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 (except the MSCI USA High Dividend Yield Index (Net), which reflects reinvested dividends net of withholding 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, 2005 — December 31, 2014)



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

Steven Schroll

Paul Stocking

Dean Ramos, CFA

Top Ten Holdings (%) (at December 31, 2014)	
Altria Group, Inc.	4.5
Procter & Gamble Co. (The)	4.3
Cisco Systems, Inc.	3.9
Microsoft Corp.	3.9
Johnson & Johnson	3.9
Merck & Co., Inc.	3.6
Pfizer, Inc.	3.5
Goldman Sachs Group, Inc. (The) Senior Unsecured (linked to common stock of Apple, Inc.) 7.000% 03/11/15	2.8
Chevron Corp.	2.7
Lockheed Martin Corp.	2.6

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, 2014)	
Common Stocks	**89.5**
Consumer Discretionary	3.0
Consumer Staples	19.5
Energy	11.7
Financials	2.9
Health Care	15.8
Industrials	5.8
Information Technology	12.2
Materials	1.5
Telecommunication Services	8.4
Utilities	8.7
Equity-Linked Notes	**6.7**
Money Market Funds	**3.8**
Total	**100.0**

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

At December 31, 2014, approximately 62% 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.

Effective May 1, 2014, the MSCI USA High Dividend Yield Index (Net) was added as a more dividend-focused benchmark for the Fund.

For the 12-month period that ended December 31, 2014, the Fund's Class 3 shares returned 9.91%. During the same time period, the Fund underperformed both of its benchmarks, the MSCI USA High Dividend Yield Index (Net), which returned 13.85%, and the Russell 1000 Value Index, which returned 13.45%. The Fund lagged the MSCI index due both to overall stock selection and sector allocation decisions.

U.S. Equity Market Advanced

Most major indices measuring the U.S. equity market generated double-digit gains in 2014, but there was wide sector performance dispersion as diverging economies, strong merger and acquisition (M&A) activity and dramatically declining oil prices served as major trends of the year. The U.S. economic recovery accelerated as the year progressed, especially compared to other developed markets, which helped support corporate earnings growth and strong equity returns. Positive gross domestic product (GDP) surprises and better employment numbers gave the Federal Reserve the foundation it needed to end its quantitative easing program as scheduled in October 2014, having begun the tapering of its asset purchases at the start of the calendar year. Lower interest rates, a surprise to many, given expectations for just the opposite at the beginning of 2014, further bolstered investor confidence. U.S. equities also benefited from the highest level of M&A activity seen since 2007, concentrated especially in the information technology and health care sectors. In turn, these two sectors, along with utilities, led the U.S. equity market higher. In contrast, West Texas Intermediate oil prices fell nearly 50% from its high in June 2014 to the end of the year. The precipitous decline in oil prices, driven by abundant supply from the U.S. and OPEC along with weaker demand from China and several emerging markets, impacted not only the energy sector's performance but also sectors leveraged to commodity pressures, including materials and industrials. Telecommunication services also performed poorly during the year as aggressive competition, including price wars aimed at luring customers, and market saturation put growth pressures on the sector, especially on the wireless side.

Selection and Sector Allocation Hampered Fund Performance

The Fund underperformed the MSCI index due both to individual stock selection and sector allocation overall. Stock selection in the information technology, industrials and utilities sectors impacted the Fund's annual results most. Having an underweight allocation to information technology, the best performing sector in the MSCI index during the annual period, also hurt. Having an approximately 2.0% average position in cash also detracted during an annual period when the U.S. equity market rallied.

Manager Discussion of Fund Performance *(continued)*

Within information technology, performance was driven more by what the Fund did not own than by what it did. More specifically, having underweight positions in Apple and Intel and not holding a position at all in Hewlett-Packard, each of which performed well during the annual period, hurt relative results. It was difficult to find opportunities that met the Fund's yield criteria within the information technology sector during the annual period. Within industrials, an out-of-benchmark (MSCI index) position in commercial printing services firm R.R. Donnelley & Sons disappointed. A position in General Electric also performed poorly on lackluster revenue growth by the conglomerate. In utilities, not owning positions in U.S.-based Edison International and Entergy and having an emphasis on non-U.S. utilities, such as U.K.-based National Grid, which generally lagged U.S. utilities, dampened relative results.

Consumer Sectors Boosted Results

On the positive side, stock selection in the consumer discretionary and consumer staples sectors proved effective. In consumer discretionary, having a position in Leggett & Platt, a diversified industrials company, added value. Leggett & Platt benefited during the annual period from positive earnings surprises and increased guidance. Investors appeared to respond favorably to positive trends in several of the company's businesses plus its disposition of weaker performing business lines. Not holding a Fund position in fast-food retailer McDonald's and in several casino companies, which performed poorly during the annual period, also boosted relative results.

In consumer staples, having an overweight allocation to the tobacco industry helped most. Positions in Altria and Lorillard were particularly strong performers on successfully raising prices per cigarette pack, leading, in turn, to better earnings. Altria Group in particular also saw improved market share gains in its e-cigarette business line and was widely anticipated to be a key beneficiary of M&A activity in the industry. Positive news regarding a large Illinois lawsuit in which Altria is involved potentially being overturned was also viewed favorably. As partial owner of SABMiller, Altria Group also saw its shares rise on speculation regarding a takeover of the brewer. Having an underweight position in Philip Morris, which proved an exception within the tobacco industry, posting weaker returns, also proved prudent. So, too, did being underweight in the hotels and leisure industry and having an underweight position in beverage giant Coca-Cola, which generally performed poorly for the annual period.

Bottom-Up Selection and New Benchmark Drove Changes

During the annual period, we increased the Fund's allocations to the consumer staples and information technology sectors. We decreased the Fund's positions in the financials and industrials sectors. These shifts were based both on bottom-up stock selection and in adaptation to the Fund's newly added benchmark, the MSCI index.

Looking Ahead

Several factors seen at the end of 2014 lead us to a cautiously optimistic view on the equity markets as we move into 2015. First, heightened market volatility amid falling oil prices may increase the focus on opportunities not only in the energy sector but also in sectors closely leveraged to commodity pressures, such as materials and industrials. Second, the U.S. dollar appreciated strongly against other currencies in the last half of 2014. While this may lead to a currency headwind on earnings for U.S. companies with substantial non-U.S. operations, it may also

Manager Discussion of Fund Performance *(continued)*

provide opportunities for investment in domestically-focused companies with attractive valuations. Indeed, while U.S. equity valuations grew more full amid the strong market moves of 2013 and 2014, we still viewed U.S. equity valuations as generally favorable at the end of the year. Third, we currently expect U.S. economic growth to continue, supporting further corporate earnings growth. Together, these factors serve as foundation for our constructive view.

Regardless of such anticipated near-term conditions, going forward, we currently intend to seek value opportunities in all sectors of the U.S. equity market, maintaining a disciplined focus on business fundamentals and company management philosophies as prudent stewards of capital. We believe such a bottom-up, fundamentally-focused strategy should ultimately 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, 2014 – December 31, 2014

	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	1,019.90	1,021.73	3.51	3.52	0.69
Class 2	1,000.00	1,000.00	1,018.60	1,020.47	4.78	4.79	0.94
Class 3	1,000.00	1,000.00	1,019.50	1,021.12	4.12	4.13	0.81

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 its investment in underlying funds, including affiliated and non-affiliated pooled investment vehicles, such as mutual funds and exchange-traded funds.

Portfolio of Investments

December 31, 2014

(Percentages represent value of investments compared to net assets)

Common Stocks 90.8%

Issuer	Shares	Value ($)
Consumer Discretionary 3.0%		
Household Durables 1.0%		
Leggett & Platt, Inc.	834,438	35,555,403
Media 2.0%		
Comcast Corp., Class A	289,290	16,781,713
National CineMedia, Inc.	832,418	11,961,847
Pearson PLC	1,092,704	20,180,210
Regal Entertainment Group, Class A	993,701	21,225,453
Total		70,149,223
Total Consumer Discretionary		**105,704,626**
Consumer Staples 19.8%		
Beverages 3.7%		
Anheuser-Busch InBev NV	312,186	35,133,846
Coca-Cola Co. (The)	1,386,604	58,542,421
PepsiCo, Inc.	280,641	26,537,413
SABMiller PLC	155,364	8,099,311
Total		128,312,991
Food & Staples Retailing 1.3%		
SYSCO Corp.	732,234	29,062,367
Wesfarmers Ltd.	437,788	14,822,474
Total		43,884,841
Food Products 0.9%		
Kraft Foods Group, Inc.	232,891	14,592,950
Unilever PLC	383,772	15,591,965
Total		30,184,915
Household Products 5.2%		
Kimberly-Clark Corp.	306,625	35,427,452
Procter & Gamble Co. (The)	1,605,362	146,232,425
Total		181,659,877
Tobacco 8.7%		
Altria Group, Inc.	3,090,040	152,246,271
British American Tobacco PLC	601,841	32,614,346
Imperial Tobacco Group PLC	796,263	35,051,103
Lorillard, Inc.	668,611	42,082,376
Philip Morris International, Inc.	508,949	41,453,896
Total		303,447,992
Total Consumer Staples		**687,490,616**
Energy 11.8%		
Oil, Gas & Consumable Fuels 11.8%		
BP PLC, ADR	724,311	27,610,735
California Resources Corp.[(a)]	346,184	1,907,474
Chevron Corp.	819,209	91,898,866

Common Stocks *(continued)*

Issuer	Shares	Value ($)
ConocoPhillips	1,154,934	79,759,742
Occidental Petroleum Corp.	865,460	69,764,730
Royal Dutch Shell PLC, Class A	2,182,455	72,834,863
Spectra Energy Corp.	648,992	23,558,410
Suncor Energy, Inc.	332,240	10,558,587
Total SA	655,803	33,598,118
Total		411,491,525
Total Energy		**411,491,525**
Financials 3.0%		
Banks 1.8%		
Bank of Montreal	492,513	34,835,445
JPMorgan Chase & Co.	450,830	28,212,941
Total		63,048,386
Capital Markets 1.2%		
BlackRock, Inc.	79,881	28,562,251
New Mountain Finance Corp.	845,046	12,624,987
Total		41,187,238
Total Financials		**104,235,624**
Health Care 16.1%		
Pharmaceuticals 16.1%		
AbbVie, Inc.	1,028,098	67,278,733
AstraZeneca PLC, ADR	236,682	16,657,679
Bristol-Myers Squibb Co.	706,518	41,705,758
Eli Lilly & Co.	482,187	33,266,081
GlaxoSmithKline PLC	398,875	8,557,306
Johnson & Johnson	1,253,119	131,038,654
Merck & Co., Inc.	2,144,902	121,808,985
Novartis AG, ADR	228,207	21,145,661
Pfizer, Inc.	3,764,915	117,277,102
Total		558,735,959
Total Health Care		**558,735,959**
Industrials 5.9%		
Aerospace & Defense 3.0%		
BAE Systems PLC	2,425,325	17,736,885
Lockheed Martin Corp.	449,192	86,500,904
Total		104,237,789
Commercial Services & Supplies 1.1%		
RR Donnelley & Sons Co.	1,342,132	22,554,528
West Corp.	412,298	13,605,834
Total		36,160,362

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

Portfolio of Investments *(continued)*

December 31, 2014

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Industrial Conglomerates 1.8%		
General Electric Co.	1,835,325	46,378,663
Siemens AG, Registered Shares	147,827	16,586,761
Total		62,965,424
Total Industrials		**203,363,575**
Information Technology 12.4%		
Communications Equipment 3.8%		
Cisco Systems, Inc.	4,755,932	132,286,248
IT Services 0.4%		
Paychex, Inc.	309,060	14,269,300
Semiconductors & Semiconductor Equipment 4.0%		
Analog Devices, Inc.	242,428	13,459,603
Intel Corp.	2,047,222	74,293,686
Maxim Integrated Products, Inc.	280,093	8,926,564
Microchip Technology, Inc.	951,916	42,940,931
Total		139,620,784
Software 3.8%		
Microsoft Corp.	2,846,448	132,217,510
Technology Hardware, Storage & Peripherals 0.4%		
Seagate Technology PLC	171,920	11,432,680
Total Information Technology		**429,826,522**
Materials 1.5%		
Chemicals 0.9%		
LyondellBasell Industries NV, Class A	393,699	31,255,764
Metals & Mining 0.6%		
BHP Billiton Ltd.	596,851	14,111,132
Rio Tinto PLC	160,416	7,394,709
Total		21,505,841
Total Materials		**52,761,605**
Telecommunication Services 8.5%		
Diversified Telecommunication Services 7.6%		
AT&T, Inc.	2,358,914	79,235,921
BCE, Inc.	459,577	21,076,143
BCE, Inc.	581,483	26,666,810
CenturyLink, Inc.	1,404,712	55,598,501
Orange SA	1,177,319	20,022,331
Telstra Corp., Ltd.	4,471,609	21,708,892
Verizon Communications, Inc.	811,296	37,952,427
Total		262,261,025

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Wireless Telecommunication Services 0.9%		
Vodafone Group PLC	3,172,706	10,878,033
Vodafone Group PLC, ADR	626,812	21,418,166
Total		32,296,199
Total Telecommunication Services		**294,557,224**
Utilities 8.8%		
Electric Utilities 4.9%		
American Electric Power Co., Inc.	282,551	17,156,497
Duke Energy Corp.	884,980	73,931,229
Endesa SA	83,374	1,669,089
PPL Corp.	619,998	22,524,527
Southern Co. (The)	394,305	19,364,319
Terna Rete Elettrica Nazionale SpA	4,153,447	18,865,663
Xcel Energy, Inc.	447,901	16,088,604
Total		169,599,928
Multi-Utilities 3.9%		
Ameren Corp.	433,969	20,018,990
CMS Energy Corp.	212,762	7,393,480
DTE Energy Co.	104,403	9,017,287
National Grid PLC	2,083,422	29,562,283
PG&E Corp.	392,008	20,870,506
Public Service Enterprise Group, Inc.	323,027	13,376,548
SCANA Corp.	165,656	10,005,622
Sempra Energy	241,505	26,893,997
Total		137,138,713
Total Utilities		**306,738,641**
Total Common Stocks (Cost: $2,773,651,066)		**3,154,905,917**

Equity-Linked Notes 6.8%

Issuer	Coupon Rate	Shares	Value ($)
Deutsche Bank AG[(b)] Senior Unsecured			
(linked to common stock of Delta Air Lines, Inc.) 04/02/15	8.760%	364,780	17,853,172
(linked to common stock of Devon Energy) 04/02/15	6.000%	290,790	17,804,868
Goldman Sachs Group, Inc. (The)[(b)] Senior Unsecured			
(linked to common stock of Apple, Inc.) 03/11/15	7.000%	884,690	96,012,044
(linked to common stock of Dow Chemical Co. (The)) 02/13/15	7.000%	1,129,130	51,848,182
(linked to common stock of United Air Lines, Inc.) 04/07/15	13.300%	181,260	11,970,804

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

Portfolio of Investments *(continued)*
December 31, 2014

Equity-Linked Notes *(continued)*

Issuer	Coupon Rate	Shares	Value ($)
JPMorgan Chase & Co.(b)			
Senior Unsecured			
(linked to common stock of KKR & Co., LLP)			
01/20/15	12.300%	502,584	11,765,491
(linked to common stock of Suncor Energy, Inc.)			
01/20/15	10.600%	47,950	1,536,797
UBS AG			
Senior Unsecured			
(linked to common stock of Blackstone Group LP (The))(b)			
02/26/15	8.960%	822,590	27,573,217
Total Equity-Linked Notes (Cost: $239,262,383)			**236,364,575**

Money Market Funds 3.8%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.115%(c)(d)	133,741,912	133,741,912
Total Money Market Funds (Cost: $133,741,912)		**133,741,912**
Total Investments (Cost: $3,146,655,361)		**3,525,012,404**
Other Assets & Liabilities, Net		**(48,866,471)**
Net Assets		**3,476,145,933**

Notes to Portfolio of Investments

(a) Non-income producing.

(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, 2014, the value of these securities amounted to $236,364,575 or 6.80% of net assets.

(c) The rate shown is the seven-day current annualized yield at December 31, 2014.

(d) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of the company's 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, 2014, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	79,377,224	1,741,935,986	(1,687,571,298)	133,741,912	73,531	133,741,912

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 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.

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

Portfolio of Investments *(continued)*

December 31, 2014

Fair Value Measurements *(continued)*

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 following table is a summary of the inputs used to value the Fund's investments at December 31, 2014:

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	85,524,416	20,180,210	—	105,704,626
Consumer Staples	546,177,571	141,313,045	—	687,490,616
Energy	305,058,544	106,432,981	—	411,491,525
Financials	104,235,624	—	—	104,235,624
Health Care	550,178,653	8,557,306	—	558,735,959
Industrials	169,039,928	34,323,647	—	203,363,575
Information Technology	429,826,522	—	—	429,826,522
Materials	31,255,764	21,505,841	—	52,761,605
Telecommunication Services	241,947,968	52,609,256	—	294,557,224
Utilities	256,641,606	50,097,035	—	306,738,641
Total Equity Securities	2,719,886,596	435,019,321	—	3,154,905,917
Other				
Equity-Linked Notes	—	236,364,575	—	236,364,575
Total Other	—	236,364,575	—	236,364,575
Mutual Funds				
Money Market Funds	133,741,912	—	—	133,741,912
Total Mutual Funds	133,741,912	—	—	133,741,912
Total	2,853,628,508	671,383,896	—	3,525,012,404

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

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

Portfolio of Investments *(continued)*
December 31, 2014

Fair Value Measurements *(continued)*

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 model utilized by such third party statistical pricing service takes 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 during the period.

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

Statement of Assets and Liabilities
December 31, 2014

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $3,012,913,449)	$3,391,270,492
Affiliated issuers (identified cost $133,741,912)	133,741,912
Total investments (identified cost $3,146,655,361)	3,525,012,404
Cash	523,119
Receivable for:	
Investments sold	5,559,322
Capital shares sold	103,078
Dividends	7,248,663
Reclaims	408,110
Prepaid expenses	9,021
Trustees' deferred compensation plan	33,150
Total assets	3,538,896,867
Liabilities	
Payable for:	
Investments purchased	57,646,355
Capital shares purchased	2,342,554
Investment management fees	1,769,301
Distribution and/or service fees	146,742
Transfer agent fees	189,801
Administration fees	160,442
Compensation of board members	217,837
Other expenses	244,752
Trustees' deferred compensation plan	33,150
Total liabilities	62,750,934
Net assets applicable to outstanding capital stock	**$3,476,145,933**
Represented by	
Trust capital	$3,476,145,933
Total — representing net assets applicable to outstanding capital stock	**$3,476,145,933**
Class 1	
Net assets	$2,235,149,145
Shares outstanding	111,818,946
Net asset value per share	$19.99
Class 2	
Net assets	$44,490,878
Shares outstanding	2,253,701
Net asset value per share	$19.74
Class 3	
Net assets	$1,196,505,910
Shares outstanding	60,242,995
Net asset value per share	$19.86

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

Statement of Operations

Year Ended December 31, 2014

Net investment income	
Income:	
Dividends — unaffiliated issuers	$124,019,264
Dividends — affiliated issuers	73,531
Interest	15,208,930
Foreign taxes withheld	(4,534,312)
Total income	134,767,413
Expenses:	
Investment management fees	19,147,719
Distribution and/or service fees	
Class 2	96,517
Class 3	1,537,335
Transfer agent fees	
Class 1	1,288,627
Class 2	23,164
Class 3	737,896
Administration fees	1,741,500
Compensation of board members	68,396
Custodian fees	53,530
Printing and postage fees	263,924
Professional fees	55,399
Other	64,294
Total expenses	25,078,301
Net investment income	109,689,112
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	445,912,465
Foreign currency translations	(280,738)
Net realized gain	445,631,727
Net change in unrealized appreciation (depreciation) on:	
Investments	(237,895,196)
Foreign currency translations	(41,365)
Net change in unrealized depreciation	(237,936,561)
Net realized and unrealized gain	207,695,166
Net increase in net assets resulting from operations	**$317,384,278**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operations		
Net investment income	$109,689,112	$86,364,035
Net realized gain	445,631,727	338,222,186
Net change in unrealized appreciation (depreciation)	(237,936,561)	340,384,337
Net increase in net assets resulting from operations	317,384,278	764,970,558
Decrease in net assets from capital stock activity	(336,137,912)	(227,186,026)
Total increase (decrease) in net assets	(18,753,634)	537,784,532
Net assets at beginning of year	3,494,899,567	2,957,115,035
Net assets at end of year	**$3,476,145,933**	**$3,494,899,567**

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	11,633,916	219,689,562	12,347,641	205,828,073
Redemptions	(20,887,125)	(380,544,134)	(17,272,816)	(283,943,884)
Net decrease	(9,253,209)	(160,854,572)	(4,925,175)	(78,115,811)
Class 2 shares				
Subscriptions	579,155	10,988,166	747,495	12,101,791
Redemptions	(201,921)	(3,840,411)	(199,168)	(3,245,751)
Net increase	377,234	7,147,755	548,327	8,856,040
Class 3 shares				
Subscriptions	61,526	1,149,766	80,740	1,354,141
Redemptions	(9,688,143)	(183,580,861)	(9,759,144)	(159,280,396)
Net decrease	(9,626,617)	(182,431,095)	(9,678,404)	(157,926,255)
Total net decrease	**(18,502,592)**	**(336,137,912)**	**(14,055,252)**	**(227,186,026)**

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. Total return and portfolio turnover are not annualized for periods of less than one year. The portfolio turnover rate is calculated without regard to purchase and sales transactions of short-term instruments and certain derivatives, if any. If such transactions were included, the Fund's portfolio turnover rate may be higher.

	Year Ended December 31,				
Class 1	**2014**	**2013**	**2012**	**2011**	**2010[a]**
Per share data					
Net asset value, beginning of period	$18.16	$14.32	$12.55	$13.19	$12.05
Income from investment operations:					
Net investment income	0.62	0.45	0.40	0.23	0.13
Net realized and unrealized gain (loss)	1.21	3.39	1.37	(0.87)	1.01
Total from investment operations	1.83	3.84	1.77	(0.64)	1.14
Net asset value, end of period	$19.99	$18.16	$14.32	$12.55	$13.19
Total return	10.08%	26.81%	14.10%	(4.85%)	9.46%
Ratios to average net assets[b]					
Total gross expenses	0.69%	0.70%	0.69%	0.74%	0.78%[c]
Total net expenses[d]	0.69%	0.70%	0.69%	0.74%	0.78%[c]
Net investment income	3.25%	2.71%	2.89%	1.74%	1.68%[c]
Supplemental data					
Net assets, end of period (in thousands)	$2,235,149	$2,198,787	$1,803,841	$1,737,503	$1,554,975
Portfolio turnover	86%	71%	64%	41%	26%

Notes to Financial Highlights

(a) Based on operations from May 3, 2010 (commencement of operations) through the stated period end.

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

(c) Annualized.

(d) Total net expenses include the impact of certain fee waivers/expense 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, 2014	2013	2012	2011	2010[a]
Per share data					
Net asset value, beginning of period	$17.98	$14.21	$12.48	$13.15	$12.05
Income from investment operations:					
Net investment income	0.57	0.40	0.37	0.22	0.11
Net realized and unrealized gain (loss)	1.19	3.37	1.36	(0.89)	0.99
Total from investment operations	1.76	3.77	1.73	(0.67)	1.10
Net asset value, end of period	$19.74	$17.98	$14.21	$12.48	$13.15
Total return	9.79%	26.53%	13.86%	(5.09%)	9.13%
Ratios to average net assets[b]					
Total gross expenses	0.94%	0.95%	0.94%	0.97%	1.03%[c]
Total net expenses[d]	0.94%	0.95%	0.94%	0.97%	1.03%[c]
Net investment income	3.01%	2.46%	2.69%	1.71%	1.37%[c]
Supplemental data					
Net assets, end of period (in thousands)	$44,491	$33,741	$18,873	$15,653	$1,191
Portfolio turnover	86%	71%	64%	41%	26%

Notes to Financial Highlights

(a) Based on operations from May 3, 2010 (commencement of operations) through the stated period end.

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

(c) Annualized.

(d) Total net expenses include the impact of certain fee waivers/expense 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, 2014	2013	2012	2011	2010
Per share data					
Net asset value, beginning of period	$18.07	$14.26	$12.51	$13.17	$11.27
Income from investment operations:					
Net investment income	0.60	0.42	0.38	0.20	0.17
Net realized and unrealized gain (loss)	1.19	3.39	1.37	(0.86)	1.73
Total from investment operations	1.79	3.81	1.75	(0.66)	1.90
Net asset value, end of period	$19.86	$18.07	$14.26	$12.51	$13.17
Total return	9.91%	26.72%	13.99%	(5.01%)	16.83%
Ratios to average net assets[(a)]					
Total gross expenses	0.81%	0.82%	0.82%	0.86%	0.90%
Total net expenses[(b)]	0.81%	0.82%	0.82%	0.86%	0.90%
Net investment income	3.14%	2.58%	2.74%	1.57%	1.42%
Supplemental data					
Net assets, end of period (in thousands)	$1,196,506	$1,262,372	$1,134,402	$1,222,104	$1,572,800
Portfolio turnover	86%	71%	64%	41%	26%

Notes to Financial Highlights

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

(b) Total net expenses include the impact of certain fee waivers/expense 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, 2014

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 the Trust's organizational documents or 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

Basis of Preparation

The Fund is an investment company that applies the accounting and reporting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services — Investment Companies* (ASC 946). The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) which 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 income and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies 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 that take into account, as applicable, 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 traded. If any foreign security 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. 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 a policy adopted by the Board, including, if available, 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 their 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 procedures established by and under the general

Notes to Financial Statements *(continued)*

December 31, 2014

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 quoted or published 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 generally translated into U.S. dollars at exchange rates determined at the close of the NYSE. 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 place a debt security on non-accrual status and reduce related interest income when it becomes probable that the interest will not be collected and the amount of uncollectible interest can be reasonably estimated. A defaulted debt security is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is reasonably assured.

The Fund may receive distributions from holdings in business development companies (BDCs), exchange-traded funds (ETFs), other regulated investment companies (RICs), 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 actual information reported. To the extent actual information has not yet been reported by the REITs, estimates for return of capital are made by the Fund’s management. 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 REITs, which could result in a proportionate change in return of capital to shareholders. No estimates are made for the BDCs, ETFs, and RICs.

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

Notes to Financial Statements *(continued)*

December 31, 2014

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 in the Fund 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, 2014 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, 2014 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, 2014, other expenses paid by the Fund to this company were $6,465.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. Under a Deferred Compensation Plan (the Plan), the Board members who are not "interested persons" of the Fund, as defined under the 1940 Act, may elect to defer payment of up to 100% of their compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of certain funds managed by the Investment Manager. The Fund's liability for these amounts is adjusted for market value changes and remains in the Fund until distributed in accordance with the Plan.

Notes to Financial Statements *(continued)*

December 31, 2014

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 the Fund 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 Fund's expense ratio is subject to an expense reimbursement arrangement pursuant to which fees will be waived and/or expenses reimbursed (excluding certain fees and expenses described below), so that the Fund's net operating expenses, after giving effect to fees waived/ expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the annual rates of:

	Voluntary Expense Cap Effective May 1, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.770%	0.770%
Class 2	1.020	1.020
Class 3	0.895	0.895

The voluntary expense cap arrangement may be revised or discontinued at any time. Under the 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 and extraordinary expenses.

Note 4. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations and certain derivatives, if any, aggregated to $2,886,091,608 and $3,110,032,151, respectively, for the year ended December 31, 2014. The amount of purchase and sale activity impacts the portfolio turnover rate reported in the Financial Highlights.

Note 5. Affiliated Money Market Fund

The Fund invests 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, 2014, affiliated shareholders of record owned 98.0% of the outstanding shares of the Fund in one or more accounts. 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. (JPMorgan) whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. Pursuant to a December 9, 2014 amendment, the credit facility agreement, 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 $550 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations. Prior to the December 9, 2014 amendment, the credit facility agreement permitted borrowings up to $500 million under the same terms and interest rates as described above.

The Fund had no borrowings during the year ended December 31, 2014.

Notes to Financial Statements *(continued)*

December 31, 2014

Note 8. Significant Risks

Foreign Securities and Emerging Market Countries 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. These countries are also more likely to experience high levels of inflation, deflation or currency devaluation which could hurt their economies and securities markets.

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. (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 quarterly (10-Q), annual (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, 2014, 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 three 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, 2014 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 our opinion. The financial highlights of 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, 2015

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(s) During Past Five Years and Other Relevant Professional Experience	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; specializing in arbitration and mediation; Chief Justice, Minnesota Supreme Court, 1998-2006; Associate Justice, Minnesota Supreme Court, 1996-1998; Fourth Judicial District Court Judge, Hennepin Country, 1994-1996; Attorney in private practice and public service, 1984-1993; State Representative, Minnesota House of Representatives, 1979-1993, which included service on the Tax and Financial Institutions and Insurance Committees	132	Trustee, BlueCross BlueShield of Minnesota (Chair of the Business Development Committee) since 2009; Chair of the Robina Foundation since August 2013
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; FINRA Industry Arbitrator, 2002-present; Chairman and Chief Executive Officer, John Hancock Funds (asset management), Chairman and Interested Trustee for open-end and closed-end funds offered by John Hancock, 1989-2000; John Hancock Life Insurance Company, including SVP and Treasurer and SVP Information Technology, 1968-1988	130	Former Trustee, BofA Funds Series Trust (11 funds), 2005-2011; Trustee, Boston Museum of Science (Chair of Finance Committee), 1985-2013
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; Managing Director of US Equity Research, JP Morgan Chase, 1999-2003; Director of US Equity Research, Chase Asset Management, 1996- 1999; Co-Director Latin America Research, 1993-1996, CCO Global Research, 1992-1996, Co-Director of US Research, 1991-1992, Investment Banker, Morgan Stanley, 1982-1991	132	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; Co-founder, The Succession Fund (provides exit strategies to owners of privately held companies) 1998-2007; Adjunct Professor of Finances, Kelley School of Business, Indiana University, 1993-2007; Senior Vice President, Sara Lee Corporation, 1991-1993; Senior Vice President and Chief Financial Officer, Beatrice Foods Company, 1984-1990; Vice President, Esmark, Inc, 1973-1984.; Associate, Price Waterhouse, 1968-1972	132	Director, Cobra Electronics Corporation (electronic equipment manufacturer), 1994 - August 2014; 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) 2009-2011; Director, Spectrum Brands, Inc. (consumer products), 2002-2009; Director, Simmons Company (bedding), 2004-2010

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation(s) During Past Five Years and Other Relevant Professional Experience	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (Within Past 5 Years)
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 (also teaches and conducts research on corporate governance); Dean, McCallum Graduate School of Business, Bentley University, 1992-2002	132	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; Operation Hope, COO, 2004-2007; IndyMac Bancorp, President, CBG, 1999-2003; American General Bank, President, 1997-1999; Griffin Financial Services, CEO, 1981-1997; The Griffin Funds, CEO, 1992-1998	130	Trustee, BofA Funds Series Trust (11 funds)
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	130	Chairman, BofA Funds Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance) 2003-2011
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) since September 1998; Managing Director and Partner, Interlaken Capital, Inc., 1989-1997; Managing Director, Morgan Stanley, 1982-1989; Vice President, Investment Banking, 1980-1982, Associate, Investment Banking, 1976-1980, Dean Witter Reynolds, Inc.	132	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2012; Trustee, Carleton College (on the Investment Committee); Trustee, Carnegie Endowment for International Peace (on the Investment Committee)
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	Board member since 2000 for Seligman Funds, since 11/08 for RiverSource Funds and since 6/11 for Nations Funds	Counsel, Lewis & Munday, P.C. (law firm) since 2004; Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation, 1993-1997	132	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. (family investment business) 1998-2011	130	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; Chair of the Duke Endowment; Director, National Association of Corporate Directors, Carolinas Chapter, since 2013; former Trustee, BofA Funds Series Trust (11 funds), 2003-2011
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	Managing Director, Forester Biotech (consulting) since 2001; Chief Executive Officer and Director, RiboNovix, Inc., (biotechnology) 2003-2010; President and Chief Executive Officer of CMT Inc., 2001-2003; Aquila Biopharmaceuticals Inc., 1996-2000; Cambridge Biotech Corporation, 1995-1996, Mitotix Inc., 1993-1994	132	Director, Healthways, Inc. (health and well-being solutions) 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; President, Federal Reserve Bank of Philadelphia, 2000-2006, Professor of Finance, The Wharton School, University of Pennsylvania, 1972-2002	130	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), 2008-2011

* 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; Director, Threadneedle Asset Management Holdings, SARL since 2014; President and Chief Executive Officer, Ameriprise Certificate Company, 2006-August 2012	191	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 Statement of Additional Information 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:

Fund 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
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	President and Principal Executive Officer (2015)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since January 2015 (previously, Vice President and Chief Counsel January 2010-December 2014; and Vice President and Group Counsel or Lead Counsel 2004-January 2010); officer of Columbia Funds and affiliated funds since 2007.
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, September 2004-April 2010; senior officer of Columbia Funds and affiliated funds since 2002.
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Senior Vice President (2011), Chief Legal Officer (2015) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (previously Chief Counsel, January 2010-January 2013 and Group Counsel, November 2008-January 2010).
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Senior Vice President and 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, 2005-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; Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, 2007-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, 2005-April 2010.
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011), Assistant Treasurer (2012) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Treasurer, Columbia Management Investment Advisers, LLC since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC, 2006-April 2010.
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1965	Vice President (2006)	Managing Director and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, 2009-April 2010, and Vice President — Asset Management and Trust Company Services, 2006-2009).
Lyn Kephart-Strong 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1960	Vice President (2015)	President, Columbia Management Investment Services Corp. since October 2014; Vice President & Resolution Officer, Ameriprise Trust Company since August 2009; President, RiverSource Service Corporation 2004-2010.
Ryan C. Larrenaga 225 Franklin Street Boston, MA 02110 Born 1970	Vice President and Secretary (2015)	Vice President and Group Counsel, Ameriprise Financial, Inc. since August 2011 (previously, Counsel from May 2010 to August 2011); Assistant General Counsel, Bank of America, 2005-April 2010; officer of Columbia Funds and affiliated funds since 2005.

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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 31st for the most recent 12-month period ending June 30th 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 E (2/15)

Annual Report

December 31, 2014

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.

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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 — Income Opportunities Fund (the Fund) Class 3 shares returned 3.77% for the 12-month period that ended December 31, 2014.

> The Fund outperformed its benchmark, the Bank of America Merrill Lynch (BofAML) BB-B US Cash Pay High Yield Constrained Index, which returned 3.48% over the same time period.

> The Fund's relative performance was driven by industry and security selection.

Average Annual Total Returns (%) (for period ended December 31, 2014)

	Inception	1 Year	5 Years	10 Years
Class 1*	05/03/10	4.02	8.63	7.20
Class 2*	05/03/10	3.68	8.39	6.99
Class 3	06/01/04	3.77	8.50	7.13
BofAML BB-B US Cash Pay High Yield Constrained Index		3.48	8.71	7.09

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.

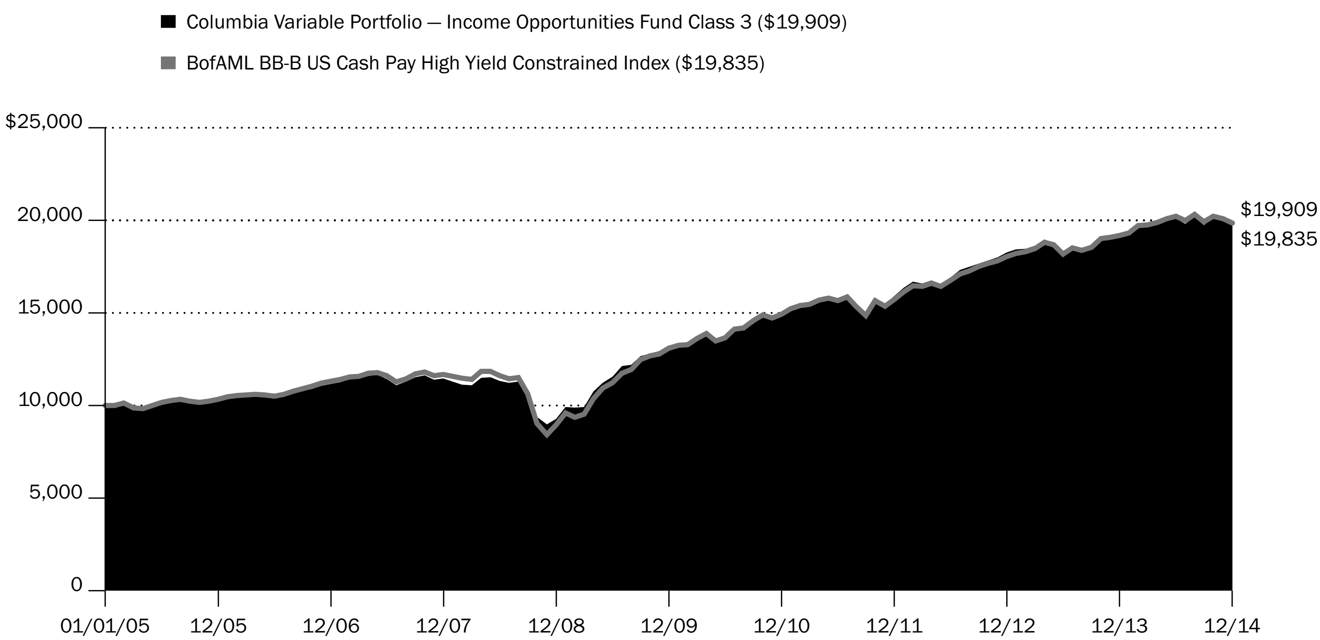
* The returns shown for periods prior to the share class inception date (including returns for the Life of the Fund, if shown, which are since Fund inception) include the returns of the Fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the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

The BofAML BB-B US Cash Pay High Yield 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 (January 1, 2005 — December 31, 2014)



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, 2014)	
Common Stocks	**0.0(a)**
Consumer Discretionary	0.0(a)
Industrials	0.0(a)
Convertible Bonds	**0.0(a)**
Corporate Bonds & Notes	**96.5**
Money Market Funds	**1.9**
Preferred Stocks	**0.0(a)**
Consumer Discretionary	0.0(a)
Senior Loans	**1.6**
Warrants	**0.0(a)**
Consumer Discretionary	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, 2014)	
BBB rating	5.8
BB rating	63.3
B rating	29.4
CCC rating	0.6
Not rated	0.9
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 highest to lowest credit quality, determined by using the middle rating of Moody's, S&P and Fitch, after dropping the highest and lowest available ratings. When ratings are available from only two rating agencies, the higher of the two rating is used. When a rating is available from only one rating agency, that rating is used. When a bond is not rated by any rating agency, it is designated as "Not rated". Credit quality ratings assigned by a rating agency are subjective opinions, not statements of fact, and are subject to change, including daily. The ratings assigned by credit rating agencies are but one of the considerations that the Investment Manager and/or Fund's subadviser incorporates into its credit analysis process, along with such other issuer-specific factors as cash flows, capital structure and leverage ratios, ability to de-leverage through free cash flow, quality of management, market positioning and access to capital, as well as such security-specific factors as the terms of the security (e.g., interest rate, and time to maturity) and the amount of any collateral.

At December 31, 2014, approximately 70% 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, 2014, the Fund's Class 3 shares returned 3.77%. The Fund outperformed its benchmark, the BofAML BB-B US Cash Pay High Yield Constrained Index, which returned 3.48% for the same period. The Fund's relative performance was driven by industry and security selection.

High-Yield Bonds Posted Gains Despite Challenging Environment

The year 2014 began with concerns over emerging market growth and currency stability, as commodity prices saw healthy corrections. The abnormal weather appeared to be negatively impacting many consumer-related sectors, as evidenced by the January decline in year-over-year auto sales. As the first quarter came to a close, tensions between Russia and Ukraine cast a shadow of increased geopolitical risk. At the same time, Janet Yellen held her first press conference as Chair of the Federal Reserve (the Fed) and surprised investors with her responses to the potential timing of a rate increase after the end of quantitative easing. These headlines initiated sell-offs, but the markets quickly rebounded as equities remained near their highs and high-yield bonds generated record tight spreads since the post-financial crisis period.

Fundamentals within the high-yield bond market remained strong during the second and third quarters, while technical, or supply/demand factors, weakened. The high-yield bond market experienced a sharp sell-off in late July and early August 2014 with outflows of $20.4 billion. Reasons for the sell-off included high valuations and geopolitical events, including additional developments between Russia and Ukraine. The sell-off caused high-yield bond spreads to widen nearly 90 basis points from the year-to-date tight spreads in June 2014. (A basis point is 1/100th of a percentage point.) The high-yield bond market experienced a solid rebound in August 2014. High-yield market fundamentals were supported by a healthy second quarter earnings season and as the market worked through concerns related to a Fed interest rate hike. High-yield market technicals began to deteriorate in September, however, amid a U.S. equity market sell-off. Many factors aided the sell-off, including higher rates, ample new issue supply, lower cash balances and concerns of slowing global economic growth.

The last quarter of 2014 was heavily influenced by the impact of global headlines and the rapid decline in the price of crude oil. Early in the fourth quarter, trading technicals within the high-yield bond market were influenced by global economic growth concerns at a time when dealers were significantly reducing inventory levels and headlines dominated citing Russian military action and possible spreading of the Ebola virus. Nonetheless, investors remained focused on the continued decline in the price of oil and subsequent sector repricing.

West Texas Intermediate (WTI) crude oil prices declined approximately 42% during the fourth quarter, from approximately $91 per barrel to approximately $53

Manager Discussion of Fund Performance *(continued)*

per barrel. The commodity was weak throughout the quarter, but the decline accelerated after OPEC decided at its November 2014 meeting to maintain its production levels. Energy and energy-related issuers represent a large portion of the high-yield market, at more than 15% of the benchmark, thus pressuring the entire high-yield asset class. The energy sector of the benchmark declined significantly in the fourth quarter, while the rest of the high-yield market held up better with a modestly positive return during the same period. A strong U.S. payrolls report in December 2014 did little to lift prices higher. Spreads on the energy sector widened 193 basis points in the two weeks following the OPEC decision, and the non-energy portion was dragged down nearly 70 basis points in the same period. However, credit rallied into the end of the year, as the price of oil seemingly began to stabilize, and the Fed maintained its intent to remain "patient" regarding the timing of its first interest rate hike. Indeed, the Fed's December 2014 statements led to the largest rally in U.S. equities in three years.

Industry and Security Selection Boosted Results

The Fund's outperformance of the benchmark was driven by industry and security selection. Positive contributors included overweight allocations to the health facilities, software/services and telecom-wireline integrated services industries and by underweight exposure to the energy equipment services and metals/mining excluding steel industries. The Fund began the annual period with an overweight allocation to the energy exploration and production industry, but aggressive selling in the second and third quarters — ahead of the majority of the negative oil price move — reduced exposure to an underweight. In total, the relative performance of the energy exploration and production industry was a significant positive contributor to the Fund's results.

Security selection was particularly strong during the annual period in the energy exploration and production, cable & satellite TV, oil field equipment services, consumer/commercial/lease financing and telecom-wireless industries.

Positions in Telecom Industries Hampered Performance

Detracting from the Fund's relative results were overweight allocations to the gaming and telecom-wireless industries and underweight exposure to the banking and electric integrated industries. Security selection in the telecom-wireline integrated services and gas distribution industries also detracted.

Shifting Market Conditions Drove Fund Changes

During 2014, we increased the Fund's relative allocations to the banking, health care, media and financial services market segments. Significant market segment decreases occurred in energy, basic industry and capital goods. Relative allocations across quality ratings more modestly changed, with an increase in exposure to BB-rated issues.

Looking Ahead

In our current view, the outlook for the high-yield market for 2015 is not as straightforward as it might have been in recent years. Up until now, we believe fundamentals have been solid and generally improving, despite inconsistent growth with limited risk of defaults. Concerns had been focused on economic outlooks, corresponding central bank interest rate policy, various foreign policy/geopolitical risks, technical pressure/liquidity in the asset class and overall valuation levels. Looking ahead, new risks have been added to the list, increasing

Manager Discussion of Fund Performance *(continued)*

levels of uncertainty, which may, in turn, lead to increased volatility. Macro risks include the timing of interest rate hikes in the U.S., global economic growth challenges with the potential to weigh on the U.S. economic growth rate, new geopolitical risks arising, and last but not least, the decline of oil prices. Overall, we viewed fundamentals across the majority of the opportunity-set in the U.S. high-yield market to be favorable at the end of the annual period, despite many of the macro risks mentioned. However, we remain cognizant and cautious that despite the benefit of low oil prices to consumers and global economies, it could also lead to contagion in financial markets due to stresses in oil-dependent emerging economies. In addition, fundamental risks to energy companies, which constitute a large portion of the high-yield market, could increase depending on the length of time oil prices remain low. It is important to note that the high-yield market has priced in a reasonable amount of this risk into the energy sector already, which reduced returns for high yield in 2014. As a result of a wider starting point of valuations for energy and the overall market, combined with our fundamental outlook for the majority of the asset class, we remain constructive, albeit still a bit cautious, on high yield. Indeed, we would caution that these uncertainties can create bouts of volatility, which may be exacerbated by illiquidity in the asset class, resulting in a lower entry point during the year. In our current view, the high-yield market will likely continue to be more of an alpha, or bond picker's, market than a beta, or market risk, market given this backdrop. Investor risk appetite has also shifted as market participants perceive more risk than originally expected given the higher risk nature of the energy sector at the new lower level of prices.

Given what we believe are the stable fundamentals of the majority of the high-yield asset class, with below average default rate expectations and a reasonable earnings outlook, we still view high yield as an attractive investment alternative to other core fixed-income products at this time. However, we believe high yield may have a difficult time outperforming the equity market in the coming year. Although constructive on credit fundamentals, we do not believe this is the time to stretch for return or reach for yield by adding significant risk to the Fund's portfolio.

We believe that credit selection based on strong fundamental analysis and rigorous risk management will continue to be a key driver of the Fund's performance over the coming year. By seeking to position for improving credit situations, attempting to avoid credits with deteriorating fundamentals, and remaining disciplined in terms of getting paid for taking risk, we believe we have the potential to generate solid risk-adjusted Fund returns going forward.

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, 2014 – December 31, 2014

	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	990.20	1,021.63	3.56	3.62	0.71
Class 2	1,000.00	1,000.00	987.90	1,020.37	4.81	4.89	0.96
Class 3	1,000.00	1,000.00	989.10	1,020.97	4.21	4.28	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 its investment in underlying funds, including affiliated and non-affiliated pooled investment vehicles, such as mutual funds and exchange-traded funds.

Portfolio of Investments

December 31, 2014

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes 95.0%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 1.6%			
ADS Tactical, Inc.			
Senior Secured[(a)]			
04/01/18	11.000%	2,899,000	2,815,654
Bombardier, Inc.[(a)]			
Senior Unsecured			
03/15/20	7.750%	1,189,000	1,290,065
10/15/22	6.000%	1,550,000	1,565,500
01/15/23	6.125%	3,366,000	3,416,490
Huntington Ingalls Industries, Inc.[(a)]			
12/15/21	5.000%	1,218,000	1,239,315
Oshkosh Corp.			
03/01/20	8.500%	5,154,000	5,398,815
TransDigm, Inc.			
07/15/22	6.000%	3,125,000	3,117,187
Total			18,843,026
Automotive 2.6%			
American Axle & Manufacturing, Inc.			
02/15/19	5.125%	1,691,000	1,724,820
03/15/21	6.250%	2,000,000	2,100,000
Chrysler Group LLC/Co-Issuer, Inc.			
Secured			
06/15/21	8.250%	2,803,000	3,104,322
Collins & Aikman Products Co.[(a)(b)(c)(d)]			
08/15/12	12.875%	620,000	62
Gates Global LLC/Co.[(a)]			
07/15/22	6.000%	2,094,000	2,005,424
General Motors Co.			
Senior Unsecured			
10/02/23	4.875%	6,000,000	6,420,000
General Motors Financial Co., Inc.			
09/25/21	4.375%	1,706,000	1,780,638
Jaguar Land Rover Automotive PLC[(a)]			
12/15/18	4.125%	1,890,000	1,899,450
11/15/19	4.250%	1,205,000	1,214,038
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	2,419,387
05/15/21	4.250%	546,000	532,350
Schaeffler Holding Finance BV[(a)]			
Senior Secured PIK			
08/15/18	6.875%	4,147,000	4,333,615
11/15/19	6.250%	2,132,000	2,195,960
Tenneco, Inc.			
12/15/24	5.375%	917,000	939,925
Total			30,669,991

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Banking 2.9%			
Ally Financial, Inc.			
03/15/20	8.000%	10,979,000	12,955,220
09/15/20	7.500%	2,865,000	3,359,213
11/01/31	8.000%	1,536,000	1,958,400
Senior Unsecured			
11/01/31	8.000%	1,920,000	2,443,200
Popular, Inc.			
Senior Unsecured			
07/01/19	7.000%	1,279,000	1,279,000
Royal Bank of Scotland Group PLC			
Subordinated Notes			
05/28/24	5.125%	4,858,000	4,941,514
Royal Bank of Scotland PLC (The)[(f)]			
Subordinated Notes			
03/16/22	9.500%	700,000	795,491
Synovus Financial Corp.			
Senior Unsecured			
02/15/19	7.875%	5,187,000	5,770,537
Total			33,502,575
Brokerage/Asset Managers/Exchanges 0.2%			
E*TRADE Financial Corp.			
Senior Unsecured			
11/15/22	5.375%	2,810,000	2,873,225
Building Materials 1.6%			
Allegion US Holding Co., Inc.			
10/01/21	5.750%	2,125,000	2,247,187
American Builders & Contractors Supply Co., Inc.			
Senior Unsecured[(a)]			
04/15/21	5.625%	4,022,000	4,042,110
Building Materials Corp. of America[(a)]			
Senior Unsecured			
05/01/21	6.750%	3,568,000	3,773,160
11/15/24	5.375%	4,178,000	4,167,555
Gibraltar Industries, Inc.			
02/01/21	6.250%	892,000	905,380
HD Supply, Inc.			
Senior Secured[(a)]			
12/15/21	5.250%	2,043,000	2,078,753
Nortek, Inc.			
04/15/21	8.500%	877,000	938,390
Total			18,152,535
Cable and Satellite 6.5%			
CCO Holdings LLC/Capital Corp.			
04/30/21	6.500%	1,417,000	1,487,850
09/30/22	5.250%	1,834,000	1,829,415
01/15/24	5.750%	2,200,000	2,222,000
CCOH Safari LLC			
12/01/22	5.500%	1,931,000	1,959,965
12/01/24	5.750%	7,636,000	7,721,905

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

Portfolio of Investments *(continued)*

December 31, 2014

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
CSC Holdings, Inc.			
Senior Unsecured			
11/15/21	6.750%	5,920,000	6,526,800
Cequel Communications Holdings I LLC/Capital Corp.[a]			
Senior Unsecured			
09/15/20	6.375%	2,927,000	3,029,445
12/15/21	5.125%	3,071,000	2,978,870
DISH DBS Corp.			
06/01/21	6.750%	8,286,000	8,907,450
07/15/22	5.875%	4,040,000	4,141,000
DISH DBS Corp.[a]			
11/15/24	5.875%	1,250,000	1,256,250
DigitalGlobe, Inc.[a]			
02/01/21	5.250%	2,578,000	2,449,100
Hughes Satellite Systems Corp.			
Senior Secured			
06/15/19	6.500%	3,292,000	3,530,670
Intelsat Jackson Holdings SA			
Senior Unsecured			
04/01/21	7.500%	925,000	989,750
Intelsat Luxembourg SA			
06/01/21	7.750%	3,609,000	3,618,022
Mediacom Broadband LLC/Corp.			
04/15/21	5.500%	416,000	418,080
Numericable-SFR[a]			
Senior Secured			
05/15/19	4.875%	2,663,000	2,639,699
05/15/22	6.000%	4,922,000	4,949,071
05/15/24	6.250%	414,000	417,105
Quebecor Media, Inc.[a][b][d]			
01/15/49	9.750%	1,855,000	41,181
Unitymedia Hessen GmbH & Co. KG NRW			
Senior Secured[a]			
01/15/25	5.000%	2,795,000	2,801,988
Unitymedia KabelBW GmbH[a]			
01/15/25	6.125%	2,528,000	2,610,160
Videotron Ltd.			
07/15/22	5.000%	1,672,000	1,701,260
Videotron Ltd.[a]			
06/15/24	5.375%	2,323,000	2,369,460
Virgin Media Finance PLC[a]			
10/15/24	6.000%	1,749,000	1,829,891
Virgin Media Secured Finance PLC			
Senior Secured[a]			
04/15/21	5.375%	2,825,000	2,930,937
Total			75,357,324

Chemicals 3.0%			
Axalta Coating Systems Dutch Holding B BV/U.S. Holdings, Inc.[a]			
05/01/21	7.375%	2,915,000	3,075,325
Celanese U.S. Holdings LLC			
06/15/21	5.875%	1,268,000	1,344,080

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Huntsman International LLC			
11/15/20	4.875%	1,318,000	1,308,115
Huntsman International LLC[a]			
11/15/22	5.125%	1,104,000	1,087,440
INEOS Group Holdings SA[a]			
08/15/18	6.125%	616,000	589,820
02/15/19	5.875%	2,916,000	2,762,910
JM Huber Corp.			
Senior Unsecured[a]			
11/01/19	9.875%	3,775,000	4,152,500
NOVA Chemicals Corp.[a]			
Senior Unsecured			
08/01/23	5.250%	2,613,000	2,639,130
05/01/25	5.000%	2,201,000	2,184,492
PQ Corp.			
Secured[a]			
05/01/18	8.750%	12,761,000	13,207,635
WR Grace & Co.[a]			
10/01/21	5.125%	1,645,000	1,686,125
10/01/24	5.625%	1,194,000	1,244,745
Total			35,282,317

Construction Machinery 2.6%			
Ashtead Capital, Inc.			
Secured[a]			
07/15/22	6.500%	2,069,000	2,213,830
CNH Industrial Capital LLC			
04/15/18	3.625%	410,000	403,850
CNH Industrial Capital LLC[a]			
Senior Unsecured			
07/15/19	3.375%	1,316,000	1,256,780
Case New Holland Industrial, Inc.			
12/01/17	7.875%	13,141,000	14,455,100
Columbus McKinnon Corp.			
02/01/19	7.875%	1,288,000	1,339,520
H&E Equipment Services, Inc.			
09/01/22	7.000%	2,223,000	2,286,911
United Rentals North America, Inc.			
05/15/20	7.375%	223,000	240,840
04/15/22	7.625%	2,936,000	3,228,132
06/15/23	6.125%	2,394,000	2,513,700
11/15/24	5.750%	2,123,000	2,186,690
Total			30,125,353

Consumer Cyclical Services 1.7%			
ADT Corp. (The)			
Senior Unsecured			
07/15/22	3.500%	4,673,000	3,983,732
06/15/23	4.125%	2,100,000	1,900,500
APX Group, Inc.			
Senior Secured			
12/01/19	6.375%	12,514,000	11,982,155

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

Portfolio of Investments *(continued)*
December 31, 2014

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
IHS, Inc.[a]			
11/01/22	5.000%	1,739,000	1,721,610
Total			19,587,997
Consumer Products 1.3%			
Revlon Consumer Products Corp.			
02/15/21	5.750%	3,712,000	3,712,000
Spectrum Brands, Inc.			
03/15/20	6.750%	1,066,000	1,113,970
11/15/20	6.375%	2,660,000	2,786,350
11/15/22	6.625%	899,000	950,692
Springs Industries, Inc.			
Senior Secured			
06/01/21	6.250%	3,710,000	3,626,525
Tempur Sealy International, Inc.			
12/15/20	6.875%	2,412,000	2,562,750
Total			14,752,287
Diversified Manufacturing 0.8%			
Actuant Corp.			
06/15/22	5.625%	2,112,000	2,191,200
Amsted Industries, Inc.[a]			
03/15/22	5.000%	2,396,000	2,354,070
09/15/24	5.375%	2,055,000	1,998,488
Entegris, Inc.[a]			
04/01/22	6.000%	2,928,000	2,964,600
Total			9,508,358
Electric 1.9%			
AES Corp. (The)			
Senior Unsecured			
07/01/21	7.375%	4,819,000	5,445,470
Calpine Corp.			
Senior Secured[a]			
01/15/22	6.000%	5,502,000	5,845,875
Ipalco Enterprises, Inc.			
Senior Secured[a]			
04/01/16	7.250%	2,015,000	2,125,825
NRG Energy, Inc.			
07/15/22	6.250%	6,548,000	6,695,330
NRG Yield Operating LLC[a]			
08/15/24	5.375%	2,360,000	2,395,400
Total			22,507,900
Environmental 0.4%			
Clean Harbors, Inc.			
08/01/20	5.250%	4,555,000	4,577,775
Finance Companies 6.1%			
AerCap Ireland Capital Ltd./Global Aviation Trust[a]			
05/15/21	4.500%	3,491,000	3,534,637

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Air Lease Corp.			
Senior Unsecured			
03/01/20	4.750%	516,000	548,250
Aircastle Ltd.			
Senior Unsecured			
03/15/21	5.125%	1,597,000	1,597,000
Aviation Capital Group Corp.			
Senior Unsecured[a]			
04/06/21	6.750%	157,000	177,803
CIT Group, Inc.[a]			
Senior Secured			
04/01/18	6.625%	4,785,000	5,167,800
Senior Unsecured			
02/15/19	5.500%	6,380,000	6,730,900
International Lease Finance Corp.			
Senior Unsecured			
12/15/20	8.250%	10,831,000	13,051,355
01/15/22	8.625%	2,381,000	2,952,440
Navient Corp.			
Senior Unsecured			
01/15/19	5.500%	1,937,000	1,980,582
10/26/20	5.000%	370,000	363,063
01/25/22	7.250%	1,919,000	2,082,115
03/25/24	6.125%	4,467,000	4,388,827
10/25/24	5.875%	5,070,000	4,829,175
OneMain Financial Holdings, Inc.[a]			
12/15/19	6.750%	1,664,000	1,701,440
12/15/21	7.250%	2,912,000	2,984,800
Provident Funding Associates LP/Finance Corp.[a]			
06/15/21	6.750%	5,895,000	5,718,150
Senior Unsecured			
02/15/19	10.125%	688,000	722,400
Springleaf Finance Corp.			
12/15/17	6.900%	1,873,000	1,994,745
06/01/20	6.000%	2,000,000	1,980,000
10/01/21	7.750%	1,950,000	2,184,000
10/01/23	8.250%	1,352,000	1,514,240
iStar Financial, Inc			
Senior Unsecured			
07/01/19	5.000%	4,698,000	4,557,060
Total			70,760,782
Food and Beverage 1.4%			
Aramark Services, Inc.			
03/15/20	5.750%	2,709,000	2,797,042
B&G Foods, Inc.			
06/01/21	4.625%	1,705,000	1,664,250
Constellation Brands, Inc.			
11/15/19	3.875%	825,000	831,188
11/15/24	4.750%	825,000	835,313
Senior Unsecured			
05/01/21	3.750%	1,526,000	1,510,740
Darling Ingredients, Inc.			
01/15/22	5.375%	3,431,000	3,379,535

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

Portfolio of Investments *(continued)*

December 31, 2014

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Pinnacle Foods Finance LLC/Corp.			
05/01/21	4.875%	518,000	505,050
Post Holdings, Inc.[(a)]			
12/15/22	6.000%	1,407,000	1,319,062
WhiteWave Foods Co. (The)			
10/01/22	5.375%	2,934,000	3,022,020
Total			15,864,200
Gaming 4.6%			
GLP Capital LP/Financing II, Inc.			
11/01/20	4.875%	1,200,000	1,215,000
11/01/23	5.375%	1,777,000	1,839,195
MCE Finance Ltd.[(a)]			
02/15/21	5.000%	6,278,000	5,869,930
MGM Resorts International			
10/01/20	6.750%	3,332,000	3,498,600
12/15/21	6.625%	5,374,000	5,642,700
03/15/23	6.000%	2,381,000	2,392,905
Penn National Gaming, Inc.			
Senior Unsecured			
11/01/21	5.875%	2,496,000	2,321,280
Pinnacle Entertainment, Inc.			
08/01/21	6.375%	2,889,000	2,975,670
Scientific Games International, Inc.[(a)]			
12/01/22	10.000%	5,781,000	5,304,068
Senior Secured			
01/01/22	7.000%	5,244,000	5,309,550
Seminole Tribe of Florida, Inc.[(a)]			
Senior Secured			
10/01/20	6.535%	4,985,000	5,309,025
Senior Unsecured			
10/01/20	7.804%	1,340,000	1,457,424
SugarHouse HSP Gaming LP/Finance Corp.			
Senior Secured[(a)]			
06/01/21	6.375%	2,942,000	2,677,220
Tunica-Biloxi Gaming Authority			
Senior Unsecured[(a)(c)]			
11/15/15	9.000%	4,284,000	2,484,720
Wynn Macau Ltd.			
Senior Unsecured[(a)]			
10/15/21	5.250%	4,814,000	4,525,160
Total			52,822,447
Health Care 8.2%			
Amsurg Corp.			
11/30/20	5.625%	1,343,000	1,373,218
Amsurg Corp.[(a)]			
07/15/22	5.625%	2,304,000	2,361,600
Biomet, Inc.			
08/01/20	6.500%	685,000	732,950
CHS/Community Health Systems, Inc.			
02/01/22	6.875%	7,575,000	8,024,766

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Senior Secured			
08/01/21	5.125%	838,000	869,425
Catamaran Corp.			
03/15/21	4.750%	833,000	833,000
ConvaTec Finance International SA			
Senior Unsecured PIK[(a)]			
01/15/19	8.250%	1,932,000	1,960,980
ConvaTec Healthcare E SA			
Senior Unsecured[(a)]			
12/15/18	10.500%	4,611,000	4,864,605
DaVita HealthCare Partners, Inc.			
08/15/22	5.750%	5,000,000	5,300,000
07/15/24	5.125%	4,693,000	4,786,860
Fresenius Medical Care U.S. Finance II, Inc.[(a)]			
07/31/19	5.625%	289,000	308,508
01/31/22	5.875%	2,530,000	2,745,050
10/15/24	4.750%	2,295,000	2,317,950
Fresenius Medical Care U.S. Finance, Inc.[(a)]			
09/15/18	6.500%	73,000	80,665
HCA Holdings, Inc.			
Senior Unsecured			
02/15/21	6.250%	3,269,000	3,481,485
HCA, Inc.			
Senior Secured			
03/15/19	3.750%	2,712,000	2,715,390
02/15/20	6.500%	9,034,000	10,122,597
05/01/23	4.750%	2,346,000	2,387,055
04/15/25	5.250%	3,835,000	4,007,575
IMS Health, Inc.			
Senior Unsecured[(a)]			
11/01/20	6.000%	1,869,000	1,925,070
LifePoint Hospitals, Inc.			
12/01/21	5.500%	4,115,000	4,207,587
Omnicare, Inc.			
Senior Unsecured			
12/01/22	4.750%	1,734,000	1,755,675
12/01/24	5.000%	2,432,000	2,492,800
Physio-Control International, Inc.			
Senior Secured[(a)]			
01/15/19	9.875%	3,157,000	3,346,420
STHI Holding Corp.			
Secured[(a)]			
03/15/18	8.000%	1,362,000	1,423,290
Teleflex, Inc.[(a)]			
06/15/24	5.250%	249,000	249,000
Tenet Healthcare Corp.			
Senior Secured			
06/01/20	4.750%	3,969,000	4,018,612
10/01/20	6.000%	1,604,000	1,722,423
04/01/21	4.500%	844,000	846,110
Senior Unsecured			
04/01/22	8.125%	6,989,000	7,810,207
Tenet Healthcare Corp.[(a)]			
Senior Unsecured			
03/01/19	5.000%	1,083,000	1,084,354

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

Portfolio of Investments *(continued)*

December 31, 2014

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Universal Health Services, Inc. Senior Secured[a]			
08/01/22	4.750%	4,331,000	4,331,000
Total			94,486,227
Healthcare Insurance 0.1%			
Centene Corp. Senior Unsecured			
05/15/22	4.750%	1,403,000	1,406,508
Home Construction 1.2%			
Brookfield Residential Properties, Inc./U.S. Corp.[a]			
07/01/22	6.125%	1,127,000	1,172,080
Brookfield Residential Properties, Inc.[a]			
12/15/20	6.500%	1,600,000	1,672,000
Meritage Homes Corp.			
03/01/18	4.500%	1,900,000	1,900,000
04/15/20	7.150%	739,000	794,425
04/01/22	7.000%	2,046,000	2,168,760
Shea Homes LP/Funding Corp. Senior Secured			
05/15/19	8.625%	2,403,000	2,523,150
Standard Pacific Corp.			
11/15/24	5.875%	966,000	966,000
TRI Pointe Holdings, Inc. Senior Unsecured[a]			
06/15/19	4.375%	1,188,000	1,171,665
Taylor Morrison Communities, Inc./Monarch, Inc.[a]			
04/15/20	7.750%	1,599,000	1,694,940
04/15/21	5.250%	138,000	135,930
Total			14,198,950
Independent Energy 6.2%			
Antero Resources Corp.[a]			
12/01/22	5.125%	5,228,000	4,927,390
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	2,085,000	2,085,000
Chesapeake Energy Corp.			
08/15/20	6.625%	7,591,000	8,122,370
02/15/21	6.125%	5,677,000	5,960,850
03/15/23	5.750%	3,352,000	3,452,560
Cimarex Energy Co.			
05/01/22	5.875%	1,571,000	1,633,840
06/01/24	4.375%	836,000	798,380
Concho Resources, Inc.			
01/15/21	7.000%	1,326,000	1,388,985
01/15/22	6.500%	5,057,000	5,284,565
04/01/23	5.500%	4,767,000	4,789,405
Diamondback Energy, Inc.			
10/01/21	7.625%	785,000	766,356
EP Energy LLC/Everest Acquisition Finance, Inc.			
05/01/20	9.375%	2,796,000	2,823,960
09/01/22	7.750%	645,000	603,075

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Hilcorp Energy I LP/Finance Co. Senior Unsecured[a]			
12/01/24	5.000%	382,000	336,160
Laredo Petroleum, Inc.			
02/15/19	9.500%	4,340,000	4,318,300
01/15/22	5.625%	3,793,000	3,318,875
Oasis Petroleum, Inc.			
11/01/21	6.500%	5,906,000	5,374,460
03/15/22	6.875%	5,242,000	4,770,220
01/15/23	6.875%	2,617,000	2,381,470
RSP Permian, Inc.[a]			
10/01/22	6.625%	1,229,000	1,142,970
SM Energy Co. Senior Unsecured			
01/15/24	5.000%	1,843,000	1,594,195
SM Energy Co.[a] Senior Unsecured			
11/15/22	6.125%	1,780,000	1,673,200
Whiting Petroleum Corp.			
10/01/18	6.500%	243,000	234,495
03/15/21	5.750%	4,572,000	4,240,530
Total			72,021,611
Leisure 1.3%			
Activision Blizzard, Inc.[a]			
09/15/21	5.625%	8,298,000	8,712,900
09/15/23	6.125%	1,472,000	1,586,080
Cedar Fair LP/Canada's Wonderland Co./Magnum Management Corp.[a]			
06/01/24	5.375%	2,537,000	2,524,315
Speedway Motorsports, Inc.			
02/01/19	6.750%	2,076,000	2,138,280
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates[b][d]			
07/01/15	9.300%	7,863	7,863
Total			14,969,438
Lodging 1.2%			
Choice Hotels International, Inc.			
07/01/22	5.750%	1,561,000	1,674,173
Hilton Worldwide Finance LLC/Corp.			
10/15/21	5.625%	5,619,000	5,871,855
Playa Resorts Holding BV[a]			
08/15/20	8.000%	5,996,000	5,981,010
Total			13,527,038
Media and Entertainment 5.8%			
AMC Networks, Inc.			
07/15/21	7.750%	2,117,000	2,259,898
12/15/22	4.750%	7,717,000	7,485,490
Clear Channel Worldwide Holdings, Inc. Senior Unsecured			
11/15/22	6.500%	2,017,000	2,052,298
11/15/22	6.500%	9,624,000	9,912,720

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

Portfolio of Investments *(continued)*
December 31, 2014

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Gannett Co., Inc.			
10/15/19	5.125%	4,300,000	4,396,750
10/15/23	6.375%	300,000	318,000
Gannett Co., Inc.[a]			
09/15/21	4.875%	1,058,000	1,050,065
09/15/24	5.500%	937,000	939,343
Lamar Media Corp.			
05/01/23	5.000%	1,788,000	1,770,120
01/15/24	5.375%	1,637,000	1,686,110
MDC Partners, Inc.[a]			
04/01/20	6.750%	4,395,000	4,526,850
Netflix, Inc. Senior Unsecured[a]			
03/01/24	5.750%	953,000	991,120
Nielsen Finance Co. SARL (The)[a]			
10/01/21	5.500%	3,239,000	3,251,146
Nielsen Finance LLC/Co.			
10/01/20	4.500%	3,428,000	3,445,140
Nielsen Finance LLC/Co.[a]			
04/15/22	5.000%	1,612,000	1,620,060
Outfront Media Capital LLC/Corp.[a]			
02/15/22	5.250%	1,738,000	1,751,035
02/15/24	5.625%	588,000	590,940
03/15/25	5.875%	4,177,000	4,208,327
Univision Communications, Inc.[a] Senior Secured			
11/01/20	7.875%	6,212,000	6,631,310
09/15/22	6.750%	2,740,000	2,931,800
05/15/23	5.125%	5,302,000	5,355,020
Ziff Davis Media, Inc.[b][c][d]			
12/15/11	13.500%	68,749	1,794
Total			67,175,336

Metals 1.6%			
Alcoa, Inc. Senior Unsecured			
10/01/24	5.125%	3,595,000	3,809,873
ArcelorMittal Senior Unsecured			
03/01/21	6.000%	4,942,000	5,139,680
02/25/22	6.750%	2,767,000	2,935,787
Calcipar SA Senior Secured[a]			
05/01/18	6.875%	5,882,000	5,911,410
Constellium NV[a]			
05/15/24	5.750%	204,000	177,480
Peabody Energy Corp.			
11/15/21	6.250%	434,000	371,070
Total			18,345,300

Midstream 5.0%			
Access Midstream Partners LP/Finance Corp.			
05/15/23	4.875%	4,551,000	4,619,265
03/15/24	4.875%	2,348,000	2,383,220
Blue Racer Midstream LLC/Finance Corp.[a]			
11/15/22	6.125%	3,346,000	3,228,890
Crestwood Midstream Partners LP/Finance Corp.			
03/01/22	6.125%	1,298,000	1,239,590
Hiland Partners LP/Finance Corp.[a]			
10/01/20	7.250%	9,182,000	8,722,900
05/15/22	5.500%	2,877,000	2,445,450
Kinder Morgan, Inc. Senior Unsecured			
02/01/18	7.000%	2,600,000	2,873,933
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	749,000	782,705
02/15/23	5.500%	4,323,000	4,377,037
07/15/23	4.500%	6,141,000	5,910,712
Markwest Energy Partners LP/Finance Corp.			
12/01/24	4.875%	3,021,000	2,953,028
Northwest Pipeline LLC Senior Unsecured			
12/01/25	7.125%	150,000	189,077
Regency Energy Partners LP/Finance Corp.			
09/01/20	5.750%	2,354,000	2,359,885
07/15/21	6.500%	6,017,000	6,137,340
10/01/22	5.000%	2,513,000	2,374,785
Targa Resources Partners LP/Finance Corp.			
05/01/23	5.250%	155,000	149,575
11/15/23	4.250%	1,596,000	1,452,360
Targa Resources Partners LP/Finance Corp.[a]			
11/15/19	4.125%	1,576,000	1,516,900
Tesoro Logistics LP/Finance Corp.[a] Senior Unsecured			
10/15/19	5.500%	809,000	802,933
10/15/22	6.250%	3,254,000	3,245,865
Total			57,765,450

Other Financial Institutions 0.5%			
FTI Consulting, Inc.			
11/15/22	6.000%	1,058,000	1,081,805
Icahn Enterprises LP/Finance Corp.			
08/01/20	6.000%	1,636,000	1,685,407
02/01/22	5.875%	2,834,000	2,846,399
Total			5,613,611

Other Industry 0.5%			
CB Richard Ellis Services, Inc.			
03/15/25	5.250%	5,522,000	5,632,440

Other REIT 0.1%			
DuPont Fabros Technology LP			
09/15/21	5.875%	1,310,000	1,334,563

Packaging 1.0%			
Plastipak Holdings, Inc. Senior Unsecured[a]			
10/01/21	6.500%	4,481,000	4,458,595

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

Portfolio of Investments *(continued)*

December 31, 2014

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Reynolds Group Issuer, Inc./LLC			
Senior Secured			
10/15/20	5.750%	3,465,000	3,551,625
02/15/21	6.875%	1,600,000	1,670,000
Sealed Air Corp.[a]			
09/15/21	8.375%	1,171,000	1,308,593
Total			10,988,813
Pharmaceuticals 1.9%			
Capsugel SA			
Senior Unsecured PIK[a]			
05/15/19	7.000%	945,000	959,175
Grifols Worldwide Operations Ltd.			
Senior Unsecured[a]			
04/01/22	5.250%	1,429,000	1,461,438
Jaguar Holding Co. II/Merger Sub, Inc.			
Senior Unsecured[a]			
12/01/19	9.500%	2,579,000	2,765,977
Salix Pharmaceuticals Ltd.[a]			
01/15/21	6.000%	1,112,000	1,134,240
Valeant Pharmaceuticals International, Inc.[a]			
08/15/18	6.750%	2,614,000	2,780,695
10/15/20	6.375%	6,228,000	6,508,260
07/15/21	7.500%	3,736,000	4,034,880
12/01/21	5.625%	2,075,000	2,100,938
Total			21,745,603
Property & Casualty —%			
Lumbermens Mutual Casualty Co.[a][c]			
Senior Subordinated Notes			
12/01/97	8.450%	30,000	15
Lumbermens Mutual Casualty Co.[c]			
Subordinated Notes			
07/01/26	9.150%	645,000	323
Total			338
Railroads 0.5%			
Florida East Coast Holdings Corp.			
Senior Secured[a]			
05/01/19	6.750%	5,571,000	5,515,290
Restaurants 0.5%			
BC ULC/New Red Finance Inc.			
Secured[a]			
04/01/22	6.000%	5,627,000	5,767,675
Retailers 0.9%			
Asbury Automotive Group, Inc.[a]			
12/15/24	6.000%	1,607,000	1,635,123
GameStop Corp.[a]			
10/01/19	5.500%	2,581,000	2,587,452
Group 1 Automotive, Inc.[a]			
06/01/22	5.000%	1,268,000	1,239,470

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
L Brands, Inc.			
02/15/22	5.625%	2,798,000	3,007,850
Penske Automotive Group, Inc.			
12/01/24	5.375%	1,698,000	1,719,225
Total			10,189,120
Technology 6.1%			
Alliance Data Systems Corp.[a]			
12/01/17	5.250%	2,604,000	2,682,120
04/01/20	6.375%	1,957,000	2,005,925
08/01/22	5.375%	5,326,000	5,259,425
Ancestry.com, Inc.			
12/15/20	11.000%	3,096,000	3,486,870
Audatex North America, Inc.[a]			
06/15/21	6.000%	1,256,000	1,293,680
CDW LLC/Finance Corp.			
04/01/19	8.500%	173,000	182,515
Equinix, Inc.			
Senior Unsecured			
04/01/20	4.875%	1,303,000	1,296,485
01/01/22	5.375%	1,820,000	1,837,108
04/01/23	5.375%	4,705,000	4,705,000
First Data Corp.[a]			
Secured			
01/15/21	8.250%	6,163,000	6,594,410
Senior Secured			
06/15/19	7.375%	7,632,000	8,032,680
08/15/20	8.875%	78,000	83,655
11/01/20	6.750%	3,630,000	3,893,175
Goodman Networks, Inc.			
Senior Secured			
07/01/18	12.125%	1,695,000	1,750,088
Iron Mountain, Inc.			
08/15/23	6.000%	1,515,000	1,575,600
MSCI, Inc.[a]			
11/15/24	5.250%	2,957,000	3,060,495
NCR Corp.			
12/15/21	5.875%	897,000	921,668
12/15/23	6.375%	2,690,000	2,797,600
NXP BV/Funding LLC[a]			
06/01/18	3.750%	4,336,000	4,336,000
Nuance Communications, Inc.[a]			
08/15/20	5.375%	6,359,000	6,374,897
Qualitytech LP/Finance Corp.[a]			
08/01/22	5.875%	2,881,000	2,888,202
VeriSign, Inc.			
Senior Unsecured			
05/01/23	4.625%	2,191,000	2,147,180
Zebra Technologies Corp.			
Senior Unsecured[a]			
10/15/22	7.250%	3,618,000	3,798,900
Total			71,003,678

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

Portfolio of Investments *(continued)*
December 31, 2014

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Transportation Services 0.6%			
Avis Budget Car Rental LLC/Finance, Inc.			
03/15/20	9.750%	2,405,000	2,621,450
Hertz Corp. (The)			
10/15/20	5.875%	2,366,000	2,383,745
10/15/22	6.250%	2,417,000	2,441,170
Total			7,446,365
Wireless 7.2%			
Altice SA Senior Secured[a]			
05/15/22	7.750%	3,504,000	3,510,570
Crown Castle International Corp. Senior Unsecured			
04/15/22	4.875%	4,399,000	4,442,990
01/15/23	5.250%	10,244,000	10,448,880
SBA Communications Corp. Senior Unsecured[a]			
07/15/22	4.875%	3,262,000	3,139,675
SBA Telecommunications, Inc.			
07/15/20	5.750%	6,124,000	6,233,007
Sprint Communications, Inc.[a]			
11/15/18	9.000%	10,599,000	12,029,865
03/01/20	7.000%	3,376,000	3,646,080
Sprint Corp.			
09/15/21	7.250%	4,800,000	4,758,000
09/15/23	7.875%	5,100,000	5,034,720
T-Mobile USA, Inc.			
04/28/20	6.542%	590,000	609,175
01/15/22	6.125%	2,077,000	2,108,155
04/28/22	6.731%	4,452,000	4,585,560
03/01/23	6.000%	3,218,000	3,226,045
04/01/23	6.625%	3,346,000	3,426,304
01/15/24	6.500%	2,077,000	2,128,925
03/01/25	6.375%	806,000	818,896
Wind Acquisition Finance SA[a] Senior Secured			
04/30/20	6.500%	4,314,000	4,411,065
07/15/20	4.750%	9,162,000	8,566,470
Total			83,124,382
Wirelines 5.4%			
CenturyLink, Inc. Senior Unsecured			
04/01/20	5.625%	2,305,000	2,391,438
06/15/21	6.450%	8,546,000	9,165,585
03/15/22	5.800%	204,000	211,650
12/01/23	6.750%	284,000	310,980
EarthLink Holdings Corp. Senior Secured			
06/01/20	7.375%	2,862,000	2,904,930
Frontier Communications Corp. Senior Unsecured			
03/15/19	7.125%	208,000	227,760
04/15/20	8.500%	772,000	860,780
07/01/21	9.250%	6,350,000	7,334,250
09/15/21	6.250%	331,000	332,655
01/15/25	6.875%	3,735,000	3,735,000
Level 3 Communications, Inc. Senior Unsecured[a]			
12/01/22	5.750%	2,360,000	2,374,750
Level 3 Escrow II, Inc.[a]			
08/15/22	5.375%	3,747,000	3,765,735
Level 3 Financing, Inc.			
04/01/19	9.375%	8,328,000	8,786,040
07/01/19	8.125%	1,658,000	1,761,625
06/01/20	7.000%	2,609,000	2,759,017
01/15/21	6.125%	1,731,000	1,791,585
Level 3 Financing, Inc.[f]			
01/15/18	3.826%	638,000	641,190
Telecom Italia Capital SA			
06/18/19	7.175%	2,066,000	2,365,570
Telecom Italia SpA Senior Unsecured[a]			
05/30/24	5.303%	4,077,000	4,125,219
Windstream Corp.			
10/15/20	7.750%	4,827,000	4,971,810
06/01/22	7.500%	1,855,000	1,850,363
Total			62,667,932
Total Corporate Bonds & Notes (Cost: $1,084,460,364)			**1,100,113,760**

Convertible Bonds —%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Wirelines —%			
At Home Corp. Subordinated Notes[b][c][d]			
06/12/15	4.750%	296,350	30
Total Convertible Bonds (Cost: $—)			**30**

Senior Loans 1.6%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Automotive —%			
BHM Technologies LLC Term Loan[b][c][d][f][g]			
11/26/13	0.000%	386,034	39
Chemicals 0.3%			
Axalta Coating Systems Dutch Holding B BV Tranche B Term Loan[f][g]			
02/01/20	3.750%	1,419,815	1,379,662

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

Portfolio of Investments *(continued)*
December 31, 2014

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
PQ Corp. Term Loan(f)(g) 08/07/17	4.000%	1,365,819	1,337,820
Solenis International LP/Holdings 3 LLC 1st Lien Term Loan(f)(g) 07/31/21	4.250%	778,050	756,654
Total			3,474,136
Health Care 0.7%			
CHS/Community Health Systems, Inc. Tranche D Term Loan(f)(g) 01/27/21	4.250%	1,118,700	1,114,740
U.S. Renal Care, Inc.(f)(g) 1st Lien Tranche B-2 Term Loan 07/03/19	4.250%	2,249,968	2,207,781
2nd Lien Tranche B-1 Term Loan 01/03/20	8.500%	1,244,975	1,234,081
United Surgical Partners International, Inc. Tranche B Term Loan(f)(g) 04/03/19	4.750%	3,831,683	3,795,780
Total			8,352,382
Lodging 0.1%			
Four Seasons Holdings, Inc. 2nd Lien Term Loan(f)(g) 12/27/20	6.250%	809,000	802,932
Retailers 0.2%			
Rite Aid Corp. 2nd Lien Tranche 1 Term Loan(f)(g) 08/21/20	5.750%	2,276,000	2,279,801
Technology 0.3%			
Applied Systems, Inc. 1st Lien Term Loan(f)(g) 01/25/21	4.250%	335,610	329,529
TIBCO Software, Inc. Tranche B Term Loan(f)(g)(h) 11/04/20	6.500%	3,210,000	3,103,010
Total			3,432,539
Total Senior Loans (Cost: $19,415,516)			**18,341,829**

Common Stocks —%

Issuer	Shares	Value ($)
Consumer Discretionary —%		
Auto Components —%		
Lear Corp.	493	48,354
Automobiles —%		
BHM Technologies LLC(b)(d)(i)	35,922	359

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Media —%		
Haights Cross Communications, Inc.(b)(d)(e)(i)	27,056	—
Loral Space & Communications, Inc.(i)	6	472
Ziff Davis Holdings, Inc.(b)(d)(i)	553	6
Total		478
Total Consumer Discretionary		**49,191**
Industrials —%		
Commercial Services & Supplies —%		
Quad/Graphics, Inc.	993	22,799
Road & Rail —%		
Quality Distribution, Inc.(i)	195	2,075
Total Industrials		**24,874**
Utilities —%		
Independent Power and Renewable Electricity Producers —%		
Calpine Corp. Escrow(b)(d)(e)(i)	6,049,000	—
Total Utilities		**—**
Total Common Stocks (Cost: $310,067)		**74,065**

Preferred Stocks —%

Consumer Discretionary —%		
Automobiles —%		
BHM Technologies LLC(b)(d)(i)	430	4
Total Preferred Stocks (Cost: $23)		**4**

Warrants —%

Consumer Discretionary		
Media		
ION Media Networks, Inc.(b)(d)(i)	123	1
Total Consumer Discretionary		**1**
Total Warrants (Cost: $316,604)		**1**

Money Market Funds 1.8%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.115%(j)(k)	21,375,604	21,375,604
Total Money Market Funds (Cost: $21,375,604)		**21,375,604**
Total Investments (Cost: $1,125,878,178)		**1,139,905,293**
Other Assets & Liabilities, Net		**18,243,313**
Net Assets		**1,158,148,606**

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

Portfolio of Investments *(continued)*

December 31, 2014

Investments in Derivatives

Futures Contracts Outstanding at December 31, 2014

At December 31, 2014, cash totaling $145,200 was pledged as collateral to cover initial margin requirements on open futures contracts.

Short Futures Contracts Outstanding

Contract Description	Number of Contracts	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
US 10YR NOTE	(121)	USD	(15,342,422)	03/2015	—	(88,881)

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, 2014, the value of these securities amounted to $445,551,519 or 38.47% of net assets.

(b) Identifies securities considered by the Investment Manager to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2014 was $51,339, which represents less than 0.01% of net assets. Information concerning such security holdings at December 31, 2014 is as follows:

Security Description	Acquisition Dates	Cost ($)
At Home Corp. Subordinated Notes 06/12/15 4.750%	07/26/2005	—
BHM Technologies LLC Common Stock	07/21/2006	1,940
BHM Technologies LLC Preferred Stock	07/21/2006	23
BHM Technologies LLC Term Loan 11/26/13 0.000%	06/21/2007 - 03/31/2010	951,580
Calpine Corp. Escrow Common Stock	09/29/2011	—
Collins & Aikman Products Co. 08/15/12 12.875%	08/12/2004 - 04/12/2005	488,810
Haights Cross Communications, Inc. Common Stock	01/15/2004 - 02/03/2006	307,972
ION Media Networks, Inc. Warrant	12/19/2005 - 04/14/2009	316,604
Lear Corp. Escrow Bond 12/01/16 8.750%	11/20/2006 - 07/24/2008	—
Quebecor Media, Inc. 01/15/49 9.750%	01/17/2007 - 07/24/2008	21,346
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates 07/01/15 9.300%	01/27/2003 - 04/24/2013	7,640
Ziff Davis Holdings, Inc. Common Stock	07/1/2008	6
Ziff Davis Media, Inc. 12/15/11 13.500%	07/01/2008 - 04/15/2011	53,372

(c) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At December 31, 2014, the value of these securities amounted to $2,486,983, which represents 0.21% of net assets.

(d) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At December 31, 2014, the value of these securities amounted to $51,339, which represents less than 0.01% of net assets.

(e) Negligible market value.

(f) Variable rate security.

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

Portfolio of Investments *(continued)*
December 31, 2014

Notes to Portfolio of Investments *(continued)*

(g) Senior loans have rates of interest that float periodically based primarily on the London Interbank Offered Rate ("LIBOR") and other short-term rates. The interest rate shown reflects the weighted average coupon as of December 31, 2014. 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.

(h) Represents a security purchased on a when-issued or delayed delivery basis.

(i) Non-income producing.

(j) The rate shown is the seven-day current annualized yield at December 31, 2014.

(k) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of the company's 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, 2014, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	20,832,003	370,225,510	(369,681,909)	21,375,604	37,528	21,375,604

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).

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

Portfolio of Investments *(continued)*

December 31, 2014

Fair Value Measurements *(continued)*

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, 2014

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2014:

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	—	30,669,929	62	30,669,991
Cable and Satellite	—	75,316,143	41,181	75,357,324
Leisure	—	14,961,575	7,863	14,969,438
Media and Entertainment	—	67,173,542	1,794	67,175,336
All Other Industries	—	911,941,671	—	911,941,671
Convertible Bonds	—	—	30	30
Total Bonds	—	1,100,062,860	50,930	1,100,113,790
Equity Securities				
Common Stocks				
Consumer Discretionary	48,826	—	365	49,191
Industrials	24,874	—	—	24,874
Utilities	—	—	0(a)	0(a)
Preferred Stocks				
Consumer Discretionary	—	—	4	4
Warrants				
Consumer Discretionary	—	—	1	1
Total Equity Securities	73,700	—	370	74,070
Other				
Senior Loans				
Automotive	—	—	39	39
Lodging	—	—	802,932	802,932
All Other Industries	—	17,538,858	—	17,538,858
Total Other	—	17,538,858	802,971	18,341,829
Mutual Funds				
Money Market Funds	21,375,604	—	—	21,375,604
Total Mutual Funds	21,375,604	—	—	21,375,604
Investments in Securities	21,449,304	1,117,601,718	854,271	1,139,905,293
Derivatives				
Liabilities				
Futures Contracts	(88,881)	—	—	(88,881)
Total	21,360,423	1,117,601,718	854,271	1,139,816,412

(a) Rounds to zero.

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 during the period.

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.

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

Portfolio of Investments *(continued)*

December 31, 2014

Fair Value Measurements *(continued)*

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.

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

Statement of Assets and Liabilities

December 31, 2014

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $1,104,502,574)	$1,118,529,689
Affiliated issuers (identified cost $21,375,604)	21,375,604
Total investments (identified cost $1,125,878,178)	1,139,905,293
Cash	247,410
Margin deposits	145,200
Receivable for:	
Investments sold	6,974,370
Capital shares sold	189,724
Dividends	1,652
Interest	17,306,500
Reclaims	11,694
Prepaid expenses	4,215
Trustees' deferred compensation plan	284
Total assets	1,164,786,342
Liabilities	
Payable for:	
Investments purchased on a delayed delivery basis	3,049,500
Capital shares purchased	2,513,279
Variation margin	26,469
Investment management fees	598,132
Distribution and/or service fees	50,157
Transfer agent fees	62,907
Administration fees	69,688
Compensation of board members	164,633
Other expenses	102,687
Trustees' deferred compensation plan	284
Total liabilities	6,637,736
Net assets applicable to outstanding capital stock	**$1,158,148,606**
Represented by	
Paid-in capital	$1,079,300,596
Undistributed net investment income	58,845,461
Accumulated net realized gain	6,064,315
Unrealized appreciation (depreciation) on:	
Investments	14,027,115
Futures contracts	(88,881)
Total — representing net assets applicable to outstanding capital stock	**$1,158,148,606**
Class 1	
Net assets	$843,224,501
Shares outstanding	93,112,128
Net asset value per share	$9.06
Class 2	
Net assets	$128,475,629
Shares outstanding	14,251,362
Net asset value per share	$9.01
Class 3	
Net assets	$186,448,476
Shares outstanding	20,527,464
Net asset value per share	$9.08

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

Statement of Operations
Year Ended December 31, 2014

Net investment income	
Income:	
Dividends — unaffiliated issuers	$687
Dividends — affiliated issuers	37,528
Interest	68,058,301
Total income	68,096,516
Expenses:	
Investment management fees	6,749,777
Distribution and/or service fees	
Class 2	339,757
Class 3	254,998
Transfer agent fees	
Class 1	506,484
Class 2	81,537
Class 3	122,395
Administration fees	785,422
Compensation of board members	37,064
Custodian fees	26,695
Printing and postage fees	88,953
Professional fees	45,804
Other	18,452
Total expenses	9,057,338
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(20,016)
Fees waived by Distributor — Class 2	(87,211)
Total net expenses	8,950,111
Net investment income	59,146,405
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	13,147,671
Futures contracts	(487,875)
Net realized gain	12,659,796
Net change in unrealized appreciation (depreciation) on:	
Investments	(26,581,560)
Futures contracts	(424,427)
Net change in unrealized depreciation	(27,005,987)
Net realized and unrealized loss	(14,346,191)
Net increase in net assets resulting from operations	**$44,800,214**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operations		
Net investment income	$59,146,405	$63,843,240
Net realized gain	12,659,796	24,388,098
Net change in unrealized depreciation	(27,005,987)	(35,234,039)
Net increase in net assets resulting from operations	44,800,214	52,997,299
Distributions to shareholders		
Net investment income		
Class 1	—	(109,266,678)
Class 2	—	(10,047,443)
Class 3	—	(33,424,969)
Net realized gains		
Class 1	—	(43,608,294)
Class 2	—	(2,858,798)
Class 3	—	(14,083,365)
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)
Increase (decrease) in net assets from capital stock activity	(50,403,925)	332,179,020
Total increase (decrease) in net assets	(5,603,711)	135,537,612
Net assets at beginning of year	1,163,752,317	1,028,214,705
Net assets at end of year	**$1,158,148,606**	**$1,163,752,317**
Undistributed (excess of distributions over) net investment income	$58,845,461	$(419,384)

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	16,200,607	145,986,107	19,550,098	170,915,192
Fund reorganization	—	—	4,655,588	44,708,536
Distributions reinvested	—	—	20,068,316	178,306,029
Redemptions	(15,860,952)	(142,821,354)	(23,401,279)	(202,041,308)
Net increase	339,655	3,164,753	20,872,723	191,888,449
Class 2 shares				
Subscriptions	464,738	4,183,522	786,132	7,473,359
Fund reorganization	—	—	14,369,493	137,245,648
Distributions reinvested	—	—	1,947,832	16,275,016
Redemptions	(2,320,122)	(20,814,089)	(1,919,987)	(16,746,500)
Net increase (decrease)	(1,855,384)	(16,630,567)	15,183,470	144,247,523
Class 3 shares				
Subscriptions	251,090	2,289,787	275,027	2,642,975
Distributions reinvested	—	—	6,142,479	55,057,662
Redemptions	(4,340,106)	(39,227,898)	(6,762,497)	(61,657,589)
Net decrease	(4,089,016)	(36,938,111)	(344,991)	(3,956,952)
Total net increase (decrease)	**(5,604,745)**	**(50,403,925)**	**35,711,202**	**332,179,020**

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. Total return and portfolio turnover are not annualized for periods of less than one year. The portfolio turnover rate is calculated without regard to purchase and sales transactions of short-term instruments and certain derivatives, if any. If such transactions were included, the Fund's portfolio turnover rate may be higher.

	Year Ended December 31,				
Class 1	**2014**	**2013**	**2012**	**2011**	**2010[(a)]**
Per share data					
Net asset value, beginning of period	$8.71	$10.51	$10.02	$10.69	$11.25
Income from investment operations:					
Net investment income	0.45	0.52	0.64	0.70	0.51
Net realized and unrealized gain (loss)	(0.10)	(0.06)	0.78	(0.04)	0.23
Total from investment operations	0.35	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	$9.06	$8.71	$10.51	$10.02	$10.69
Total return	4.02%	5.09%	14.97%	6.42%	7.68%
Ratios to average net assets[(b)]					
Total gross expenses	0.71%	0.72%	0.71%	0.72%	0.78%[(c)]
Total net expenses[(d)]	0.71%	0.71%	0.71%	0.72%	0.78%[(c)]
Net investment income	5.04%	5.59%	6.16%	6.76%	7.47%[(c)]
Supplemental data					
Net assets, end of period (in thousands)	$843,225	$808,379	$755,648	$983,282	$842,202
Portfolio turnover	59%	56%	68%	66%	77%

Notes to Financial Highlights

(a) Based on operations from May 3, 2010 (commencement of operations) through the stated period end.

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

(c) Annualized.

(d) Total net expenses include the impact of certain fee waivers/expense 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, 2014	2013	2012	2011	2010[(a)]
Per share data					
Net asset value, beginning of period	$8.69	$10.46	$9.98	$10.67	$11.25
Income from investment operations:					
Net investment income	0.44	0.49	0.60	0.66	0.47
Net realized and unrealized gain (loss)	(0.12)	(0.04)	0.79	(0.03)	0.24
Total from investment operations	0.32	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	$9.01	$8.69	$10.46	$9.98	$10.67
Total return	3.68%	5.01%	14.72%	6.17%	7.44%
Ratios to average net assets[(b)]					
Total gross expenses	0.96%	0.97%	0.96%	0.97%	1.01%[(c)]
Total net expenses[(d)]	0.90%	0.78%	0.96%	0.96%	1.01%[(c)]
Net investment income	4.86%	5.54%	5.86%	6.54%	6.87%[(c)]
Supplemental data					
Net assets, end of period (in thousands)	$128,476	$139,973	$9,657	$4,704	$929
Portfolio turnover	59%	56%	68%	66%	77%

Notes to Financial Highlights

(a) Based on operations from May 3, 2010 (commencement of operations) through the stated period end.

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

(c) Annualized.

(d) Total net expenses include the impact of certain fee waivers/expense 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	2014	2013	2012	2011	2010
	Year Ended December 31,				
Per share data					
Net asset value, beginning of period	$8.75	$10.53	$10.04	$10.71	$10.71
Income from investment operations:					
Net investment income	0.45	0.51	0.62	0.69	0.81
Net realized and unrealized gain (loss)	(0.12)	(0.06)	0.79	(0.05)	0.47
Total from investment operations	0.33	0.45	1.41	0.64	1.28
Less distributions to shareholders:					
Net investment income	—	(1.35)	(0.70)	(1.01)	(1.28)
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)
Net asset value, end of period	$9.08	$8.75	$10.53	$10.04	$10.71
Total return	3.77%	5.02%	14.80%	6.26%	13.04%
Ratios to average net assets[(a)]					
Total gross expenses	0.84%	0.85%	0.84%	0.85%	0.86%
Total net expenses[(b)]	0.84%	0.84%	0.83%	0.85%	0.86%
Net investment income	4.92%	5.45%	6.01%	6.63%	7.38%
Supplemental data					
Net assets, end of period (in thousands)	$186,448	$215,401	$262,909	$236,367	$251,747
Portfolio turnover	59%	56%	68%	66%	77%

Notes to Financial Highlights

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

(b) Total net expenses include the impact of certain fee waivers/expense 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, 2014

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 the Trust's organizational documents or 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

Basis of Preparation

The Fund is an investment company that applies the accounting and reporting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services — Investment Companies* (ASC 946). The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) which 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 income and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies 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 that take into account, as applicable, 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.

Senior loan securities for which reliable market quotations are readily available are generally valued by pricing services at the average of the bids received.

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 their 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 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 quoted or published 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

Notes to Financial Statements *(continued)*

December 31, 2014

instruments may be used to increase investment flexibility (including to maintain cash reserves while maintaining exposure to certain other assets), for risk management (hedging) purposes, 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 marked-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. The 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 variation margin held by the counterparty. With exchange-traded or centrally cleared derivatives, there is reduced 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 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 account. 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 (including the Fund), 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 the 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 marked-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 if 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.

Notes to Financial Statements *(continued)*

December 31, 2014

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; and 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 (not considered to be hedging instruments for accounting disclosure purposes) at December 31, 2014:

	Liability Derivatives	
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Interest rate risk	Net assets — unrealized depreciation on futures contracts	88,881*

* 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 (not considered to be hedging instruments for accounting disclosure purposes) in the Statement of Operations for the year ended December 31, 2014:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Interest rate risk	(487,875)

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Interest rate risk	(424,427)

The following table is a summary of the average outstanding volume by derivative instrument for the year ended December 31, 2014:

Derivative Instrument	Average Notional Amounts ($)*
Futures contracts — Short	15,408,293

* Based on the ending quarterly outstanding amounts for the year ended December 31, 2014.

Investments in Senior Loans

The Fund may invest in senior loan assignments. When the Fund purchases an assignment of a senior 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 its rights only through an administrative agent. Although certain senior loan assignments are secured by collateral, the Fund could experience delays or limitations in realizing such collateral or have its 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, senior loan assignments are vulnerable to market,

Notes to Financial Statements *(continued)*

December 31, 2014

economic or other conditions or events that may reduce the demand for senior loan assignments and certain senior loan assignments which were liquid, when purchased, may become illiquid.

The Fund may enter into senior loan assignments where all or a portion of the loan may be unfunded. The Fund is obligated to fund these commitments at the borrower's discretion. These commitments are generally traded and priced in the same manner as other senior loan securities and are disclosed as unfunded senior loan commitments in the Fund's Portfolio of Investments. The Fund designates cash or liquid securities to cover these commitments.

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 to the Fund 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.

The Fund may place a debt security on non-accrual status and reduce related interest income when it becomes probable that the interest will not be collected and the amount of uncollectible interest can be reasonably estimated. A defaulted debt security is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is reasonably assured.

The Fund may receive other income from senior loans, including amendment fees, consent fees and commitment fees. These fees are recorded as income when received by the Fund. These amounts are included in Interest Income in the Statement of Operations.

Corporate actions and dividend income are recorded on the ex-dividend date.

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

Notes to Financial Statements *(continued)*

December 31, 2014

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

Guarantees and Indemnifications

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

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, 2014 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, 2014 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, 2014, other expenses paid by the Fund to this company were $3,013.

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 the Fund 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.

Prior to May 1, 2014, the Distributor voluntarily agreed to waive 0.19% of the distribution fee for Class 2 shares.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

The Fund's expense ratio is subject to an expense reimbursement arrangement pursuant to which fees will be waived and/or expenses reimbursed (excluding certain fees and expenses described below), so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft

Notes to Financial Statements *(continued)*

December 31, 2014

charges from the Fund's custodian, do not exceed the annual rates of:

	Voluntary Expense Cap Effective May 1, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.720%	0.710%
Class 2	0.970	0.960
Class 3	0.845	0.835

The voluntary expense cap arrangement may be revised or discontinued at any time. Under the 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 and extraordinary expenses.

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, 2014, these differences are primarily due to differing treatment for principal and/or interest from fixed income securities, deferral/reversal of wash sale 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:

Undistributed net investment income	$118,440
Accumulated net realized gain	(118,440)

Net investment income (loss) 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, 2014 ($)	Year Ended December 31, 2013 ($)
Ordinary income	—	164,925,393
Long-term capital gains	—	48,364,154
Tax return of capital	—	36,349,160
Total	—	249,638,707

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

At December 31, 2014, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$59,255,552
Undistributed long-term capital gains	5,664,260
Net unrealized appreciation	14,338,289

At December 31, 2014, the cost of investments for federal income tax purposes was $1,125,567,004 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$29,714,793
Unrealized depreciation	(15,376,504)
Net unrealized appreciation	$14,338,289

For the year ended December 31, 2014, $6,367,773 of capital loss carryforward was utilized.

Management of the Fund has concluded that there are no significant uncertain tax positions in the Fund 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 and certain derivatives, if any, aggregated to $668,571,701 and $666,587,149, respectively, for the year ended December 31, 2014. The amount of purchase and sale activity impacts the portfolio turnover rate reported in the Financial Highlights.

Notes to Financial Statements *(continued)*
December 31, 2014

Note 6. Affiliated Money Market Fund

The Fund invests 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, 2014, affiliated shareholders of record owned 96.5% of the outstanding shares of the Fund in one or more accounts. Subscription and redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 8. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank N.A. (JPMorgan) whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. Pursuant to a December 9, 2014 amendment, the credit facility agreement, 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 $550 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations. Prior to the December 9, 2014 amendment, the credit facility agreement permitted borrowings up to $500 million under the same terms and interest rates as described above.

The Fund had no borrowings during the year ended December 31, 2014.

Note 9. Fund Reorganization

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 reorganization 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 reorganization and the combined fund for the period subsequent to the reorganization. Because the combined investment portfolios have been managed as a single integrated portfolio since the reorganization 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 reorganization was completed.

Assuming the reorganization 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. Significant Risks

Credit Risk

Credit risk is the risk that the value of debt securities in the Fund's portfolio may decline because the issuer may default and fail to pay interest or repay principal when due. Rating agencies assign credit ratings to debt securities to indicate their credit risk. Lower rated or unrated debt securities held by the Fund may present increased credit risk as compared to higher-rated debt securities.

Interest Rate Risk

Interest rate risk is the risk of losses attributable to changes in interest rates. In general, if prevailing interest rates rise, the values of debt securities tend to fall, and if interest rates fall, the values of debt securities tend to rise. Actions by

Notes to Financial Statements *(continued)*

December 31, 2014

governments and central banking authorities can result in increases in interest rates. Increasing interest rates may negatively affect the value of debt securities held by the Fund, resulting in a negative impact on the Fund's performance and net asset value per share. In general, the longer the maturity or duration of a debt security, the greater its sensitivity to changes in interest rates.

Liquidity Risk

Liquidity risk is the risk associated with a lack of marketability of investments which may make it difficult to sell the investment at a desirable time or price. Changing regulatory, market or other conditions or environments (for example, the interest rate or credit environments) may adversely affect the liquidity of the Fund's investments. The Fund may have to accept a lower selling price for the holding, sell other investments, or forego another, more appealing investment opportunity. Generally, the less liquid the market at the time the Fund sells a portfolio investment, the greater the risk of loss or decline of value to the Fund. A less liquid market can lead to an increase in Fund redemptions, which may negatively impact Fund performance and net asset value per share, including, for example, if the Fund is forced to sell securities in a down market.

High-Yield Securities Risk

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.

Note 11. Subsequent Events

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

Note 12. Information Regarding Pending and Settled Legal Proceedings

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain 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 quarterly (10-Q), annual (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, 2014, 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 three 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, 2014 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 our opinion. The financial highlights of 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, 2015

Federal Income Tax Information

(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2014.

Tax Designations

Capital Gain Dividend	$5,947,473

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.

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(s) During Past Five Years and Other Relevant Professional Experience	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; specializing in arbitration and mediation; Chief Justice, Minnesota Supreme Court, 1998-2006; Associate Justice, Minnesota Supreme Court, 1996-1998; Fourth Judicial District Court Judge, Hennepin Country, 1994-1996; Attorney in private practice and public service, 1984-1993; State Representative, Minnesota House of Representatives, 1979-1993, which included service on the Tax and Financial Institutions and Insurance Committees	132	Trustee, BlueCross BlueShield of Minnesota (Chair of the Business Development Committee) since 2009; Chair of the Robina Foundation since August 2013
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; FINRA Industry Arbitrator, 2002-present; Chairman and Chief Executive Officer, John Hancock Funds (asset management), Chairman and Interested Trustee for open-end and closed-end funds offered by John Hancock, 1989-2000; John Hancock Life Insurance Company, including SVP and Treasurer and SVP Information Technology, 1968-1988	130	Former Trustee, BofA Funds Series Trust (11 funds), 2005-2011; Trustee, Boston Museum of Science (Chair of Finance Committee), 1985-2013
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; Managing Director of US Equity Research, JP Morgan Chase, 1999-2003; Director of US Equity Research, Chase Asset Management, 1996- 1999; Co-Director Latin America Research, 1993-1996, CCO Global Research, 1992-1996, Co-Director of US Research, 1991-1992, Investment Banker, Morgan Stanley, 1982-1991	132	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; Co-founder, The Succession Fund (provides exit strategies to owners of privately held companies) 1998-2007; Adjunct Professor of Finances, Kelley School of Business, Indiana University, 1993-2007; Senior Vice President, Sara Lee Corporation, 1991-1993; Senior Vice President and Chief Financial Officer, Beatrice Foods Company, 1984-1990; Vice President, Esmark, Inc, 1973-1984.; Associate, Price Waterhouse, 1968-1972	132	Director, Cobra Electronics Corporation (electronic equipment manufacturer), 1994 - August 2014; 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) 2009-2011; Director, Spectrum Brands, Inc. (consumer products), 2002-2009; Director, Simmons Company (bedding), 2004-2010

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation(s) During Past Five Years and Other Relevant Professional Experience	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (Within Past 5 Years)
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 (also teaches and conducts research on corporate governance); Dean, McCallum Graduate School of Business, Bentley University, 1992-2002	132	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; Operation Hope, COO, 2004-2007; IndyMac Bancorp, President, CBG, 1999-2003; American General Bank, President, 1997-1999; Griffin Financial Services, CEO, 1981-1997; The Griffin Funds, CEO, 1992-1998	130	Trustee, BofA Funds Series Trust (11 funds)
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	130	Chairman, BofA Funds Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance) 2003-2011
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) since September 1998; Managing Director and Partner, Interlaken Capital, Inc., 1989-1997; Managing Director, Morgan Stanley, 1982-1989; Vice President, Investment Banking, 1980-1982, Associate, Investment Banking, 1976-1980, Dean Witter Reynolds, Inc.	132	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2012; Trustee, Carleton College (on the Investment Committee); Trustee, Carnegie Endowment for International Peace (on the Investment Committee)
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	Board member since 2000 for Seligman Funds, since 11/08 for RiverSource Funds and since 6/11 for Nations Funds	Counsel, Lewis & Munday, P.C. (law firm) since 2004; Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation, 1993-1997	132	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. (family investment business) 1998-2011	130	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; Chair of the Duke Endowment; Director, National Association of Corporate Directors, Carolinas Chapter, since 2013; former Trustee, BofA Funds Series Trust (11 funds), 2003-2011
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	Managing Director, Forester Biotech (consulting) since 2001; Chief Executive Officer and Director, RiboNovix, Inc., (biotechnology) 2003-2010; President and Chief Executive Officer of CMT Inc., 2001-2003; Aquila Biopharmaceuticals Inc., 1996-2000; Cambridge Biotech Corporation, 1995-1996, Mitotix Inc., 1993-1994	132	Director, Healthways, Inc. (health and well-being solutions) 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; President, Federal Reserve Bank of Philadelphia, 2000-2006, Professor of Finance, The Wharton School, University of Pennsylvania, 1972-2002	130	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), 2008-2011

* 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; Director, Threadneedle Asset Management Holdings, SARL since 2014; President and Chief Executive Officer, Ameriprise Certificate Company, 2006-August 2012	191	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 Statement of Additional Information 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:

Fund 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
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	President and Principal Executive Officer (2015)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since January 2015 (previously, Vice President and Chief Counsel January 2010-December 2014; and Vice President and Group Counsel or Lead Counsel 2004-January 2010); officer of Columbia Funds and affiliated funds since 2007.
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, September 2004-April 2010; senior officer of Columbia Funds and affiliated funds since 2002.
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Senior Vice President (2011), Chief Legal Officer (2015) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (previously Chief Counsel, January 2010-January 2013 and Group Counsel, November 2008-January 2010).
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Senior Vice President and 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, 2005-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; Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, 2007-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, 2005-April 2010.
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011), Assistant Treasurer (2012) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Treasurer, Columbia Management Investment Advisers, LLC since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC, 2006-April 2010.
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1965	Vice President (2006)	Managing Director and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, 2009-April 2010, and Vice President — Asset Management and Trust Company Services, 2006-2009).
Lyn Kephart-Strong 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1960	Vice President (2015)	President, Columbia Management Investment Services Corp. since October 2014; Vice President & Resolution Officer, Ameriprise Trust Company since August 2009; President, RiverSource Service Corporation 2004-2010.
Ryan C. Larrenaga 225 Franklin Street Boston, MA 02110 Born 1970	Vice President and Secretary (2015)	Vice President and Group Counsel, Ameriprise Financial, Inc. since August 2011 (previously, Counsel from May 2010 to August 2011); Assistant General Counsel, Bank of America, 2005-April 2010; officer of Columbia Funds and affiliated funds since 2005.

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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 31st for the most recent 12-month period ending June 30th 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

S-6544 E (2/15)

Annual Report

December 31, 2014

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 14.04% for the 12-month period that ended December 31, 2014.

> The Fund outperformed its benchmark, the Russell 1000 Growth Index, which returned 13.05% for the same time period.

> Stock selection in the technology and consumer discretionary sectors generally accounted for the Fund's performance advantage over the benchmark.

Average Annual Total Returns (%) (for period ended December 31, 2014)

	Inception	1 Year	5 Years	10 Years
Class 1*	05/03/10	14.18	15.26	6.79
Class 2*	05/03/10	13.92	14.98	6.58
Class 3	09/15/99	14.04	15.14	6.74
Russell 1000 Growth Index		13.05	15.81	8.49

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.

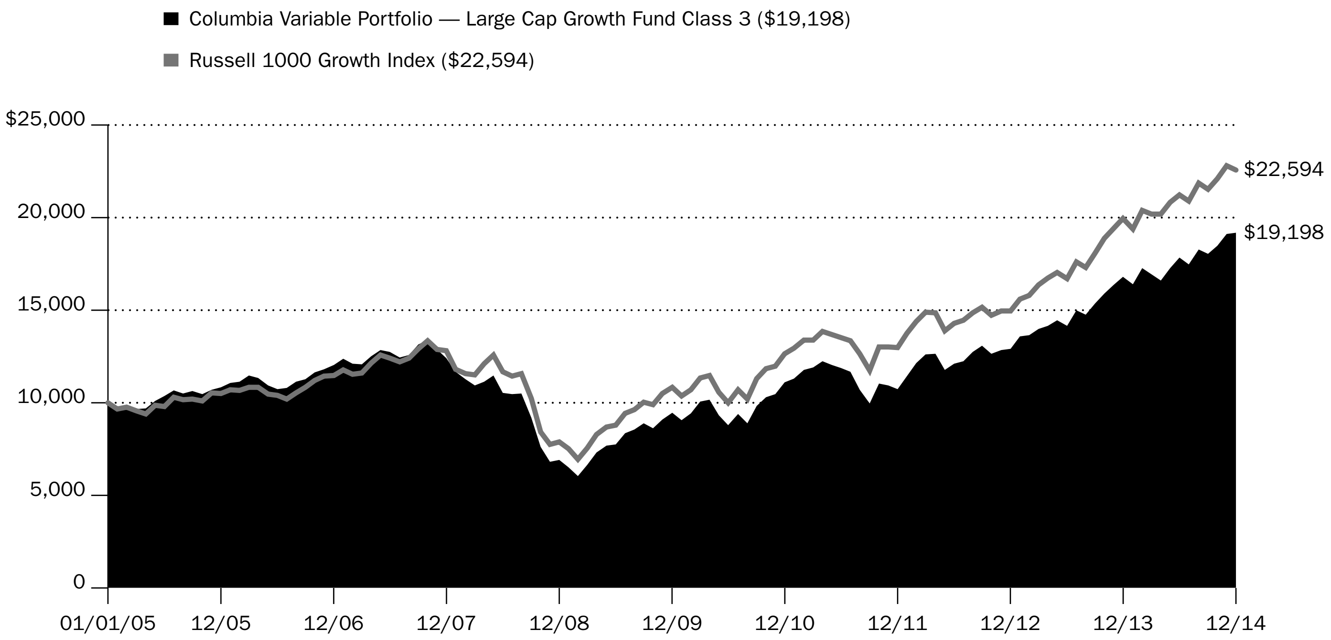
* The returns shown for periods prior to the share class inception date (including returns for the Life of the Fund, if shown, which are since Fund inception) include the returns of the Fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/investment-products/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, 2005 — December 31, 2014)



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

Tchintcia Barros, CFA*

* *Effective February 11, 2015, Ms. Barros was named a Portfolio Manager of the Fund.*

Top Ten Holdings (%) (at December 31, 2014)	
Apple, Inc.	5.7
Comcast Corp., Class A	2.9
Lowe's Companies, Inc.	2.7
Visa, Inc., Class A	2.5
Electronic Arts, Inc.	2.4
Celgene Corp.	2.3
Honeywell International, Inc.	2.2
Facebook, Inc., Class A	2.2
VF Corp.	2.1
Google, Inc., Class C	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, 2014)	
Common Stocks	**98.2**
Consumer Discretionary	16.6
Consumer Staples	8.0
Energy	4.5
Financials	6.2
Health Care	18.1
Industrials	12.2
Information Technology	29.5
Materials	2.2
Telecommunication Services	0.9
Money Market Funds	**1.8**
Total	**100.0**

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

At December 31, 2014, approximately 76% 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, 2014, the Fund's Class 3 shares returned 14.04%. The Fund outperformed its benchmark, Russell 1000 Growth Index, which returned 13.05% over the same period. Stock selection in the technology and consumer discretionary sectors aided performance relative to the benchmark, while stock selection in health care detracted from relative results.

U.S. Economy Fired on All Cylinders

A cold and difficult 2014 winter brought many parts of the United States to a standstill. However, the pace of U.S. economic growth picked up as 2014 unfolded. Gross domestic product broke above its 3.0% long-term historical average, with gains of 4.6% in the second quarter and 5.0% in the third. The labor market added just under 250,000 new jobs monthly, on average, during the 12-month period. Solid new job growth drove the unemployment rate down to 5.6%, its lowest mark since 2008. After languishing during the bad weather winter months, manufacturing activity remained solid, even though it slipped in the final month of the period. The nation's industrial capacity utilization rate rose to a recovery high of 80.1%, in line with its long-term average. Corporate profit growth improved after a weak start in 2014 but lagged as the year came to a close. Consumer confidence reached a seven-year high, as improved job availability and prospects for higher wages buoyed expectations that the economy was gaining ground and falling energy prices helped boost spending. The housing market struggled as bad winter weather, tighter borrowing standards, rising prices and higher mortgage rates early in the period restrained the sector's recovery to a slower pace than in 2013. New and existing home sales improved in the spring but weakened near year end. One bright spot: building permits for both single- and multi-family housing rose to a post-recession high.

Investors responded favorably to the generally good economic news. However, concerns about increased global tensions, uncertainty about the Federal Reserve's (the Fed) next move and sinking oil prices created periods of volatility for the riskiest sectors of both stock and bond markets. The Fed spent the year winding down its monthly bond purchases, ending its program of quantitative easing in October. Now, all eyes are on the Fed's next major policy statements for clues to the timing of its first hike in short-term interest rates since 2006. In this environment, interest rates were expected to rise in 2014. However, the yield on the 10-year U.S. Treasury, a bellwether for the bond market, declined, providing continued support to a rising U.S. stock market and boosting returns on long-term Treasury bonds.

Technology and Consumer Stocks Aided Results

The information technology sector was a clear beneficiary of a stronger economy and higher business spending. The Fund benefited from key stock picks in this favorable environment. Overweights in Avago Technologies and KLA Tencor and

Manager Discussion of Fund Performance *(continued)*

an out-of-benchmark position in NXP Semiconductors made solid contributions to the Fund's relative results. Strong handset demand and increased content within Apple products boosted Avago and NXP shares. Electronic Arts and Red Hat also provided strong gains for the period. Electronic Arts, which develops, markets, publishes and distributes video games, benefited from strong revenue and earnings growth. The company has been more disciplined in controlling costs, leading to higher and more sustainable margins. Red Hat, a leading enterprise infrastructure software company, benefited from a very strong fourth quarter in revenues and billings.

In the consumer discretionary sector, overweights relative to the benchmark in Hanesbrands and V.F. Corporation drove gains. Hanesbrands has elevated basic cotton underwear by adding technology and functionality, which has resulted in higher selling prices, revenues and earnings. V.F., the owner of North Face, Timberland and other consumer brands, was a consistently solid performer in a tough year for many brands. We also did well to avoid exposure to Coach and Michael Kors in the textile, apparel and luxury goods category as both stocks lost significant ground.

Health Care and Industrials Hampered Relative Results

In the health care sector, the Fund had some significant winners, including Gilead Sciences, Vertex Pharmaceuticals and Cubist, which made substantial contributions to the Fund's gains. The Fund had overweight exposures to all three of these biotechnology names relative to the benchmark. The impact of these results, however, was more than offset by the Fund's lack of exposure to Amgen and Allergan, both of which had very strong years. The Fund also lost ground on Biogen, a global biotechnology company that specializes in therapies for the treatment of neurodegenerative, hematologic and autoimmune diseases. Biogen shares were solid performers for the year, but it was not fully represented in the Fund during the entire period.

Looking Ahead

Six years of solid performance from the U.S. stock market has elevated valuations on many stocks, which leads us to be somewhat muted in our current expectations for the period ahead. We believe that earnings growth may be harder to come by, and the Fed is poised to raise short-term borrowing rates, which could make the equity markets more choppy. However, we see the current environment as relatively favorable for large cap growth companies, which have been growing faster than the market average. At this time, we plan to stick with our strategy going forward, seeking high quality, large-cap growth companies that we believe have solid market shares, strong global franchises, successful research and development operations and promising new product capabilities. We believe our research and investment process is well suited to identify those companies that have the greatest potential to outperform in an environment that is less accommodative to stocks, in general, and possibly more volatile in the face of higher interest rates.

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, 2014 – December 31, 2014

	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	1,075.40	1,021.22	4.13	4.02	0.79
Class 2	1,000.00	1,000.00	1,074.40	1,019.96	5.44	5.30	1.04
Class 3	1,000.00	1,000.00	1,074.80	1,020.62	4.76	4.63	0.91

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 its investment in underlying funds, including affiliated and non-affiliated pooled investment vehicles, such as 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, 2014

(Percentages represent value of investments compared to net assets)

Common Stocks 98.4%

Issuer	Shares	Value ($)
Consumer Discretionary 16.6%		
Auto Components 0.7%		
Delphi Automotive PLC	126,030	9,164,902
Hotels, Restaurants & Leisure 1.7%		
Starwood Hotels & Resorts Worldwide, Inc.	266,880	21,635,962
Internet & Catalog Retail 3.1%		
Amazon.com, Inc.[a]	72,881	22,618,618
Priceline Group, Inc. (The)[a]	13,942	15,896,808
Total		38,515,426
Media 4.4%		
Comcast Corp., Class A	624,260	36,213,322
DISH Network Corp., Class A[a]	263,829	19,230,496
Total		55,443,818
Multiline Retail 0.8%		
Hudson's Bay Co.	454,679	9,611,737
Specialty Retail 2.7%		
Lowe's Companies, Inc.	479,943	33,020,078
Textiles, Apparel & Luxury Goods 3.2%		
Hanesbrands, Inc.	131,763	14,707,386
VF Corp.	344,192	25,779,981
Total		40,487,367
Total Consumer Discretionary		**207,879,290**
Consumer Staples 8.1%		
Beverages 2.2%		
Anheuser-Busch InBev NV, ADR	55,053	6,183,553
Coca-Cola Enterprises, Inc.	267,477	11,827,833
Dr. Pepper Snapple Group, Inc.	129,153	9,257,687
Total		27,269,073
Food & Staples Retailing 3.4%		
CVS Health Corp.	210,075	20,232,323
Kroger Co. (The)	332,614	21,357,145
Total		41,589,468
Food Products 2.5%		
Mead Johnson Nutrition Co.	240,630	24,192,940
WhiteWave Foods Co. (The), Class A[a]	210,897	7,379,286
Total		31,572,226
Total Consumer Staples		**100,430,767**
Energy 4.5%		
Energy Equipment & Services 1.5%		
Schlumberger Ltd.	225,793	19,284,980

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Oil, Gas & Consumable Fuels 3.0%		
Anadarko Petroleum Corp.	205,030	16,914,975
EOG Resources, Inc.	96,525	8,887,057
Kinder Morgan, Inc.	270,343	11,438,214
Total		37,240,246
Total Energy		**56,525,226**
Financials 6.2%		
Banks 1.4%		
Fifth Third Bancorp	344,742	7,024,118
Wells Fargo & Co.	194,658	10,671,152
Total		17,695,270
Capital Markets 3.7%		
BlackRock, Inc.	27,986	10,006,674
Goldman Sachs Group, Inc. (The)	51,400	9,962,862
Invesco Ltd.	386,970	15,293,054
TD Ameritrade Holding Corp.	281,660	10,077,795
Total		45,340,385
Real Estate Investment Trusts (REITs) 1.1%		
Simon Property Group, Inc.	75,270	13,707,420
Total Financials		**76,743,075**
Health Care 18.1%		
Biotechnology 8.8%		
Alkermes PLC[a]	115,780	6,780,077
Biogen Idec, Inc.[a]	48,910	16,602,499
BioMarin Pharmaceutical, Inc.[a]	69,740	6,304,496
Bluebird Bio, Inc.[a]	41,580	3,813,718
Celgene Corp.[a]	252,770	28,274,852
Clovis Oncology, Inc.[a]	94,450	5,289,200
Incyte Corp.[a]	112,600	8,232,186
Juno Therapeutics, Inc.[a]	112,610	5,880,494
Pharmacyclics, Inc.[a]	56,687	6,930,553
Receptos, Inc.[a]	34,760	4,258,448
Regulus Therapeutics, Inc.[a]	139,930	2,244,477
Vertex Pharmaceuticals, Inc.[a]	131,065	15,570,522
Total		110,181,522
Health Care Equipment & Supplies 4.2%		
Covidien PLC	231,684	23,696,640
St. Jude Medical, Inc.	168,410	10,951,702
Zimmer Holdings, Inc.	158,805	18,011,663
Total		52,660,005

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

Portfolio of Investments *(continued)*

December 31, 2014

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Health Care Providers & Services 3.3%		
Express Scripts Holding Co.[(a)]	214,510	18,162,561
McKesson Corp.	109,786	22,789,378
Total		40,951,939
Pharmaceuticals 1.8%		
Actavis PLC[(a)]	88,615	22,810,387
Total Health Care		**226,603,853**
Industrials 12.2%		
Aerospace & Defense 4.0%		
Honeywell International, Inc.	276,717	27,649,563
Raytheon Co.	212,037	22,936,042
Total		50,585,605
Airlines 1.3%		
American Airlines Group, Inc.	303,079	16,254,127
Commercial Services & Supplies 0.9%		
Tyco International PLC	265,237	11,633,295
Electrical Equipment 0.9%		
Rockwell Automation, Inc.	99,096	11,019,475
Machinery 4.4%		
Ingersoll-Rand PLC	301,420	19,107,014
Pall Corp.	194,489	19,684,231
Snap-On, Inc.	118,235	16,167,454
Total		54,958,699
Road & Rail 0.7%		
Kansas City Southern	69,141	8,437,276
Total Industrials		**152,888,477**
Information Technology 29.6%		
Communications Equipment 1.0%		
Palo Alto Networks, Inc.[(a)]	102,430	12,554,845
Internet Software & Services 7.0%		
Facebook, Inc., Class A[(a)]	341,248	26,624,169
Google, Inc., Class A[(a)]	45,948	24,382,766
Google, Inc., Class C[(a)]	46,688	24,576,563
LinkedIn Corp., Class A[(a)]	53,800	12,358,398
Total		87,941,896
IT Services 2.4%		
Visa, Inc., Class A	116,030	30,423,066
Semiconductors & Semiconductor Equipment 4.3%		
Avago Technologies Ltd.	170,180	17,118,406
Broadcom Corp., Class A	341,490	14,796,762
KLA-Tencor Corp.	109,940	7,730,981
NXP Semiconductors NV[(a)]	179,336	13,701,270
Total		53,347,419

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Software 9.3%		
Electronic Arts, Inc.[(a)]	617,440	29,028,942
Microsoft Corp.	388,546	18,047,962
Red Hat, Inc.[(a)]	334,590	23,133,553
salesforce.com, Inc.[(a)]	359,663	21,331,612
ServiceNow, Inc.[(a)]	170,635	11,577,585
VMware, Inc., Class A[(a)]	149,295	12,319,823
Total		115,439,477
Technology Hardware, Storage & Peripherals 5.6%		
Apple, Inc.	629,405	69,473,724
Total Information Technology		**369,180,427**
Materials 2.2%		
Chemicals 2.2%		
Eastman Chemical Co.	147,080	11,157,489
Monsanto Co.	139,960	16,721,021
Total		27,878,510
Total Materials		**27,878,510**
Telecommunication Services 0.9%		
Diversified Telecommunication Services 0.9%		
Verizon Communications, Inc.	234,733	10,980,810
Total Telecommunication Services		**10,980,810**
Total Common Stocks (Cost: $1,030,381,756)		**1,229,110,435**

Money Market Funds 1.8%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.115%[(b)(c)]	22,772,953	22,772,953
Total Money Market Funds (Cost: $22,772,953)		**22,772,953**
Total Investments (Cost: $1,053,154,709)		**1,251,883,388**
Other Assets & Liabilities, Net		**(2,381,901)**
Net Assets		**1,249,501,487**

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

Portfolio of Investments *(continued)*

December 31, 2014

Notes to Portfolio of Investments

(a) Non-income producing.

(b) The rate shown is the seven-day current annualized yield at December 31, 2014.

(c) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of the company's 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, 2014, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	8,842,394	433,644,482	(419,713,923)	22,772,953	15,154	22,772,953

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 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

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

Portfolio of Investments *(continued)*
December 31, 2014

Fair Value Measurements *(continued)*

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, 2014:

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	207,879,290	—	—	207,879,290
Consumer Staples	100,430,767	—	—	100,430,767
Energy	56,525,226	—	—	56,525,226
Financials	76,743,075	—	—	76,743,075
Health Care	226,603,853	—	—	226,603,853
Industrials	152,888,477	—	—	152,888,477
Information Technology	369,180,427	—	—	369,180,427
Materials	27,878,510	—	—	27,878,510
Telecommunication Services	10,980,810	—	—	10,980,810
Total Equity Securities	1,229,110,435	—	—	1,229,110,435
Mutual Funds				
Money Market Funds	22,772,953	—	—	22,772,953
Total Mutual Funds	22,772,953	—	—	22,772,953
Total	1,251,883,388	—	—	1,251,883,388

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

There were no transfers of financial assets between levels during the period.

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

Statement of Assets and Liabilities

December 31, 2014

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $1,030,381,756)	$1,229,110,435
Affiliated issuers (identified cost $22,772,953)	22,772,953
Total investments (identified cost $1,053,154,709)	1,251,883,388
Cash	184
Receivable for:	
Capital shares sold	37,519
Dividends	545,598
Reclaims	33,422
Expense reimbursement due from Investment Manager	20,453
Prepaid expenses	4,506
Trustees' deferred compensation plan	22,952
Total assets	1,252,548,022
Liabilities	
Payable for:	
Capital shares purchased	1,998,570
Investment management fees	758,428
Distribution and/or service fees	29,762
Transfer agent fees	67,489
Administration fees	63,022
Compensation of board members	35,120
Other expenses	71,192
Trustees' deferred compensation plan	22,952
Total liabilities	3,046,535
Net assets applicable to outstanding capital stock	**$1,249,501,487**
Represented by	
Trust capital	$1,249,501,487
Total — representing net assets applicable to outstanding capital stock	**$1,249,501,487**
Class 1	
Net assets	$1,003,538,779
Shares outstanding	84,757,299
Net asset value per share	$11.84
Class 2	
Net assets	$18,782,518
Shares outstanding	1,605,483
Net asset value per share	$11.70
Class 3	
Net assets	$227,180,190
Shares outstanding	19,281,735
Net asset value per share	$11.78

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

Statement of Operations
Year Ended December 31, 2014

Net investment income	
Income:	
Dividends — unaffiliated issuers	$18,090,458
Dividends — affiliated issuers	15,154
Foreign taxes withheld	(255,150)
Total income	17,850,462
Expenses:	
Investment management fees	8,699,644
Distribution and/or service fees	
Class 2	39,787
Class 3	275,876
Transfer agent fees	
Class 1	634,596
Class 2	9,549
Class 3	132,416
Administration fees	722,136
Compensation of board members	28,385
Custodian fees	20,240
Printing and postage fees	63,984
Professional fees	41,834
Other	28,943
Total expenses	10,697,390
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(153,232)
Total net expenses	10,544,158
Net investment income	7,306,304
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	205,114,596
Foreign currency translations	9,715
Net realized gain	205,124,311
Net change in unrealized appreciation (depreciation) on:	
Investments	(45,470,210)
Foreign currency translations	17
Net change in unrealized depreciation	(45,470,193)
Net realized and unrealized gain	159,654,118
Net increase in net assets resulting from operations	**$166,960,422**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operations		
Net investment income	$7,306,304	$5,641,556
Net realized gain	205,124,311	58,594,935
Net change in unrealized appreciation (depreciation)	(45,470,193)	209,964,155
Net increase in net assets resulting from operations	166,960,422	274,200,646
Increase (decrease) in net assets from capital stock activity	(322,885,856)	880,103,735
Total increase (decrease) in net assets	(155,925,434)	1,154,304,381
Net assets at beginning of year	1,405,426,921	251,122,540
Net assets at end of year	**$1,249,501,487**	**$1,405,426,921**

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	10,609,005	113,377,442	113,701,326	973,275,531
Redemptions	(38,309,309)	(411,956,230)	(7,094,766)	(69,093,971)
Net increase (decrease)	(27,700,304)	(298,578,788)	106,606,560	904,181,560
Class 2 shares				
Subscriptions	434,555	4,648,251	448,005	4,063,295
Redemptions	(210,891)	(2,264,767)	(299,904)	(2,642,119)
Net increase	223,664	2,383,484	148,101	1,421,176
Class 3 shares				
Subscriptions	155,807	1,703,556	261,183	2,327,911
Redemptions	(2,640,638)	(28,394,108)	(3,062,470)	(27,826,912)
Net decrease	(2,484,831)	(26,690,552)	(2,801,287)	(25,499,001)
Total net increase (decrease)	**(29,961,471)**	**(322,885,856)**	**103,953,374**	**880,103,735**

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. Total return and portfolio turnover are not annualized for periods of less than one year. The portfolio turnover rate is calculated without regard to purchase and sales transactions of short-term instruments and certain derivatives, if any. If such transactions were included, the Fund's portfolio turnover rate may be higher.

	Year Ended December 31,				
Class 1	**2014**	**2013**	**2012**	**2011**	**2010[(a)]**
Per share data					
Net asset value, beginning of period	$10.37	$7.95	$6.61	$6.82	$6.34
Income from investment operations:					
Net investment income	0.06	0.05	0.05	0.03	0.02
Net realized and unrealized gain (loss)	1.41	2.37	1.29	(0.24)	0.46
Total from investment operations	1.47	2.42	1.34	(0.21)	0.48
Net asset value, end of period	$11.84	$10.37	$7.95	$6.61	$6.82
Total return	14.18%	30.44%	20.27%	(3.08%)	7.57%
Ratios to average net assets[(b)]					
Total gross expenses	0.80%	0.81%	0.88%	0.89%	0.83%[(c)]
Total net expenses[(d)]	0.79%	0.79%	0.78%	0.77%	0.83%[(c)]
Net investment income	0.59%	0.55%	0.64%	0.51%	0.60%[(c)]
Supplemental data					
Net assets, end of period (in thousands)	$1,003,539	$1,166,312	$46,512	$44,092	$5
Portfolio turnover	71%	93%	102%	104%	152%

Notes to Financial Highlights

(a) Based on operations from May 3, 2010 (commencement of operations) through the stated period end.

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

(c) Annualized.

(d) Total net expenses include the impact of certain fee waivers/expense 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, 2014	2013	2012	2011	2010[a]
Per share data					
Net asset value, beginning of period	$10.27	$7.90	$6.58	$6.81	$6.34
Income from investment operations:					
Net investment income	0.04	0.03	0.03	0.02	0.02
Net realized and unrealized gain (loss)	1.39	2.34	1.29	(0.25)	0.45
Total from investment operations	1.43	2.37	1.32	(0.23)	0.47
Net asset value, end of period	$11.70	$10.27	$7.90	$6.58	$6.81
Total return	13.92%	30.00%	20.06%	(3.38%)	7.41%
Ratios to average net assets[b]					
Total gross expenses	1.05%	1.06%	1.13%	1.15%	1.09%[c]
Total net expenses[d]	1.04%	1.04%	1.03%	1.02%	1.09%[c]
Net investment income	0.36%	0.28%	0.43%	0.26%	0.50%[c]
Supplemental data					
Net assets, end of period (in thousands)	$18,783	$14,196	$9,741	$7,907	$320
Portfolio turnover	71%	93%	102%	104%	152%

Notes to Financial Highlights

(a) Based on operations from May 3, 2010 (commencement of operations) through the stated period end.

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

(c) Annualized.

(d) Total net expenses include the impact of certain fee waivers/expense 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, 2014	2013	2012	2011	2010
Per share data					
Net asset value, beginning of period	$10.33	$7.93	$6.60	$6.82	$5.82
Income from investment operations:					
Net investment income	0.05	0.04	0.04	0.01	0.02
Net realized and unrealized gain (loss)	1.40	2.36	1.29	(0.23)	0.98
Total from investment operations	1.45	2.40	1.33	(0.22)	1.00
Less distributions to shareholders:					
Net asset value, end of period	$11.78	$10.33	$7.93	$6.60	$6.82
Total return	14.04%	30.26%	20.15%	(3.23%)	17.16%
Ratios to average net assets[(a)]					
Total gross expenses	0.93%	0.94%	1.00%	0.99%	0.93%
Total net expenses[(b)]	0.91%	0.92%	0.91%	0.92%	0.93%
Net investment income	0.47%	0.40%	0.52%	0.21%	0.34%
Supplemental data					
Net assets, end of period (in thousands)	$227,180	$224,919	$194,870	$188,852	$233,165
Portfolio turnover	71%	93%	102%	104%	152%

Notes to Financial Highlights

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

(b) Total net expenses include the impact of certain fee waivers/expense 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, 2014

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 the Trust's organizational documents or 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

Basis of Preparation

The Fund is an investment company that applies the accounting and reporting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services — Investment Companies* (ASC 946). The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) which 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 income and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies 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 traded. If any foreign security 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. 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 a policy adopted by the Board of Trustees (the Board), including, if available, 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 their 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 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 quoted or published price for the security.

The determination of fair value often requires significant judgment. To determine fair value, management may use

Notes to Financial Statements *(continued)*

December 31, 2014

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 generally translated into U.S. dollars at exchange rates determined at the close of the NYSE. 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), other regulated investment companies (RICs), 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 actual information reported. To the extent actual information has not yet been reported by the REITs, estimates for return of capital are made by the Fund's management. 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 REITs, which could result in a proportionate change in return of capital to shareholders. No estimates are made for the BDCs, ETFs, and RICs.

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 in the Fund 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.

Notes to Financial Statements *(continued)*

December 31, 2014

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 0.71% to 0.54% as the Fund's net assets increase. The effective investment management fee rate for the year ended December 31, 2014 was 0.67% 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, 2014 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, 2014, other expenses paid by the Fund to this company were $3,210.

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 the Fund 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 Fund's expense ratio is subject to an expense reimbursement arrangement pursuant to which fees will be waived and/or expenses reimbursed (excluding certain fees and expenses described below), so that the Fund's net operating expenses, after giving effect to fees waived/ expenses reimbursed and any balance credits and/or overdraft

Notes to Financial Statements *(continued)*

December 31, 2014

charges from the Fund's custodian, do not exceed the annual rates of:

	Voluntary Expense Cap Effective May 1, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.790%	0.790%
Class 2	1.040	1.040
Class 3	0.915	0.915

The voluntary expense cap arrangement may be revised or discontinued at any time. Under the 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 and extraordinary expenses.

Note 4. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations and certain derivatives, if any, aggregated to $910,076,851 and $1,238,596,451, respectively, for the year ended December 31, 2014. The amount of purchase and sale activity impacts the portfolio turnover rate reported in the Financial Highlights.

Note 5. Affiliated Money Market Fund

The Fund invests 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, 2014, affiliated shareholders of record owned 95.2% of the outstanding shares of the Fund in one or more accounts. 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. (JPMorgan) whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. Pursuant to a December 9, 2014 amendment, the credit facility agreement, 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 $550 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations. Prior to the December 9, 2014 amendment, the credit facility agreement permitted borrowings up to $500 million under the same terms and interest rates as described above.

The Fund had no borrowings during the year ended December 31, 2014.

Note 8. Significant Risks

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. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and

Notes to Financial Statements *(continued)*

December 31, 2014

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 quarterly (10-Q), annual (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, 2014, 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 three 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, 2014 by correspondence with the custodian and transfer agent, provide a reasonable basis for our opinion. The financial highlights of 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, 2015

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(s) During Past Five Years and Other Relevant Professional Experience	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; specializing in arbitration and mediation; Chief Justice, Minnesota Supreme Court, 1998-2006; Associate Justice, Minnesota Supreme Court, 1996-1998; Fourth Judicial District Court Judge, Hennepin Country, 1994-1996; Attorney in private practice and public service, 1984-1993; State Representative, Minnesota House of Representatives, 1979-1993, which included service on the Tax and Financial Institutions and Insurance Committees	132	Trustee, BlueCross BlueShield of Minnesota (Chair of the Business Development Committee) since 2009; Chair of the Robina Foundation since August 2013
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; FINRA Industry Arbitrator, 2002-present; Chairman and Chief Executive Officer, John Hancock Funds (asset management), Chairman and Interested Trustee for open-end and closed-end funds offered by John Hancock, 1989-2000; John Hancock Life Insurance Company, including SVP and Treasurer and SVP Information Technology, 1968-1988	130	Former Trustee, BofA Funds Series Trust (11 funds), 2005-2011; Trustee, Boston Museum of Science (Chair of Finance Committee), 1985-2013
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; Managing Director of US Equity Research, JP Morgan Chase, 1999-2003; Director of US Equity Research, Chase Asset Management, 1996-1999; Co-Director Latin America Research, 1993-1996, CCO Global Research, 1992-1996, Co-Director of US Research, 1991-1992, Investment Banker, Morgan Stanley, 1982-1991	132	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; Co-founder, The Succession Fund (provides exit strategies to owners of privately held companies) 1998-2007; Adjunct Professor of Finances, Kelley School of Business, Indiana University, 1993-2007; Senior Vice President, Sara Lee Corporation, 1991-1993; Senior Vice President and Chief Financial Officer, Beatrice Foods Company, 1984-1990; Vice President, Esmark, Inc, 1973-1984.; Associate, Price Waterhouse, 1968-1972	132	Director, Cobra Electronics Corporation (electronic equipment manufacturer), 1994-August 2014; 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) 2009-2011; Director, Spectrum Brands, Inc. (consumer products), 2002-2009; Director, Simmons Company (bedding), 2004-2010

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation(s) During Past Five Years and Other Relevant Professional Experience	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (Within Past 5 Years)
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 (also teaches and conducts research on corporate governance); Dean, McCallum Graduate School of Business, Bentley University, 1992-2002	132	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; Operation Hope, COO, 2004-2007; IndyMac Bancorp, President, CBG, 1999-2003; American General Bank, President, 1997-1999; Griffin Financial Services, CEO, 1981-1997; The Griffin Funds, CEO, 1992-1998	130	Trustee, BofA Funds Series Trust (11 funds)
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	130	Chairman, BofA Funds Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance) 2003-2011
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) since September 1998; Managing Director and Partner, Interlaken Capital, Inc., 1989-1997; Managing Director, Morgan Stanley, 1982-1989; Vice President, Investment Banking, 1980-1982, Associate, Investment Banking, 1976-1980, Dean Witter Reynolds, Inc.	132	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2012; Trustee, Carleton College (on the Investment Committee); Trustee, Carnegie Endowment for International Peace (on the Investment Committee)
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	Board member since 2000 for Seligman Funds, since 11/08 for RiverSource Funds and since 6/11 for Nations Funds	Counsel, Lewis & Munday, P.C. (law firm) since 2004; Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation, 1993-1997	132	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. (family investment business) 1998-2011	130	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; Chair of the Duke Endowment; Director, National Association of Corporate Directors, Carolinas Chapter, since 2013; former Trustee, BofA Funds Series Trust (11 funds), 2003-2011
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	Managing Director, Forester Biotech (consulting) since 2001; Chief Executive Officer and Director, RiboNovix, Inc., (biotechnology) 2003-2010; President and Chief Executive Officer of CMT Inc., 2001-2003; Aquila Biopharmaceuticals Inc., 1996-2000; Cambridge Biotech Corporation, 1995-1996, Mitotix Inc., 1993-1994	132	Director, Healthways, Inc. (health and well-being solutions) 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; President, Federal Reserve Bank of Philadelphia, 2000-2006, Professor of Finance, The Wharton School, University of Pennsylvania, 1972-2002	130	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), 2008-2011

* 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; Director, Threadneedle Asset Management Holdings, SARL since 2014; President and Chief Executive Officer, Ameriprise Certificate Company, 2006-August 2012	191	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 Statement of Additional Information 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:

Fund 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
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	President and Principal Executive Officer (2015)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since January 2015 (previously, Vice President and Chief Counsel January 2010-December 2014; and Vice President and Group Counsel or Lead Counsel 2004-January 2010); officer of Columbia Funds and affiliated funds since 2007.
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, September 2004-April 2010; senior officer of Columbia Funds and affiliated funds since 2002.
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Senior Vice President (2011), Chief Legal Officer (2015) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (previously Chief Counsel, January 2010-January 2013 and Group Counsel, November 2008-January 2010).
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Senior Vice President and 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, 2005-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; Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, 2007-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, 2005-April 2010.
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011), Assistant Treasurer (2012) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Treasurer, Columbia Management Investment Advisers, LLC since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC, 2006-April 2010.
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1965	Vice President (2006)	Managing Director and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, 2009-April 2010, and Vice President — Asset Management and Trust Company Services, 2006-2009).
Lyn Kephart-Strong 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1960	Vice President (2015)	President, Columbia Management Investment Services Corp. since October 2014; Vice President & Resolution Officer, Ameriprise Trust Company since August 2009; President, RiverSource Service Corporation 2004-2010.
Ryan C. Larrenaga 225 Franklin Street Boston, MA 02110 Born 1970	Vice President and Secretary (2015)	Vice President and Group Counsel, Ameriprise Financial, Inc. since August 2011 (previously, Counsel from May 2010 to August 2011); Assistant General Counsel, Bank of America, 2005-April 2010; officer of Columbia Funds and affiliated funds since 2005.

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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 31st for the most recent 12-month period ending June 30th of that year, and is available without charge by visiting columbiamanagement.com or searching the website of the SEC at sec.gov.

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

Columbia Variable Portfolio – Large Cap Growth Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. **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 E (2/15)

Annual Report

December 31, 2014

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 3.05% for the 12-month period that ended December 31, 2014.

> The Fund underperformed its benchmark, the Russell 2000 Value Index, which returned 4.22% for the same time period.

> Declining interest rates were a headwind in the second half of the year as investors favored debt-laden companies that could benefit from refinancing at lower rates.

Average Annual Total Returns (%) (for period ended December 31, 2014)

	Inception	1 Year	5 Years	10 Years
Class 1	05/19/98	3.28	12.98	7.42
Class 2	06/01/00	3.05	12.78	7.23
Russell 2000 Value Index		4.22	14.26	6.89

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.

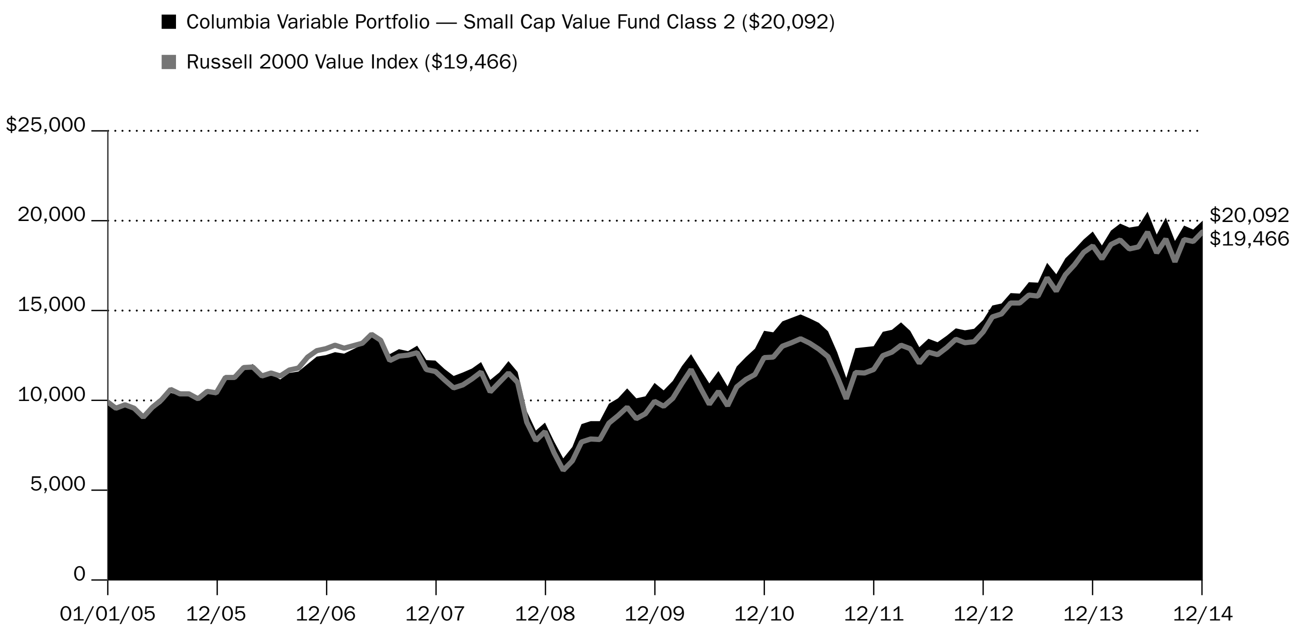
Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but 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, 2005 – December 31, 2014)



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

Portfolio Management

Jeremy Javidi, CFA

John Barrett, CFA

Top Ten Holdings (%) (at December 31, 2014)	
Highwoods Properties, Inc.	1.3
IDACORP, Inc.	1.2
Southwest Gas Corp.	1.1
Unifirst Corp.	1.1
Dana Holding Corp.	1.1
Mentor Graphics Corp.	1.1
Esterline Technologies Corp.	1.0
Cooper Tire & Rubber Co.	1.0
Chesapeake Lodging Trust	1.0
Impax Laboratories, Inc.	1.0

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, 2014)	
Common Stocks	**97.5**
Consumer Discretionary	10.3
Consumer Staples	2.8
Energy	5.9
Financials	39.4
Health Care	4.9
Industrials	11.3
Information Technology	12.0
Materials	3.7
Telecommunication Services	0.7
Utilities	6.5
Exchange-Traded Funds	**0.3**
Money Market Funds	**2.2**
Total	**100.0**

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

For the 12-month period that ended December 31, 2014, the Fund's Class 2 shares returned 3.05%. The Fund underperformed its benchmark, the Russell 2000 Value Index, which returned 4.22% for the same time period. Our long-term focus on reasonably priced companies with market caps of less than $4 billion, good earnings growth prospects, solid balance sheets and strong cash flows worked well in the first half of 2014 when investors favored high-quality companies. Declining interest rates were a headwind in the second half of the year as investors favored debt-laden companies that could benefit from refinancing at lower rates.

U.S. Economy Fired on All Cylinders

A difficult winter hampered U.S. economic growth early in 2014. However, the pace of growth picked up as the year unfolded. Annualized gross domestic product broke above its 3.0% long-term historical average, culminating with a gain of 5.0% for the third quarter. The unemployment rate fell, reaching 5.6% in December — the lowest mark since 2008. Manufacturing activity largely remained solid and corporate profit growth improved for much of the year. Consumer confidence reached a seven-year high, as the job outlook improved, and crude oil prices fell nearly 50%, putting more money in consumers' pockets.

Investors responded favorably to the economy's progress and to continued low and declining interest rates. However, slowing growth overseas, increased global tensions, and the uncertain timing of future U.S. interest rate hikes unsettled the market periodically. In October, the Federal Reserve ended its program of monthly bond-buying, known as quantitative easing, but gave the market a boost in December when it said it would be patient in raising short-term interest rates. Within the benchmark, utilities posted the strongest gain for the year, while energy was by far the weakest performer.

Energy and Consumer Discretionary Weighed on Relative Performance

An overweight in energy when oil prices were sliding in the second half of 2014 coupled with disappointing security selection hurt performance vs. the benchmark. The Fund had no active exposure to energy relative to the benchmark until October when we started investing mainly in exploration and production companies that had been hit hard by lower oil prices. When OPEC met in late November and decided not to cut production, oil prices plunged. Although we favored energy companies with relatively strong balance sheets, declining oil prices pressured their earnings outlooks and the stocks fell sharply. Energy-related detractors included Goodrich Petroleum, Stone Energy, Rex Energy, Comstock Resources and TGC Industries. Rex Energy was no longer held in the portfolio at period end.

Stock selection in the consumer discretionary sector also hampered relative performance. However, some of the Fund's biggest individual detractors were in the industrials sector. Shares of wire manufacturer General Cable fell sharply, hurt by weaker construction demand overseas and declining copper prices. Graftech International, which supplies graphite electrodes to the steel industry, also detracted, as slowing global growth hampered demand for steel. Elsewhere, shares of MoneyGram International slid when WalMart, the company's largest customer, decided to bring its U.S. money wiring business in-house. We held on

Manager Discussion of Fund Performance *(continued)*

to the position on the belief that the company has the potential to benefit from higher interest rates and rising employment.

Security Selection Strong in Information Technology, Financials and Health Care

In technology, top contributors to Fund performance included semiconductor companies RF Micro Devices and M/A-COM Technology Solutions. Share prices of both were lifted by growing demand, as more products use semiconductor chips to enhance their functionality. Chipmaker Spansion aided returns when it was acquired at a significant premium during the year. In financials, the Fund benefited from positive security selection in the bank and insurance segments. In addition, an investment in hotel real estate investment trust Chesapeake Lodging Trust climbed as growing demand for leisure travel and declining interest rates attracted investors. In health care, standouts included Avanir Pharmaceuticals and Molina Healthcare. Shares of Avanir rose following a positive phase-2 trial for an Alzheimer's drug under development and a premium buyout offer. Healthcare insurer Molina Healthcare's stock gained from increases in outsourcing and health care enrollments under the Affordable Care Act.

Looking Ahead

At this time, we believe that small companies stand to benefit if U.S economic growth continues to expand in 2015. The Fund ended the year with overweights in information technology and energy, both of which have done well historically during periods of rising interest rates. In information technology, we locked in profits, trimmed a large overweight in semiconductors and semiconductor equipment and increased exposure to software. Energy remained an overweight position, relative to the benchmark, given expectations that oversupply issues will ease as low oil prices force companies to cut back on production. By contrast, the Fund ended the year with underweights in utilities, industrials and financials. Going forward, we remain optimistic that the market will reward the types of companies we favor, namely those with good earnings and strong balance sheets.

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, 2014 – December 31, 2014

	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	976.10	1,020.72	4.43	4.53	0.89
Class 2	1,000.00	1,000.00	974.60	1,019.46	5.67	5.80	1.14

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 365.

Expenses do not include fees and expenses incurred indirectly by the Fund from its investment in underlying funds, including affiliated and non-affiliated pooled investment vehicles, such as 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, 2014

(Percentages represent value of investments compared to net assets)

Common Stocks 97.3%

Issuer	Shares	Value ($)
Consumer Discretionary 10.3%		
Auto Components 2.9%		
Cooper Tire & Rubber Co.	107,000	3,707,550
Dana Holding Corp.	184,336	4,007,465
Fuel Systems Solutions, Inc.[(a)]	58,465	639,607
Gentherm, Inc.[(a)]	42,189	1,544,961
Remy International, Inc.	52,979	1,108,321
Total		11,007,904
Distributors 0.2%		
VOXX International Corp.[(a)]	99,139	868,458
Diversified Consumer Services 1.0%		
K12, Inc.[(a)]	104,297	1,238,005
Steiner Leisure Ltd.[(a)]	35,283	1,630,428
Universal Technical Institute, Inc.	75,675	744,642
Total		3,613,075
Household Durables 0.7%		
Cavco Industries, Inc.[(a)]	15,977	1,266,496
Hooker Furniture Corp.	48,340	829,998
UCP Inc., Class A[(a)]	45,562	478,401
Total		2,574,895
Leisure Products 0.8%		
Johnson Outdoors, Inc., Class A	17,111	533,863
Malibu Boats, Inc., Class A[(a)]	64,299	1,239,042
Smith & Wesson Holding Corp.[(a)]	136,890	1,296,348
Total		3,069,253
Multiline Retail 0.4%		
Tuesday Morning Corp.[(a)]	66,066	1,433,632
Specialty Retail 1.3%		
Aaron’s, Inc.	8,440	258,011
Citi Trends, Inc.[(a)]	59,638	1,505,860
Finish Line, Inc., Class A (The)	77,910	1,893,992
Haverty Furniture Companies, Inc.	52,642	1,158,650
Total		4,816,513
Textiles, Apparel & Luxury Goods 3.0%		
Columbia Sportswear Co.	75,020	3,341,391
Deckers Outdoor Corp.[(a)]	28,787	2,620,768
G-III Apparel Group Ltd.[(a)]	26,060	2,632,321
Steven Madden Ltd.[(a)]	85,460	2,720,192
Total		11,314,672
Total Consumer Discretionary		**38,698,402**

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Consumer Staples 2.8%		
Food & Staples Retailing 0.6%		
Andersons, Inc. (The)	45,305	2,407,507
Food Products 1.8%		
Darling Ingredients, Inc.[(a)]	153,730	2,791,737
Fresh Del Monte Produce, Inc.	79,319	2,661,152
John B. Sanfilippo & Son, Inc.	25,345	1,153,198
Total		6,606,087
Personal Products 0.4%		
Inter Parfums, Inc.	51,782	1,421,416
Total Consumer Staples		**10,435,010**
Energy 5.9%		
Energy Equipment & Services 0.8%		
Gulf Island Fabrication, Inc.	60,575	1,174,549
Natural Gas Services Group, Inc.[(a)]	44,510	1,025,511
TGC Industries, Inc.[(a)]	445,439	962,148
Total		3,162,208
Oil, Gas & Consumable Fuels 5.1%		
Alpha Natural Resources, Inc.[(a)]	520,320	868,934
Callon Petroleum Co.[(a)]	134,770	734,497
Clayton Williams Energy, Inc.[(a)]	26,726	1,705,119
Comstock Resources, Inc.	207,890	1,415,731
Contango Oil & Gas Co.[(a)]	47,362	1,384,865
Denbury Resources, Inc.	159,760	1,298,849
Emerald Oil, Inc.[(a)]	582,600	699,120
Goodrich Petroleum Corp.[(a)]	314,130	1,394,737
Matador Resources Co.[(a)]	48,130	973,670
Peabody Energy Corp.	46,710	361,535
SM Energy Co.	49,290	1,901,608
Stone Energy Corp.[(a)]	151,530	2,557,826
W&T Offshore, Inc.	217,267	1,594,740
World Fuel Services Corp.	46,040	2,160,657
Total		19,051,888
Total Energy		**22,214,096**
Financials 39.4%		
Banks 15.1%		
Ameris Bancorp	77,528	1,987,818
BancFirst Corp.	34,712	2,200,394

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

Portfolio of Investments *(continued)*

December 31, 2014

Common Stocks *(continued)*

Issuer	Shares	Value ($)
BankUnited, Inc.	81,673	2,366,067
Banner Corp.	50,910	2,190,148
Bridge Bancorp, Inc.	25,040	669,820
Bryn Mawr Bank Corp.	78,021	2,442,057
Capital City Bank Group, Inc.	96,453	1,498,880
Cascade Bancorp[(a)]	319,808	1,659,803
Centerstate Banks, Inc.	76,833	915,081
Chemical Financial Corp.	72,559	2,223,208
Columbia Banking System, Inc.	88,879	2,453,949
Community Trust Bancorp, Inc.	56,287	2,060,667
FCB Financial Holdings, Inc., Class A[(a)]	78,459	1,933,230
First Citizens BancShares Inc., Class A	11,388	2,878,772
First Financial Corp.	49,269	1,754,962
First NBC Bank Holding Co.[(a)]	45,723	1,609,450
First Niagara Financial Group, Inc.	420,140	3,541,780
FirstMerit Corp.	120,830	2,282,479
Heritage Financial Corp.	29,896	524,675
Hudson Valley Holding Corp.	64,659	1,756,138
Investors Bancorp, Inc.	283,884	3,186,598
Merchants Bancshares, Inc.	64,159	1,965,190
Northrim BanCorp, Inc.	85,370	2,240,109
Sterling Bancorp	64,383	925,827
Synovus Financial Corp.	128,720	3,487,025
Towne Bank	97,056	1,467,487
Union Bankshares Corp.	65,550	1,578,444
Wintrust Financial Corp.	66,847	3,125,766
Total		56,925,824
Capital Markets 0.6%		
INTL FCStone, Inc.[(a)]	100,515	2,067,594
Consumer Finance 0.8%		
Cash America International, Inc.	58,883	1,331,933
Enova International, Inc.[(a)]	68,973	1,535,339
Total		2,867,272
Diversified Financial Services 0.3%		
Pico Holdings, Inc.[(a)]	59,879	1,128,719
Insurance 8.1%		
American Equity Investment Life Holding Co.	115,310	3,365,899
Argo Group International Holdings Ltd.	53,613	2,973,913
Baldwin & Lyons, Inc., Class B	60,728	1,565,568
EMC Insurance Group, Inc.	47,570	1,686,832
FBL Financial Group, Inc., Class A	38,579	2,238,739
Hanover Insurance Group, Inc. (The)	48,655	3,470,075
Horace Mann Educators Corp.	80,010	2,654,732
National Western Life Insurance Co., Class A	10,202	2,746,888
Navigators Group, Inc. (The)[(a)]	29,120	2,135,661
Safety Insurance Group, Inc.	34,755	2,224,668
Symetra Financial Corp.	143,865	3,316,088
United Fire Group, Inc.	72,650	2,159,884
Total		30,538,947
Real Estate Investment Trusts (REITs) 9.8%		
Altisource Residential Corp.	26,365	511,481
Associated Estates Realty Corp.	111,549	2,589,052
Brandywine Realty Trust	204,920	3,274,622
Chesapeake Lodging Trust	98,873	3,679,064
Cousins Properties, Inc.	281,891	3,219,195
EastGroup Properties, Inc.	41,319	2,616,319
Getty Realty Corp.	59,312	1,080,072
Highwoods Properties, Inc.	107,770	4,772,056
LaSalle Hotel Properties	66,920	2,708,252
National Health Investors, Inc.	38,697	2,707,242
Potlatch Corp.	44,867	1,878,581
Rexford Industrial Realty, Inc.	115,968	1,821,857
Select Income REIT	46,500	1,135,065
Sunstone Hotel Investors, Inc.	193,016	3,186,694
Terreno Realty Corp.	90,107	1,858,908
Total		37,038,460
Thrifts & Mortgage Finance 4.7%		
Astoria Financial Corp.	187,530	2,505,401
Bank Mutual Corp.	278,728	1,912,074
BankFinancial Corp.	106,408	1,261,999
Brookline Bancorp, Inc.	239,011	2,397,280
HomeStreet, Inc.	1,220	21,240
Radian Group, Inc.	158,400	2,648,448
Simplicity Bancorp, Inc.	64,785	1,111,063
Washington Federal, Inc.	140,695	3,116,394
Westfield Financial, Inc.	149,451	1,096,971
WSFS Financial Corp.	19,065	1,465,908
Total		17,536,778
Total Financials		**148,103,594**

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

Portfolio of Investments *(continued)*
December 31, 2014

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Health Care 4.9%		
Biotechnology 0.7%		
ARIAD Pharmaceuticals, Inc.[(a)]	231,850	1,592,810
Dynavax Technologies Corp.[(a)]	69,190	1,166,530
Total		2,759,340
Health Care Equipment & Supplies 0.5%		
Masimo Corp.[(a)]	72,974	1,922,135
Health Care Providers & Services 2.4%		
Chemed Corp.	22,733	2,402,196
Ensign Group, Inc. (The)	24,902	1,105,400
Molina Healthcare, Inc.[(a)]	63,400	3,393,802
Owens & Minor, Inc.	60,050	2,108,355
Total		9,009,753
Pharmaceuticals 1.3%		
Impax Laboratories, Inc.[(a)]	115,250	3,651,120
Supernus Pharmaceuticals, Inc.[(a)]	120,132	997,096
Total		4,648,216
Total Health Care		**18,339,444**
Industrials 11.3%		
Aerospace & Defense 2.2%		
Esterline Technologies Corp.[(a)]	34,280	3,759,830
KEYW Holding Corp. (The)[(a)]	149,920	1,556,170
Orbital Sciences Corp.[(a)]	105,903	2,847,732
Total		8,163,732
Building Products 0.6%		
Universal Forest Products, Inc.	41,800	2,223,760
Commercial Services & Supplies 1.3%		
Ennis, Inc.	65,002	875,577
Unifirst Corp.	33,343	4,049,507
Total		4,925,084
Electrical Equipment 0.9%		
General Cable Corp.	102,342	1,524,896
GrafTech International Ltd.[(a)]	317,968	1,608,918
Total		3,133,814
Machinery 5.2%		
Albany International Corp., Class A	37,185	1,412,658
Altra Industrial Motion Corp.	65,087	1,847,820
Dynamic Materials Corp.	64,468	1,032,777
EnPro Industries, Inc.[(a)]	24,726	1,551,804

Common Stocks *(continued)*

Issuer	Shares	Value ($)
FreightCar America, Inc.	34,697	912,878
Gorman-Rupp Co.	35,426	1,137,883
Hardinge, Inc.	51,140	609,589
Kadant, Inc.	22,246	949,682
LB Foster Co., Class A	46,834	2,274,727
Lydall, Inc.[(a)]	24,666	809,538
Mueller Industries, Inc.	81,268	2,774,489
Standex International Corp.	26,210	2,024,985
Twin Disc, Inc.	33,145	658,260
Wabash National Corp.[(a)]	129,810	1,604,452
Total		19,601,542
Road & Rail 0.9%		
Werner Enterprises, Inc.	110,208	3,432,979
Trading Companies & Distributors 0.2%		
Houston Wire & Cable Co.	66,870	799,096
Total Industrials		**42,280,007**
Information Technology 11.9%		
Communications Equipment 1.5%		
Alliance Fiber Optic Products, Inc.	86,364	1,253,142
Comtech Telecommunications Corp.	12,114	381,833
Digi International, Inc.[(a)]	95,719	889,229
Plantronics, Inc.	24,380	1,292,628
Polycom, Inc.[(a)]	147,630	1,993,005
Total		5,809,837
Electronic Equipment, Instruments & Components 1.6%		
GSI Group, Inc.[(a)]	75,845	1,116,438
Knowles Corp.[(a)]	86,230	2,030,717
MTS Systems Corp.	19,009	1,426,245
OSI Systems, Inc.[(a)]	22,080	1,562,602
Total		6,136,002
Internet Software & Services 0.8%		
j2 Global, Inc.	48,416	3,001,792
IT Services 1.2%		
Lionbridge Technologies, Inc.[(a)]	271,794	1,562,815
MoneyGram International, Inc.[(a)]	103,341	939,370
TeleTech Holdings, Inc.[(a)]	87,700	2,076,736
Total		4,578,921

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

Portfolio of Investments *(continued)*

December 31, 2014

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Semiconductors & Semiconductor Equipment 3.9%		
Entegris, Inc.[a]	197,880	2,613,995
Fairchild Semiconductor International, Inc.[a]	61,290	1,034,575
IXYS Corp.	116,731	1,470,810
M/A-COM Technology Solutions Holdings, Inc.[a]	55,661	1,741,076
Microsemi Corp.[a]	70,800	2,009,304
MKS Instruments, Inc.	63,775	2,334,165
OmniVision Technologies, Inc.[a]	78,488	2,040,688
Silicon Image, Inc.[a]	232,190	1,281,689
Total		14,526,302
Software 2.9%		
EnerNOC, Inc.[a]	115,122	1,778,635
ePlus, Inc.[a]	17,250	1,305,653
Mentor Graphics Corp.	176,650	3,872,168
Netscout Systems, Inc.[a]	48,125	1,758,487
Silver Spring Networks, Inc.[a]	134,570	1,134,425
Tangoe, Inc.[a]	72,460	944,154
Total		10,793,522
Total Information Technology		**44,846,376**
Materials 3.7%		
Chemicals 2.1%		
LSB Industries, Inc.[a]	42,468	1,335,194
Olin Corp.	64,527	1,469,280
OM Group, Inc.	76,723	2,286,345
Tronox Ltd., Class A	114,593	2,736,481
Total		7,827,300
Containers & Packaging 0.9%		
Greif, Inc., Class A	73,489	3,470,886
Metals & Mining 0.7%		
Olympic Steel, Inc.	79,296	1,409,883
Stillwater Mining Co.[a]	85,560	1,261,154
Total		2,671,037
Total Materials		**13,969,223**
Telecommunication Services 0.7%		
Diversified Telecommunication Services 0.3%		
magicJack VocalTec Ltd.[a]	119,302	968,732

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Wireless Telecommunication Services 0.4%		
Shenandoah Telecommunications Co.	52,114	1,628,563
Total Telecommunication Services		**2,597,295**
Utilities 6.4%		
Electric Utilities 3.4%		
El Paso Electric Co.	69,338	2,777,680
IDACORP, Inc.	67,820	4,489,006
MGE Energy, Inc.	45,990	2,097,604
Portland General Electric Co.	89,905	3,401,106
Total		12,765,396
Gas Utilities 2.2%		
Laclede Group, Inc. (The)	48,888	2,600,841
Questar Corp.	67,750	1,712,720
Southwest Gas Corp.	67,581	4,177,182
Total		8,490,743
Multi-Utilities 0.8%		
Vectren Corp.	63,745	2,946,932
Total Utilities		**24,203,071**
Total Common Stocks (Cost: $318,287,258)		**365,686,518**

Exchange-Traded Funds 0.3%

	Shares	Value ($)
iShares Russell 2000 Value ETF	11,690	1,188,639
Total Exchange-Traded Funds (Cost: $1,132,550)		**1,188,639**

Money Market Funds 2.2%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.115%[b][c]	8,307,503	8,307,503
Total Money Market Funds (Cost: $8,307,503)		**8,307,503**
Total Investments (Cost: $327,727,311)		**375,182,660**
Other Assets & Liabilities, Net		854,777
Net Assets		**376,037,437**

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

Portfolio of Investments *(continued)*

December 31, 2014

Notes to Portfolio of Investments

(a) Non-income producing.

(b) The rate shown is the seven-day current annualized yield at December 31, 2014.

(c) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of the company's 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, 2014, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	11,068,316	90,669,265	(93,430,078)	8,307,503	6,279	8,307,503

Fair Value Measurements

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

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

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

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

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

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

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

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models 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 accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
December 31, 2014

Fair Value Measurements *(continued)*

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, 2014:

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	38,698,402	—	—	38,698,402
Consumer Staples	10,435,010	—	—	10,435,010
Energy	22,214,096	—	—	22,214,096
Financials	148,103,594	—	—	148,103,594
Health Care	18,339,444	—	—	18,339,444
Industrials	42,280,007	—	—	42,280,007
Information Technology	44,846,376	—	—	44,846,376
Materials	13,969,223	—	—	13,969,223
Telecommunication Services	2,597,295	—	—	2,597,295
Utilities	24,203,071	—	—	24,203,071
Exchange-Traded Funds	1,188,639	—	—	1,188,639
Total Equity Securities	366,875,157	—	—	366,875,157
Mutual Funds				
Money Market Funds	8,307,503	—	—	8,307,503
Total Mutual Funds	8,307,503	—	—	8,307,503
Total	375,182,660	—	—	375,182,660

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

There were no transfers of financial assets between levels during the period.

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

Statement of Assets and Liabilities

December 31, 2014

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $319,419,808)	$366,875,157
Affiliated issuers (identified cost $8,307,503)	8,307,503
Total investments (identified cost $327,727,311)	375,182,660
Receivable for:	
Investments sold	1,842,976
Capital shares sold	252,545
Dividends	463,764
Reclaims	954
Expense reimbursement due from Investment Manager	19,583
Prepaid expenses	2,473
Trustees' deferred compensation plan	47,843
Total assets	377,812,798
Liabilities	
Disbursements in excess of cash	5
Payable for:	
Investments purchased	1,097,282
Capital shares purchased	167,182
Investment management fees	264,111
Distribution and/or service fees	81,946
Transfer agent fees	20,059
Administration fees	26,746
Compensation of board members	1,879
Chief compliance officer expenses	49
Other expenses	68,259
Trustees' deferred compensation plan	47,843
Total liabilities	1,775,361
Net assets applicable to outstanding capital stock	**$376,037,437**
Represented by	
Paid-in capital	$303,310,688
Undistributed net investment income	2,266,505
Accumulated net realized gain	23,004,966
Unrealized appreciation (depreciation) on:	
Investments	47,455,349
Foreign currency translations	(71)
Total — representing net assets applicable to outstanding capital stock	**$376,037,437**

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

Statement of Assets and Liabilities *(continued)*
December 31, 2014

Class 1	
Net assets	$7,269,754
Shares outstanding	394,726
Net asset value per share	$18.42
Class 2	
Net assets	$368,767,683
Shares outstanding	20,116,489
Net asset value per share	$18.33

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

Statement of Operations
Year Ended December 31, 2014

Net investment income	
Income:	
Dividends — unaffiliated issuers	$6,441,441
Dividends — affiliated issuers	6,279
Foreign taxes withheld	(2,016)
Total income	6,445,704
Expenses:	
Investment management fees	2,999,547
Distribution and/or service fees	
Class 2	930,233
Transfer agent fees	
Class 1	4,558
Class 2	223,252
Administration fees	303,755
Compensation of board members	29,698
Custodian fees	26,595
Printing and postage fees	101,630
Professional fees	33,212
Chief compliance officer expenses	202
Other	8,073
Total expenses	4,660,755
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(495,806)
Total net expenses	4,164,949
Net investment income	2,280,755
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	23,351,454
Net realized gain	23,351,454
Net change in unrealized appreciation (depreciation) on:	
Investments	(14,069,697)
Foreign currency translations	(130)
Net change in unrealized depreciation	(14,069,827)
Net realized and unrealized gain	9,281,627
Net increase in net assets resulting from operations	**$11,562,382**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operations		
Net investment income	$2,280,755	$1,825,059
Net realized gain	23,351,454	48,733,437
Net change in unrealized appreciation (depreciation)	(14,069,827)	52,133,320
Net increase in net assets resulting from operations	11,562,382	102,691,816
Distributions to shareholders		
Net investment income		
Class 1	(45,378)	(81,752)
Class 2	(1,724,448)	(3,409,393)
Net realized gains		
Class 1	(935,207)	—
Class 2	(45,444,408)	—
Total distributions to shareholders	(48,149,441)	(3,491,145)
Increase (decrease) in net assets from capital stock activity	24,581,988	(30,353,275)
Total increase (decrease) in net assets	(12,005,071)	68,847,396
Net assets at beginning of year	388,042,508	319,195,112
Net assets at end of year	**$376,037,437**	**$388,042,508**
Undistributed net investment income	$2,266,505	$1,755,576

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	46,889	912,354	71,472	1,230,784
Distributions reinvested	54,236	980,585	4,395	81,752
Redemptions	(101,523)	(1,972,268)	(1,013,265)	(17,843,148)
Net decrease	(398)	(79,329)	(937,398)	(16,530,612)
Class 2 shares				
Subscriptions	1,378,827	26,269,106	1,859,711	34,089,320
Distributions reinvested	2,619,037	47,168,855	183,795	3,409,393
Redemptions	(2,514,241)	(48,776,644)	(2,852,960)	(51,321,376)
Net increase (decrease)	1,483,623	24,661,317	(809,454)	(13,822,663)
Total net increase (decrease)	**1,483,225**	**24,581,988**	**(1,746,852)**	**(30,353,275)**

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. Total return and portfolio turnover are not annualized for periods of less than one year. The portfolio turnover rate is calculated without regard to purchase and sales transactions of short-term instruments and certain derivatives, if any. If such transactions were included, the Fund's portfolio turnover rate may be higher.

	Year Ended December 31,				
Class 1	**2014**	**2013**	**2012**	**2011**	**2010**
Per share data					
Net asset value, beginning of period	$20.46	$15.41	$14.59	$17.53	$14.01
Income from investment operations:					
Net investment income	0.16	0.11	0.16	0.12	0.13
Net realized and unrealized gain (loss)	0.46	5.14	1.44	(1.04)	3.58
Total from investment operations	0.62	5.25	1.60	(0.92)	3.71
Less distributions to shareholders:					
Net investment income	(0.12)	(0.20)	(0.07)	(0.17)	(0.19)
Net realized gains	(2.54)	—	(0.71)	(1.85)	—
Total distributions to shareholders	(2.66)	(0.20)	(0.78)	(2.02)	(0.19)
Net asset value, end of period	$18.42	$20.46	$15.41	$14.59	$17.53
Total return	3.28%	34.22%	11.40%	(5.96%)	26.75%
Ratios to average net assets[(a)]					
Total gross expenses	0.98%	0.98%[(b)]	1.00%	0.98%[(b)]	0.93%[(b)]
Total net expenses[(c)]	0.88%	0.88%[(b)]	0.88%	0.90%[(b)]	0.93%[(b)(d)(e)]
Net investment income	0.81%	0.63%	1.06%	0.76%	0.85%
Supplemental data					
Net assets, end of period (in thousands)	$7,270	$8,084	$20,532	$25,058	$29,529
Portfolio turnover	51%	58%	49%	32%	39%

Notes to Financial Highlights

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

(b) Ratios include line of credit interest expense which is less than 0.01%.

(c) Total net expenses include the impact of certain fee waivers/expense 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 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	2014	2013	2012	2011	2010
Per share data					
Net asset value, beginning of period	$20.39	$15.36	$14.54	$17.49	$13.98
Income from investment operations:					
Net investment income	0.12	0.09	0.14	0.10	0.09
Net realized and unrealized gain (loss)	0.46	5.12	1.43	(1.04)	3.58
Total from investment operations	0.58	5.21	1.57	(0.94)	3.67
Less distributions to shareholders:					
Net investment income	(0.10)	(0.18)	(0.04)	(0.16)	(0.16)
Net realized gains	(2.54)	—	(0.71)	(1.85)	—
Total distributions to shareholders	(2.64)	(0.18)	(0.75)	(2.01)	(0.16)
Net asset value, end of period	$18.33	$20.39	$15.36	$14.54	$17.49
Total return	3.05%	34.04%	11.25%	(6.13%)	26.46%
Ratios to average net assets[a]					
Total gross expenses	1.23%	1.23%[b]	1.25%	1.23%[b]	1.18%[b]
Total net expenses[c]	1.10%	1.03%[b]	1.03%	1.05%[b]	1.10%[b][d][e]
Net investment income	0.60%	0.51%	0.93%	0.61%	0.61%
Supplemental data					
Net assets, end of period (in thousands)	$368,768	$379,959	$298,663	$266,172	$293,600
Portfolio turnover	51%	58%	49%	32%	39%

Notes to Financial Highlights

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

(b) Ratios include line of credit interest expense which is less than 0.01%.

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

(d) The Investment Manager reimbursed 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, 2014

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 the Trust's organizational documents or 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

Basis of Preparation

The Fund is an investment company that applies the accounting and reporting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services — Investment Companies* (ASC 946). The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) which 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 income and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies 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 traded. If any foreign security 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. 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 a policy adopted by the Board of Trustees (the Board), including, if available, 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 their 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 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 quoted or published 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 generally translated into U.S. dollars at exchange rates determined at the close of the NYSE. Net

Notes to Financial Statements *(continued)*

December 31, 2014

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), other regulated investment companies (RICs), 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 actual information reported. To the extent actual information has not yet been reported by the REITs, estimates for return of capital are made by the Fund's management. 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 REITs, which could result in a proportionate change in return of capital to shareholders. No estimates are made for the BDCs, ETFs, and RICs.

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

Notes to Financial Statements *(continued)*

December 31, 2014

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, 2014 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, 2014 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 the Fund 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. The Fund pays no distribution and service fees for Class 1 shares.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

The Fund's expense ratio is subject to an expense reimbursement arrangement pursuant to which fees will be waived and/or expenses reimbursed (excluding certain fees and expenses described below), so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the annual rates of:

	Voluntary Expense Cap Effective December 1, 2014	Voluntary Expense Cap Effective May 1, 2014 through November 30, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.93%	0.88%	0.88%
Class 2	1.18	1.13	1.03

The voluntary expense cap arrangement may be revised or discontinued at any time. Under the 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

Notes to Financial Statements *(continued)*

December 31, 2014

charges and interest on borrowed money, interest and extraordinary expenses.

Prior to May 1, 2014, the Distributor 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, exceeded the annual rate of 1.03% of the average daily net assets attributable to Class 2 shares.

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, 2014, these differences are primarily due to differing treatment for deferral/reversal of wash sale losses and Trustees' deferred compensation.

The Fund did not have any permanent differences; therefore, no reclassifications were made to the Statement of Assets and Liabilities.

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

Year Ended December 31,	2014	2013
Ordinary income	$20,132,781	$3,491,145
Long-term capital gains	28,016,660	—
Total	$48,149,441	$3,491,145

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

At December 31, 2014, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$3,192,388
Undistributed long-term capital gains	22,330,742
Net unrealized appreciation	47,249,436

At December 31, 2014, the cost of investments for federal income tax purposes was $327,933,224 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$67,137,427
Unrealized depreciation	(19,887,991)
Net unrealized appreciation	47,249,436

Management of the Fund has concluded that there are no significant uncertain tax positions in the Fund 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 and certain derivatives, if any, aggregated to $190,429,967 and $212,564,075, respectively, for the year ended December 31, 2014. The amount of purchase and sale activity impacts the portfolio turnover rate reported in the Financial Highlights.

Note 6. Affiliated Money Market Fund

The Fund invests 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, 2014, three unaffiliated shareholders of record owned 94.1% of the outstanding shares of the Fund in one or more accounts. The Fund has no knowledge about whether any portion of those shares was owned beneficially. 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. (JPMorgan) whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. Pursuant to a December 9, 2014 amendment, the credit facility agreement, 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 $550 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations. Prior to the December 9, 2014 amendment, the credit facility agreement permitted borrowings up to $500 million under the same terms and interest rates as described above.

The Fund had no borrowings during the year ended December 31, 2014.

Notes to Financial Statements *(continued)*

December 31, 2014

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 financial 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 quarterly (10-Q), annual (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, 2014, and 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, 2014 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 our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2015

Federal Income Tax Information

(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2014.

Tax Designations:

Dividends Received Deduction	21.38%
Capital Gain Dividend	$23,525,950

Dividends Received Deduction. The percentage of ordinary income distributed 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.

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, Year of Birth and Position Held with the Trust	Year First Appointed or Elected as Trustee to any Fund Currently in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) during the Past Five Years	Number of Funds in the Columbia Funds Complex Overseen	Other Directorships Held by Trustee During the Past Five Years
Douglas A. Hacker (Born 1955) Trustee and Chairman of the Board	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	59	Spartan Stores, Inc. (food distributor); Nash Finch Company (food distributor) from 2005 to 2013; Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd. (container leasing) from 2010 to 2013
Janet Langford Kelly (Born 1957) Trustee	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	59	None
Nancy T. Lukitsh (Born 1956) Trustee	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	59	None
William E. Mayer (Born 1940) Trustee	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	59	DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; BlackRock Kelso Capital Corporation (investment company); Premier, Inc. (healthcare)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Year of Birth and Position Held with the Trust	Year First Appointed or Elected as Trustee to any Fund Currently in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) during the Past Five Years	Number of Funds in the Columbia Funds Complex Overseen	Other Directorships Held by Trustee During the Past Five Years
David M. Moffett (Born 1952) Trustee	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	59	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) Trustee	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	59	None
John J. Neuhauser (Born 1943) Trustee	1984	President, Saint Michael's College since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005; University Professor, Boston College from November 2005 to August 2007	59	Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)
Patrick J. Simpson (Born 1944) Trustee	2000	Partner, Perkins Coie LLP (law firm)	59	None
Anne-Lee Verville (Born 1945) Trustee	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)	59	Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

Trustees and Officers *(continued)*

Interested Trustee Affiliate with Investment Manager*

Name, Year of Birth and Position Held with the Trust	Year First Appointed or Elected as Trustee to any Fund Currently in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) during the Past Five Years	Number of Funds in the Columbia Funds Complex Overseen	Other Directorships Held by Trustee During the Past Five Years
William F. Truscott (Born 1960) Trustee	2012	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; Director, Threadneedle Asset Management Holdings, SARL since 2014; President and Chief Executive Officer, Ameriprise Certificate Company, 2006 – August 2012	191	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2010; Director, Columbia Management Investment Distributors, Inc. since May 2010; Director, Ameriprise Certificate Company, 2006 to 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 Statement of Additional Information 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.

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:

Fund 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
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	President and Principal Executive Officer (2015)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since January 2015 (previously, Vice President and Chief Counsel January 2010 – December 2014; and Vice President and Group Counsel or Lead Counsel 2004 – January 2010); officer of Columbia Funds and affiliated funds since 2007
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, September 2004 – April 2010; senior officer of Columbia Funds and affiliated funds since 2002

Trustees and Officers *(continued)*

Fund 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
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Senior Vice President (2011), Chief Legal Officer (2015) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (previously Chief Counsel, January 2010 – January 2013 and Group Counsel, November 2008 – January 2010)
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Senior Vice President and 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, 2005 – 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; Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, 2007 – 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, 2005 – April 2010
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011), Assistant Treasurer (2012) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Treasurer, Columbia Management Investment Advisers, LLC since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC, 2006 – April 2010
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1965	Vice President (2006)	Managing Director and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, 2009 – April 2010, and Vice President — Asset Management and Trust Company Services, 2006 – 2009)
Lyn Kephart-Strong 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1960	Vice President (2015)	President, Columbia Management Investment Services Corp. since October 2014; Vice President & Resolution Officer, Ameriprise Trust Company since August 2009; President, RiverSource Service Corporation 2004 – 2010
Ryan C. Larrenaga 225 Franklin Street Boston, MA 02110 Born 1970	Vice President and Secretary (2015)	Vice President and Group Counsel, Ameriprise Financial, Inc. since August 2011 (previously, Counsel from May 2010 to August 2011); Assistant General Counsel, Bank of America, 2005 – April 2010; officer of Columbia Funds and affiliated funds since 2005

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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 31st for the most recent 12-month period ending June 30th 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 — 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 E (2/15)

Annual Report
December 31, 2014

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.

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 — Strategic Income Fund (the Fund) Class 2 shares returned 3.41% for the 12-month period that ended December 31, 2014.

> The Fund underperformed its benchmark, the Barclays U.S. Aggregate Bond Index, which returned 5.97% for the same time period.

> During the same time period, the Bank of America Merrill Lynch (BofAML) U.S. Cash Pay High Yield Constrained Index, returned 2.45%, the Citigroup Non-U.S. World Government Bond (All Maturities) Index (WGBI) — Unhedged, returned -2.68% and the JPMorgan Emerging Markets Bond Index (EMBI) — Global, returned 5.53%.

> Strong security selection throughout the year benefited results, but exposure to the emerging markets and high-yield sectors detracted from results.

Average Annual Total Returns (%) (for period ended December 31, 2014)

	Inception	1 Year	5 Years	10 Years
Class 1	07/05/94	3.77	6.63	5.85
Class 2	06/01/00	3.41	6.37	5.61
Barclays U.S. Aggregate Bond Index		5.97	4.45	4.71
BofAML U.S. Cash Pay High Yield Constrained Index		2.45	8.83	7.53
Citigroup Non-U.S. WGBI — Unhedged		-2.68	0.85	2.64
JPMorgan EMBI — Global		5.53	7.27	7.68
Blended Benchmark		3.37	5.90	5.97
Barclays U.S. Government/Credit Bond Index		6.01	4.69	4.70

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.

Effective at the close of business on August 29, 2014, the Fund compares its performance to that of the Barclays U.S. Aggregate Bond Index (the New Index). The Fund's investment manager made this recommendation to the Fund's Board of Trustees because the investment manager believes that the New Index provides a more appropriate basis for comparing the Fund's performance in light of the changes made to the Fund's principal investment strategies. The Fund has also made available, for performance comparison purposes, one or more other measures of performance for markets in which the Fund may invest. Information on the old benchmarks (the Blended Benchmark and the Barclays U.S. Government/Credit Bond Index) will be included for a one-year transition period.

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. Cash Pay High Yield 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 non-institutional investors and private placement-type securities.

The JPMorgan EMBI — Global is based on U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities, such as Brady bonds, Eurobonds and loans, and reflects reinvestment of all distributions and changes in market prices.

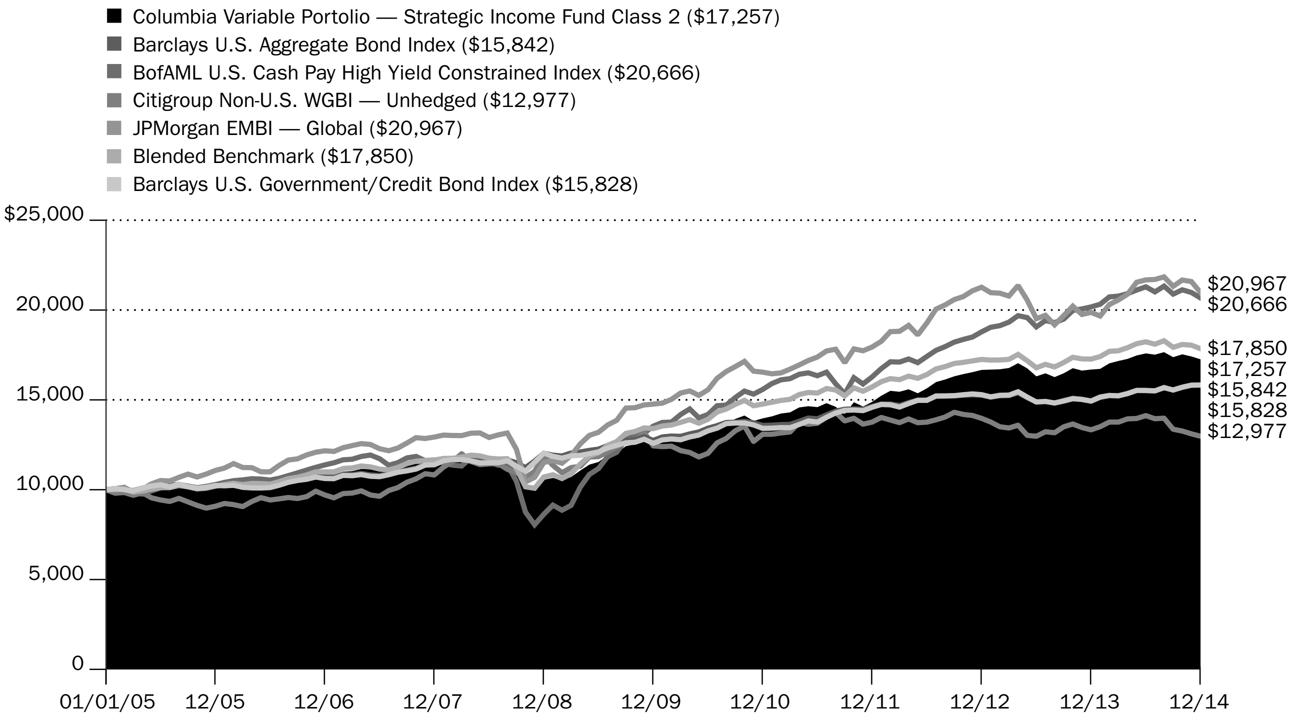
The Blended Benchmark, a weighted custom composite established by the Investment Manager, consists of a 35% weighting of the Barclays U.S. Aggregate Bond Index, a 35% weighting of the BofAML U.S. High Yield Cash Pay Constrained Index, a 15% weighting of the Citigroup Non U.S. WGBI — Unhedged and a 15% weighting of the JPMorgan EMBI — Global.

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, 2005 – December 31, 2014)



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 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

Colin Lundgren, CFA

Brian Lavin, CFA

Zach Pandl

Gene Tannuzzo, CFA

Portfolio Breakdown (%) (at December 31, 2014)	
Asset-Backed Securities — Non-Agency	**2.8**
Commercial Mortgage-Backed Securities — Non-Agency	**6.5**
Common Stocks	**0.0**[(a)]
Financials	0.0[(a)]
Corporate Bonds & Notes	**41.6**
Foreign Government Obligations	**16.3**
Inflation-Indexed Bonds	**3.7**
Money Market Funds	**3.7**
Municipal Bonds	**0.3**
Residential Mortgage-Backed Securities — Agency	**6.2**
Residential Mortgage-Backed Securities — Non-Agency	**14.4**
Senior Loans	**4.5**
Total	**100.0**

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

(a) Rounds to zero.

At December 31, 2014, approximately 94% 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, 2014, Columbia Variable Portfolio — Strategic Income Fund (the Fund) Class 2 shares returned 3.41%. The Fund underperformed its benchmark, the Barclays U.S. Aggregate Bond Index, which returned 5.97% for the same time period. During the same 12 months, the BofAML U.S. Cash Pay High Yield Constrained Index, returned 2.45%, the Citigroup Non-U.S. WGBI — Unhedged returned -2.68% and the JPMorgan EMBI — Global, returned 5.53%. Strong security selection throughout the year benefited results, but exposure to the emerging markets and high-yield sectors detracted from results.

Interest Rates Declined During the Year

During the year, investors responded favorably to generally good economic news. However, concerns about increased global tensions, uncertainty about the Federal Reserve's (the Fed) next move and sinking oil prices created periods of volatility for the riskiest sectors of both stock and bond markets. The Fed spent the year winding down its monthly bond purchases, ending its program of quantitative easing in October. Now, all eyes are on the Fed's next major policy statements for clues to the timing of its first hike in short-term interest rates since 2006. In this environment, interest rates were expected to rise in 2014. However, the yield on the 10-year U.S. Treasury, a bellwether for the bond market, declined, providing continued support to a rising U.S. stock market and boosting returns on long-term Treasury bonds.

Interest rates were also dragged lower by declining government bond yields in Europe. Corporate bonds generated returns that were higher than returns on U.S. government bonds in the first half of the year. Then, as commodity prices experienced broad declines, led by energy, the yield spread between Treasury and corporate bonds widened, causing the corporate sector to underperform. The U.S. dollar also appreciated meaningfully against foreign currencies, pushing the trade-weighted U.S. dollar index to multi-year highs.

Contributors and Detractors

The fund benefited from strong security selection throughout the year. In particular, strong security selection in corporate bonds, mortgage-backed securities (MBS) and international markets added to returns. In addition, the fund's sector allocation decisions to MBS and bank loans helped performance. By contrast, the fund's exposure to the emerging market bond and high-yield sectors detracted from relative returns. In addition, we reduced duration, a measure of the Fund's sensitivity to changes in interest rates, in the second half of the year, which hurt performance as interest rates declined and as the term premium (or risk premium for owning longer dated government bonds) turned negative. We also reduced the Fund's exposure to European currencies in order

Manager Discussion of Fund Performance *(continued)*

to position the portfolio for additional easing policies from the European Central Bank (ECB). Also, we increased exposure to the high-yield bond sector as spreads, or risk premiums, became more attractive.

Looking Ahead

The U.S. economy expanded in 2014 and, while the growth outlook for 2015 remains firm, we believe the economy still has spare capacity to fill. This view is supported by high corporate profit margins, a declining unemployment rate and low inflation pressures in the near term. Our research indicates that this should be supportive of credit risk in general. With the Fed nearing the point of liftoff for short-term rates, history suggests that excess returns from credit remain attractive, and remain preferable to other risk factors. Lastly, valuation should not be a hindrance, as valuations remain appropriate given where the U.S. appears to be in the economic cycle, with credit spreads generally wider today than their average level at previous periods when the Fed has raised rates.

Outside the U.S., economic performance has varied widely. As global economies diverge in 2015, we expect central bank policy to diverge as well. At this time, the Fed is expected to raise short-term borrowing rates in 2015, and the U.K. may follow suit. Meanwhile, Japan has recently taken a more accommodative policy stance, while the European Central Bank may embark on a full blown sovereign "quantitative easing" — buying bonds to help keep rates low and support European economies. Mixing it all together, we believe the liquidity support from major central banks is likely to be more supportive than many investors appreciate, with the four largest central banks expected to expand their balance sheets by nearly $1 trillion in the next year alone. Broadly speaking, we currently believe this should help suppress volatility throughout the market and should support global bond returns.

Quality Breakdown (%) (at December 31, 2014)	
AAA rating	9.4
AA rating	0.2
A rating	2.9
BBB rating	18.2
BB rating	20.9
B rating	21.9
CCC rating	6.2
Not rated	20.3
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 highest to lowest credit quality, determined by using the middle rating of Moody's, S&P and Fitch, after dropping the highest and lowest available ratings. When ratings are available from only two rating agencies, the lower rating is used. When a rating is available from only one rating agency, that rating is used. When a bond is not rated by any rating agency, it is designated as "Not rated". Credit quality ratings assigned by a rating agency are subjective opinions, not statements of fact, and are subject to change, including daily. The ratings assigned by credit rating agencies are but one of the considerations that the Investment Manager and/or Fund's subadviser incorporates into its credit analysis process, along with such other issuer-specific factors as cash flows, capital structure and leverage ratios, ability to de-leverage (repay) through free cash flow, quality of management, market positioning and access to capital, as well as such security-specific factors as the terms of the security (e.g., interest rate, and time to maturity) and the amount and type of any collateral.

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, 2014 – December 31, 2014

	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	982.80	1,021.83	3.35	3.41	0.67
Class 2	1,000.00	1,000.00	981.30	1,020.57	4.59	4.69	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 its investment in underlying funds, including affiliated and non-affiliated pooled investment vehicles, such as 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, 2014

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes[a] 41.8%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 0.4%			
ADS Tactical, Inc.			
Senior Secured[b]			
04/01/18	11.000%	895,000	869,269
Bombardier, Inc.[b]			
Senior Unsecured			
03/15/20	7.750%	278,000	301,630
01/15/23	6.125%	1,595,000	1,618,925
Huntington Ingalls Industries, Inc.[b]			
12/15/21	5.000%	174,000	177,045
TransDigm, Inc.			
07/15/22	6.000%	245,000	244,387
07/15/24	6.500%	912,000	916,560
Total			4,127,816
Automotive 0.7%			
American Axle & Manufacturing, Inc.			
02/15/19	5.125%	647,000	659,940
03/15/21	6.250%	612,000	642,600
Gates Global LLC/Co.[b]			
07/15/22	6.000%	750,000	718,275
General Motors Co.			
Senior Unsecured			
10/02/23	4.875%	2,438,000	2,608,660
General Motors Financial Co., Inc.			
09/25/21	4.375%	580,000	605,375
Jaguar Land Rover Automotive PLC[b]			
11/15/19	4.250%	209,000	210,567
Schaeffler Holding Finance BV			
Senior Secured PIK[b]			
11/15/19	6.250%	516,000	531,480
Tenneco, Inc.			
12/15/24	5.375%	261,000	267,525
Total			6,244,422
Banking 1.2%			
Agromercantil Senior Trust[b]			
04/10/19	6.250%	424,000	429,300
Ally Financial, Inc.			
03/15/20	8.000%	4,042,000	4,769,560
11/01/31	8.000%	463,000	590,325
Senior Unsecured			
11/01/31	8.000%	580,000	738,050
Grupo Aval Ltd.[b]			
09/26/22	4.750%	500,000	483,750
Industrial Senior Trust[b]			
11/01/22	5.500%	400,000	392,000
Popular, Inc.			
Senior Unsecured			
07/01/19	7.000%	373,000	373,000

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Royal Bank of Scotland Group PLC			
Subordinated Notes			
05/28/24	5.125%	1,634,000	1,662,090
Synovus Financial Corp.			
Senior Unsecured			
02/15/19	7.875%	1,564,000	1,739,950
Total			11,178,025
Brokerage/Asset Managers/Exchanges 0.1%			
E*TRADE Financial Corp.			
Senior Unsecured			
11/15/22	5.375%	813,000	831,293
Building Materials 0.7%			
Allegion US Holding Co., Inc.			
10/01/21	5.750%	789,000	834,367
American Builders & Contractors Supply Co., Inc.			
Senior Unsecured[b]			
04/15/21	5.625%	1,704,000	1,712,520
Building Materials Corp. of America			
Senior Unsecured[b]			
11/15/24	5.375%	605,000	603,488
Gibraltar Industries, Inc.			
02/01/21	6.250%	272,000	276,080
HD Supply, Inc.			
07/15/20	7.500%	1,265,000	1,325,087
HD Supply, Inc.[b]			
Senior Secured			
12/15/21	5.250%	584,000	594,220
Nortek, Inc.			
04/15/21	8.500%	786,000	841,020
Total			6,186,782
Cable and Satellite 2.7%			
CCO Holdings LLC/Capital Corp.			
09/30/22	5.250%	619,000	617,453
02/15/23	5.125%	1,440,000	1,407,600
01/15/24	5.750%	210,000	212,100
CCOH Safari LLC			
12/01/22	5.500%	389,000	394,835
12/01/24	5.750%	1,950,000	1,971,937
CSC Holdings, Inc.			
Senior Unsecured			
11/15/21	6.750%	2,488,000	2,743,020
Cequel Communications Holdings I LLC/Capital Corp.[b]			
Senior Unsecured			
09/15/20	6.375%	849,000	878,715
12/15/21	5.125%	1,030,000	999,100
DISH DBS Corp.			
09/01/19	7.875%	1,077,000	1,222,395

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

Portfolio of Investments *(continued)*

December 31, 2014

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
06/01/21	6.750%	1,089,000	1,170,675
07/15/22	5.875%	1,095,000	1,122,375
DigitalGlobe, Inc.[b]			
02/01/21	5.250%	1,720,000	1,634,000
Hughes Satellite Systems Corp.			
06/15/21	7.625%	605,000	665,500
Senior Secured			
06/15/19	6.500%	1,028,000	1,102,530
Intelsat Jackson Holdings SA			
Senior Unsecured			
04/01/21	7.500%	680,000	727,600
Intelsat Luxembourg SA			
06/01/21	7.750%	2,367,000	2,372,917
Mediacom Broadband LLC/Corp.			
04/15/21	5.500%	161,000	161,805
Numericable-SFR[b]			
Senior Secured			
05/15/19	4.875%	1,030,000	1,020,987
05/15/22	6.000%	1,903,000	1,913,466
05/15/24	6.250%	216,000	217,620
Unitymedia Hessen GmbH & Co. KG NRW			
Senior Secured[b]			
01/15/25	5.000%	583,000	584,458
Unitymedia KabelBW GmbH[b]			
01/15/25	6.125%	934,000	964,355
Virgin Media Finance PLC[b]			
10/15/24	6.000%	322,000	336,893
Virgin Media Secured Finance PLC			
Senior Secured[b]			
04/15/21	5.375%	519,000	538,463
Total			24,980,799
Chemicals 1.5%			
Axalta Coating Systems Dutch Holding B BV/U.S. Holdings, Inc.[b]			
05/01/21	7.375%	880,000	928,400
Celanese U.S. Holdings LLC			
06/15/21	5.875%	1,104,000	1,170,240
Eco Services Operations LLC/Finance Corp.			
Senior Unsecured[b]			
11/01/22	8.500%	431,000	437,465
Huntsman International LLC			
11/15/20	4.875%	635,000	630,237
INEOS Group Holdings SA[b]			
08/15/18	6.125%	43,000	41,173
02/15/19	5.875%	1,177,000	1,115,207
JM Huber Corp.			
Senior Unsecured[b]			
11/01/19	9.875%	1,175,000	1,292,500

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
LYB International Finance BV			
07/15/23	4.000%	590,000	603,536
Mexichem SAB de CV[b]			
09/17/44	5.875%	700,000	661,500
NOVA Chemicals Corp.[b]			
Senior Unsecured			
08/01/23	5.250%	584,000	589,840
05/01/25	5.000%	773,000	767,202
PQ Corp.			
Secured[b]			
05/01/18	8.750%	3,930,000	4,067,550
Sibur Securities Ltd.[b]			
01/31/18	3.914%	1,450,000	1,174,500
WR Grace & Co.[b]			
10/01/21	5.125%	617,000	632,425
10/01/24	5.625%	447,000	465,998
Total			14,577,773
Construction Machinery 0.5%			
Ashtead Capital, Inc.			
Secured[b]			
07/15/22	6.500%	745,000	797,150
Columbus McKinnon Corp.			
02/01/19	7.875%	381,000	396,240
H&E Equipment Services, Inc.			
09/01/22	7.000%	1,541,000	1,585,304
United Rentals North America, Inc.			
04/15/22	7.625%	1,445,000	1,588,777
11/15/24	5.750%	722,000	743,660
Total			5,111,131
Consumer Cyclical Services 0.6%			
ADT Corp. (The)			
Senior Unsecured			
07/15/22	3.500%	1,927,000	1,642,768
APX Group, Inc.			
12/01/20	8.750%	470,000	396,856
Senior Secured			
12/01/19	6.375%	2,655,000	2,542,162
APX Group, Inc.[b]			
12/01/20	8.750%	89,000	75,873
IHS, Inc.[b]			
11/01/22	5.000%	560,000	554,400
Monitronics International, Inc.			
04/01/20	9.125%	946,000	896,335
Total			6,108,394
Consumer Products 0.7%			
Revlon Consumer Products Corp.			
02/15/21	5.750%	1,011,000	1,011,000

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

Portfolio of Investments *(continued)*

December 31, 2014

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Serta Simmons Holdings LLC			
Senior Unsecured[b]			
10/01/20	8.125%	1,863,000	1,979,437
Spectrum Brands, Inc.			
03/15/20	6.750%	309,000	322,905
11/15/20	6.375%	829,000	868,378
11/15/22	6.625%	281,000	297,158
Springs Industries, Inc.			
Senior Secured			
06/01/21	6.250%	1,453,000	1,420,307
Tempur Sealy International, Inc.			
12/15/20	6.875%	308,000	327,250
Total			6,226,435
Diversified Manufacturing 0.5%			
Actuant Corp.			
06/15/22	5.625%	610,000	632,875
Amsted Industries, Inc.[b]			
03/15/22	5.000%	961,000	944,183
Entegris, Inc.[b]			
04/01/22	6.000%	1,123,000	1,137,037
Hamilton Sundstrand Corp.			
Senior Unsecured[b]			
12/15/20	7.750%	1,053,000	995,085
Metalloinvest Finance Ltd.[b]			
07/21/16	6.500%	760,000	714,400
Total			4,423,580
Electric 1.3%			
AES Corp. (The)			
Senior Unsecured			
07/01/21	7.375%	1,441,000	1,628,330
Calpine Corp.			
Senior Secured[b]			
01/15/22	6.000%	1,558,000	1,655,375
Companhia de Eletricidade do Estad[b]			
04/27/16	11.750% BRL	1,837,000	674,138
Dominion Resources, Inc.			
Senior Unsecured			
09/15/22	2.750%	820,000	795,331
09/15/42	4.050%	365,000	356,037
Duke Energy Corp.			
Senior Unsecured			
09/15/21	3.550%	175,000	182,696
NRG Energy, Inc.			
07/15/22	6.250%	2,515,000	2,571,588
NRG Yield Operating LLC[b]			
08/15/24	5.375%	668,000	678,020
PPL Capital Funding, Inc.			
06/01/23	3.400%	2,475,000	2,479,648

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Pacific Gas & Electric Co.			
Senior Unsecured			
03/15/45	4.300%	1,000,000	1,026,458
Total			12,047,621
Environmental 0.1%			
Clean Harbors, Inc.			
08/01/20	5.250%	675,000	678,375
Corp. Azucarera del Peru SA[b]			
08/02/22	6.375%	285,000	244,388
Total			922,763
Finance Companies 2.1%			
AerCap Ireland Capital Ltd./Global Aviation Trust[b]			
05/15/21	4.500%	1,339,000	1,355,737
Senior Unsecured			
10/01/21	5.000%	150,000	155,250
Aircastle Ltd.			
Senior Unsecured			
03/15/21	5.125%	608,000	608,000
Aviation Capital Group Corp.			
Senior Unsecured[b]			
04/06/21	6.750%	59,000	66,818
CIT Group, Inc.			
Senior Unsecured			
05/15/20	5.375%	900,000	951,210
08/15/22	5.000%	435,000	446,963
CIT Group, Inc.[b]			
Senior Unsecured			
02/15/19	5.500%	1,116,000	1,177,380
International Lease Finance Corp.			
Senior Unsecured			
12/15/20	8.250%	2,026,000	2,441,330
04/15/21	4.625%	945,000	961,537
01/15/22	8.625%	1,094,000	1,356,560
Navient Corp.			
Senior Unsecured			
01/15/19	5.500%	324,000	331,290
10/26/20	5.000%	102,000	100,088
01/25/22	7.250%	717,000	777,945
03/25/24	6.125%	911,000	895,057
10/25/24	5.875%	1,187,000	1,130,617
OneMain Financial Holdings, Inc.[b]			
12/15/19	6.750%	381,000	389,573
12/15/21	7.250%	666,000	682,650
Provident Funding Associates LP/Finance Corp.[b]			
06/15/21	6.750%	1,673,000	1,622,810
Senior Unsecured			
02/15/19	10.125%	269,000	282,450
Springleaf Finance Corp.			
12/15/17	6.900%	807,000	859,455

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

Portfolio of Investments *(continued)*

December 31, 2014

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
06/01/20	6.000%	598,000	592,020
10/01/21	7.750%	722,000	808,640
10/01/23	8.250%	498,000	557,760
iStar Financial, Inc			
Senior Unsecured			
07/01/19	5.000%	1,129,000	1,095,130
Total			19,646,270
Food and Beverage 1.6%			
Aramark Services, Inc.			
03/15/20	5.750%	1,060,000	1,094,450
B&G Foods, Inc.			
06/01/21	4.625%	1,733,000	1,691,581
ConAgra Foods, Inc.			
Senior Unsecured			
09/15/22	3.250%	2,025,000	1,994,566
Constellation Brands, Inc.			
11/15/19	3.875%	267,000	269,003
11/15/24	4.750%	267,000	270,338
Darling Ingredients, Inc.			
01/15/22	5.375%	1,354,000	1,333,690
Diamond Foods, Inc.[b]			
03/15/19	7.000%	303,000	310,575
Heineken NV			
Senior Unsecured[b]			
04/01/22	3.400%	1,700,000	1,747,920
MHP SA[b]			
04/02/20	8.250%	1,596,000	1,102,038
Molson Coors Brewing Co.			
05/01/42	5.000%	2,275,000	2,469,444
Pinnacle Foods Finance LLC/Corp.			
05/01/21	4.875%	194,000	189,150
Post Holdings, Inc.[b]			
12/15/22	6.000%	455,000	426,562
SABMiller Holdings, Inc.[b]			
01/15/22	3.750%	1,045,000	1,090,677
WhiteWave Foods Co. (The)			
10/01/22	5.375%	1,102,000	1,135,060
Total			15,125,054
Gaming 1.8%			
GLP Capital LP/Financing II, Inc.			
11/01/23	5.375%	523,000	541,305
MCE Finance Ltd.[b]			
02/15/21	5.000%	2,588,000	2,419,780
MGM Resorts International			
03/01/18	11.375%	901,000	1,067,685
12/15/21	6.625%	2,069,000	2,172,450
03/15/23	6.000%	1,180,000	1,185,900

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Penn National Gaming, Inc.			
Senior Unsecured			
11/01/21	5.875%	643,000	597,990
Pinnacle Entertainment, Inc.			
08/01/21	6.375%	1,109,000	1,142,270
Scientific Games International, Inc.[b]			
12/01/22	10.000%	2,322,000	2,130,435
Senior Secured			
01/01/22	7.000%	1,500,000	1,518,750
Seminole Tribe of Florida, Inc.[b]			
Senior Secured			
10/01/20	6.535%	55,000	58,575
Senior Unsecured			
10/01/20	7.804%	120,000	130,516
SugarHouse HSP Gaming LP/Finance Corp.			
Senior Secured[b]			
06/01/21	6.375%	1,470,000	1,337,700
Tunica-Biloxi Gaming Authority			
Senior Unsecured[b][c]			
11/15/15	9.000%	923,000	535,340
Wynn Macau Ltd.			
Senior Unsecured[b]			
10/15/21	5.250%	1,736,000	1,631,840
Total			16,470,536
Health Care 3.4%			
Acadia Healthcare Co., Inc.			
07/01/22	5.125%	303,000	298,455
Amsurg Corp.			
11/30/20	5.625%	419,000	428,428
Biomet, Inc.			
08/01/20	6.500%	581,000	621,670
CHS/Community Health Systems, Inc.			
02/01/22	6.875%	1,808,000	1,915,350
Senior Secured			
08/01/21	5.125%	330,000	342,375
Catamaran Corp.			
03/15/21	4.750%	321,000	321,000
ConvaTec Healthcare E SA			
Senior Unsecured[b]			
12/15/18	10.500%	2,150,000	2,268,250
DaVita HealthCare Partners, Inc.			
08/15/22	5.750%	1,848,000	1,958,880
07/15/24	5.125%	589,000	600,780
Emdeon, Inc.			
12/31/19	11.000%	1,275,000	1,389,750
Fresenius Medical Care U.S. Finance II, Inc.[b]			
07/31/19	5.625%	386,000	412,055
01/31/22	5.875%	801,000	869,085
Fresenius Medical Care U.S. Finance, Inc.[b]			
09/15/18	6.500%	163,000	180,115

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

Portfolio of Investments *(continued)*
December 31, 2014

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
HCA Holdings, Inc.			
Senior Unsecured			
02/15/21	6.250%	621,000	661,365
HCA, Inc.			
02/15/22	7.500%	630,000	719,775
05/01/23	5.875%	1,340,000	1,412,025
Senior Secured			
02/15/20	6.500%	1,031,000	1,155,235
05/01/23	4.750%	795,000	808,913
04/15/25	5.250%	1,429,000	1,493,305
IMS Health, Inc.			
Senior Unsecured[b]			
11/01/20	6.000%	586,000	603,580
Kinetic Concepts, Inc./KCI U.S.A., Inc.			
Secured			
11/01/18	10.500%	505,000	552,975
LifePoint Hospitals, Inc.			
12/01/21	5.500%	1,613,000	1,649,292
MPH Acquisition Holdings LLC[b]			
04/01/22	6.625%	1,197,000	1,232,910
Omnicare, Inc.			
Senior Unsecured			
12/01/22	4.750%	501,000	507,263
12/01/24	5.000%	212,000	217,300
Physio-Control International, Inc.			
Senior Secured[b]			
01/15/19	9.875%	951,000	1,008,060
STHI Holding Corp.			
Secured[b]			
03/15/18	8.000%	403,000	421,135
Teleflex, Inc.[b]			
06/15/24	5.250%	95,000	95,000
Tenet Healthcare Corp.			
Senior Secured			
10/01/20	6.000%	778,000	835,440
04/01/21	4.500%	1,919,000	1,923,797
Senior Unsecured			
04/01/22	8.125%	2,721,000	3,040,717
Universal Health Services, Inc.			
Senior Secured[b]			
08/01/22	4.750%	1,634,000	1,634,000
Total			31,578,280
Healthcare Insurance 0.1%			
Centene Corp.			
Senior Unsecured			
05/15/22	4.750%	552,000	553,380
Home Construction 0.4%			
Brookfield Residential Properties, Inc./U.S. Corp.[b]			
07/01/22	6.125%	373,000	387,920

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Brookfield Residential Properties, Inc.[b]			
12/15/20	6.500%	400,000	418,000
Meritage Homes Corp.			
03/01/18	4.500%	575,000	575,000
04/15/20	7.150%	367,000	394,525
04/01/22	7.000%	691,000	732,460
Shea Homes LP/Funding Corp.			
Senior Secured			
05/15/19	8.625%	706,000	741,300
Standard Pacific Corp.			
11/15/24	5.875%	282,000	282,000
TRI Pointe Holdings, Inc.			
Senior Unsecured[b]			
06/15/19	4.375%	455,000	448,744
Taylor Morrison Communities, Inc./Monarch, Inc.[b]			
04/15/21	5.250%	39,000	38,415
Total			4,018,364
Independent Energy 3.3%			
Antero Resources Corp.[b]			
12/01/22	5.125%	1,968,000	1,854,840
Canadian Oil Sands Ltd.[b]			
04/01/22	4.500%	1,475,000	1,373,290
Chesapeake Energy Corp.			
02/15/21	6.125%	2,516,000	2,641,800
03/15/23	5.750%	2,086,000	2,148,580
Cimarex Energy Co.			
05/01/22	5.875%	786,000	817,440
06/01/24	4.375%	303,000	289,365
Concho Resources, Inc.			
01/15/21	7.000%	875,000	916,562
01/15/22	6.500%	1,430,000	1,494,350
04/01/23	5.500%	1,674,000	1,681,868
Continental Resources, Inc.			
09/15/22	5.000%	3,282,000	3,175,335
Diamondback Energy, Inc.			
10/01/21	7.625%	223,000	217,704
EP Energy LLC/Everest Acquisition Finance, Inc.			
05/01/20	9.375%	287,000	289,870
09/01/22	7.750%	1,207,000	1,128,545
Hilcorp Energy I LP/Finance Co.			
Senior Unsecured[b]			
12/01/24	5.000%	110,000	96,800
Kosmos Energy Ltd.			
Senior Secured[b]			
08/01/21	7.875%	588,000	496,860
Laredo Petroleum, Inc.			
01/15/22	5.625%	1,361,000	1,190,875
05/01/22	7.375%	822,000	768,570

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

Portfolio of Investments *(continued)*

December 31, 2014

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Noble Energy, Inc.			
Senior Unsecured			
11/15/43	5.250%	1,000,000	1,015,547
Oasis Petroleum, Inc.			
11/01/21	6.500%	1,254,000	1,141,140
03/15/22	6.875%	2,289,000	2,082,990
01/15/23	6.875%	443,000	403,130
Parsley Energy LLC/Finance Corp.			
Senior Unsecured(b)			
02/15/22	7.500%	1,182,000	1,119,945
RSP Permian, Inc.(b)			
10/01/22	6.625%	462,000	429,660
SM Energy Co.			
Senior Unsecured			
01/15/24	5.000%	607,000	525,055
Tullow Oil PLC(b)			
04/15/22	6.250%	868,000	729,120
Whiting Petroleum Corp.			
10/01/18	6.500%	74,000	71,410
03/15/21	5.750%	1,703,000	1,579,532
Zhaikmunai LLP			
11/13/19	7.125%	1,069,000	922,654
Total			30,602,837
Integrated Energy 0.1%			
Pacific Rubiales Energy Corp.			
03/28/23	5.125%	600,000	472,500
Leisure 0.6%			
AMC Entertainment, Inc.			
12/01/20	9.750%	752,000	817,800
Activision Blizzard, Inc.(b)			
09/15/21	5.625%	3,276,000	3,439,800
09/15/23	6.125%	517,000	557,068
Cedar Fair LP/Canada's Wonderland Co./Magnum Management Corp.			
03/15/21	5.250%	1,000,000	1,005,000
Six Flags, Inc., Escrow(b)(d)(e)(f)			
06/01/44	0.000%	95,000	—
Total			5,819,668
Lodging 0.4%			
Choice Hotels International, Inc.			
07/01/22	5.750%	431,000	462,248
Hilton Worldwide Finance LLC/Corp.			
10/15/21	5.625%	1,609,000	1,681,405
Playa Resorts Holding BV(b)			
08/15/20	8.000%	1,560,000	1,556,100
Total			3,699,753

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Media and Entertainment 2.9%			
AMC Networks, Inc.			
12/15/22	4.750%	2,984,000	2,894,480
Clear Channel Worldwide Holdings, Inc.			
03/15/20	7.625%	544,000	572,560
Senior Unsecured			
11/15/22	6.500%	2,647,000	2,726,410
Gannett Co., Inc.			
10/15/19	5.125%	430,000	439,675
10/15/23	6.375%	219,000	232,140
Gannett Co., Inc.(b)			
09/15/21	4.875%	375,000	372,188
09/15/24	5.500%	329,000	329,823
Lamar Media Corp.			
05/01/23	5.000%	710,000	702,900
01/15/24	5.375%	441,000	454,230
MDC Partners, Inc.(b)			
04/01/20	6.750%	1,959,000	2,017,770
Netflix, Inc.			
Senior Unsecured(b)			
03/01/24	5.750%	381,000	396,240
Nielsen Finance Co. SARL (The)(b)			
10/01/21	5.500%	1,175,000	1,179,406
Nielsen Finance LLC/Co.(b)			
04/15/22	5.000%	618,000	621,090
Outfront Media Capital LLC/Corp.(b)			
02/15/22	5.250%	1,093,000	1,101,197
02/15/24	5.625%	233,000	234,165
03/15/25	5.875%	1,283,000	1,292,622
Sky PLC(b)			
11/26/22	3.125%	5,665,000	5,548,698
Thomson Reuters Corp.			
Senior Unsecured			
05/23/43	4.500%	545,000	545,362
Univision Communications, Inc.(b)			
Senior Secured			
09/15/22	6.750%	206,000	220,420
05/15/23	5.125%	2,680,000	2,706,800
iHeartCommunications, Inc. PIK			
02/01/21	14.000%	1,302,345	1,061,411
iHeartCommunications, Inc.			
Senior Secured			
03/01/21	9.000%	1,738,000	1,703,240
Total			27,352,827
Metals 0.8%			
ArcelorMittal			
Senior Unsecured			
02/25/22	6.750%	1,707,000	1,811,127

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

Portfolio of Investments *(continued)*
December 31, 2014

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Calcipar SA			
Senior Secured[b]			
05/01/18	6.875%	1,709,000	1,717,545
Constellium NV[b]			
05/15/24	5.750%	80,000	69,600
Samarco Mineracao SA[b]			
Senior Unsecured			
11/01/22	4.125%	750,000	660,000
10/24/23	5.750%	2,128,000	2,032,240
Vale Overseas Ltd.			
01/11/22	4.375%	988,000	947,008
Total			7,237,520
Midstream 2.9%			
Access Midstream Partners LP/Finance Corp.			
05/15/23	4.875%	1,388,000	1,408,820
03/15/24	4.875%	430,000	436,450
Blue Racer Midstream LLC/Finance Corp.[b]			
11/15/22	6.125%	968,000	934,120
Crestwood Midstream Partners LP/Finance Corp.			
03/01/22	6.125%	490,000	467,950
Hiland Partners LP/Finance Corp.[b]			
10/01/20	7.250%	2,240,000	2,128,000
05/15/22	5.500%	1,110,000	943,500
Kinder Morgan Energy Partners LP			
09/01/22	3.950%	535,000	530,485
02/15/23	3.450%	725,000	694,013
Kinder Morgan, Inc.			
09/15/20	6.500%	3,024,000	3,429,152
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	526,000	549,670
02/15/23	5.500%	1,174,000	1,188,675
07/15/23	4.500%	2,558,000	2,462,075
Markwest Energy Partners LP/Finance Corp.			
12/01/24	4.875%	416,000	406,640
Regency Energy Partners LP/Finance Corp.			
09/01/20	5.750%	1,359,000	1,362,397
07/15/21	6.500%	1,813,000	1,849,260
10/01/22	5.000%	801,000	756,945
Southern Natural Gas Co. LLC			
Senior Unsecured[b]			
04/01/17	5.900%	4,160,000	4,472,998
Targa Resources Partners LP/Finance Corp.			
05/01/23	5.250%	60,000	57,900
11/15/23	4.250%	587,000	534,170
Targa Resources Partners LP/Finance Corp.[b]			
11/15/19	4.125%	463,000	445,638

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Tesoro Logistics LP/Finance Corp.[b]			
Senior Unsecured			
10/15/19	5.500%	261,000	259,043
10/15/22	6.250%	521,000	519,697
TransCanada PipeLines Ltd.			
Senior Unsecured			
10/16/43	5.000%	360,000	377,177
Transcontinental Gas Pipe Line Co. LLC			
Senior Unsecured			
08/01/42	4.450%	1,190,000	1,113,620
Total			27,328,395
Natural Gas 0.2%			
Sempra Energy			
Senior Unsecured			
12/01/23	4.050%	1,590,000	1,682,078
Oil Field Services 0.1%			
Noble Holding International Ltd.			
03/15/42	5.250%	1,300,000	1,025,492
Other Financial Institutions 0.2%			
FTI Consulting, Inc.			
11/15/22	6.000%	328,000	335,380
Icahn Enterprises LP/Finance Corp.			
08/01/20	6.000%	647,000	666,539
02/01/22	5.875%	805,000	808,522
Total			1,810,441
Other Industry 0.2%			
CB Richard Ellis Services, Inc.			
03/15/25	5.250%	1,655,000	1,688,100
Other REIT 0.1%			
DuPont Fabros Technology LP			
09/15/21	5.875%	480,000	489,000
Packaging 0.6%			
Ardagh Packaging Finance PLC/Holdings USA, Inc.[b]			
01/31/21	6.750%	723,000	719,385
Reynolds Group Issuer, Inc./LLC			
08/15/19	9.875%	1,563,000	1,656,780
02/15/21	8.250%	1,535,000	1,573,375
Senior Secured			
10/15/20	5.750%	655,000	671,375
Signode Industrial Group Luxembourg SA/US, Inc.			
Senior Unsecured[b]			
05/01/22	6.375%	1,600,000	1,560,000
Total			6,180,915

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

Portfolio of Investments *(continued)*

December 31, 2014

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Paper 0.1%			
Inversiones CMPC SA[b]			
09/15/24	4.750%	836,000	835,698
Pharmaceuticals 0.6%			
Capsugel SA			
Senior Unsecured PIK[b]			
05/15/19	7.000%	352,000	357,280
Grifols Worldwide Operations Ltd.			
Senior Unsecured[b]			
04/01/22	5.250%	575,000	588,052
Jaguar Holding Co. I			
Senior Unsecured PIK[b]			
10/15/17	9.375%	680,000	694,960
Jaguar Holding Co. II/Merger Sub, Inc.			
Senior Unsecured[b]			
12/01/19	9.500%	435,000	466,538
Salix Pharmaceuticals Ltd.[b]			
01/15/21	6.000%	284,000	289,680
Valeant Pharmaceuticals International, Inc.[b]			
10/15/20	6.375%	1,007,000	1,052,315
07/15/21	7.500%	2,472,000	2,669,760
Total			6,118,585
Property & Casualty 1.0%			
HUB International Ltd.			
Senior Unsecured[b]			
10/01/21	7.875%	2,640,000	2,626,800
Hub Holdings LLC/Finance, Inc.			
Senior Unsecured PIK[b]			
07/15/19	8.125%	277,000	274,230
Liberty Mutual Group, Inc.[b]			
05/01/22	4.950%	3,310,000	3,580,986
06/15/23	4.250%	3,260,000	3,359,362
Total			9,841,378
Railroads 0.2%			
Florida East Coast Holdings Corp.[b]			
05/01/20	9.750%	879,000	874,605
Senior Secured			
05/01/19	6.750%	1,054,000	1,043,460
Panama Canal Railway Co.			
Senior Secured			
11/01/26	7.000%	321,210	317,195
Total			2,235,260
Refining 0.1%			
Marathon Petroleum Corp.			
Senior Unsecured			
09/15/44	4.750%	1,000,000	944,406

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Restaurants 0.3%			
BC ULC/New Red Finance Inc.			
Secured[b]			
04/01/22	6.000%	1,038,000	1,063,950
Yum! Brands, Inc.			
Senior Unsecured			
11/01/20	3.875%	575,000	599,338
11/01/21	3.750%	970,000	993,924
Total			2,657,212
Retailers 0.4%			
Asbury Automotive Group, Inc.[b]			
12/15/24	6.000%	460,000	468,050
GameStop Corp.[b]			
10/01/19	5.500%	962,000	964,405
Penske Automotive Group, Inc.			
12/01/24	5.375%	480,000	486,000
Rite Aid Corp.			
06/15/21	6.750%	1,245,000	1,285,463
Senior Unsecured			
02/15/27	7.700%	359,000	391,310
Total			3,595,228
Technology 1.5%			
Alliance Data Systems Corp.[b]			
12/01/17	5.250%	828,000	852,840
08/01/22	5.375%	1,996,000	1,971,050
Ancestry.com, Inc.			
12/15/20	11.000%	309,000	348,011
Equinix, Inc.			
Senior Unsecured			
01/01/22	5.375%	516,000	520,850
04/01/23	5.375%	370,000	370,000
First Data Corp.[b]			
Secured			
01/15/21	8.250%	879,000	940,530
Senior Secured			
06/15/19	7.375%	1,433,000	1,508,232
11/01/20	6.750%	1,053,000	1,129,343
Goodman Networks, Inc.			
Senior Secured			
07/01/18	12.125%	552,000	569,940
Iron Mountain, Inc.			
08/15/23	6.000%	486,000	505,440
MSCI, Inc.[b]			
11/15/24	5.250%	855,000	884,925
NCR Corp.			
12/15/21	5.875%	229,000	235,298
Nuance Communications, Inc.[b]			
08/15/20	5.375%	1,693,000	1,697,232

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

Portfolio of Investments *(continued)*

December 31, 2014

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Qualitytech LP/Finance Corp.[b]			
08/01/22	5.875%	821,000	823,053
VeriSign, Inc. Senior Unsecured			
05/01/23	4.625%	676,000	662,480
Zebra Technologies Corp. Senior Unsecured[b]			
10/15/22	7.250%	1,354,000	1,421,700
Total			14,440,924
Transportation Services 0.3%			
Avis Budget Car Rental LLC/Finance, Inc.			
03/15/20	9.750%	695,000	757,550
Concesionaria Mexiquense SA de CV (linked to Mexican Unidad de Inversion Index)[b]			
12/15/35	5.950% MXN	16,865,178	1,120,249
Hertz Corp. (The)			
04/15/19	6.750%	95,000	97,850
10/15/22	6.250%	712,000	719,120
Total			2,694,769
Wireless 2.5%			
Altice SA Senior Secured[b]			
05/15/22	7.750%	900,000	901,688
Comcel Trust[b]			
02/06/24	6.875%	702,000	735,345
Crown Castle International Corp. Senior Unsecured			
04/15/22	4.875%	1,236,000	1,248,360
01/15/23	5.250%	1,505,000	1,535,100
ENTEL Chile SA Senior Unsecured[b]			
08/01/26	4.750%	700,000	694,266
SBA Communications Corp. Senior Unsecured[b]			
07/15/22	4.875%	1,241,000	1,194,462
SBA Telecommunications, Inc.			
07/15/20	5.750%	1,908,000	1,941,962
Sprint Communications, Inc.[b]			
03/01/20	7.000%	3,187,000	3,441,960
Sprint Corp.			
09/15/21	7.250%	1,660,000	1,645,475
09/15/23	7.875%	1,475,000	1,456,120
06/15/24	7.125%	587,000	545,910
T-Mobile USA, Inc.			
04/28/22	6.731%	779,000	802,370
03/01/23	6.000%	1,061,000	1,063,652
04/01/23	6.625%	1,064,000	1,089,536
01/15/24	6.500%	648,000	664,200

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
03/01/25	6.375%	265,000	269,240
VimpelCom Holdings BV[b]			
02/13/18	9.000% RUB	27,475,000	305,278
03/01/22	7.504%	1,140,000	923,400
Wind Acquisition Finance SA[b]			
04/23/21	7.375%	733,000	691,805
Senior Secured			
04/30/20	6.500%	515,000	526,588
07/15/20	4.750%	2,011,000	1,880,285
Total			23,557,002
Wirelines 2.0%			
CenturyLink, Inc. Senior Unsecured			
03/15/22	5.800%	2,595,000	2,692,312
12/01/23	6.750%	488,000	534,360
EarthLink Holdings Corp. Senior Secured			
06/01/20	7.375%	1,079,000	1,095,185
Frontier Communications Corp. Senior Unsecured			
07/01/21	9.250%	564,000	651,420
09/15/21	6.250%	118,000	118,590
04/15/22	8.750%	449,000	501,758
04/15/24	7.625%	1,486,000	1,530,580
01/15/25	6.875%	1,335,000	1,335,000
Level 3 Communications, Inc. Senior Unsecured[b]			
12/01/22	5.750%	674,000	678,213
Level 3 Escrow II, Inc.[b]			
08/15/22	5.375%	1,408,000	1,415,040
Level 3 Financing, Inc.			
06/01/20	7.000%	656,000	693,720
01/15/21	6.125%	1,654,000	1,711,890
Telecom Italia Capital SA			
06/18/19	7.175%	1,782,000	2,040,390
Telecom Italia SpA Senior Unsecured[b]			
05/30/24	5.303%	342,000	346,045
Verizon Communications, Inc. Senior Unsecured			
11/01/42	3.850%	1,610,000	1,441,582
Windstream Corp.			
09/01/18	8.125%	24,000	24,900
08/01/23	6.375%	1,242,000	1,161,270
Zayo Group LLC/Capital, Inc.			
07/01/20	10.125%	335,000	377,478
Total			18,349,733
Total Corporate Bonds & Notes (Cost: $389,051,409)			**391,018,439**

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

Portfolio of Investments *(continued)*

December 31, 2014

Residential Mortgage-Backed Securities — Agency 6.3%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.[g]			
10/01/26	8.000%	43,376	46,274
Federal Home Loan Mortgage Corp.[g][h][i]			
CMO IO Series 2957 Class SW			
04/15/35	5.839%	2,525,673	424,197
CMO IO Series 311 Class S1			
08/15/43	5.789%	34,339,435	7,520,554
CMO IO Series 318 Class S1			
11/15/43	5.789%	9,683,204	2,200,416
CMO IO Series 3761 Class KS			
06/15/40	5.839%	3,697,204	444,112
CMO IO Series 4174 Class SB			
05/15/39	6.039%	11,772,974	1,944,646
Federal Home Loan Mortgage Corp.[g][i]			
CMO IO Series 304 Class C69			
12/15/42	4.000%	7,023,510	1,592,039
CMO IO Series 4098 Class AI			
05/15/39	3.500%	8,997,389	1,498,233
CMO IO Series 4120 Class AI			
11/15/39	3.500%	5,709,553	756,063
CMO IO Series 4121 Class IA			
01/15/41	3.500%	5,131,728	1,022,656
CMO IO Series 4121 Class MI			
10/15/42	4.000%	6,534,254	1,393,434
Federal National Mortgage Association[g]			
04/01/38 -			
05/01/40	5.000%	1,167,575	1,296,898
05/01/41	4.000%	404,684	432,237
Federal National Mortgage Association[g][h][i]			
CMO IO Series 2006-5 Class N1			
08/25/34	1.909%	8,332,817	333,431
CMO IO Series 2006-5 Class N2			
02/25/35	1.952%	12,406,076	734,226
CMO IO Series 2010-135 Class MS			
12/25/40	5.781%	2,710,573	438,513
CMO IO Series 2013-101 Class CS			
10/25/43	5.731%	10,134,772	2,579,494
Federal National Mortgage Association[g][i]			
CMO IO STRIPS Series 417 Class C5			
02/25/43	3.500%	7,474,896	1,539,946
CMO IO Series 2012-118 Class BI			
12/25/39	3.500%	8,993,421	1,478,304
CMO IO Series 2012-121 Class GI			
08/25/39	3.500%	10,002,831	1,303,934
CMO IO Series 2012-129 Class IC			
01/25/41	3.500%	7,742,736	1,138,648
CMO IO Series 2012-131 Class MI			
01/25/40	3.500%	11,770,133	1,776,660
CMO IO Series 2012-133 Class EI			
07/25/31	3.500%	3,449,508	475,760
CMO IO Series 2012-139 Class IL			
04/25/40	3.500%	5,094,768	687,312
CMO IO Series 2012-96 Class CI			
04/25/39	3.500%	7,649,638	1,115,458

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
CMO IO Series 2013-1 Class AI			
02/25/43	3.500%	3,159,889	548,919
CMO IO Series 2013-6 Class MI			
02/25/40	3.500%	7,722,089	1,093,627
Federal National Mortgage Association[g][j]			
01/20/30	3.000%	22,000,000	22,867,110
Total Residential Mortgage-Backed Securities — Agency (Cost: $59,829,559)			**58,683,101**

Residential Mortgage-Backed Securities — Non-Agency 14.5%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
AJAX Mortgage Loan Trust			
CMO Series 2014-B Class A[b][g]			
08/25/54	3.850%	5,923,037	5,923,037
Apollo Residential Mortgage Securitization Trust			
CMO Series 2013-1 Class A[b][g]			
05/25/47	4.000%	2,135,359	2,204,935
BCAP LLC Trust[b][g]			
CMO Series 2010-RR7 Class 8A6			
05/26/35	5.500%	140,266	139,853
BCAP LLC Trust[b][g][h]			
CMO Series 2010-RR7 Class 17A7			
03/26/36	5.015%	780,000	733,227
CMO Series 2012-RR11 Class 9A2			
07/26/37	4.000%	4,068,124	4,115,620
CMO Series 2013-RR3 Class 6A5			
03/26/36	2.474%	2,494,381	2,445,870
CMO Series 2013-RR5 Class 4A1			
09/26/36	3.000%	1,795,869	1,781,177
Series 2013-RR1 Class 10A1			
10/26/36	3.000%	1,007,411	1,013,087
Bayview Opportunity Master Fund Trust IIB LP			
CMO Series 2012-6NPL Class A[b][g][h]			
01/28/33	2.981%	682,294	677,886
Bayview Opportunity Master Fund Trust			
Series 2014-16RP Class A[b][g][h]			
11/28/29	3.844%	3,295,882	3,297,583
CAM Mortgage Trust			
CMO Series 2014-2 Class A[b][g][h]			
05/15/48	2.600%	4,714,327	4,713,879
Citigroup Mortgage Loan Trust, Inc.[b][g]			
CMO Series 2011-12 Class 3A3			
09/25/47	5.593%	2,833,000	2,735,899
CMO Series 2012-A Class A			
06/25/51	2.500%	1,965,631	1,909,365
Citigroup Mortgage Loan Trust, Inc.[b][g][h]			
CMO Series 2009-4 Class 9A2			
03/25/36	2.615%	1,365,000	1,177,988

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

Portfolio of Investments *(continued)*

December 31, 2014

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
CMO Series 2010-2 Class 5A2A			
12/25/35	5.500%	2,000,000	2,042,162
CMO Series 2010-6 Class 2A2			
09/25/35	2.655%	515,000	482,190
CMO Series 2010-6 Class 3A2			
07/25/36	2.607%	2,215,000	2,139,326
CMO Series 2012-3 Class 2A3			
04/25/37	2.658%	1,865,913	1,795,522
CMO Series 2013-12 Class 2A3			
09/25/35	4.750%	3,038,705	3,013,465
CMO Series 2013-2 Class 1A1			
11/25/37	2.608%	1,344,003	1,344,303
CMO Series 2014-11 Class 3A3			
09/25/36	0.325%	2,401,000	2,166,664
Series 2013-11 Class 3A3			
09/25/34	2.400%	3,048,637	2,924,768
Credit Suisse Mortgage Capital Certificates[b][g]			
CMO Series 2010-9R Class 10A5			
04/27/37	4.000%	4,000,000	4,014,064
CMO Series 2010-9R Class 7A5			
05/27/37	4.000%	3,000,000	3,006,822
Series 2010-9R Class 1A5			
08/27/37	4.000%	5,200,000	4,828,595
Credit Suisse Mortgage Capital Certificates[b][g][h]			
CMO Series 2011-4R Class 4A7			
08/27/37	4.000%	3,880,000	3,857,223
CMO Series 2011-5R Class 3A1			
09/27/47	2.920%	1,772,091	1,698,138
CMO Series 2014-CIM1 Class A2			
01/25/58	3.655%	3,000,000	2,994,132
CMO Series 2014-RPL4 Class A1			
08/25/62	3.625%	8,454,201	8,449,022
CMO Series 2014-RPL4 Class A2			
08/25/62	3.867%	6,250,000	5,972,295
Series 2008-4R Class 3A4			
01/26/38	2.788%	3,250,000	3,009,698
Series 2012-11 Class 3A2			
06/29/47	1.156%	3,058,112	2,883,005
Series 2014-2R Class 18A1			
01/27/37	3.000%	8,659,688	8,583,163
Series 2014-2R Class 19A1			
05/27/36	3.000%	5,543,757	5,534,294
Credit Suisse Securities (USA) LLC[b][g]			
CMO Series 2014-5R Class 8A1			
11/27/37	2.625%	4,482,068	4,333,162
CMO Series 2014-RPL1 Class A3			
02/25/54	3.958%	1,250,000	1,242,605
Deutsche Mortgage Securities, Inc. Mortgage Loan Trust			
CMO Series 2003-1 Class 1A7[g]			
04/25/33	5.500%	567,726	567,549
GCAT			
Series 2013-RP1 Class A1[b][g][h]			
06/25/18	3.500%	4,436,171	4,424,747
GS Mortgage Securities Corp. Resecuritization Trust			
CMO Series 2013-1R Class A[b][g][h]			
11/26/36	0.329%	4,284,411	4,010,495
JPMorgan Resecuritization Trust			
CMO Series 2010-5 Class 1A6[b][g][h]			
04/26/37	4.500%	350,769	351,159
Jefferies Resecuritization Trust			
Series 2014-1A1 Class R1[b][g]			
12/27/37	4.000%	1,572,985	1,569,480
LSTAR Securities Investment Trust			
CMO Series 2014-2 Class A[b][g][h]			
12/01/21	2.155%	2,963,813	2,914,127
NRPL Trust			
Series 2014-1A Class A1[b][g][h]			
05/25/48	3.250%	5,790,920	5,790,920
Nomura Resecuritization Trust			
CMO Series 2011-2RA Class 2A13[b][g][h]			
07/26/35	2.521%	2,500,000	2,423,627
Springleaf Mortgage Loan Trust			
CMO Series 2012-3A Class B1[b][g][h]			
12/25/59	6.000%	1,500,000	1,555,943
VML LLC			
CMO Series 2014-NPL1 Class A1[b][g][h]			
04/25/54	3.875%	3,000,000	3,000,000
Total Residential Mortgage-Backed Securities — Non-Agency (Cost: $134,858,980)			**135,792,071**

Commercial Mortgage-Backed Securities — Non-Agency 6.5%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
American Homes 4 Rent Trust[b][g]			
Series 2014-SFR2 Class E			
10/17/36	6.231%	2,500,000	2,508,661
Series 2014-SFR3 Class E			
12/17/36	6.418%	4,500,000	4,574,452
Aventura Mall Trust			
Series 2013-AVM Class E[b][g][h]			
12/05/32	3.743%	5,000,000	4,870,620
BHMS Mortgage Trust			
Series 2014-ATLS Class DFX[b][g][h]			
07/05/33	4.691%	3,500,000	3,523,538
Banc of America Merrill Lynch Commercial Mortgage Securities Trust			
Series 2013-DSNY Class F[b][g][h]			
09/15/26	3.661%	3,984,000	4,000,812
Banc of America Merrill Lynch Re-Remic Trust			
Series 2014-FRR7 Class B[g][h]			
10/26/44	2.420%	2,100,000	1,950,398

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

Portfolio of Investments *(continued)*

December 31, 2014

Commercial Mortgage-Backed Securities — Non-Agency *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Citigroup/Deutsche Bank Commercial Mortgage Trust Series 2007-AMFX Class CD4[(g)(h)]			
12/11/49	5.366%	2,750,000	2,851,896
Commercial Mortgage Trust Series 2013-RIA4 Class A[(b)(g)(h)]			
11/27/28	6.000%	3,350,000	3,388,780
GS Mortgage Securities Trust Series 2007-GG10 Class AM[(g)(h)]			
08/10/45	5.796%	7,750,000	7,918,144
JPMorgan Chase Commercial Mortgage Securities Trust Series 2006-LDP9 Class AM[(g)]			
05/15/47	5.372%	1,900,000	1,971,489
Morgan Stanley Capital I Trust Series 2005-IQ10 Class A4A[(g)(h)]			
09/15/42	5.230%	359,128	364,720
ORES NPL LLC[(b)(g)]			
Series 2014-LV3 Class A			
03/27/24	3.000%	4,331,589	4,331,295
Series 2014-LV3 Class B			
03/27/24	6.000%	3,500,000	3,495,097
Rialto Real Estate Fund LLC Series 2014-LT6 Class B[(b)(g)]			
09/15/24	5.486%	3,625,000	3,640,058
VFC LLC[(b)(g)]			
Series 2014-2 Class A			
07/20/30	2.750%	7,938,923	7,939,089
Series 2014-2 Class B			
07/20/30	5.500%	3,600,000	3,597,667
Total Commercial Mortgage-Backed Securities — Non-Agency (Cost: $60,541,561)			**60,926,716**

Asset-Backed Securities — Non-Agency 2.9%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
A Voce CLO Ltd. Series 2014-1A Class C[(b)(h)]			
07/15/26	3.734%	4,500,000	4,198,293
American Credit Acceptance Receivables Trust Series 2012-3 Class A[(b)]			
11/15/16	1.640%	149,580	149,729
Ares CLO Ltd. Series 2014-32A Class C[(b)(h)]			
11/15/25	4.445%	2,000,000	1,943,200
GCAT LLC Series 2014-2 Class A1[(b)(h)]			
10/25/19	3.721%	4,415,684	4,396,852
GMAC Mortgage Home Equity Loan Trust Series 2004-HE5 Class A5 (FGIC)[(h)]			
09/25/34	5.865%	152,434	156,134

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
New York Mortgage Trust Residential LLC Series 2013-RP1A Class A[(b)(h)]			
07/25/18	4.250%	4,649,955	4,670,880
Oak Hill Credit Partners X Ltd. Series 2014-10A Class C[(b)(h)]			
07/20/26	3.331%	5,100,000	4,980,721
Octagon Investment Partners XXII Ltd. Series 2014-1A Class D1[(b)(h)]			
11/22/25	4.191%	2,500,000	2,376,783
Symphony CLO Ltd. Series 2014-14A Class D2[(b)(h)]			
07/14/26	3.830%	3,000,000	2,838,462
Truman Capital Mortgage Loan Trust Series 2014-NPL2 Class A1[(b)(h)]			
06/25/54	3.125%	1,031,258	1,029,993
Total Asset-Backed Securities — Non-Agency (Cost: $27,072,110)			**26,741,047**

Inflation-Indexed Bonds[(a)] 3.7%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Brazil 0.4%			
Brazil Notas do Tesouro Nacional			
08/15/22	6.000% BRL	3,945,819	1,512,421
08/15/30	6.000% BRL	1,603,381	609,232
Series B			
08/15/18	6.000% BRL	4,384,244	1,680,381
Total			3,802,034
Italy 0.1%			
Italy Buoni Poliennali Del Tesoro			
09/15/41	2.550% EUR	926,507	1,240,805
United States 2.8%			
U.S. Treasury Inflation-Indexed Bond			
01/15/23	0.125%	8,331,984	8,056,637
02/15/43	0.625%	7,932,942	7,458,203
U.S. Treasury Inflation-Indexed Bond[(k)]			
01/15/24	0.625%	10,290,787	10,335,006
Total			25,849,846
Uruguay 0.4%			
Uruguay Government International Bond			
04/05/27	4.250% UYU	94,686,535	3,837,824
Total Inflation-Indexed Bonds (Cost: $36,105,171)			**34,730,509**

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

Portfolio of Investments *(continued)*

December 31, 2014

Foreign Government Obligations(a)(l) 16.4%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Argentina 0.2%			
Argentina Bonar Bonds			
04/17/17	7.000%	980,410	941,194
Provincia de Cordoba			
Senior Unsecured(b)			
08/17/17	12.375%	780,000	709,800
Total			1,650,994
Brazil 0.4%			
Brazilian Government International Bond			
Senior Unsecured			
01/20/34	8.250%	1,737,000	2,384,032
Petrobras Global Finance BV			
05/20/23	4.375%	500,000	430,040
Petrobras International Finance Co. SA			
03/15/19	7.875%	1,167,000	1,228,116
Total			4,042,188
Chile 0.2%			
Chile Government International Bond			
Senior Unsecured			
08/05/20	5.500% CLP	1,060,000,000	1,831,099
Colombia 1.0%			
Colombia Government International Bond			
Senior Unsecured			
04/14/21	7.750% COP	4,028,000,000	1,823,744
01/18/41	6.125%	1,173,000	1,404,801
Ecopetrol SA			
Senior Unsecured			
01/16/25	4.125%	532,000	505,400
05/28/45	5.875%	760,000	703,000
Emgesa SA ESP			
Senior Unsecured			
01/25/21	8.750% COP	1,700,000,000	771,710
Empresa de Energia de Bogota SA ESP			
Senior Unsecured(b)			
11/10/21	6.125%	472,000	508,029
Empresas Publicas de Medellin ESP(b)			
Senior Unsecured			
02/01/21	8.375% COP	5,754,000,000	2,544,205
09/10/24	7.625% COP	666,000,000	271,473
Oleoducto Central SA			
Senior Unsecured(b)			
05/07/21	4.000%	500,000	477,500
Transportadora de Gas Internacional SA ESP			
Senior Unsecured(b)			
03/20/22	5.700%	619,000	649,829
Total			9,659,691

Foreign Government Obligations(a)(l) *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Croatia 0.2%			
Croatia Government International Bond			
Senior Unsecured(b)			
01/26/24	6.000%	1,666,000	1,795,115
Dominican Republic 0.8%			
Banco de Reservas de La Republica Dominicana			
Subordinated Notes(b)			
02/01/23	7.000%	814,000	803,141
Dominican Republic International Bond(b)			
02/22/19	12.000% DOP	38,000,000	874,768
01/08/21	14.000% DOP	44,702,000	1,112,244
Senior Unsecured			
02/10/23	14.500% DOP	14,000,000	346,087
04/20/27	8.625%	2,850,000	3,341,625
04/30/44	7.450%	1,287,000	1,406,048
Total			7,883,913
El Salvador 0.1%			
El Salvador Government International Bond(b)			
01/18/27	6.375%	468,000	469,170
Senior Unsecured			
02/01/41	7.625%	600,000	630,000
Total			1,099,170
Georgia 0.2%			
Georgian Railway JSC			
Senior Unsecured(b)			
07/11/22	7.750%	2,008,000	2,103,380
Ghana 0.1%			
Republic of Ghana(b)			
08/07/23	7.875%	700,000	647,500
01/18/26	8.125%	500,000	462,500
Total			1,110,000
Guatemala 0.3%			
Guatemala Government Bond(b)			
Senior Unsecured			
06/06/22	5.750%	1,662,000	1,798,699
02/13/28	4.875%	790,000	803,825
Total			2,602,524
Hungary 0.7%			
Hungary Government International Bond			
Senior Unsecured			
11/22/23	5.750%	2,792,000	3,092,140
03/25/24	5.375%	1,644,000	1,781,685
MFB Magyar Fejlesztesi Bank Zrt.(b)			
10/21/20	6.250%	851,000	936,100

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

Portfolio of Investments *(continued)*
December 31, 2014

Foreign Government Obligations[a][l] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Magyar Export-Import Bank Zrt. Government Guaranteed[b]			
01/30/20	4.000%	789,000	783,280
Total			6,593,205
Indonesia 2.4%			
Indonesia Government International Bond[b] Senior Unsecured			
03/13/20	5.875%	2,794,000	3,094,355
05/05/21	4.875%	770,000	816,570
04/25/22	3.750%	1,077,000	1,060,845
Indonesia Treasury Bond Senior Unsecured			
09/15/19	11.500% IDR	17,100,000,000	1,582,975
07/15/22	10.250% IDR	10,680,000,000	970,125
03/15/24	8.375% IDR	44,900,000,000	3,761,304
09/15/24	10.000% IDR	4,500,000,000	409,306
05/15/27	7.000% IDR	38,080,000,000	2,813,523
Majapahit Holding BV[b]			
08/07/19	8.000%	760,000	880,840
06/29/37	7.875%	540,000	631,800
PT Pertamina Persero Senior Unsecured[b]			
05/20/23	4.300%	2,212,000	2,112,460
PT Perusahaan Listrik Negara[b] Senior Unsecured			
11/22/21	5.500%	3,977,000	4,201,423
10/24/42	5.250%	250,000	227,813
Total			22,563,339
Ireland 0.1%			
Vnesheconombank Via VEB Finance PLC Senior Unsecured[b]			
11/21/23	5.942%	988,000	765,700
Italy 0.5%			
Italy Buoni Poliennali Del Tesoro			
09/01/22	5.500% EUR	532,000	826,313
Senior Unsecured			
05/01/21	3.750% EUR	3,055,000	4,243,121
Total			5,069,434
Ivory Coast 0.1%			
Ivory Coast Government International Bond[b] Senior Unsecured			
07/23/24	5.375%	400,000	380,480
Ivory Coast Government International Bond[h] Senior Unsecured			
12/31/32	5.750%	409,000	390,595
Total			771,075

Foreign Government Obligations[a][l] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Kazakhstan 0.3%			
KazMunayGas National Co. JSC[b] Senior Unsecured			
07/02/18	9.125%	425,000	465,375
04/30/23	4.400%	2,242,000	1,989,775
Total			2,455,150
Macedonia 0.1%			
Macedonia Government Bond[b]			
07/24/21	3.975% EUR	391,000	468,319
Malaysia 0.2%			
Malaysia Government Bond Senior Unsecured			
10/31/19	3.654% MYR	6,100,000	1,730,130
Petronas Capital Ltd.			
08/12/19	5.250%	75,000	83,078
Total			1,813,208
Mexico 2.2%			
Comision Federal de Electricidad[b] Senior Unsecured			
01/15/24	4.875%	1,292,000	1,350,140
02/14/42	5.750%	300,000	320,100
Mexican Bonos			
06/11/20	8.000% MXN	13,940,000	1,063,449
06/10/21	6.500% MXN	50,000	3,559
06/09/22	6.500% MXN	95,500,000	6,798,329
12/05/24	10.000% MXN	25,000,000	2,219,426
06/03/27	7.500% MXN	7,720,000	583,925
Senior Unsecured			
11/23/34	7.750% MXN	17,800,000	1,380,698
Mexico Government International Bond Senior Unsecured			
01/11/40	6.050%	686,000	838,978
Pemex Finance Ltd. (NPFGC)			
08/15/17	10.610%	147,812	164,319
Senior Unsecured			
11/15/18	9.150%	310,000	338,774
Pemex Project Funding Master Trust			
01/21/21	5.500%	760,000	822,700
Petroleos Mexicanos			
03/01/18	5.750%	1,839,000	1,986,120
09/12/24	7.190% MXN	5,730,000	386,706
06/02/41	6.500%	532,000	610,470
01/23/45	6.375%	1,900,000	2,167,964
Total			21,035,657

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

Portfolio of Investments *(continued)*

December 31, 2014

Foreign Government Obligations[a][l] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Morocco 0.1%			
Morocco Government International Bond Senior Unsecured[b]			
12/11/22	4.250%	794,000	797,970
Netherlands 0.1%			
Petrobras Global Finance BV			
03/17/24	6.250%	574,000	546,184
Panama 0.1%			
Ena Norte Trust Pass-Through Certificates[b]			
04/25/23	4.950%	1,113,762	1,141,606
Paraguay 0.1%			
Republic of Paraguay[b]			
08/11/44	6.100%	832,000	886,080
Peru 0.7%			
Corporacion Financiera de Desarrollo SA Senior Unsecured[b]			
02/08/22	4.750%	2,300,000	2,391,656
Fondo MIVIVIENDA SA Senior Unsecured[b]			
01/31/23	3.500%	400,000	378,000
Peruvian Government International Bond Senior Unsecured			
08/12/26	8.200% PEN	5,830,000	2,345,440
Peruvian Government International Bond[b] Senior Unsecured			
08/12/20	7.840% PEN	540,000	207,248
08/12/26	8.200% PEN	3,435,000	1,381,919
Total			6,704,263
Philippines 0.2%			
Philippine Government International Bond Senior Unsecured			
01/15/21	4.950% PHP	35,000,000	819,415
Power Sector Assets & Liabilities Management Corp. Government Guaranteed[b]			
12/02/24	7.390%	469,000	610,286
Total			1,429,701
Republic of Namibia 0.2%			
Namibia International Bonds Senior Unsecured[b]			
11/03/21	5.500%	1,638,000	1,719,900

Foreign Government Obligations[a][l] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Republic of the Congo 0.1%			
Republic of Congo Senior Unsecured[h]			
06/30/29	3.500%	580,450	522,405
Romania 0.3%			
Romanian Government International Bond[b] Senior Unsecured			
02/07/22	6.750%	516,000	619,845
08/22/23	4.375%	1,300,000	1,368,250
01/22/24	4.875%	434,000	474,145
Total			2,462,240
Russian Federation 0.9%			
Eurasian Development Bank Senior Unsecured			
10/05/17	8.000% RUB	38,600,000	489,251
Gazprom Neft OAO Via GPN Capital SA Senior Unsecured[b]			
09/19/22	4.375%	1,672,000	1,220,560
Gazprom OAO Via Gaz Capital SA[b] Senior Unsecured			
04/11/18	8.146%	1,092,000	1,081,080
03/07/22	6.510%	2,392,000	2,141,438
Russian Foreign Bond — Eurobond[b] Senior Unsecured			
04/04/22	4.500%	1,100,000	972,675
04/04/42	5.625%	600,000	487,500
Russian Foreign Bond — Eurobond[b][h] Senior Unsecured			
03/31/30	7.500%	2,341,625	2,428,265
Total			8,820,769
Senegal —%			
Senegal Government International Bond[b]			
07/30/24	6.250%	292,000	279,590
Serbia 0.1%			
Republic of Serbia[b]			
12/03/18	5.875%	770,000	800,800
South Africa 0.1%			
South Africa Government International Bond Senior Unsecured			
03/09/20	5.500%	327,000	358,066
Transnet SOC Ltd. Senior Unsecured[b]			
07/26/22	4.000%	700,000	658,000
Total			1,016,066

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

Portfolio of Investments *(continued)*

December 31, 2014

Foreign Government Obligations[(a)(l)] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
South Korea 0.5%			
Export-Import Bank of Korea[(b)]			
02/15/15	5.000% IDR	2,500,000,000	201,235
Korea Monetary Stabilization Bond			
08/09/15	2.370% KRW	5,280,000,000	4,811,692
Total			5,012,927
Trinidad and Tobago 0.4%			
Petroleum Co. of Trinidad & Tobago Ltd.			
Senior Unsecured[(b)]			
08/14/19	9.750%	2,918,000	3,435,945
Turkey 1.4%			
Export Credit Bank of Turkey[(b)]			
Senior Unsecured			
04/24/19	5.875%	1,786,000	1,904,412
09/23/21	5.000%	430,000	439,675
Turkey Government International Bond			
02/17/45	6.625%	550,000	674,987
Senior Unsecured			
03/30/21	5.625%	1,784,000	1,960,170
02/05/25	7.375%	5,190,000	6,458,332
01/14/41	6.000%	1,308,000	1,484,580
Total			12,922,156
Uruguay 0.1%			
Uruguay Government International Bond			
Senior Unsecured PIK			
01/15/33	7.875%	546,786	751,831
Venezuela 0.7%			
Petroleos de Venezuela SA			
04/12/17	5.250%	6,385,000	2,873,250
11/02/17	8.500%	2,262,300	1,294,036
11/17/21	9.000%	743,343	325,212
05/16/24	6.000%	936,947	351,355
Venezuela Government International Bond			
Senior Unsecured			
05/07/23	9.000%	4,524,100	1,983,818
Total			6,827,671
Zambia 0.2%			
Zambia Government International Bond			
Senior Unsecured[(b)]			
04/14/24	8.500%	1,466,000	1,605,563
Total Foreign Government Obligations (Cost: $160,314,633)			**152,996,828**

Municipal Bonds 0.3%

Issuer Description	Coupon Rate	Principal Amount ($)	Value ($)
California —%			
Cabazon Band Mission Indians			
Revenue Bonds			
Mortgage Notes			
Series 2004[(b)(c)(e)(m)]			
10/01/13	13.000%	350,000	175,000
Puerto Rico 0.3%			
Commonwealth of Puerto Rico			
Unlimited General Obligation Bonds			
Series 2014A[(m)]			
07/01/35	8.000%	2,950,000	2,566,500
Total Municipal Bonds (Cost: $3,095,694)			**2,741,500**

Senior Loans 4.5%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Aerospace & Defense 0.1%			
Doncasters US Finance LLC			
Tranche B Term Loan[(h)(n)]			
04/09/20	4.500%	393,005	389,323
TASC, Inc.			
1st Lien Term Loan[(h)(n)]			
05/22/20	6.500%	323,375	314,805
Total			704,128
Automotive —%			
Navistar, Inc.			
Tranche B Term Loan[(h)(n)]			
08/17/17	5.750%	139,500	138,454
Brokerage/Asset Managers/Exchanges —%			
USI, Inc.			
Term Loan[(h)(n)]			
12/27/19	4.250%	294,028	288,515
Building Materials —%			
Contech Engineered Solutions LLC			
Term Loan[(h)(n)]			
04/29/19	6.250%	147,750	146,088
Cable and Satellite 0.1%			
Encompass Digital Media, Inc.			
1st Lien Tranche B Term Loan[(h)(n)]			
06/06/21	5.500%	438,837	434,997

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

Portfolio of Investments *(continued)*
December 31, 2014

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Chemicals 0.7%			
American Pacific Corp. Term Loan[h][n] 02/27/19	7.000%	994,988	988,769
Ascend Performance Materials Operations LLC Tranche B Term Loan[h][n] 04/10/18	6.750%	293,216	266,094
HII Holding Corp. 2nd Lien Term Loan[h][n] 12/21/20	9.500%	500,000	497,500
Kronos Worldwide, Inc. Term Loan[h][n] 02/18/20	4.750%	995,000	990,025
MacDermid, Inc. Tranche B 1st Lien Term Loan[h][n] 06/07/20	4.000%	997,468	976,272
Oxea Finance & Cy SCA 2nd Lien Term Loan[h][n] 07/15/20	8.250%	175,000	165,375
Polymer Group, Inc. Term Loan[h][n] 12/19/19	5.250%	994,987	978,819
Ravago Holdings America, Inc. Term Loan[h][n] 12/20/20	5.500%	992,500	994,981
Solenis International LP/Holdings 3 LLC 1st Lien Term Loan[h][n] 07/31/21	4.250%	249,375	242,517
Univar, Inc. Tranche B Term Loan[h][j][n] 06/30/17	5.000%	498,704	481,593
Total			6,581,945
Construction Machinery —%			
Douglas Dynamics LLC Term Loan[h][n] 04/18/18	5.750%	287,593	286,155
Consumer Cyclical Services 0.2%			
Creative Artists Agency LLC Term Loan[h][n] 12/17/21	6.750%	125,000	125,000
IG Investments Holdings LLC 1st Lien Tranche B Term Loan[h][n] 10/31/19	5.250%	196,000	194,775
Pre-Paid Legal Services, Inc. Term Loan[h][n] 07/01/19	6.250%	132,661	131,390
Sabre GLBL, Inc. Tranche B Term Loan[h][n] 02/19/19	4.000%	309,125	303,162
ServiceMaster Co. LLC (The) Term Loan[h][n] 07/01/21	4.250%	997,500	977,550
Weight Watchers International, Inc. Tranche B-2 Term Loan[h][n] 04/02/20	4.000%	540,375	414,738
Total			2,146,615
Consumer Products 0.1%			
Affinion Group, Inc. Tranche B Term Loan[h][n] 04/30/18	6.750%	1,193,985	1,115,874
Fender Musical Instruments Corp. Term Loan[h][n] 04/03/19	5.750%	111,000	110,168
Varsity Brands Tranche B Term Loan[h][n] 12/12/21	6.000%	100,000	99,625
Total			1,325,667
Diversified Manufacturing 0.4%			
Allflex Holdings III, Inc.[h][n] 1st Lien Term Loan 07/17/20	4.250%	419,687	410,857
2nd Lien Term Loan 07/19/21	8.000%	750,000	731,250
Apex Tool Group LLC Term Loan[h][n] 01/31/20	4.500%	1,012,025	981,664
Filtration Group Corp. 1st Lien Term Loan[h][n] 11/20/20	4.500%	992,481	985,345
William Morris Endeavor Entertainment LLC[h][n] 1st Lien Term Loan 05/06/21	5.250%	124,375	119,945
2nd Lien Term Loan 05/06/22	8.250%	150,000	142,875
Total			3,371,936
Electric 0.3%			
Calpine Corp. Term Loan[h][n] 04/01/18	4.000%	192,983	190,619
EquiPower Resources Holdings LLC[h][n] 1st Lien Tranche B Term Loan 12/21/18	4.250%	115,060	114,245
1st Lien Tranche C Term Loan 12/31/19	4.250%	344,752	342,311

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

Portfolio of Investments *(continued)*

December 31, 2014

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
FREIF North American Power I LLC[h][n]			
Tranche B-1 Term Loan			
03/29/19	4.750%	310,423	308,094
Tranche C-1 Term Loan			
03/29/19	4.750%	51,277	50,893
TPF Generation Holdings LLC			
Term Loan[h][n]			
12/31/17	4.750%	1,582,187	1,423,969
Texas Competitive Electric Holdings Co. LLC			
Term Loan[h][n]			
04/25/15	4.648%	624,903	399,419
Viva Alamo LLC			
Term Loan[h][n]			
02/22/21	5.250%	224,435	220,227
Windsor Financing LLC			
Tranche B Term Loan[h][n]			
12/05/17	6.250%	111,472	111,472
Total			3,161,249
Environmental 0.1%			
STI Infrastructure SARL			
Term Loan[h][n]			
08/22/20	6.250%	497,481	488,775
Food and Beverage 0.1%			
Arysta LifeScience SPC LLC			
2nd Lien Term Loan[h][n]			
11/30/20	8.250%	175,000	173,906
Big Heart Pet Brands			
Term Loan[h][n]			
03/09/20	3.500%	499,204	476,740
Performance Food Group, Inc.			
2nd Lien Term Loan[h][n]			
11/14/19	6.250%	443,250	433,831
Total			1,084,477
Gaming 0.3%			
Cannery Casino Resorts LLC			
2nd Lien Term Loan[h][n]			
10/02/19	10.000%	100,000	77,063
Peppermill Casinos, Inc.			
Tranche B Term Loan[h][n]			
11/09/18	7.250%	391,979	391,489
ROC Finance LLC			
Tranche B Term Loan[h][n]			
06/20/19	5.000%	419,687	388,211
Scientific Games International, Inc.[h][n]			
Term Loan			
10/18/20	6.000%	371,250	365,403
Tranche B2 Term Loan			
10/01/21	6.000%	1,000,000	984,170

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Stockbridge/SBE Holdings			
Tranche B Term Loan[h][n]			
05/02/17	13.000%	62,500	56,875
Total			2,263,211
Health Care 0.2%			
Alere, Inc.			
Tranche B Term Loan[h][n]			
06/30/17	4.250%	482,752	477,321
Alliance HealthCare Services, Inc.			
Term Loan[h][n]			
06/03/19	4.250%	221,626	218,136
Onex Carestream Finance LP			
1st Lien Term Loan[h][n]			
06/07/19	5.000%	312,725	310,771
Quintiles Transnational Corp.			
Term B-3 Term Loan[h][n]			
06/08/18	3.750%	453,762	447,713
Total			1,453,941
Independent Energy 0.1%			
Samson Investment Co.			
2nd Lien Tranche 1 Term Loan[h][n]			
09/25/18	5.000%	530,000	415,827
Templar Energy LLC			
2nd Lien Term Loan[h][n]			
11/25/20	8.500%	1,000,000	716,000
Total			1,131,827
Leisure 0.1%			
24 Hour Fitness Worldwide, Inc.			
Term Loan[h][n]			
05/28/21	4.750%	273,625	261,312
Lions Gate Entertainment			
Term Loan[h][n]			
07/19/20	5.000%	1,000,000	988,750
Total			1,250,062
Media and Entertainment 0.2%			
Clear Channel Communications, Inc.			
Tranche D Term Loan[h][n]			
01/30/19	6.919%	417,100	392,370
Getty Images, Inc.			
Term Loan[h][n]			
10/18/19	4.750%	735,000	672,216
Granite Broadcasting			
1st Lien Tranche B Term Loan[h][n]			
05/23/18	6.750%	95,281	94,328

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

Portfolio of Investments *(continued)*
December 31, 2014

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
ION Media Networks, Inc. Tranche B1 Term Loan(h)(n) 12/18/20	4.750%	275,000	270,875
Radio One, Inc. Term Loan(h)(n) 03/31/16	7.500%	380,922	377,113
Total			1,806,902
Metals —%			
Noranda Aluminum Acquisition Corp. Tranche B Term Loan(h)(n) 02/28/19	5.750%	98,232	93,730
Midstream —%			
Philadelphia Energy Solutions Refining and Marketing LLC Term Loan(h)(n) 04/04/18	6.250%	146,445	137,171
Oil Field Services 0.2%			
Drillships Financing Holding, Inc. Tranche B1 Term Loan(h)(n) 03/31/21	6.000%	882,123	687,509
Fieldwood Energy LLC 2nd Lien Term Loan(h)(n) 09/30/20	8.375%	1,000,000	726,250
Total			1,413,759
Other Industry 0.2%			
Harland Clarke Holdings Corp. Tranche B-3 Term Loan(h)(n) 05/22/18	7.000%	168,438	168,606
Sensus U.S.A., Inc.(h)(n) 1st Lien Term Loan 05/09/17	4.500%	989,771	964,403
2nd Lien Term Loan 05/09/18	8.500%	350,000	332,500
WireCo WorldGroup, Inc. Term Loan(h)(n) 02/15/17	6.000%	242,061	241,456
Total			1,706,965
Packaging 0.1%			
Ranpak Corp. 1st Lien Term Loan(h)(n) 10/01/21	4.750%	997,500	989,400
Paper —%			
Caraustar Industries, Inc. Term Loan(h)(n) 05/01/19	7.500%	353,399	349,571

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Pharmaceuticals —%			
Valeant Pharmaceuticals International, Inc.(h)(n) Tranche B-C2 Term Loan 12/11/19	3.500%	234,518	232,272
Tranche B-D2 Term Loan 02/13/19	3.500%	127,386	126,080
Total			358,352
Retailers 0.6%			
David's Bridal, Inc. Term Loan(h)(n) 10/11/19	5.250%	1,251,755	1,189,167
Hudson's Bay Co. 1st Lien Term Loan(h)(n) 11/04/20	4.750%	351,351	350,694
J. Crew Group, Inc. Term Loan(h)(n) 03/05/21	4.000%	582,056	547,133
Jo-Ann Stores, Inc. Tranche B Term Loan(h)(n) 03/16/18	4.000%	401,654	388,600
Leslie's Poolmart, Inc. Tranche B Term Loan(h)(n) 10/16/19	4.250%	992,387	963,856
Neiman Marcus Group, Inc. (The) Term Loan(h)(n) 10/25/20	4.250%	967,129	943,957
Rite Aid Corp.(h)(n) 2nd Lien Tranche 1 Term Loan 08/21/20	5.750%	300,000	300,501
2nd Lien Tranche 2 Term Loan 06/21/21	4.875%	125,000	124,791
Tranche 7 Term Loan 02/21/20	3.500%	147,759	146,835
Sports Authority, Inc. (The) Tranche B Term Loan(h)(n) 11/16/17	7.500%	948,449	827,522
Total			5,783,056
Supermarkets 0.1%			
Albertson's LLC Tranche B-2 Term Loan(h)(n) 03/21/19	4.750%	994,259	986,803
Sprouts Farmers Markets Holdings LLC Term Loan(h)(n) 04/23/20	4.000%	166,822	165,987
Total			1,152,790

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

Portfolio of Investments *(continued)*
December 31, 2014

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Technology 0.2%			
BMC Software Finance, Inc.[h][n] 09/10/20	5.000%	997,481	962,569
Blue Coat Systems, Inc. Term Loan[h][n] 05/31/19	4.000%	345,626	335,257
Greeneden U.S. Holdings II LLC Term Loan[h][n] 02/08/20	4.000%	140,357	137,375
Infogroup, Inc. Tranche B Term Loan[h][n] 05/26/18	7.500%	247,500	229,351
Micro Focus US, Inc. Tranche B Term Loan[h][n] 11/19/21	5.250%	150,000	144,845
Verint Systems, Inc. Tranche B Term Loan[h][n] 09/06/19	3.500%	41,415	40,959
Total			1,850,356
Transportation Services 0.1%			
Commercial Barge Line Co. 1st Lien Term Loan[h][n] 09/22/19	7.500%	171,938	171,078
Hertz Corp. (The) Letter of Credit[h][n] 03/11/18	3.750%	250,000	248,125
Total			419,203
Wirelines —%			
Alaska Communications Systems Holdings, Inc. Term Loan[h][n] 10/21/16	0.000%	314,054	311,306
Total Senior Loans (Cost: $44,814,013)			**42,630,603**

Common Stocks —%

Issuer	Shares	Value ($)
Financials —%		
Diversified Financial Services —%		
Fairlane Management Corp.[d][e][f][o]	2,000	—
Total Financials		**—**
Total Common Stocks (Cost: $—)		**—**

Money Market Funds 3.7%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.115%[p][q]	34,365,790	34,365,790
Total Money Market Funds (Cost: $34,365,790)		**34,365,790**
Total Investments (Cost: $950,048,920)		**940,626,604**
Other Assets & Liabilities, Net		(5,880,225)
Net Assets		**934,746,379**

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

Portfolio of Investments *(continued)*

December 31, 2014

Investments in Derivatives

Forward Foreign Currency Exchange Contracts Open at December 31, 2014

Counterparty	Exchange Date	Currency to be Delivered	Currency to be Received	Unrealized Appreciation ($)	Unrealized Depreciation ($)
Citigroup Global Markets Inc.	1/23/2015	70,950,000 RUB	1,143,617 USD	—	(42,680)
Citigroup Global Markets Inc.	1/28/2015	7,455,000 EUR	9,238,982 USD	215,771	—
Deutsche Bank	1/13/2015	1,742,222 USD	3,920,000 TRY	—	(66,378)
Deutsche Bank	1/14/2015	600,000,000 KRW	537,009 USD	—	(9,413)
Deutsche Bank	1/14/2015	545,306 USD	600,000,000 KRW	1,116	—
HSBC Securities (USA), Inc.	1/13/2015	335,500,000 JPY	2,877,482 USD	76,318	—
J.P. Morgan Securities, Inc.	1/9/2015	4,705,000 MYR	1,360,810 USD	15,919	—
J.P. Morgan Securities, Inc.	1/9/2015	254,000 SGD	194,606 USD	2,878	—
J.P. Morgan Securities, Inc.	1/9/2015	1,396,640 USD	4,705,000 MYR	—	(51,749)
J.P. Morgan Securities, Inc.	1/13/2015	1,900,000 PLN	564,270 USD	27,835	—
J.P. Morgan Securities, Inc.	1/13/2015	563,156 USD	1,900,000 PLN	—	(26,720)
UBS Securities	1/20/2015	58,056,000 EUR	71,714,361 USD	1,452,080	—
Total				1,791,917	(196,940)

Futures Contracts Outstanding at December 31, 2014

At December 31, 2014, securities totaling $3,689,539 were pledged as collateral to cover initial margin requirements on open futures contracts.

Long Futures Contracts Outstanding

Contract Description	Number of Contracts	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
US 2YR NOTE	394	USD	86,125,938	03/2015	—	(116,592)
US 5YR NOTE	382	USD	45,431,142	03/2015	89,312	—
US ULTRA T-BOND	500	USD	82,593,750	03/2015	3,737,544	—
Total			214,150,830		3,826,856	(116,592)

Short Futures Contracts Outstanding

Contract Description	Number of Contracts	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
EURO BUXL 30YR BOND	(24)	EUR	(4,500,806)	03/2015	—	(213,182)
US 10YR NOTE	(1,809)	USD	(229,375,556)	03/2015	—	(992,628)
US LONG BOND	(637)	USD	(92,086,313)	03/2015	—	(2,515,443)
Total			(325,962,675)		—	(3,721,253)

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

Portfolio of Investments *(continued)*

December 31, 2014

Credit Default Swap Contracts Outstanding at December 31, 2014

At December 31, 2014, cash totaling $2,931,421 was pledged as collateral to cover open centrally cleared credit default swap contracts.

Sell Protection

Counterparty	Reference Entity	Expiration Date	Receive Fixed Rate (%)	Implied Credit Spread (%)**	Notional Amount ($)	Market Value ($)	Unamortized Premium (Paid) Received ($)	Periodic Payments Receivable (Payable) ($)	Unrealized Appreciation ($)	Unrealized Depreciation ($)
Morgan Stanley*	CDX North America High Yield 23-V1	12/20/2019	5.000	3.559%	58,900,000	856,782	—	81,806	938,588	—

* Centrally cleared swap contract

** Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

Interest Rate Swap Contracts Outstanding at December 31, 2014

At December 31, 2014, cash totaling $3,403,206 was pledged as collateral to cover open centrally cleared interest rate swap contracts.

Counterparty	Floating Rate Index	Fund Pay/Receive Floating Rate	Fixed Rate (%)	Expiration Date	Notional Currency	Notional Amount	Unamortized Premium (Paid) Received ($)	Unrealized Appreciation ($)	Unrealized Depreciation ($)
Morgan Stanley*	3-Month USD LIBOR-BBA	Receive	2.551	9/4/2024	USD	109,000,000	(932)	—	(3,628,712)

*Centrally cleared swap contract

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, 2014, the value of these securities amounted to $441,702,205 or 47.25% of net assets.

(c) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At December 31, 2014, the value of these securities amounted to $1,109,759, which represents 0.12% of net assets.

(d) Negligible market value.

(e) Identifies securities considered by the Investment Manager to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2014 was $175,000, which represents 0.02% of net assets. Information concerning such security holdings at December 31, 2014 is as follows:

Security Description	Acquisition Dates	Cost ($)
Cabazon Band Mission Indians Revenue Bonds Mortgage Notes Series 2004 10/01/13 13.000%	10/4/04	350,000
Fairlane Management Corp.	9/23/02	—
Six Flags, Inc., Escrow 06/01/44 0.000%	5/7/10	—

(f) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At December 31, 2014, the value of these securities amounted to $0, which represents less than 0.01% of net assets.

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

Portfolio of Investments *(continued)*

December 31, 2014

Notes to Portfolio of Investments *(continued)*

(g) 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.

(h) Variable rate security.

(i) Interest Only (IO) security. The actual effective yield of this security is different than the stated coupon rate.

(j) Represents a security purchased on a when-issued or delayed delivery basis.

(k) 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.

(l) Principal and interest may not be guaranteed by the government.

(m) Municipal obligations include debt obligations issued by or on behalf of territories, possessions, or sovereign nations within the territorial boundaries of the United States. At December 31, 2014, the value of these securities amounted to $2,741,500 or 0.29% 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, 2014. 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.

(o) Non-income producing.

(p) The rate shown is the seven-day current annualized yield at December 31, 2014.

(q) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of the company's 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, 2014, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	90,454,018	637,225,004	(693,313,232)	34,365,790	42,926	34,365,790

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

BRL Brazilian Real
CLP Chilean Peso
COP Colombian Peso
DOP Dominican Republic Peso
EUR Euro
IDR Indonesian Rupiah
JPY Japanese Yen
KRW Korean Won
MXN Mexican Peso
MYR Malaysia Ringgits
PEN Peru Nuevos Soles

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

Portfolio of Investments *(continued)*

December 31, 2014

Currency Legend *(continued)*

PHP	Philippine Peso
PLN	Polish Zloty
RUB	Russian Rouble
SGD	Singapore Dollar
TRY	Turkish Lira
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.).

> 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

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

Portfolio of Investments *(continued)*

December 31, 2014

Fair Value Measurements *(continued)*

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, 2014:

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				
Leisure	—	5,819,668	0[(a)]	5,819,668
All Other Industries	—	385,198,771	—	385,198,771
Residential Mortgage-Backed Securities — Agency	—	58,683,101	—	58,683,101
Residential Mortgage-Backed Securities — Non-Agency	—	114,747,569	21,044,502	135,792,071
Commercial Mortgage-Backed Securities — Non-Agency	—	60,926,716	—	60,926,716
Asset-Backed Securities — Non-Agency	—	20,126,967	6,614,080	26,741,047
Inflation-Indexed Bonds	—	34,730,509	—	34,730,509
Foreign Government Obligations	—	151,009,816	1,987,012	152,996,828
Municipal Bonds	—	2,741,500	—	2,741,500
Total Bonds	—	833,984,617	29,645,594	863,630,211
Senior Loans				
Cable and Satellite	—	—	434,997	434,997
Chemicals	—	4,823,370	1,758,575	6,581,945
Construction Machinery	—	—	286,155	286,155
Electric	—	1,266,821	1,894,428	3,161,249
Food and Beverage	—	607,737	476,740	1,084,477
Gaming	—	2,206,336	56,875	2,263,211
Other Industry	—	1,133,009	573,956	1,706,965
Transportation Services	—	171,078	248,125	419,203
All Other Industries	—	26,692,401	—	26,692,401
Total Senior Loans	—	36,900,752	5,729,851	42,630,603

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

Portfolio of Investments *(continued)*
December 31, 2014

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 ($)	Total ($)
Equity Securities				
Common Stocks				
Financials	—	—	0[a]	0[a]
Total Equity Securities	—	—	0[a]	0[a]
Mutual Funds				
Money Market Funds	34,365,790	—	—	34,365,790
Total Mutual Funds	34,365,790	—	—	34,365,790
Investments in Securities	34,365,790	870,885,369	35,375,445	940,626,604
Derivatives				
Assets				
Forward Foreign Currency Exchange Contracts	—	1,791,917	—	1,791,917
Futures Contracts	3,826,856	—	—	3,826,856
Swap Contracts	—	938,588	—	938,588
Liabilities				
Forward Foreign Currency Exchange Contracts	—	(196,940)	—	(196,940)
Futures Contracts	(3,837,845)	—	—	(3,837,845)
Swap Contracts	—	(3,628,712)	—	(3,628,712)
Total	34,354,801	869,790,222	35,375,445	939,520,468

(a) Rounds to zero.

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.

Derivative instruments are valued at unrealized appreciation (depreciation).

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

Portfolio of Investments *(continued)*

December 31, 2014

Fair Value Measurements *(continued)*

The following table is a reconciliation of Level 3 assets for which significant observable and/or unobservable inputs were used to determine fair value:

	Corporate Bonds & Notes ($)	Residential Mortgage-Backed Securities — Agency ($)	Residential Mortgage-Backed Securities — Non-Agency ($)	Asset-Backed Securities — Non-Agency ($)	Foreign Government Obligations ($)	Senior Loans ($)	Common Stocks ($)	Total ($)
Balance as of December 31, 2013	1,202,642	2,290,489	16,695,175	—	1,466,979	2,009,591	0(a)	23,664,876
Accrued discounts/ premiums	—	(246,371)	(2,679)	(4,279)	(13,007)	(22,244)	—	(288,580)
Realized gain (loss)	—	223,891	—	—	24,785	(109,753)	—	138,923
Change in unrealized appreciation (depreciation)(b)	—	55,519	37,493	833	56,387	(229,010)	—	(78,778)
Sales	—	(2,323,528)	(2,025,377)	(224,197)	(1,478,623)	(913,695)	—	(6,965,420)
Purchases	—	—	16,250,000	6,841,723	1,930,491	3,215,331	—	28,237,545
Transfers into Level 3	—	—	—	—	—	2,768,784	—	2,768,784
Transfers out of Level 3	(1,202,642)	—	(9,910,110)	—	—	(989,153)	—	(12,101,905)
Balance as of December 31, 2014	0(a)	—	21,044,502	6,614,080	1,987,012	5,729,851	0(a)	35,375,445

(a) Rounds to zero.

(b) Change in unrealized appreciation (depreciation) relating to securities held at December 31, 2014 was $(174,588), which is comprised of Residential Mortgage-Backed Securities — Non-Agency of $37,493, Asset-Backed Securities — Non-Agency of $833, Foreign Government Obligations of $56,514 and Senior Loans of $(269,428).

The Fund's assets assigned to the Level 3 category are valued utilizing the valuation technique deemed the most appropriate in the circumstances.

Certain senior loans, foreign government obligations, and residential and asset backed securities classified as Level 3 securities are valued using the market approach and utilize single market quotations from broker dealers which may have included, but were not limited to, observable transactions for identical or similar assets in the market and the distressed nature of the security. The appropriateness of fair values for these securities is monitored on an ongoing basis which may include results of back testing, manual price reviews and other control procedures. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement.

Certain common stock and corporate bonds 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 company. 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 determined 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 utilizing a single market quotation from a broker dealer. As a result, as of period end, management determined to value the securities under 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, 2014

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $915,683,130)	$906,260,814
Affiliated issuers (identified cost $34,365,790)	34,365,790
Total investments (identified cost $950,048,920)	940,626,604
Cash	342,749
Foreign currency (identified cost $113)	96
Margin deposits	6,334,627
Unrealized appreciation on forward foreign currency exchange contracts	1,791,917
Premiums paid on outstanding swap contracts	932
Receivable for:	
Investments sold	1,600,514
Capital shares sold	158,074
Dividends	2,560
Interest	10,347,567
Reclaims	121,372
Variation margin	319,835
Prepaid expenses	8,172
Trustees' deferred compensation plan	47,476
Total assets	961,702,495
Liabilities	
Unrealized depreciation on forward foreign currency exchange contracts	196,940
Payable for:	
Investments purchased on a delayed delivery basis	23,061,137
Capital shares purchased	2,328,034
Variation margin	691,088
Investment management fees	447,989
Distribution and/or service fees	7,582
Transfer agent fees	50,939
Administration fees	57,445
Compensation of board members	3,723
Chief compliance officer expenses	165
Other expenses	63,598
Trustees' deferred compensation plan	47,476
Total liabilities	26,956,116
Net assets applicable to outstanding capital stock	**$934,746,379**

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

Statement of Assets and Liabilities *(continued)*

December 31, 2014

Represented by	
Paid-in capital	$879,720,835
Undistributed net investment income	48,932,920
Accumulated net realized gain	16,716,728
Unrealized appreciation (depreciation) on:	
Investments	(9,422,316)
Foreign currency translations	(95,652)
Forward foreign currency exchange contracts	1,594,977
Futures contracts	(10,989)
Swap contracts	(2,690,124)
Total — representing net assets applicable to outstanding capital stock	**$934,746,379**
Class 1	
Net assets	$900,977,680
Shares outstanding	103,485,125
Net asset value per share	$8.71
Class 2	
Net assets	$33,768,699
Shares outstanding	3,900,193
Net asset value per share	$8.66

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

Statement of Operations
Year Ended December 31, 2014

Net investment income	
Income:	
Dividends — affiliated issuers	$42,926
Interest	60,999,014
Foreign taxes withheld	(119,713)
Total income	60,922,227
Expenses:	
Investment management fees	6,328,298
Distribution and/or service fees	
Class 2	85,900
Transfer agent fees	
Class 1	702,181
Class 2	20,616
Administration fees	797,383
Compensation of board members	50,485
Custodian fees	64,508
Printing and postage fees	31,922
Professional fees	78,875
Chief compliance officer expenses	664
Other	39,846
Total expenses	8,200,678
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(24,581)
Total net expenses	8,176,097
Net investment income	52,746,130
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	11,598,428
Foreign currency translations	(214,370)
Forward foreign currency exchange contracts	2,845,102
Futures contracts	3,867,486
Swap contracts	1,059,220
Net realized gain	19,155,866
Net change in unrealized appreciation (depreciation) on:	
Investments	(21,343,965)
Foreign currency translations	(97,972)
Forward foreign currency exchange contracts	2,062,159
Futures contracts	(1,581,446)
Swap contracts	(2,690,124)
Net change in unrealized depreciation	(23,651,348)
Net realized and unrealized loss	(4,495,482)
Net increase in net assets resulting from operations	**$48,250,648**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operations		
Net investment income	$52,746,130	$48,657,440
Net realized gain	19,155,866	11,408,468
Net change in unrealized depreciation	(23,651,348)	(56,513,509)
Net increase in net assets resulting from operations	48,250,648	3,552,399
Distributions to shareholders		
Net investment income		
Class 1	(40,834,891)	(47,080,549)
Class 2	(1,035,451)	(1,588,973)
Net realized gains		
Class 1	(13,006,960)	(26,703,402)
Class 2	(356,744)	(955,952)
Total distributions to shareholders	(55,234,046)	(76,328,876)
Increase (decrease) in net assets from capital stock activity	(240,710,194)	206,645,363
Total increase (decrease) in net assets	(247,693,592)	133,868,886
Net assets at beginning of year	1,182,439,971	1,048,571,085
Net assets at end of year	**$934,746,379**	**$1,182,439,971**
Undistributed net investment income	$48,932,920	$38,552,821

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	15,103,761	135,283,846	23,847,328	219,933,975
Distributions reinvested	6,076,958	53,841,851	8,510,260	73,783,951
Redemptions	(48,449,007)	(428,594,367)	(9,462,681)	(87,334,222)
Net increase (decrease)	(27,268,288)	(239,468,670)	22,894,907	206,383,704
Class 2 shares				
Subscriptions	462,414	4,111,110	803,339	7,438,696
Distributions reinvested	157,845	1,392,195	294,893	2,544,925
Redemptions	(755,263)	(6,744,829)	(1,085,197)	(9,721,962)
Net increase (decrease)	(135,004)	(1,241,524)	13,035	261,659
Total net increase (decrease)	**(27,403,292)**	**(240,710,194)**	**22,907,942**	**206,645,363**

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. Total return and portfolio turnover are not annualized for periods of less than one year. The portfolio turnover rate is calculated without regard to purchase and sales transactions of short-term instruments and certain derivatives, if any. If such transactions were included, the Fund's portfolio turnover rate may be higher.

	Year Ended December 31,				
Class 1	**2014**	**2013**	**2012**	**2011**	**2010**
Per share data					
Net asset value, beginning of period	$8.77	$9.37	$8.73	$8.83	$8.60
Income from investment operations:					
Net investment income	0.39	0.40	0.42	0.45	0.47
Net realized and unrealized gain (loss)	(0.05)	(0.37)	0.63	0.13[a]	0.40
Total from investment operations	0.34	0.03	1.05	0.58	0.87
Less distributions to shareholders:					
Net investment income	(0.30)	(0.40)	(0.41)	(0.68)	(0.64)
Net realized gains	(0.10)	(0.23)	—	—	—
Total distributions to shareholders	(0.40)	(0.63)	(0.41)	(0.68)	(0.64)
Net asset value, end of period	$8.71	$8.77	$9.37	$8.73	$8.83
Total return	3.77%	0.37%	12.25%	6.80%	10.43%
Ratios to average net assets[b]					
Total gross expenses	0.67%	0.67%	0.67%	0.68%	0.98%
Total net expenses[c]	0.67%	0.67%	0.65%	0.58%[d]	0.65%[d]
Net investment income	4.39%	4.37%	4.63%	5.22%	5.34%
Supplemental data					
Net assets, end of period (in thousands)	$900,978	$1,147,222	$1,011,055	$1,044,575	$37,602
Portfolio turnover	130%[e]	116%[e]	112%[e]	95%[e]	78%

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 subscriptions and redemptions of Fund shares in relation to fluctuations in the market value of the portfolio.

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

(c) Total net expenses include the impact of certain fee waivers/expense 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 90%, 73%, 74% and 82% for the years ended December 31, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, respectively.

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

Financial Highlights *(continued)*

	Year Ended December 31,				
Class 2	**2014**	**2013**	**2012**	**2011**	**2010**
Per share data					
Net asset value, beginning of period	$8.73	$9.33	$8.69	$8.79	$8.56
Income from investment operations:					
Net investment income	0.37	0.37	0.40	0.43	0.44
Net realized and unrealized gain (loss)	(0.07)	(0.37)	0.62	0.13[a]	0.41
Total from investment operations	0.30	—	1.02	0.56	0.85
Less distributions to shareholders:					
Net investment income	(0.27)	(0.37)	(0.38)	(0.66)	(0.62)
Net realized gains	(0.10)	(0.23)	—	—	—
Total distributions to shareholders	(0.37)	(0.60)	(0.38)	(0.66)	(0.62)
Net asset value, end of period	$8.66	$8.73	$9.33	$8.69	$8.79
Total return	3.41%	0.12%	11.96%	6.56%	10.21%
Ratios to average net assets[b]					
Total gross expenses	0.92%	0.92%	0.93%	1.08%	1.23%
Total net expenses[c]	0.92%	0.92%	0.90%	0.91%[d]	0.90%[d]
Net investment income	4.14%	4.11%	4.36%	5.01%	5.09%
Supplemental data					
Net assets, end of period (in thousands)	$33,769	$35,218	$37,516	$30,869	$27,747
Portfolio turnover	130%[e]	116%[e]	112%[e]	95%[e]	78%

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 subscriptions and redemptions of Fund shares in relation to fluctuations in the market value of the portfolio.

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

(c) Total net expenses include the impact of certain fee waivers/expense 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 90%, 73%, 74% and 82% for the years ended December 31, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, respectively.

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

Notes to Financial Statements

December 31, 2014

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 the Trust's organizational documents or 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

Basis of Preparation

The Fund is an investment company that applies the accounting and reporting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services — Investment Companies* (ASC 946). The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) which 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 income and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies 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 that take into account, as applicable, 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.

Senior loan securities for which reliable market quotations are readily available are generally valued by pricing services at the average of the bids received.

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 their net asset value.

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.

Swap transactions are valued through an independent pricing service or broker, or if neither is available, through an internal model based upon observable inputs.

Notes to Financial Statements *(continued)*

December 31, 2014

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 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 quoted or published 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 generally translated into U.S. dollars at exchange rates determined at the close of the NYSE. 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 increase investment flexibility (including to maintain cash reserves while maintaining exposure to certain other assets), for risk management (hedging) purposes, 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 marked-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. The 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 variation margin held by the counterparty. With exchange-traded or centrally cleared derivatives, there is reduced 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 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 account. 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 (including the Fund), 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 the 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, 2014

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 marked-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 if 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. The Fund utilized forward foreign currency exchange contracts to hedge the currency exposure associated with some or all of the Fund's securities and to generate total return through long and short currency positions versus the U.S. dollar. These instruments may be used for other purposes in future periods.

The values of forward foreign currency exchange contracts fluctuate daily with changes in foreign currency exchange rates. Changes in the value of these contracts are recorded as unrealized appreciation or depreciation until the contract is exercised or has expired. The Fund will realize a gain or loss when the forward foreign currency exchange contract is closed or expires.

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.

Swap Contracts

Swap contracts are privately negotiated in the over-the-counter market and may be entered into as a bilateral contract or

Notes to Financial Statements *(continued)*

December 31, 2014

centrally cleared (centrally cleared swap contract). In a centrally cleared swap contract, immediately following execution of the swap contract with a broker, the swap contract is novated to a central counterparty (the CCP) and the CCP becomes the Fund's counterparty to the 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 Statement of Assets and Liabilities as margin deposits. Unlike a bilateral swap contract, for centrally cleared swap contracts, the Fund has minimal credit exposure to the counterparty because 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 Statement of Assets and Liabilities.

Credit Default Swap Contracts

The Fund entered into credit default swap contracts to increase or decrease its credit exposure to an index. These instruments may be used for other purposes in future periods. Credit default swap contracts are agreements in which one party pays fixed periodic payments to a counterparty in consideration for a guarantee from the counterparty to make a specific payment should a specified credit event(s) take place. Although specified credit 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. The difference between the value of the obligation or cash delivered and the notional amount received will be recorded as a realized gain (loss).

As the seller of a credit default swap contract, the Fund sells protection to a buyer and will generally receive a periodic interest rate on the notional amount. The interest amount is accrued daily as a component of unrealized appreciation (depreciation) and is recorded as a realized gain upon receipt of the payment. If a credit event as specified in the contract with the counterparty occurs, the Fund may either be required to accept the reference obligation from the buyer in exchange for a cash payment of its notional amount, or to pay the buyer a net cash settlement equal to the notional amount less an agreed-upon value of the reference obligation (recovery value) as of the date of the credit event. The difference between the value of the obligation or cash received and the notional amount paid will be recorded as a realized gain (loss). The maximum potential amount of undiscounted future payments the Fund could be required to make as the seller of protection under a credit default swap contract is equal to the notional amount of the reference obligation. These potential amounts may be partially offset by any recovery values of the respective reference obligations or premiums received upon entering into the agreement. The notional amounts and market values of all credit default swap contracts in which the Fund is the seller of protection, if any, are disclosed in the Credit Default Swap Contracts Outstanding schedule following the Portfolio of Investments. These potential amounts may be partially offset by any recovery values of the respective reference obligations or premiums received upon entering into the agreement.

As a protection seller, the Fund bears the risk of loss from the credit events specified in the contract with the counterparty. For credit default swap contracts on credit indices, quoted market prices and resulting market values serve as an indicator of the current status of the payment/performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the reference entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the contract.

Any premium paid or received by the Fund upon entering into a credit default swap contract is recorded as an asset or liability, respectively, and amortized daily as a component of realized gain (loss) in the Statement of Operations. Credit default swap contracts are valued daily, and the change in value is recorded as unrealized appreciation (depreciation) until the termination of the swap, at which time a realized gain (loss) is recorded.

Credit default swap contracts can involve greater risks than if a fund had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to counterparty credit risk, leverage risk, hedging risk, correlation risk and liquidity risk. The Fund will enter into credit default swap transactions only with counterparties that meet certain standards of creditworthiness.

Notes to Financial Statements *(continued)*

December 31, 2014

Interest Rate Swap Contracts

The Fund entered into interest rate swap transactions to manage the duration and yield curve exposure of the Fund. These instruments may be used for other purposes in future periods. Interest rate swaps are agreements between two parties that involve the exchange of one type of interest rate for another type of interest rate cash flow on specified dates in the future, based on a predetermined, specified notional amount. Certain interest rate swaps are considered forward-starting, whereby the accrual for the exchange of cash flows does not begin until a specified date in the future (the effective date). The net cash flow for a standard interest rate swap transaction is generally the difference between a floating market interest rate versus a fixed interest rate.

Interest rate swaps are valued daily and unrealized appreciation (depreciation) is recorded. Certain interest rate swaps may accrue periodic interest on a daily basis as a component of unrealized appreciation (depreciation); the Fund will realize a gain or loss upon the payment or receipt of accrued interest. The Fund will realize a gain or a loss when the interest rate swap is terminated.

Risks of entering into interest rate swaps include a lack of correlation between the swaps and the portfolio of bonds the swaps are designed to hedge or replicate. A lack of correlation may cause the interest rate swaps to experience adverse changes in value relative to expectations. In addition, interest rate swaps are subject to the risk of default of a counterparty, and the risk of adverse movements in market interest rates relative to the interest rate swap positions taken. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from/paid to the counterparty over the contract's remaining life to the extent that such amount is positive, plus the cost of entering into a similar transaction with another counterparty.

The Fund attempts to mitigate counterparty credit risk by entering into interest rate swap transactions only with counterparties that meet prescribed levels of creditworthiness, as determined by the Investment Manager. The Fund and any counterparty are required to maintain an agreement that requires the Fund and that counterparty to monitor (on a daily basis) the net market value of all derivative transactions entered into pursuant to the agreement between the Fund and such counterparty. If the net market value of such derivatives transactions between the Fund and that counterparty exceeds a certain threshold (as defined in the agreement), the Fund or the counterparty is required to post cash and/or securities as collateral. Market values of derivatives transactions presented in the financial statements are not netted with the market values of other derivatives transactions or with any collateral amounts posted by the Fund or any counterparty.

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, 2014:

				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	1,791,917	—	1,791,917	90,428	—	—	1,701,489
Centrally Cleared Swap Contracts[c]	69,805	—	69,805	69,805	—	—	—
Total	1,861,722	—	1,861,722	160,233	—	—	1,701,489

Notes to Financial Statements *(continued)*

December 31, 2014

	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 ($)	Gross Amounts Not Offset in the Statement of Assets and Liabilities			
				Financial Instruments ($)[d]	Cash Collateral Pledged ($)	Securities Collateral Pledged ($)	Net Amount($)[e]
Liability Derivatives:							
Forward Foreign Currency Exchange Contracts	196,940	—	196,940	90,428	—	—	106,512
Centrally Cleared Swap Contracts[f]	116,213	—	116,213	69,805	46,408	—	—
Total	313,153	—	313,153	160,233	46,408	—	106,512

(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) Centrally cleared swaps are included within receivable for variation margin on the Statement of Assets and Liabilities.

(d) 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.

(e) Represents the net amount due to counterparties in the event of default.

(f) Centrally cleared swaps are included within payable for variation margin on 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; and 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 (not considered to be hedging instruments for accounting disclosure purposes) at December 31, 2014:

Asset Derivatives

Risk Exposure Category	Statement of Assets and Liabilities Location	Fair Value ($)
Credit risk	Net assets — unrealized appreciation on swap contracts	938,588*
Foreign exchange risk	Unrealized appreciation on forward foreign currency exchange contracts	1,791,917
Interest rate risk	Net assets — unrealized appreciation on futures contracts	3,826,856*
Interest rate risk	Premiums paid on outstanding swap contracts	932
Total		6,558,293

Liability Derivatives

Risk Exposure Category	Statement of Assets and Liabilities Location	Fair Value ($)
Foreign exchange risk	Unrealized depreciation on forward foreign currency exchange contracts	196,940
Interest rate risk	Net assets — unrealized depreciation on futures contracts	3,837,845*
Interest rate risk	Net assets — unrealized depreciation on swap contracts	3,628,712*
Total		7,663,497

*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, 2014

The following table indicates the effect of derivative instruments (not considered to be hedging instruments for accounting disclosure purposes) in the Statement of Operations for the year ended December 31, 2014:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income				
Risk Exposure Category	**Forward Foreign Currency Exchange Contracts ($)**	**Futures Contracts ($)**	**Swap Contracts ($)**	**Total ($)**
Credit risk	—	—	995,026	995,026
Foreign exchange risk	2,845,102	—	—	2,845,102
Interest rate risk	—	3,867,486	64,194	3,931,680
Total	2,845,102	3,867,486	1,059,220	7,771,808

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income				
Risk Exposure Category	**Forward Foreign Currency Exchange Contracts ($)**	**Futures Contracts ($)**	**Swap Contracts ($)**	**Total ($)**
Credit risk	—	—	938,588	938,588
Foreign exchange risk	2,062,159	—	—	2,062,159
Interest rate risk	—	(1,581,446)	(3,628,712)	(5,210,158)
Total	2,062,159	(1,581,446)	(2,690,124)	(2,209,411)

The following table is a summary of the average outstanding volume by derivative instrument for the year ended December 31, 2014:

Derivative Instrument	Average Notional Amounts ($)*
Futures contracts — Long	155,266,268
Futures contracts — Short	377,863,765
Credit default swap contracts — buy protection	7,066,125
Credit default swap contracts — sell protection	14,725,000

Derivative Instrument	Average Unrealized Appreciation ($)*	Average Unrealized Depreciation ($)*
Forward foreign currency exchange contracts	893,546	(373,194)
Interest rate swap contracts	185,521	(907,178)

*Based on the ending quarterly outstanding amounts for the year ended December 31, 2014.

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 to the Fund 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

Notes to Financial Statements *(continued)*

December 31, 2014

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. These adjustments are recorded as interest income in the Statement of Operations. Coupon payments are based on the adjusted principal at the time the interest is paid.

Investments in Senior Loans

The Fund may invest in senior loan assignments. When the Fund purchases an assignment of a senior 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 its rights only through an administrative agent. Although certain senior loan assignments are secured by collateral, the Fund could experience delays or limitations in realizing such collateral or have its 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, senior loan assignments are vulnerable to market, economic or other conditions or events that may reduce the demand for senior loan assignments and certain senior loan assignments which were liquid, when purchased, may become illiquid.

The Fund may enter into senior loan assignments where all or a portion of the loan may be unfunded. The Fund is obligated to fund these commitments at the borrower's discretion. These commitments are generally traded and priced in the same manner as other senior loan securities and are disclosed as unfunded senior loan commitments in the Fund's Portfolio of Investments. The Fund designates cash or liquid securities to cover these commitments.

Interest Only Securities

The Fund may invest in Interest Only Securities (IOs). IOs are stripped securities entitled to receive all of the security's interest, but none of its principal. The Fund may also invest in stripped mortgage-backed securities. If the underlying obligations experience greater than anticipated prepayments of principal, the Fund may fail to fully recoup its initial investment in an IO. As a result of the prepayments the daily interest accrual factor is adjusted periodically (typically, each month) to reflect the paydown of principal. IOs are particularly sensitive to changes in interest rates and therefore subject to greater fluctuations in price than typical interest bearing debt securities. IOs are also subject to credit risk because the Fund may not receive all or part of the interest payments if the issuer or credit enhancer defaults 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.

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. The Fund classifies gains and losses realized on prepayments received on mortgage-backed securities as adjustments to interest income.

The Fund may place a debt security on non-accrual status and reduce related interest income when it becomes probable that the interest will not be collected and the amount of uncollectible interest can be reasonably estimated. A defaulted debt security is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is reasonably assured.

The Fund may receive other income from senior loans, including amendment fees, consent fees and commitment fees. These fees are recorded as income when received by the Fund. These amounts are included in Interest Income in the Statement of Operations.

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.

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.

Notes to Financial Statements *(continued)*

December 31, 2014

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

Guarantees and Indemnifications

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

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, 2014 was 0.525% 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

Notes to Financial Statements *(continued)*

December 31, 2014

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, 2014 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 the Fund 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. The Fund pays no distribution and service fees for Class 1 shares.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

The Fund's expense ratio is subject to an expense reimbursement arrangement pursuant to which fees will be waived and/or expenses reimbursed (excluding certain fees and expenses described below), so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the annual rates of:

	Voluntary Expense Cap Effective December 1, 2014	Voluntary Expense Cap Effective May 1, 2014 through November 30, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.69%	0.67%	0.72%
Class 2	0.94	0.92	0.97

The voluntary expense cap arrangement may be revised or discontinued at any time. Under the 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 and extraordinary expenses.

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, 2014, these differences are primarily due to differing treatment for principal and/or interest from fixed income securities, deferral/reversal of wash sale losses, Trustees' deferred compensation, foreign capital gains tax, foreign currency transactions, derivative investments, tax straddles, swap investments and swap reclassifications. 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	$(495,689)
Accumulated net realized gain	490,111
Paid-in capital	5,578

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

Notes to Financial Statements *(continued)*

December 31, 2014

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

Year Ended December 31,	2014	2013
Ordinary income	$41,870,342	$53,591,072
Long-term capital gains	13,363,703	22,737,804
Total	$55,234,045	$76,328,876

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

At December 31, 2014, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$54,065,077
Undistributed long-term capital gains	12,768,192
Net unrealized depreciation	(9,542,566)

At December 31, 2014, the cost of investments for federal income tax purposes was $950,169,170 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$19,066,087
Unrealized depreciation	(28,608,653)
Net unrealized depreciation	$(9,542,566)

For the year ended December 31, 2014, $968,916 of capital loss carryforward was utilized.

Management of the Fund has concluded that there are no significant uncertain tax positions in the Fund 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 and certain derivatives, if any, aggregated to $1,516,264,342 and $1,714,393,969, respectively, for the year ended December 31, 2014, of which $753,044,067 and $834,844,894, respectively, were U.S. government securities. The amount of purchase and sale activity impacts the portfolio turnover rate reported in the Financial Highlights.

Note 6. Affiliated Money Market Fund

The Fund invests 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, 2014, affiliated shareholders of record owned 96.0% of the outstanding shares of the Fund in one or more accounts. Subscription and redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 8. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank N.A. (JPMorgan) whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. Pursuant to a December 9, 2014 amendment, the credit facility agreement, 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 $550 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations. Prior to the December 9, 2014 amendment, the credit facility agreement permitted borrowings up to $500 million under the same terms and interest rates as described above.

The Fund had no borrowings during the year ended December 31, 2014.

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.

Notes to Financial Statements *(continued)*

December 31, 2014

Credit Risk

Credit risk is the risk that the value of debt securities in the Fund's portfolio may decline because the issuer may default and fail to pay interest or repay principal when due. Rating agencies assign credit ratings to debt securities to indicate their credit risk. Lower rated or unrated debt securities held by the Fund may present increased credit risk as compared to higher-rated debt securities.

Interest Rate Risk

Interest rate risk is the risk of losses attributable to changes in interest rates. In general, if prevailing interest rates rise, the values of debt securities tend to fall, and if interest rates fall, the values of debt securities tend to rise. Actions by governments and central banking authorities can result in increases in interest rates. Increasing interest rates may negatively affect the value of debt securities held by the Fund, resulting in a negative impact on the Fund's performance and net asset value per share. In general, the longer the maturity or duration of a debt security, the greater its sensitivity to changes in interest rates.

Liquidity Risk

Liquidity risk is the risk associated with a lack of marketability of investments which may make it difficult to sell the investment at a desirable time or price. Changing regulatory, market or other conditions or environments (for example, the interest rate or credit environments) may adversely affect the liquidity of the Fund's investments. The Fund may have to accept a lower selling price for the holding, sell other investments, or forego another, more appealing investment opportunity. Generally, the less liquid the market at the time the Fund sells a portfolio investment, the greater the risk of loss or decline of value to the Fund. A less liquid market can lead to an increase in Fund redemptions, which may negatively impact Fund performance and net asset value per share, including, for example, if the Fund is forced to sell securities in a down market.

Foreign Securities and Emerging Market Countries 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. These countries are also more likely to experience high levels of inflation, deflation or currency devaluation which could hurt their economies and securities markets.

High-Yield Securities Risk

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.

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

Notes to Financial Statements *(continued)*

December 31, 2014

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 quarterly (10-Q), annual (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, 2014, and 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, 2014 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 our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2015

Federal Income Tax Information

(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2014.

Tax Designations:

Capital Gain Dividend	$13,511,150

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.

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, Year of Birth and Position Held with the Trust	Year First Appointed or Elected as Trustee to any Fund Currently in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) during the Past Five Years	Number of Funds in the Columbia Funds Complex Overseen	Other Directorships Held by Trustee During the Past Five Years
Douglas A. Hacker (Born 1955) Trustee and Chairman of the Board	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	59	Spartan Stores, Inc. (food distributor); Nash Finch Company (food distributor) from 2005 to 2013; Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd. (container leasing) from 2010 to 2013
Janet Langford Kelly (Born 1957) Trustee	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	59	None
Nancy T. Lukitsh (Born 1956) Trustee	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	59	None
William E. Mayer (Born 1940) Trustee	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	59	DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; BlackRock Kelso Capital Corporation (investment company); Premier, Inc. (healthcare)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Year of Birth and Position Held with the Trust	Year First Appointed or Elected as Trustee to any Fund Currently in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) during the Past Five Years	Number of Funds in the Columbia Funds Complex Overseen	Other Directorships Held by Trustee During the Past Five Years
David M. Moffett (Born 1952) Trustee	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	59	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) Trustee	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	59	None
John J. Neuhauser (Born 1943) Trustee	1984	President, Saint Michael's College since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005; University Professor, Boston College from November 2005 to August 2007	59	Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)
Patrick J. Simpson (Born 1944) Trustee	2000	Partner, Perkins Coie LLP (law firm)	59	None
Anne-Lee Verville (Born 1945) Trustee	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)	59	Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

Trustees and Officers *(continued)*

Interested Trustee Affiliate with Investment Manager*

Name, Year of Birth and Position Held with the Trust	Year First Appointed or Elected as Trustee to any Fund Currently in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) during the Past Five Years	Number of Funds in the Columbia Funds Complex Overseen	Other Directorships Held by Trustee During the Past Five Years
William F. Truscott (Born 1960) Trustee	2012	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; Director, Threadneedle Asset Management Holdings, SARL since 2014; President and Chief Executive Officer, Ameriprise Certificate Company, 2006 – August 2012	191	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2010; Director, Columbia Management Investment Distributors, Inc. since May 2010; Director, Ameriprise Certificate Company, 2006 to 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 Statement of Additional Information 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.

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:

Fund 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
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	President and Principal Executive Officer (2015)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since January 2015 (previously, Vice President and Chief Counsel January 2010 – December 2014; and Vice President and Group Counsel or Lead Counsel 2004 – January 2010); officer of Columbia Funds and affiliated funds since 2007.
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, September 2004 – April 2010; senior officer of Columbia Funds and affiliated funds since 2002.

Trustees and Officers *(continued)*

Fund 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
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Senior Vice President (2011), Chief Legal Officer (2015) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (previously Chief Counsel, January 2010 – January 2013 and Group Counsel, November 2008 – January 2010).
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Senior Vice President and 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, 2005 – 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; Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, 2007 – 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, 2005 – April 2010.
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011), Assistant Treasurer (2012) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Treasurer, Columbia Management Investment Advisers, LLC since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC, 2006 – April 2010.
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1965	Vice President (2006)	Managing Director and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, 2009 – April 2010, and Vice President — Asset Management and Trust Company Services, 2006 – 2009).
Lyn Kephart-Strong 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1960	Vice President (2015)	President, Columbia Management Investment Services Corp. since October 2014; Vice President & Resolution Officer, Ameriprise Trust Company since August 2009; President, RiverSource Service Corporation 2004 – 2010.
Ryan C. Larrenaga 225 Franklin Street Boston, MA 02110 Born 1970	Vice President and Secretary (2015)	Vice President and Group Counsel, Ameriprise Financial, Inc. since August 2011 (previously, Counsel from May 2010 to August 2011); Assistant General Counsel, Bank of America, 2005 – April 2010; officer of Columbia Funds and affiliated funds since 2005.

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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 31st for the most recent 12-month period ending June 30th 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-1522 E (2/15)

Dreyfus Variable Investment Fund, Appreciation Portfolio

ANNUAL REPORT December 31, 2014

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, 2014, through December 31, 2014. 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.

While U.S. equities' 2014 gains fell short of their impressive 2013 performance, some broad measures of stock market performance posted their sixth consecutive year of positive results. Investor sentiment remained strong in an environment of sustained economic growth, rising corporate profits, muted inflation, and historically low interest rates. It also is noteworthy that stocks advanced despite persistent headwinds stemming from a sluggish global economy, which was characterized by economic weakness in Europe, Japan and China; intensifying geopolitical conflicts; and plummeting commodity prices.

Many economists appear to be optimistic about the prospects for 2015. Our own analysts agree and, in light of the ongoing benefits of low interest rates and depressed energy prices, see the potential for a somewhat faster pace of global growth in 2015 than in 2014. U.S. economic growth also seems poised to accelerate, largely due to the fading of drags from tight fiscal policies adopted in the wake of the Great Recession. Of course, a number of risks to U.S. and global economic growth remain, and changing conditions in 2015 are likely to benefit some industry groups more than others. That's why we urge you to talk regularly with your financial advisor about the potential impact of macroeconomic developments on your investments.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2015

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2014, through December 31, 2014, 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, 2014, Dreyfus Variable Investment Fund, Appreciation Portfolio's Initial shares produced a total return of 8.09%, and its Service shares produced a total return of 7.83%.[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 13.66% for the same period.[2]

The S&P 500 Index reached a series of new record highs over the reporting period as the U.S. economic recovery gained momentum. The fund produced lower returns than its benchmark, primarily due to overweighted exposure to energy stocks and stock selection shortfalls in the consumer staples sector.

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]

S&P 500 Index Reached New Record Highs

The S&P 500 Index recorded a series of new highs in 2014 despite several short-lived sell-offs. The benchmark generated a double-digit return for the third consecutive year and has more than tripled from its March 2009 low. U.S. equity markets outpaced other developed nations as domestic economic growth gained traction. In contrast, economic weakness and financial strains resurfaced abroad, and foreign central banks generally adopted new stimulative measures. The U.S. dollar strengthened against nearly every major currency while oil prices plunged. Concerns about global growth intensified over the second half of the year, sparking increased market volatility. In this environment, large-cap stocks significantly outperformed their small-cap counterparts. The utilities, health care, and information technology sectors fared especially well, while the energy sector was the only market segment to post a decline.

Energy Exposure Weighed on Fund Performance

Although the fund participated significantly in the market's gains, an overweighted allocation to the lagging energy sector undermined results compared to the benchmark. Still, the impact of our allocation strategy was mitigated by strong stock selections within the sector, in which we avoided most of the more volatile oilfield service and equipment stocks. Instead, we focused on stocks with compelling valuations, established records of returning capital to shareholders, and disciplined cost controls. Our stock selection strategy in the consumer staples sector also hurt relative performance, more than offsetting the benefits of overweighted exposure to the relatively strong performing area. An emphasis on the financials and health care sectors further dampened relative results.

On a more positive note, factors supporting relative performance over the year included underweighted positions and favorable stock selections in the consumer discretionary and industrials sectors, both of which generally lagged market averages. Lack of exposure to the telecommunications services sector also proved constructive. In the information technology sector, strong stock selections effectively balanced shortfalls stemming from underweighted exposure, resulting in a market-neutral impact for the sector overall.

Individual fund holdings making the most positive contributions to returns included Apple, Altria Group, Johnson & Johnson, AbbVie, Walgreens Boots Alliance, Procter & Gamble, Intel, and Texas Instruments. Holdings that detracted from performance included International Business Machines, Exxon Mobil, Chevron, Occidental Petroleum, *Freeport-McMoRan*, Whole Foods Market, and Philip Morris International.

Maintaining a Focus on Fundamentals

In our view, the backdrop for U.S. equities remains constructive even as the Federal Reserve Board contemplates steps to normalize interest rate policy. Domestic economic growth appears to be gaining momentum and is projected to provide support for higher corporate profits and additional, if more modest, equity gains in the year ahead. However, uneven and desynchronized global trends have created greater uncertainty and have fueled recently heightened volatility. We believe that market leadership is increasingly likely to be determined by underlying business fundamentals and the type of attributes that have long been central to the fund's investment strategy. In our view, the high-quality industry leaders in which we primarily invest have the financial resources, management expertise, and operational discipline to sustain growth and build shareholder value in more challenging environments.

January 15, 2015

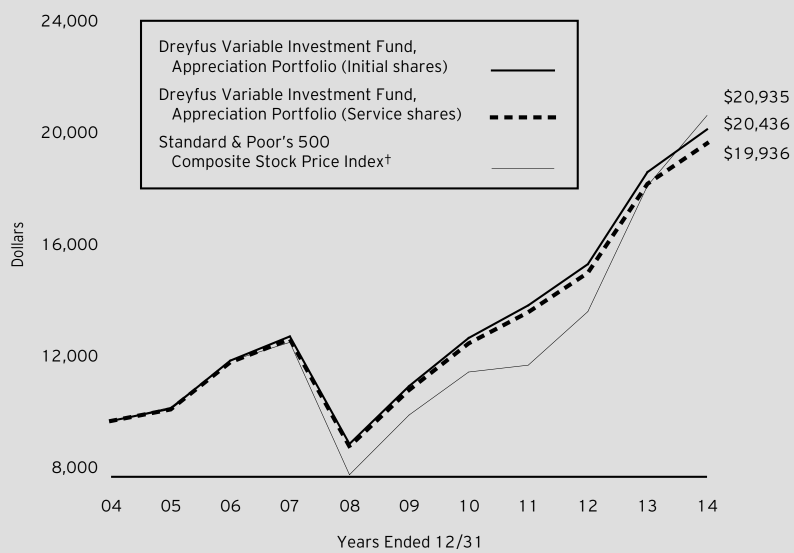
Please note, the position in any security highlighted with italicized typeface was sold during the reporting period.
Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully 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 or advised 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, and does not take into consideration the maximum initial sales charge in the case of Class A shares, or the applicable contingent deferred sales charge imposed on redemptions in the case of Class C shares. Had these charges been reflected, returns would have been lower. 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.*

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 any 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), the fund can be expected to be less tax efficient than during periods of more stable market conditions and asset flows.*

FUND PERFORMANCE



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 12/31/14*

	1 Year	5 Years	10 Years
Initial shares	**8.09%**	**12.69%**	**7.41%**
Service shares	**7.83%**	**12.41%**	**7.14%**
Standard & Poor's 500 Composite Stock Price Index	**13.66%**	**15.44%**	**7.67%**

† *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 12/31/04 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, 2014 to December 31, 2014. 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, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.02	$ 5.29
Ending value (after expenses)	$1,017.30	$1,016.20

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, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.02	$ 5.30
Ending value (after expenses)	$1,021.22	$1,019.96

† *Expenses are equal to the fund's annualized expense ratio of .79% for Initial shares and 1.04% 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, 2014

Common Stocks—99.7%	Shares		Value ($)
Banks—1.1%			
Wells Fargo & Co.	120,000		**6,578,400**
Capital Goods—1.3%			
United Technologies	67,000		**7,705,000**
Commercial & Professional Services—.1%			
CDK Global	9,466		**385,834**
Consumer Durables & Apparel—1.8%			
Christian Dior	56,100		9,585,106
Hermes International	3,179		1,133,552
			10,718,658
Consumer Services—1.7%			
McDonald's	109,200		**10,232,040**
Diversified Financials—8.1%			
American Express	75,000		6,978,000
BlackRock	31,000		11,084,360
Franklin Resources	183,000		10,132,710
JPMorgan Chase & Co.	267,300		16,727,634
State Street	40,000		3,140,000
			48,062,704
Energy—14.7%			
California Resources	61,040		336,330
Chevron	180,900		20,293,362
ConocoPhillips	163,100		11,263,686
EOG Resources	40,000		3,682,800
Exxon Mobil	308,364		28,508,252
Imperial Oil	100,000	a	4,303,000
Occidental Petroleum	152,600		12,301,086
Phillips 66	90,050		6,456,585
			87,145,101
Food & Staples Retailing—2.4%			
Walgreens Boots Alliance	124,300		9,471,660
Whole Foods Market	90,200		4,547,884
			14,019,544

Common Stocks (continued)	Shares	Value ($)
Food, Beverage & Tobacco—21.6%		
Altria Group	373,100	18,382,637
Anheuser-Busch InBev, ADR	27,000	3,032,640
Coca-Cola	776,200	32,771,164
Diageo, ADR	25,000	2,852,250
Mondelez International, Cl. A	118,500	4,304,512
Nestle, ADR	234,400	17,099,480
PepsiCo	132,900	12,567,024
Philip Morris International	392,100	31,936,545
SABMiller	100,000	5,175,238
		128,121,490
Health Care Equipment & Services—1.4%		
Abbott Laboratories	191,800	**8,634,836**
Household & Personal Products—4.8%		
Estee Lauder, Cl. A	133,400	10,165,080
Procter & Gamble	203,500	18,536,815
		28,701,895
Insurance—1.3%		
ACE	65,000	**7,467,200**
Materials—2.1%		
Air Products & Chemicals	5,000	721,150
Praxair	92,000	11,919,520
		12,640,670
Media—6.5%		
Comcast, Cl. A	140,000	8,121,400
McGraw-Hill Financial	69,600	6,193,008
News Corp., Cl. A	51,784 [b]	812,491
Time Warner Cable	11,300	1,718,278
Twenty-First Century Fox, Cl. A	283,136	10,873,838
Walt Disney	117,000	11,020,230
		38,739,245
Pharmaceuticals, Biotech & Life Sciences—11.2%		
AbbVie	191,800	12,551,392
Gilead Sciences	53,000 [b]	4,995,780
Johnson & Johnson	161,400	16,877,598

Common Stocks (continued)	Shares	Value ($)
Pharmaceuticals, Biotech & Life Sciences (continued)		
Novartis, ADR	85,000	7,876,100
Novo Nordisk, ADR	281,500	11,913,080
Roche Holding, ADR	371,400	12,623,886
		66,837,836
Retailing—2.7%		
Target	57,500	4,364,825
Wal-Mart Stores	134,100	11,516,508
		15,881,333
Semiconductors & Semiconductor Equipment—3.4%		
Intel	174,500	6,332,605
Texas Instruments	218,300	11,671,409
Xilinx	45,000	1,948,050
		19,952,064
Software & Services—4.8%		
Automatic Data Processing	100,400	8,370,348
International Business Machines	71,500	11,471,460
Oracle	200,000	8,994,000
		28,835,808
Technology Hardware & Equipment—6.6%		
Apple	301,700	33,301,646
QUALCOMM	82,800	6,154,524
		39,456,170
Transportation—2.1%		
Canadian Pacific Railway	50,000	9,634,500
Union Pacific	25,000	2,978,250
		12,612,750
Total Common Stocks (cost $273,140,910)		**592,728,578**

Other Investment—.2%		
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $1,263,200)	1,263,200 c	**1,263,200**

Investment of Cash Collateral for Securities Loaned–.7%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $4,154,880)	4,154,880 [c]	**4,154,880**
Total Investments (cost $278,558,990)	**100.6%**	**598,146,658**
Liabilities, Less Cash and Receivables	**(.6%)**	**(3,549,563)**
Net Assets	**100.0%**	**594,597,095**

ADR—American Depository Receipts

[a] *Security, or portion thereof, on loan. At December 31, 2014, the value of the fund's securities on loan was $4,027,608 and the value of the collateral held by the fund was $4,154,880.*

[b] *Non-income producing security.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Food, Beverage & Tobacco	21.6	Food & Staples Retailing	2.4
Energy	14.7	Materials	2.1
Pharmaceuticals, Biotech & Life Sciences	11.2	Transportation	2.1
Diversified Financials	8.1	Consumer Durables & Apparel	1.8
Technology Hardware & Equipment	6.6	Consumer Services	1.7
Media	6.5	Health Care Equipment & Services	1.4
Household & Personal Products	4.8	Capital Goods	1.3
Software & Services	4.8	Insurance	1.3
Semiconductors & Semiconductor Equipment	3.4	Banks	1.1
Retailing	2.7	Money Market Investments	.9
		Commercial & Professional Services	.1
			100.6

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2014

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $4,027,608)—Note 1(b):		
Unaffiliated issuers	273,140,910	592,728,578
Affiliated issuers	5,418,080	5,418,080
Cash		125,432
Dividends and securities lending income receivable		1,512,914
Prepaid expenses		3,054
		599,788,058
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		348,706
Due to Fayez Sarofim & Co.		110,565
Liability for securities on loan—Note 1(b)		4,154,880
Payable for shares of Beneficial Interest redeemed		508,391
Accrued expenses		68,421
		5,190,963
Net Assets ($)		**594,597,095**
Composition of Net Assets ($):		
Paid-in capital		248,273,096
Accumulated undistributed investment income—net		132,806
Accumulated net realized gain (loss) on investments		26,603,525
Accumulated net unrealized appreciation (depreciation) on investments		319,587,668
Net Assets ($)		**594,597,095**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	329,802,222	264,794,873
Shares Outstanding	6,660,858	5,378,816
Net Asset Value Per Share ($)	**49.51**	**49.23**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2014

Investment Income ($):	
Income:	
Cash dividends (net of $445,854 foreign taxes withheld at source):	
Unaffiliated issuers	15,738,065
Affiliated issuers	1,625
Income from securities lending—Note 1(b)	9,801
Total Income	**15,749,491**
Expenses:	
Investment advisory fee—Note 3(a)	3,176,973
Sub-investment advisory fee—Note 3(a)	1,297,637
Distribution fees—Note 3(b)	643,393
Professional fees	93,660
Prospectus and shareholders' reports	50,162
Custodian fees—Note 3(b)	45,580
Trustees' fees and expenses—Note 3(c)	32,372
Loan commitment fees—Note 2	6,141
Shareholder servicing costs—Note 3(b)	2,031
Interest expense—Note 2	713
Miscellaneous	42,002
Total Expenses	**5,390,664**
Less—reduction in fees due to earnings credits—Note 3(b)	(7)
Net Expenses	**5,390,657**
Investment Income—Net	**10,358,834**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	27,347,692
Net unrealized appreciation (depreciation) on investments	7,612,519
Net Realized and Unrealized Gain (Loss) on Investments	**34,960,211**
Net Increase in Net Assets Resulting from Operations	**45,319,045**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2014	2013
Operations ($):		
Investment income—net	10,358,834	11,040,818
Net realized gain (loss) on investments	27,347,692	16,061,416
Net unrealized appreciation (depreciation) on investments	7,612,519	86,090,036
Net Increase (Decrease) in Net Assets Resulting from Operations	**45,319,045**	**113,192,270**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(6,210,078)	(6,893,926)
Service Shares	(4,157,846)	(4,166,702)
Net realized gain on investments:		
Initial Shares	(9,146,788)	(845,058)
Service Shares	(6,764,797)	(570,306)
Total Dividends	**(26,279,509)**	**(12,475,992)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	16,457,471	21,784,228
Service Shares	35,946,895	49,511,523
Dividends reinvested:		
Initial Shares	15,356,866	7,738,984
Service Shares	10,922,643	4,737,008
Cost of shares redeemed:		
Initial Shares	(72,828,378)	(75,550,847)
Service Shares	(45,422,441)	(60,366,124)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(39,566,944)**	**(52,145,228)**
Total Increase (Decrease) in Net Assets	**(20,527,408)**	**48,571,050**
Net Assets ($):		
Beginning of Period	615,124,503	566,553,453
End of Period	**594,597,095**	**615,124,503**
Undistributed investment income—net	132,806	141,896

	Year Ended December 31,	
	2014	2013
Capital Share Transactions:		
Initial Shares		
Shares sold	342,337	495,214
Shares issued for dividends reinvested	325,702	175,615
Shares redeemed	(1,518,733)	(1,708,837)
Net Increase (Decrease) in Shares Outstanding	**(850,694)**	**(1,038,008)**
Service Shares		
Shares sold	751,479	1,130,343
Shares issued for dividends reinvested	233,185	108,119
Shares redeemed	(951,348)	(1,372,296)
Net Increase (Decrease) in Shares Outstanding	**33,316**	**(133,834)**

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	2014	2013	2012	2011	2010
Per Share Data ($):					
Net asset value, beginning of period	47.95	40.47	37.99	35.44	31.40
Investment Operations:					
Investment income–net[a]	.89	.86	.82	.73	.64
Net realized and unrealized gain (loss) on investments	2.86	7.59	3.14	2.42	4.09
Total from Investment Operations	3.75	8.45	3.96	3.15	4.73
Distributions:					
Dividends from investment income–net	(.90)	(.87)	(1.48)	(.60)	(.69)
Dividends from net realized gain on investments	(1.29)	(.10)	–	–	–
Total Distributions	(2.19)	(.97)	(1.48)	(.60)	(.69)
Net asset value, end of period	49.51	47.95	40.47	37.99	35.44
Total Return (%)	8.09	21.11	10.44	9.01	15.32
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.80	.81	.81	.80	.81
Ratio of net expenses to average net assets	.80	.81	.81	.80	.81
Ratio of net investment income to average net assets	1.84	1.95	2.02	1.99	2.01
Portfolio Turnover Rate	3.65	7.71	3.05	4.24	11.90
Net Assets, end of period ($ x 1,000)	329,802	360,197	345,985	326,445	310,385

[a] *Based on average shares outstanding.*
See notes to financial statements.

	Year Ended December 31,				
Service Shares	2014	2013	2012	2011	2010
Per Share Data ($):					
Net asset value, beginning of period	47.69	40.25	37.74	35.23	31.21
Investment Operations:					
Investment income—net[a]	.76	.75	.72	.63	.58
Net realized and unrealized gain (loss) on investments	2.85	7.55	3.10	2.42	4.05
Total from Investment Operations	3.61	8.30	3.82	3.05	4.63
Distributions:					
Dividends from investment income—net	(.78)	(.76)	(1.31)	(.54)	(.61)
Dividends from net realized gain on investments	(1.29)	(.10)	–	–	–
Total Distributions	(2.07)	(.86)	(1.31)	(.54)	(.61)
Net asset value, end of period	49.23	47.69	40.25	37.74	35.23
Total Return (%)	7.83	20.83	10.14	8.74	15.04
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.05	1.06	1.06	1.05	1.06
Ratio of net expenses to average net assets	1.05	1.06	1.06	1.05	1.06
Ratio of net investment income to average net assets	1.59	1.70	1.79	1.75	1.74
Portfolio Turnover Rate	3.65	7.71	3.05	4.24	11.90
Net Assets, end of period ($ x 1,000)	264,795	254,928	220,568	174,160	125,296

[a] *Based on average shares outstanding.*

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 ("ASC") 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. For open short positions, asked prices are 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 generally categorized within Level 1 of the fair value hierarchy.

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. These securities are generally categorized within Level 2 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 generally categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2014 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†	507,499,746	–	–	**507,499,746**
Equity Securities– Foreign Common Stocks†	69,334,936	15,893,896††	–	**85,228,832**
Mutual Funds	5,418,080	–	–	**5,418,080**

† *See Statement of Investments for additional detailed categorizations.*

†† *Securities classified within Level 2 at period end as the values were determined pursuant to the fund's fair valuation procedures. See note above for additional information.*

At December 31, 2013, no exchange traded foreign equity securities were classified within 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. During the period ended December 31, 2014, The Bank of New York Mellon earned $2,415 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, 2014 were as follows:

Affiliated Investment Company	Value 12/31/2013 ($)	Purchases ($)	Sales ($)	Value 12/31/2014 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	745,413	49,980,362	49,462,575	1,263,200	.2
Dreyfus Institutional Cash Advantage Fund	2,088,930	37,897,141	35,831,191	4,154,880	.7
Total	**2,834,343**	**87,877,503**	**85,293,766**	**5,418,080**	**.9**

(d) 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.

(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, 2014, 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, 2014, the fund did not incur any interest or penalties.

Each tax year in the four-year period ended December 31, 2014 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2014, the components of accumulated earnings on tax basis were as follows: undistributed ordinary income $262,224, undistributed capital gains $26,530,955 and unrealized appreciation $319,530,820.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2014 and December 31, 2013 were as follows: ordinary income $10,543,184 and $11,060,628, and long-term capital gains $15,736,325 and $1,415,364, respectively.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $430 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 8, 2014, the unsecured credit facility with Citibank, N.A. was $265 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, 2014 was approximately $65,500 with a related weighted average annualized interest rate of 1.09%.

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, 2014, Service shares were charged $643,393 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, 2014, the fund was charged $1,898 for transfer agency services and $126 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 $7.

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, 2014, the fund was charged $45,580 pursuant to the custody agreement.

During the period ended December 31, 2014, the fund was charged $7,771 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 $270,693, Distribution Plan fees $56,500, custodian fees $19,356, Chief Compliance Officer fees $1,851 and transfer agency fees $306.

(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, 2014, amounted to $21,732,630 and $76,740,743, respectively.

At December 31, 2014, the cost of investments for federal income tax purposes was $278,615,838; accordingly, accumulated net unrealized appreciation on investments was $319,530,820, consisting of $320,168,699 gross unrealized appreciation and $637,879 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, 2014, 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, 2014 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, 2014, 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 11, 2015

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, 2014 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2015 of the percentage applicable to the preparation of their 2014 income tax returns. Also, the fund hereby reports $.0142 per share as a short-term capital gain distribution and $1.2750 per share as a long-term capital gain distribution paid on March 31, 2014.

BOARD MEMBERS INFORMATION (Unaudited)

INDEPENDENT BOARD MEMBERS

Joseph S. DiMartino (71)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee (1995-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 (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: 146

Peggy C. Davis (71)
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: 52

David P. Feldman (75)
Board Member (1994)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee (1985-present)

Other Public Company Board Membership During Past 5 Years:
• BBH Mutual Funds Group (5 registered mutual funds), Director (1992-present)

No. of Portfolios for which Board Member Serves: 38

Ehud Houminer (74)
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 Membership During Past 5 Years:
• Avnet, Inc., an electronics distributor, Director (1993-2012)

No. of Portfolios for which Board Member Serves: 62

Lynn Martin (75)
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: 38

Robin A. Melvin (51)
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: 114

Dr. Martin Peretz (75)
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: 38

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 69 investment companies (comprised of 146 portfolios) managed by the Manager. He is 56 years old and has been an employee of the Manager since February 1988.

JOHN PAK, Chief Legal Officer since March 2013.

Deputy General Counsel, Investment Management, of BNY Mellon since August 2014; Chief Legal Officer of the Manager 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 52 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 41 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon and Secretary of the Manager, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 59 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 53 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since February 1991.

SARAH S. KELLEHER, Vice President and Assistant Secretary since April 2014.

Senior Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager; from August 2005 to March 2013, Associate General Counsel of Third Avenue Management. She is 39 years old and has been an employee of the Manager since March 2013.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 49 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 56 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 55 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 50 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 47 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 47 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 (70 investment companies, comprised of 171 portfolios). He is 57 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 of UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President of Citi Global Wealth Management. He is an officer of 65 investment companies (comprised of 166 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Distributor since October 2011.

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.

0112AR1214

The Dreyfus Socially Responsible Growth Fund, Inc.

ANNUAL REPORT December 31, 2014

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

The Fund

A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Socially Responsible Growth Fund, covering the 12-month period from January 1, 2014, through December 31, 2014. 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.

While U.S. equities' 2014 gains fell short of their impressive 2013 performance, some broad measures of stock market performance posted their sixth consecutive year of positive results. Investor sentiment remained strong in an environment of sustained economic growth, rising corporate profits, muted inflation, and historically low interest rates. It also is noteworthy that stocks advanced despite persistent headwinds stemming from a sluggish global economy, which was characterized by economic weakness in Europe, Japan and China; intensifying geopolitical conflicts; and plummeting commodity prices.

Many economists appear to be optimistic about the prospects for 2015. Our own analysts agree and, in light of the ongoing benefits of low interest rates and depressed energy prices, see the potential for a somewhat faster pace of global growth in 2015 than in 2014. U.S. economic growth also seems poised to accelerate, largely due to the fading of drags from tight fiscal policies adopted in the wake of the Great Recession. Of course, a number of risks to U.S. and global economic growth remain, and changing conditions in 2015 are likely to benefit some industry groups more than others. That's why we urge you to talk regularly with your financial advisor about the potential impact of macroeconomic developments on your investments.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2015

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2014, through December 31, 2014, as provided by Warren Chiang, C. Wesley Boggs, Ronald Gala and William Cazalet, Portfolio Managers

Fund and Market Performance Overview

For the 12-month period ended December 31, 2014, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of 13.45%, and the fund's Service shares returned 13.13%.[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 13.66% for the same period.[2]

U.S. equities advanced during the reporting period when a domestic economic recovery gained momentum. The fund's returns underperformed its benchmark, as strong results in the information technology and industrials sectors were balanced by shortfalls in the energy and financials 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.

Stocks Climbed despite Global Headwinds

U.S. stocks began 2014 in the midst of a rally fueled by falling unemployment and intensifying manufacturing activity, but they gave up some of their gains in January when concerns arose regarding economic and political instability in the emerging markets. In addition, U.S. GDP contracted at an annualized 2.1% rate over the first quarter of 2014 due to the dampening effects of severe winter weather.

Equities began to rebound in February, and the S&P 500 Index climbed to new highs through the beginning of July as it became clear that the economic recovery was back on track. Investors also responded positively to low inflation and expectations that short-term interest rates would stay low. In fact, the U.S. economy rebounded at a robust 4.6% annualized rate during the second quarter of the year.

The market encountered renewed volatility in July and September when disappointing economic data from Europe, China, and Japan sparked concerns that a faltering global economy might derail the U.S. expansion. After a bout of heightened volatility, investors appeared to shrug off these concerns amid reports of strong corporate earnings and solid domestic economic data, including an estimated 5.0% annualized GDP growth rate for the third quarter. Stocks generally rebounded, but ongoing turmoil in overseas markets and plummeting commodity prices caused investors to turn from smaller growth companies toward very large, traditionally defensive stocks with high dividend yields. In this environment, large-cap stocks substantially outperformed small-cap stocks.

Industrial and Technology Stocks Bolstered Relative Results

Our quantitative models worked well during the reporting period, as valuation, earnings, and volatility factors generally proved effective. The fund achieved especially strong results in the information technology sector, where semiconductor equipment maker Applied Materials advanced after higher enterprise spending among its customers boosted earnings forecasts. In the industrials sector, Southwest Airlines climbed strongly due to falling fuel costs and strong operational management. Among consumer discretionary stocks, investors responded positively to strong earnings and a favorable outlook from diversified hospitality company Marriott International, Cl. A.

Disappointments during the reporting period included several holdings in the energy sector — including Denbury Resources, ConocoPhillips, and Devon Energy — that were hurt by plummeting oil prices, particularly after the Organization of the Petroleum Exporting Countries (OPEC) left production targets unchanged. Shortfalls in the financials sector were spread among a number of holdings.

Our environmental, social, and governance ("ESG") criteria led to some changes in the fund's holdings over the reporting period. Most notably, we added a position in papermaker Kimberly-Clark, which has demonstrated its commitment to fighting illegal logging and obtaining pulp from sustainable sources. In contrast, we eliminated a position in fashion accessories seller Michael Kors Holdings, which has not yet signed fire and safety agreements covering its factories in Bangladesh.

Doing Well While Doing Good

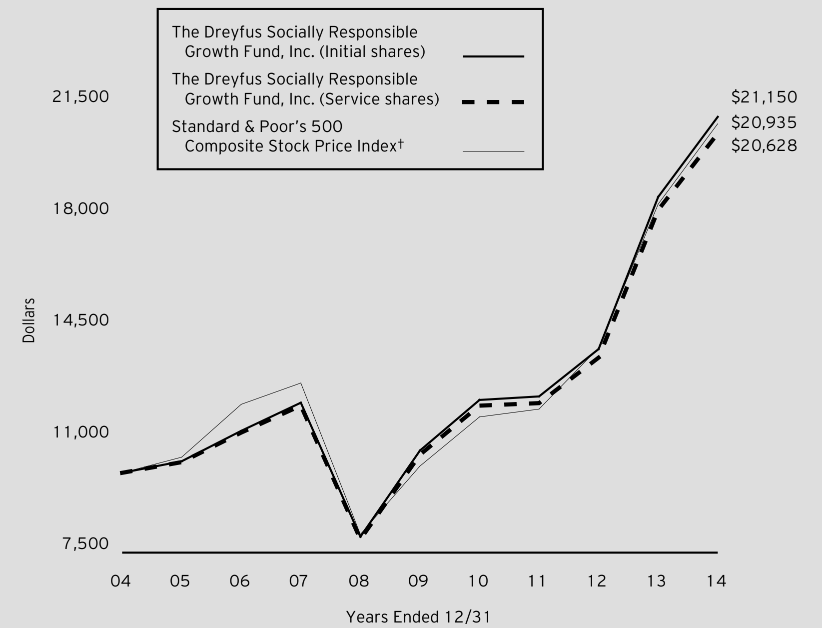
We have remained cautiously optimistic regarding U.S. stocks. Despite economic struggles in overseas markets and falling commodity prices, we expect the U.S. economic recovery to continue to support corporate earnings. As always, we intend to employ our disciplined process to identify socially responsible companies with the strengths required to prosper as economic and market conditions evolve.

January 15, 2015

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.*



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 12/31/14*

	1 Year	5 Years	10 Years
Initial shares	**13.45%**	**14.61%**	**7.78%**
Service shares	**13.13%**	**14.31%**	**7.51%**
Standard & Poor's 500 Composite Stock Price Index	**13.66%**	**15.44%**	**7.67%**

† 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 12/31/04 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, 2014 to December 31, 2014. 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, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.23	$ 5.56
Ending value (after expenses)	$1,045.00	$1,043.50

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended December 31, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.18	$ 5.50
Ending value (after expenses)	$1,021.07	$1,019.76

† *Expenses are equal to the fund's annualized expense ratio of .82% for Initial shares and 1.08% 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, 2014

Common Stocks—98.7%	Shares	Value ($)
Banks—1.9%		
Comerica	92,700	4,342,068
KeyCorp	74,850	1,040,415
		5,382,483
Capital Goods—10.1%		
3M	16,550	2,719,496
Caterpillar	36,800	3,368,304
Cummins	10,200	1,470,534
Fluor	21,850	1,324,766
General Electric	73,750	1,863,663
Ingersoll-Rand	39,800	2,522,922
Jacobs Engineering Group	20,650 [a]	922,848
Lockheed Martin	16,350	3,148,519
Masco	113,850	2,869,020
Pall	8,300	840,043
Parker Hannifin	20,100	2,591,895
Rockwell Automation	6,100	678,320
Snap-on	18,250	2,495,505
Textron	37,500	1,579,125
		28,394,960
Commercial & Professional Services—.9%		
Pitney Bowes	103,500	**2,522,295**
Consumer Durables & Apparel—.5%		
PVH	11,000	**1,409,870**
Consumer Services—2.2%		
Marriott International, Cl. A	79,550	**6,207,286**
Diversified Financials—5.2%		
American Express	46,250	4,303,100
Franklin Resources	62,800	3,477,236
Northern Trust	20,700	1,395,180
T. Rowe Price Group	63,150	5,422,059
		14,597,575

Common Stocks (continued)	Shares		Value ($)
Energy—8.5%			
Baker Hughes	59,900		3,358,593
ConocoPhillips	65,950		4,554,507
Denbury Resources	179,150	b	1,456,489
Devon Energy	23,100		1,413,951
EOG Resources	13,450		1,238,342
Hess	13,450		992,879
Marathon Petroleum	31,250		2,820,625
National Oilwell Varco	34,150		2,237,850
ONEOK	24,600		1,224,834
Phillips 66	19,450		1,394,565
Schlumberger	13,200		1,127,412
Spectra Energy	57,150		2,074,545
			23,894,592
Food, Beverage & Tobacco—4.5%			
Campbell Soup	31,300		1,377,200
Coca-Cola Enterprises	94,550		4,181,001
McCormick & Co.	15,100		1,121,930
Mondelez International, Cl. A	105,400		3,828,655
PepsiCo	23,600		2,231,616
			12,740,402
Health Care Equipment & Services—4.3%			
Aetna	17,200		1,527,876
AmerisourceBergen	32,000		2,885,120
Becton Dickinson & Co.	17,825		2,480,527
Cardinal Health	14,700		1,186,731
Cigna	15,000		1,543,650
Edwards Lifesciences	18,400	a	2,343,792
			11,967,696
Household & Personal Products—2.9%			
Clorox	37,250		3,881,823
Estee Lauder, Cl. A	19,100		1,455,420

Common Stocks (continued)	Shares		Value ($)
Household & Personal Products (continued)			
Kimberly-Clark	25,100		2,900,054
			8,237,297
Insurance—2.1%			
ACE	10,500		1,206,240
Marsh & McLennan	55,800		3,193,992
Travelers	15,600		1,651,260
			6,051,492
Materials—6.4%			
Alcoa	119,150		1,881,378
Ball	77,250		5,266,132
Dow Chemical	26,700		1,217,787
Ecolab	11,950		1,249,014
International Flavors & Fragrances	44,500		4,510,520
Sigma-Aldrich	28,350		3,891,605
			18,016,436
Media—5.4%			
DIRECTV	48,200	a	4,178,940
Discovery Communications, Cl. A	14,800	a	509,860
Scripps Networks Interactive, Cl. A	49,900		3,755,973
Time Warner	29,500		2,519,890
Time Warner Cable	16,950		2,577,417
Walt Disney	16,200		1,525,878
			15,067,958
Pharmaceuticals, Biotech & Life Sciences—13.1%			
Agilent Technologies	81,250		3,326,375
Allergan	10,950		2,327,860
AstraZeneca, ADR	27,050		1,903,779
Biogen Idec	13,050	a	4,429,823
Bristol-Myers Squibb	32,800		1,936,184
Eli Lilly & Co.	21,100		1,455,689

Common Stocks (continued)	Shares	Value ($)
Pharmaceuticals, Biotech & Life Sciences (continued)		
Gilead Sciences	58,350 [a]	5,500,071
Merck & Co.	92,600	5,258,754
Novartis, ADR	6,250	579,125
PerkinElmer	79,500	3,476,535
Thermo Fisher Scientific	9,400	1,177,726
Waters	33,650 [a]	3,793,028
Zoetis	41,500	1,785,745
		36,950,694
Retailing—1.4%		
Gap	91,400	**3,848,854**
Semiconductors & Semiconductor Equipment—2.1%		
Applied Materials	131,000	3,264,520
Intel	73,200	2,656,428
		5,920,948
Software & Services—10.5%		
Accenture, Cl. A	31,550	2,817,730
CA	32,950	1,003,327
Citrix Systems	22,300 [a]	1,422,740
Cognizant Technology Solutions, Cl. A	15,100 [a]	795,166
Computer Sciences	23,300	1,469,065
Google, Cl. A	1,160 [a]	615,566
Google, Cl. C	1,140 [a]	600,096
International Business Machines	19,725	3,164,679
Intuit	45,750	4,217,693
Microsoft	102,850	4,777,383
Oracle	75,325	3,387,365
Symantec	50	1,283
Teradata	64,500 [a]	2,817,360
Xerox	169,600	2,350,656
		29,440,109

Common Stocks (continued)	Shares	Value ($)
Technology Hardware & Equipment—9.7%		
Apple	97,300	10,739,974
Cisco Systems	132,075	3,673,666
Corning	172,800	3,962,304
EMC	51,625	1,535,328
Hewlett-Packard	127,100	5,100,523
Jabil Circuit	50	1,091
Motorola Solutions	16,700	1,120,236
Seagate Technology	16,900	1,123,850
		27,256,972
Telecommunication Services—.9%		
Verizon Communications	54,100	**2,530,798**
Transportation—4.7%		
Expeditors International of Washington	31,100	1,387,371
Norfolk Southern	30,650	3,359,546
Southwest Airlines	152,700	6,462,264
Union Pacific	15,900	1,894,167
		13,103,348
Utilities—1.4%		
NextEra Energy	25,600	2,721,024
PG&E	22,100	1,176,604
		3,897,628
Total Common Stocks (cost $208,433,845)		**277,439,693**

Other Investment—1.4%		
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $3,814,776)	3,814,776 [c]	**3,814,776**

Investment of Cash Collateral for Securities Loaned—.5%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $1,507,543)	1,507,543 [c]	**1,507,543**
Total Investments (cost $213,756,164)	**100.6%**	**282,762,012**
Liabilities, Less Cash and Receivables	**(.6%)**	**(1,646,735)**
Net Assets	**100.0%**	**281,115,277**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2014, the value of the fund's securities on loan was $1,441,921 and the value of the collateral held by the fund was $1,507,543.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Pharmaceuticals, Biotech & Life Sciences	13.1	Consumer Services	2.2
Software & Services	10.5	Insurance	2.1
Capital Goods	10.1	Semiconductors & Semiconductor Equipment	2.1
Technology Hardware & Equipment	9.7	Banks	1.9
Energy	8.5	Money Market Investments	1.9
Materials	6.4	Retailing	1.4
Media	5.4	Utilities	1.4
Diversified Financials	5.2	Commercial & Professional Services	.9
Transportation	4.7	Telecommunication Services	.9
Food, Beverage & Tobacco	4.5	Consumer Durables & Apparel	.5
Health Care Equipment & Services	4.3		
Household & Personal Products	2.9		**100.6**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2014

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $1,441,921)—Note 1(b):		
Unaffiliated issuers	208,433,845	277,439,693
Affiliated issuers	5,322,319	5,322,319
Cash		40,866
Dividends and securities lending income receivable		348,531
Prepaid expenses		8,272
		283,159,681
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		193,522
Liability for securities on loan—Note 1(b)		1,507,543
Payable for shares of Common Stock redeemed		265,651
Accrued expenses		77,688
		2,044,404
Net Assets ($)		**281,115,277**
Composition of Net Assets ($):		
Paid-in capital		174,235,225
Accumulated undistributed investment income—net		2,772,856
Accumulated net realized gain (loss) on investments		35,101,348
Accumulated net unrealized appreciation (depreciation) on investments		69,005,848
Net Assets ($)		**281,115,277**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	270,483,004	10,632,273
Shares Outstanding	5,884,230	233,243
Net Asset Value Per Share ($)	**45.97**	**45.58**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2014

Investment Income ($):	
Income:	
Cash dividends (net of $9,563 foreign taxes withheld at source):	
Unaffiliated issuers	5,112,140
Affiliated issuers	2,018
Income from securities lending–Note 1(b)	2,643
Total Income	**5,116,801**
Expenses:	
Management fee–Note 3(a)	2,066,848
Professional fees	89,500
Directors' fees and expenses–Note 3(d)	78,473
Prospectus and shareholders' reports	47,194
Custodian fees–Note 3(c)	25,545
Distribution fees–Note 3(b)	24,233
Loan commitment fees–Note 2	2,285
Shareholder servicing costs–Note 3(c)	1,508
Interest expense–Note 2	84
Miscellaneous	6,978
Total Expenses	**2,342,648**
Less–reduction in fees due to earnings credits–Note 3(c)	(6)
Net Expenses	**2,342,642**
Investment Income–Net	**2,774,159**
Realized and Unrealized Gain (Loss) on Investments–Note 4 ($):	
Net realized gain (loss) on investments	35,125,017
Net unrealized appreciation (depreciation) on investments	(3,224,985)
Net Realized and Unrealized Gain (Loss) on Investments	**31,900,032**
Net Increase in Net Assets Resulting from Operations	**34,674,191**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2014	2013
Operations ($):		
Investment income—net	2,774,159	2,904,763
Net realized gain (loss) on investments	35,125,017	24,857,613
Net unrealized appreciation (depreciation) on investments	(3,224,985)	43,580,868
Net Increase (Decrease) in Net Assets Resulting from Operations	**34,674,191**	**71,343,244**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(2,824,636)	(2,903,989)
Service Shares	(79,619)	(77,437)
Net realized gain on investments:		
Initial Shares	(18,473,730)	–
Service Shares	(647,248)	–
Total Dividends	**(22,025,233)**	**(2,981,426)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	25,341,730	23,366,293
Service Shares	1,819,641	1,246,467
Dividends reinvested:		
Initial Shares	21,298,366	2,903,989
Service Shares	726,867	77,437
Cost of shares redeemed:		
Initial Shares	(53,057,045)	(35,165,859)
Service Shares	(1,143,249)	(1,245,153)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(5,013,690)**	**(8,816,826)**
Total Increase (Decrease) in Net Assets	**7,635,268**	**59,544,992**
Net Assets ($):		
Beginning of Period	273,480,009	213,935,017
End of Period	**281,115,277**	**273,480,009**
Undistributed investment income—net	2,772,856	2,902,952

	Year Ended December 31,	
	2014	2013
Capital Share Transactions:		
Initial Shares		
Shares sold	572,802	593,292
Shares issued for dividends reinvested	514,577	79,846
Shares redeemed	(1,207,470)	(906,877)
Net Increase (Decrease) in Shares Outstanding	**(120,091)**	**(233,739)**
Service Shares		
Shares sold	41,632	31,743
Shares issued for dividends reinvested	17,672	2,140
Shares redeemed	(26,392)	(32,040)
Net Increase (Decrease) in Shares Outstanding	**32,912**	**1,843**

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	2014	2013	2012	2011	2010
Per Share Data ($):					
Net asset value, beginning of period	44.09	33.24	29.91	29.90	26.26
Investment Operations:					
Investment income—net[a]	.45	.46	.44	.24	.25
Net realized and unrealized gain (loss) on investments	5.07	10.87	3.15	.04	3.62
Total from Investment Operations	5.52	11.33	3.59	.28	3.87
Distributions:					
Dividends from investment income—net	(.48)	(.48)	(.26)	(.27)	(.23)
Dividends from net realized gain on investments	(3.16)	–	–	–	–
Total Distributions	(3.64)	(.48)	(.26)	(.27)	(.23)
Net asset value, end of period	45.97	44.09	33.24	29.91	29.90
Total Return (%)	13.45	34.34	11.98	.90	14.82
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.84	.86	.85	.85	.89
Ratio of net expenses to average net assets	.84	.86	.85	.85	.89
Ratio of net investment income to average net assets	1.02	1.19	1.34	.80	.93
Portfolio Turnover Rate	45.05	38.81	48.84	67.88	32.75
Net Assets, end of period ($ x 1,000)	270,483	264,713	207,383	208,013	227,893

[a] *Based on average shares outstanding.*
See notes to financial statements.

Service Shares	Year Ended December 31, 2014	2013	2012	2011	2010
Per Share Data ($):					
Net asset value, beginning of period	43.76	33.01	29.70	29.71	26.10
Investment Operations:					
Investment income—net[a]	.33	.36	.36	.17	.18
Net realized and unrealized gain (loss) on investments	5.04	10.78	3.13	.02	3.60
Total from Investment Operations	5.37	11.14	3.49	.19	3.78
Distributions:					
Dividends from investment income—net	(.39)	(.39)	(.18)	(.20)	(.17)
Dividends from net realized gain on investments	(3.16)	–	–	–	–
Total Distributions	(3.55)	(.39)	(.18)	(.20)	(.17)
Net asset value, end of period	45.58	43.76	33.01	29.70	29.71
Total Return (%)	13.13	33.99	11.70	.65	14.54
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.09	1.11	1.10	1.10	1.14
Ratio of net expenses to average net assets	1.09	1.11	1.10	1.10	1.14
Ratio of net investment income to average net assets	.76	.93	1.09	.55	.68
Portfolio Turnover Rate	45.05	38.81	48.84	67.88	32.75
Net Assets, end of period ($ x 1,000)	10,632	8,767	6,552	6,167	6,494

[a] *Based on average shares outstanding.*

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 ("ASC") 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. For open short positions, asked prices are 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 generally categorized within Level 1 of the fair value hierarchy.

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. These securities are generally categorized within Level 2 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 generally categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2014 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†	274,956,789	–	–	**274,956,789**
Equity Securities– Foreign Common Stocks†	2,482,904	–	–	**2,482,904**
Mutual Funds	5,322,319	–	–	**5,322,319**

† *See Statement of Investments for additional detailed categorizations.*

At December 31, 2014, 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. During the period ended December 31, 2014, The Bank of New York Mellon earned $696 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, 2014, were as follows:

Affiliated Investment Company	Value 12/31/2013 ($)	Purchases ($)	Sales ($)	Value 12/31/2014 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	2,281,098	34,663,284	33,129,606	3,814,776	1.4
Dreyfus Institutional Cash Advantage Fund	–	11,191,429	9,683,886	1,507,543	.5
Total	**2,281,098**	**45,854,713**	**42,813,492**	**5,322,319**	**1.9**

(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, 2014, 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, 2014, the fund did not incur any interest or penalties.

Each tax year in the four-year period ended December 31, 2014 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2014, the components of accumulated earnings on tax basis were as follows: undistributed ordinary income $4,662,944, undistributed capital gains $33,235,833 and unrealized appreciation $68,981,275.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2014 and December 31, 2013 were as follows: ordinary income $3,658,185 and $2,981,426, and long-term capital gains $18,367,048 and $0, respectively.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $430 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 8, 2014, the unsecured credit facility with Citibank, N.A. was $265 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, 2014 was approximately $7,700 with a related weighted average annualized interest rate of 1.09%.

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, 2014, Service shares were charged $24,233 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.

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, 2014, the fund was charged $1,264 for transfer agency services and $104 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 $6.

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, 2014, the fund was charged $25,545 pursuant to the custody agreement.

During the period ended December 31, 2014, the fund was charged $7,771 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 $179,461, Distribution Plan fees $2,246, Shareholder Services Plan fees $142, custodian fees $9,500, Chief Compliance Officer fees $1,851 and transfer agency fees $322.

(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, 2014, amounted to $123,443,150 and $149,158,756, respectively.

At December 31, 2014, the cost of investments for federal income tax purposes was $213,780,737; accordingly, accumulated net unrealized appreciation on investments was $68,981,275, consisting of $72,259,677 gross unrealized appreciation and $3,278,402 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, 2014, 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, 2014 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, 2014, 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 11, 2015

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, 2014 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2015 of the percentage applicable to the preparation of their 2014 income tax returns. Also, the fund hereby reports \$.1244 per share as a short-term capital gain distribution and \$3.0306 per share as a long-term capital gain distribution paid on March 17, 2014.

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Directors held on July 15-16, 2014, 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.

<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 ("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, 2014, (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, 2014, 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 was, for the various periods, above the Performance Group 1, Performance Universe 1, Performance Group 2 and Performance Universe 2 medians , except for the two-year period when the fund's performance was below the Performance Group 1 and Performance Group 2 medians, the three-year period when the fund's performance was at the Performance Group 2 median and the ten-year period when the fund's performance was at the Performance

Group 2 median and below the Performance Group 1, Performance Universe 1 and Performance Universe 1 medians. 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 above the Expense Group 1 and Expense Group 2 medians, 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, at the Expense Group 2 median and below the Expense Universe 2 median.

Dreyfus representatives reviewed with the Board the management or investment advisory fees (1) paid by funds advised or administered by Dreyfus that are in the same Lipper category as the fund and (2) paid to Dreyfus or the 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 its affiliates and the resulting profitability percentage for managing the fund and the aggregate profitability percentage to Dreyfus and its affiliates for 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 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 to renew the Agreement.

BOARD MEMBERS INFORMATION (Unaudited)

INDEPENDENT BOARD MEMBERS

Joseph S. DiMartino (71)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee (1995-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 (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: 146

Nathan Leventhal (71)
Board Member (2009)

Principal Occupation During Past 5 Years:
• Chairman of the Avery-Fisher Artist Program (1997-2014)
• Commissioner, NYC Planning Commission (2007-2011)

Other Public Company Board Membership During Past 5 Years:
• Movado Group, Inc., Director (2003-present)

No. of Portfolios for which Board Member Serves: 52

Robin A. Melvin (51)
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: 114

Roslyn M. Watson (65)
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: 70

Benaree Pratt Wiley (68)
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 Membership 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: 70

J. Charles Cardona (58)
Board Member (2014)†

Principal Occupation During Past 5 Years:
• President and a Director of the Manager, Executive Vice President of the Distributor, President of Dreyfus Institutional Services Division (2008-present)

No. of Portfolios for which Board Member Serves: 38

J. Charles Cardona is deemed to be an "interested person" (as defined in the Act) of the fund as a result of his affiliation with The Dreyfus Corporation.

Gordon J. Davis (73)
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: 62

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 (67)
Board Member (2014)

Principal Occupation During Past 5 Years:
• Partner, Hogan Lovells LLP (1990-present)

No. of Portfolios for which Board Member Serves: 38

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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† J. Charles Cardona was elected as a Board Member of the fund on February 27, 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
Whitney I. Gerard, Emeritus Board Member
Arthur A. Hartman, Emeritus Board Member
George L. Perry, 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 69 investment companies (comprised of 146 portfolios) managed by the Manager. He is 56 years old and has been an employee of the Manager since February 1988.

JOHN PAK, Chief Legal Officer since March 2013.

Deputy General Counsel, Investment Management, of BNY Mellon since August 2014; Chief Legal Officer of the Manager 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 52 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 41 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon and Secretary of the Manager, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 59 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 53 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since February 1991.

SARAH S. KELLEHER, Vice President and Assistant Secretary since April 2014.

Senior Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager; from August 2005 to March 2013, Associate General Counsel of Third Avenue Management. She is 39 years old and has been an employee of the Manager since March 2013.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 49 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 56 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 55 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 50 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 47 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 47 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 (70 investment companies, comprised of 171 portfolios). He is 57 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 of UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President of Citi Global Wealth Management. He is an officer of 65 investment companies (comprised of 166 portfolios) managed by the Manager. He is 42 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.
50% post-consumer.
Process chlorine free.
Vegetable-based ink.

Printed in U.S.A.

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Dreyfus Stock Index Fund, Inc.

ANNUAL REPORT December 31, 2014

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, 2014, through December 31, 2014. 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.

While U.S. equities' 2014 gains fell short of their impressive 2013 performance, some broad measures of stock market performance posted their sixth consecutive year of positive results. Investor sentiment remained strong in an environment of sustained economic growth, rising corporate profits, muted inflation, and historically low interest rates. It also is noteworthy that stocks advanced despite persistent headwinds stemming from a sluggish global economy, which was characterized by economic weakness in Europe, Japan and China; intensifying geopolitical conflicts; and plummeting commodity prices.

Many economists appear to be optimistic about the prospects for 2015. Our own analysts agree and, in light of the ongoing benefits of low interest rates and depressed energy prices, see the potential for a somewhat faster pace of global growth in 2015 than in 2014. U.S. economic growth also seems poised to accelerate, largely due to the fading of drags from tight fiscal policies adopted in the wake of the Great Recession. Of course, a number of risks to U.S. and global economic growth remain, and changing conditions in 2015 are likely to benefit some industry groups more than others. That's why we urge you to talk regularly with your financial advisor about the potential impact of macroeconomic developments on your investments.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2015

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2014, through December 31, 2014, as provided by Thomas J. Durante, CFA, Karen Q. Wong, CFA, and Richard A. Brown, CFA, Portfolio Managers

Fund and Market Performance Overview

For the 12-month period ended December 31, 2014, Dreyfus Stock Index Fund's Initial shares produced a total return of 13.42%, and its Service shares produced a total return of 13.10%.[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 13.66% for the same period.[2,3]

Sustained improvement in U.S. economic conditions generally helped support stock market gains during 2014. 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.

Stocks Climbed despite Global Headwinds

U.S. stocks began 2014 in the midst of a rally fueled by a falling unemployment rate and intensifying manufacturing activity. Nonetheless, stocks gave up some of their previous gains in January when concerns arose regarding economic and political instability in the emerging markets. In addition, U.S. GDP contracted at a surprising annualized 2.1% rate over the first quarter of 2014 due to the dampening economic effects of severe winter weather.

Nonetheless, U.S. stocks began to rebound strongly in February, with the S&P 500 Index climbing to a series of new highs through the end of June as investors responded positively to expectations that muted inflation would allow the Federal Reserve Board to keep short-term interest rates low. In fact, various economic indicators improved steadily in warmer weather, and the U.S. economy rebounded at a robust 4.6% annualized rate during the second quarter of the year.

The market encountered renewed volatility in July and September when disappointing economic growth in Europe, China, and Japan sparked concerns that a weak global economy might derail the U.S. expansion. In addition, oil and commodity prices plummeted amid sluggish demand for a relatively heavy supply of crude oil, metals, and agricultural products. Despite these global developments, the U.S. market's decline proved short lived, as strong corporate earnings and solid domestic economic data — including an estimated 5.0% annualized GDP growth rate for the third quarter of 2014 — enabled the S&P 500 Index to end the year near record highs. In this environment, large-cap stocks substantially outperformed their small-cap counterparts.

Technology and Health Care Stocks Led Market's Advance

Nine of the 10 economic segments represented in the S&P 500 Index posted positive absolute returns over the reporting period; only the energy sector lost value. Results were especially robust in the information technology sector, which benefited during the year from sustained secular trends as businesses and consumers adopted new, transformative technologies such as cloud computing and mobile devices. Very large industry leaders fared especially well, particularly those with rising dividends and share repurchase programs. Lower commodity costs also helped boost earnings for many technology companies.

In the health care sector, large pharmaceutical developers and biotechnology companies reported strong sales growth in the emerging markets. The health care sector also benefited from aging populations throughout the world. For example, U.S. demographic changes have driven Medicare spending higher. Among financial companies, a number of banks advanced when their management teams found new ways to earn revenues by expanding their markets and launching new products. Real estate investment trusts gained value amid greater demand from income-oriented investors seeking competitive dividend yields in a low-interest-rate environment.

On the other hand, the energy sector was hurt by falling oil prices over the second half of the year, which weighed especially heavily on offshore drillers and other service providers. The telecommunications services sector lagged market averages due to intensifying competition from alternative providers of telephone and cable television services. Finally, the materials sector was hurt by declining iron ore and coal prices due to slowing demand from China and competitive pressures from Australian materials producers.

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 the U.S. economic recovery appears to remain on track. As always, we have continued to monitor the factors considered by the fund's investment model in light of current market conditions.

January 15, 2015

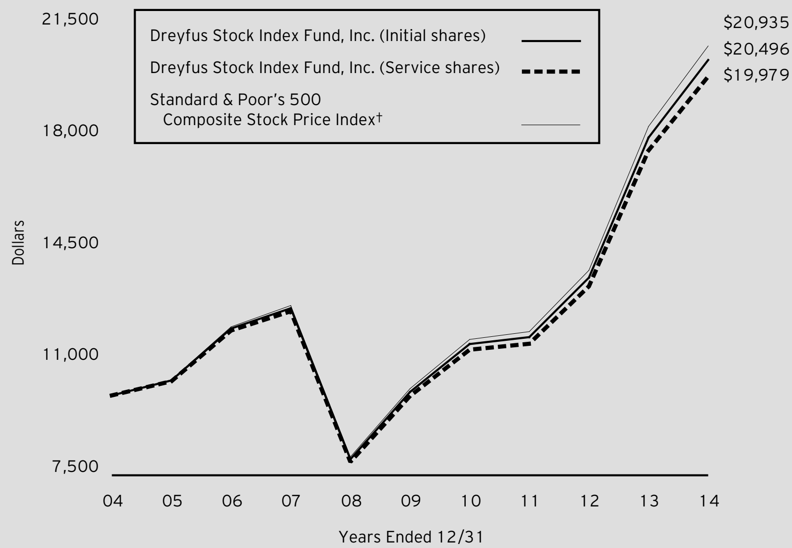
Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

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 to reflect the fund's benchmark. 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.*



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 12/31/14*	1 Year	5 Years	10 Years
Initial shares	**13.42%**	**15.19%**	**7.44%**
Service shares	**13.10%**	**14.90%**	**7.17%**
Standard & Poor's 500 Composite Stock Price Index	**13.66%**	**15.44%**	**7.67%**

† *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 12/31/04 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, 2014 to December 31, 2014. 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, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.40	$ 2.70
Ending value (after expenses)	$1,060.10	$1,058.70

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, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.38	$ 2.65
Ending value (after expenses)	$1,023.84	$1,022.58

† *Expenses are equal to the fund's annualized expense ratio of .27% for Initial shares and .52% 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, 2014

Common Stocks—99.0%	Shares	Value ($)
Automobiles & Components—1.0%		
BorgWarner	26,373	1,449,196
Delphi Automotive	35,361	2,571,452
Ford Motor	458,622	7,108,641
General Motors	159,236	5,558,929
Goodyear Tire & Rubber	32,553	930,039
Harley-Davidson	25,646	1,690,328
Johnson Controls	78,671	3,802,956
		23,111,541
Banks—6.0%		
Bank of America	1,249,551	22,354,467
BB&T	85,568	3,327,740
Citigroup	358,937	19,422,081
Comerica	20,999	983,593
Fifth Third Bancorp	98,692	2,010,850
Hudson City Bancorp	54,637	552,926
Huntington Bancshares	98,898	1,040,407
JPMorgan Chase & Co.	444,649	27,826,134
KeyCorp	102,408	1,423,471
M&T Bank	15,265	1,917,589
People's United Financial	36,681	556,818
PNC Financial Services Group	63,102	5,756,795
Regions Financial	167,465	1,768,430
SunTrust Banks	63,375	2,655,413
U.S. Bancorp	213,643	9,603,253
Wells Fargo & Co.	561,630	30,788,557
Zions Bancorporation	21,832	622,430
		132,610,954
Capital Goods—7.5%		
3M	76,537	12,576,560
Allegion	10,801	599,023
AMETEK	29,607	1,558,216
Boeing	78,824	10,245,544
Caterpillar	72,073	6,596,842
Cummins	20,351	2,934,004

Common Stocks (continued)	Shares		Value ($)
Capital Goods (continued)			
Danaher	72,629		6,225,032
Deere & Co.	42,395		3,750,686
Dover	20,434		1,465,526
Eaton	55,527		3,773,615
Emerson Electric	83,089		5,129,084
Fastenal	32,374	a	1,539,707
Flowserve	16,349		978,161
Fluor	18,464		1,119,472
General Dynamics	37,561		5,169,145
General Electric	1,193,197		30,152,088
Honeywell International	93,008		9,293,359
Illinois Tool Works	43,157		4,086,968
Ingersoll-Rand	31,615		2,004,075
Jacobs Engineering Group	15,244	b	681,254
Joy Global	11,265		524,048
L-3 Communications Holdings	9,834		1,241,149
Lockheed Martin	31,911		6,145,101
Masco	42,866		1,080,223
Northrop Grumman	24,044		3,543,845
PACCAR	41,941		2,852,407
Pall	12,951		1,310,771
Parker Hannifin	17,564		2,264,878
Pentair	22,311		1,481,897
Precision Castparts	17,006		4,096,405
Quanta Services	25,057	b	711,368
Raytheon	36,689		3,968,649
Rockwell Automation	16,116		1,792,099
Rockwell Collins	15,630		1,320,422
Roper Industries	11,862		1,854,624
Snap-on	7,235		989,314
Stanley Black & Decker	18,753		1,801,788
Textron	32,583		1,372,070
United Rentals	11,852	b	1,209,023
United Technologies	100,537		11,561,755

Common Stocks (continued)	Shares		Value ($)
Capital Goods (continued)			
W.W. Grainger	7,256		1,849,482
Xylem	22,125		842,299
			163,691,978
Commercial & Professional Services—.6%			
ADT	20,783	a	752,968
Cintas	12,172		954,772
Dun & Bradstreet	4,810		581,818
Equifax	14,075		1,138,245
Nielsen	38,462		1,720,405
Pitney Bowes	23,223		565,945
Republic Services	31,044		1,249,521
Robert Half International	16,547		966,014
Stericycle	10,210	b	1,338,327
Tyco International	49,919		2,189,447
Waste Management	51,663		2,651,345
			14,108,807
Consumer Durables & Apparel—1.4%			
Coach	32,907		1,235,987
D.R. Horton	39,115		989,218
Fossil Group	5,573	b	617,154
Garmin	14,345	a	757,846
Harman International Industries	7,974		850,906
Hasbro	14,387		791,141
Leggett & Platt	16,421		699,699
Lennar, Cl. A	19,766		885,714
Mattel	40,884		1,265,155
Michael Kors Holdings	24,135	b	1,812,538
Mohawk Industries	7,293	b	1,133,040
Newell Rubbermaid	32,349		1,232,173
NIKE, Cl. B	83,226		8,002,180
PulteGroup	39,332		844,065
PVH	9,394		1,204,029
Ralph Lauren	7,218		1,336,485
Under Armour, Cl. A	19,017	b	1,291,254

Common Stocks (continued)	Shares		Value ($)
Consumer Durables & Apparel (continued)			
VF	41,774		3,128,873
Whirlpool	9,062		1,755,672
			29,833,129
Consumer Services—1.7%			
Carnival	52,374		2,374,113
Chipotle Mexican Grill	3,696	b	2,529,949
Darden Restaurants	14,864		871,476
H&R Block	31,557		1,062,840
Marriott International, Cl. A	25,330		1,976,500
McDonald's	115,723		10,843,245
Royal Caribbean Cruises	19,705		1,624,283
Starbucks	89,330		7,329,527
Starwood Hotels & Resorts Worldwide	21,297	c	1,726,548
Wyndham Worldwide	14,815		1,270,534
Wynn Resorts	9,402		1,398,642
Yum! Brands	52,706		3,839,632
			36,847,289
Diversified Financials—5.3%			
Affiliated Managers Group	6,526	b	1,385,078
American Express	105,834		9,846,795
Ameriprise Financial	22,182		2,933,570
Bank of New York Mellon	134,460		5,455,042
Berkshire Hathaway, Cl. B	216,673	b	32,533,451
BlackRock	15,134		5,411,313
Capital One Financial	66,383		5,479,917
Charles Schwab	137,907		4,163,412
CME Group	37,519		3,326,059
Discover Financial Services	54,866		3,593,174
E*TRADE Financial	33,871	b	821,541
Franklin Resources	47,636		2,637,605
Goldman Sachs Group	48,448		9,390,676
Intercontinental Exchange	13,681		3,000,106
Invesco	51,464		2,033,857
Legg Mason	12,729		679,347
Leucadia National	38,352		859,852

Common Stocks (continued)	Shares		Value ($)
Diversified Financials (continued)			
McGraw-Hill Financial	31,902		2,838,640
Moody's	21,965		2,104,467
Morgan Stanley	180,712		7,011,626
NASDAQ OMX Group	13,750		659,450
Navient	50,684		1,095,281
Northern Trust	26,304		1,772,890
State Street	50,302		3,948,707
T. Rowe Price Group	30,751		2,640,281
			115,622,137
Energy—8.3%			
Anadarko Petroleum	59,644		4,920,630
Apache	45,228		2,834,439
Baker Hughes	51,001		2,859,626
Cabot Oil & Gas	50,741		1,502,441
Cameron International	24,247	b	1,211,138
Chesapeake Energy	59,535		1,165,100
Chevron	224,949		25,234,779
Cimarex Energy	10,075		1,067,950
ConocoPhillips	146,253		10,100,232
CONSOL Energy	27,392		926,124
Denbury Resources	42,254	a	343,525
Devon Energy	44,768		2,740,249
Diamond Offshore Drilling	8,660	a	317,909
Ensco, Cl. A	27,022		809,309
EOG Resources	64,571		5,945,052
EQT	17,492		1,324,144
Exxon Mobil	503,245		46,525,000
FMC Technologies	27,452	b	1,285,852
Halliburton	100,571		3,955,457
Helmerich & Payne	12,355		832,974
Hess	30,273		2,234,753
Kinder Morgan	200,427		8,480,066
Marathon Oil	81,326		2,300,713
Marathon Petroleum	33,356		3,010,713
Murphy Oil	20,500		1,035,660

Common Stocks (continued)	Shares	Value ($)
Energy (continued)		
Nabors Industries	34,137	443,098
National Oilwell Varco	50,934	3,337,705
Newfield Exploration	15,006 [b]	406,963
Noble	30,092	498,624
Noble Energy	42,639	2,022,368
Occidental Petroleum	92,176	7,430,307
ONEOK	24,607	1,225,183
Phillips 66	66,083	4,738,151
Pioneer Natural Resources	17,684	2,632,263
QEP Resources	20,796	420,495
Range Resources	19,911	1,064,243
Schlumberger	153,487	13,109,325
Southwestern Energy	40,871 [b]	1,115,370
Spectra Energy	79,465	2,884,580
Tesoro	15,147	1,126,179
Transocean	39,286 [a]	720,112
Valero Energy	62,108	3,074,346
Williams	79,656	3,579,741
		182,792,888
Food & Staples Retailing—2.5%		
Costco Wholesale	51,951	7,364,054
CVS Health	136,930	13,187,728
Kroger	57,863	3,715,383
Safeway	26,208	920,425
Sysco	68,528	2,719,876
Wal-Mart Stores	187,660	16,116,241
Walgreens Boots Alliance	103,283	7,870,165
Whole Foods Market	44,131	2,225,085
		54,118,957
Food, Beverage & Tobacco—5.1%		
Altria Group	233,666	11,512,724
Archer-Daniels-Midland	76,341	3,969,732
Brown-Forman, Cl. B	18,940	1,663,690
Campbell Soup	20,702	910,888
Coca-Cola	468,405	19,776,059

Common Stocks (continued)	Shares		Value ($)
Food, Beverage & Tobacco (continued)			
Coca-Cola Enterprises	27,908		1,234,092
ConAgra Foods	50,514		1,832,648
Constellation Brands, Cl. A	19,297	b	1,894,386
Dr. Pepper Snapple Group	23,191		1,662,331
General Mills	72,920		3,888,824
Hershey	17,560		1,825,011
Hormel Foods	16,227		845,427
J.M. Smucker	12,123		1,224,181
Kellogg	30,010		1,963,854
Keurig Green Mountain	14,411		1,907,944
Kraft Foods Group	70,881		4,441,403
Lorillard	43,334		2,727,442
McCormick & Co.	15,009		1,115,169
Mead Johnson Nutrition	23,727		2,385,513
Molson Coors Brewing, Cl. B	18,665		1,390,916
Mondelez International, Cl. A	199,303		7,239,681
Monster Beverage	16,967	b	1,838,374
PepsiCo	177,900		16,822,224
Philip Morris International	184,679		15,042,105
Reynolds American	36,392		2,338,914
Tyson Foods, Cl. A	34,559		1,385,470
			112,839,002
Health Care Equipment & Services—4.6%			
Abbott Laboratories	177,773		8,003,340
Aetna	42,267		3,754,578
AmerisourceBergen	25,232		2,274,917
Anthem	32,439		4,076,609
Baxter International	63,536		4,656,553
Becton Dickinson & Co.	23,003		3,201,097
Boston Scientific	157,661	b	2,089,008
C.R. Bard	9,127		1,520,741
Cardinal Health	39,409		3,181,489
CareFusion	25,375	b	1,505,753
Cerner	35,848	b	2,317,932
Cigna	31,210		3,211,821

Common Stocks (continued)	Shares	Value ($)
Health Care Equipment & Services (continued)		
Covidien	53,791	5,501,743
DaVita HealthCare Partners	21,273 [b]	1,611,217
DENTSPLY International	17,483	931,319
Edwards Lifesciences	12,257 [b]	1,561,297
Express Scripts Holding	87,277 [b]	7,389,744
Humana	17,862	2,565,519
Intuitive Surgical	4,256 [b]	2,251,169
Laboratory Corporation of America Holdings	10,170 [b]	1,097,343
McKesson	27,549	5,718,621
Medtronic	116,952	8,443,934
Patterson	9,507	457,287
Quest Diagnostics	16,648	1,116,415
St. Jude Medical	33,963	2,208,614
Stryker	35,503	3,348,998
Tenet Healthcare	11,190 [b]	566,997
UnitedHealth Group	114,107	11,535,077
Universal Health Services, Cl. B	10,567	1,175,684
Varian Medical Systems	11,943 [b]	1,033,189
Zimmer Holdings	19,872	2,253,882
		100,561,887
Household & Personal Products—2.1%		
Avon Products	50,416	473,406
Clorox	15,164	1,580,240
Colgate-Palmolive	101,512	7,023,615
Estee Lauder, Cl. A	26,666	2,031,949
Kimberly-Clark	44,361	5,125,470
Procter & Gamble	321,071	29,246,357
		45,481,037
Insurance—2.8%		
ACE	39,300	4,514,784
Aflac	53,134	3,245,956
Allstate	49,950	3,508,987
American International Group	166,513	9,326,393
Aon	34,352	3,257,600

Common Stocks (continued)	Shares		Value ($)
Insurance (continued)			
Assurant	8,162		558,526
Chubb	28,568		2,955,931
Cincinnati Financial	17,615		912,985
Genworth Financial, Cl. A	58,498	b	497,233
Hartford Financial Services Group	51,894		2,163,461
Lincoln National	31,574		1,820,873
Loews	36,064		1,515,409
Marsh & McLennan	65,171		3,730,388
MetLife	134,970		7,300,527
Principal Financial Group	33,011		1,714,591
Progressive	65,119		1,757,562
Prudential Financial	54,221		4,904,832
Torchmark	15,724		851,769
Travelers	39,429		4,173,560
Unum Group	31,656		1,104,161
XL Group	31,537		1,083,927
			60,899,455
Materials—3.1%			
Air Products & Chemicals	22,701		3,274,165
Airgas	8,186		942,863
Alcoa	138,296		2,183,694
Allegheny Technologies	13,606		473,081
Avery Dennison	11,598		601,704
Ball	17,104		1,165,980
CF Industries Holdings	5,882		1,603,080
Dow Chemical	132,898		6,061,478
E.I. du Pont de Nemours & Co	107,723		7,965,039
Eastman Chemical	17,828		1,352,432
Ecolab	31,683		3,311,507
FMC	15,496		883,737
Freeport-McMoRan	122,983		2,872,883
International Flavors & Fragrances	9,317		944,371
International Paper	50,512		2,706,433
LyondellBasell Industries, Cl. A	50,246		3,989,030

Common Stocks (continued)	Shares		Value ($)
Materials (continued)			
Martin Marietta Materials	7,330		808,646
MeadWestvaco	20,433		907,021
Monsanto	57,257		6,840,494
Mosaic	38,357		1,750,997
Newmont Mining	57,535		1,087,412
Nucor	37,363		1,832,655
Owens-Illinois	19,062	b	514,483
PPG Industries	16,141		3,730,992
Praxair	34,882		4,519,312
Sealed Air	25,014		1,061,344
Sherwin-Williams	9,722		2,557,275
Sigma-Aldrich	14,348		1,969,550
Vulcan Materials	15,563		1,022,956
			68,934,614
Media—3.5%			
Cablevision Systems (NY Group), Cl. A	26,358		544,029
CBS, Cl. B	57,935		3,206,123
Comcast, Cl. A	306,021		17,752,278
DIRECTV	59,300	b	5,141,310
Discovery Communications, Cl. A	17,665	b	608,559
Discovery Communications, Cl. C	32,180	b	1,085,110
Gannett	25,933		828,041
Interpublic Group of Companies	48,207		1,001,259
News Corp., Cl. A	57,179	b	897,139
Omnicom Group	29,710		2,301,634
Scripps Networks Interactive, Cl. A	12,278		924,165
Time Warner	99,738		8,519,620
Time Warner Cable	32,915		5,005,055
Twenty-First Century Fox, Cl. A	220,503		8,468,418
Viacom, Cl. B	43,977		3,309,269
Walt Disney	185,472		17,469,608
			77,061,617
Pharmaceuticals, Biotech & Life Sciences—9.5%			
AbbVie	189,308		12,388,316
Actavis	31,261	b	8,046,894

Common Stocks (continued)	Shares		Value ($)
Pharmaceuticals, Biotech & Life Sciences (continued)			
Agilent Technologies	39,140		1,602,392
Alexion Pharmaceuticals	23,276	b	4,306,758
Allergan	35,394		7,524,410
Amgen	90,382		14,396,949
Biogen Idec	27,931	b	9,481,178
Bristol-Myers Squibb	197,094		11,634,459
Celgene	94,744	b	10,598,064
Eli Lilly & Co.	116,326		8,025,331
Gilead Sciences	178,741	b	16,848,127
Hospira	19,069	b	1,167,976
Johnson & Johnson	332,663		34,786,570
Mallinckrodt	13,365	b	1,323,536
Merck & Co.	338,921		19,247,324
Mylan	44,094	b	2,485,579
PerkinElmer	12,780		558,869
Perrigo Company	16,715		2,794,079
Pfizer	749,596		23,349,915
Regeneron Pharmaceuticals	8,733	b	3,582,713
Thermo Fisher Scientific	47,131		5,905,043
Vertex Pharmaceuticals	28,123	b	3,341,012
Waters	10,090	b	1,137,345
Zoetis	59,045		2,540,706
			207,073,545
Real Estate—2.4%			
American Tower	46,450	c	4,591,582
Apartment Investment & Management, Cl. A	16,408	c	609,557
AvalonBay Communities	15,484	c	2,529,931
Boston Properties	17,770	c	2,286,821
CBRE Group, Cl. A	32,473	b	1,112,200
Crown Castle International	39,213		3,086,063
Equity Residential	42,692	c	3,066,993
Essex Property Trust	7,595	c	1,569,127
General Growth Properties	73,952	c	2,080,270
HCP	53,355	c	2,349,221
Health Care	38,258	c	2,894,983

Common Stocks (continued)	Shares		Value ($)
Real Estate (continued)			
Host Hotels & Resorts	87,739	c	2,085,556
Iron Mountain	22,010		850,907
Kimco Realty	49,616	c	1,247,346
Macerich	16,251	c	1,355,496
Plum Creek Timber	20,445	c	874,842
Prologis	58,997	c	2,538,641
Public Storage	17,133	c	3,167,035
Simon Property Group	37,122	c	6,760,287
Ventas	34,401	c	2,466,552
Vornado Realty Trust	20,670	c	2,433,066
Weyerhaeuser	63,048	c	2,262,793
			52,219,269
Retailing—4.4%			
Amazon.com	45,111	b	14,000,199
AutoNation	7,846	b	473,977
AutoZone	3,818	b	2,363,762
Bed Bath & Beyond	22,143	b	1,686,632
Best Buy	34,569		1,347,500
CarMax	26,189	b	1,743,664
Dollar General	35,811	b	2,531,838
Dollar Tree	24,934	b	1,754,855
Expedia	11,929		1,018,259
Family Dollar Stores	11,473		908,776
GameStop, Cl. A	13,708	a	463,330
Gap	32,023		1,348,489
Genuine Parts	17,949		1,912,825
Home Depot	156,772		16,456,357
Kohl's	24,337		1,485,530
L Brands	29,160		2,523,798
Lowe's	115,684		7,959,059
Macy's	41,779		2,746,969
Netflix	6,974	b	2,382,388
Nordstrom	16,415		1,303,187
O'Reilly Automotive	12,083	b	2,327,427
PetSmart	11,822		961,069
Priceline Group	6,220	b	7,092,106

Common Stocks (continued)	Shares		Value ($)
Retailing (continued)			
Ross Stores	24,839		2,341,324
Staples	77,405		1,402,579
Target	74,887		5,684,672
The TJX Companies	81,937		5,619,239
Tiffany & Co	13,366		1,428,291
Tractor Supply	16,639		1,311,486
TripAdvisor	12,783	b	954,379
Urban Outfitters	13,517	b	474,852
			96,008,818
Semiconductors & Semiconductor Equipment—2.4%			
Altera	36,429		1,345,687
Analog Devices	36,704		2,037,806
Applied Materials	144,748		3,607,120
Avago Technologies	29,506		2,968,009
Broadcom, Cl. A	65,100		2,820,783
First Solar	8,381	b	373,751
Intel	575,281		20,876,947
KLA-Tencor	19,736		1,387,836
Lam Research	19,499		1,547,051
Linear Technology	27,726		1,264,306
Microchip Technology	23,408	a	1,055,935
Micron Technology	126,449	b	4,426,979
NVIDIA	60,979		1,222,629
Texas Instruments	125,611		6,715,792
Xilinx	31,815		1,377,271
			53,027,902
Software & Services—10.3%			
Accenture, Cl. A	75,077		6,705,127
Adobe Systems	56,287	b	4,092,065
Akamai Technologies	20,863	b	1,313,534
Alliance Data Systems	7,586	b	2,169,975
Autodesk	27,022	b	1,622,941
Automatic Data Processing	57,035		4,755,008
CA	38,102		1,160,206
Citrix Systems	19,520	b	1,245,376
Cognizant Technology Solutions, Cl. A	71,913	b	3,786,939

Common Stocks (continued)	Shares		Value ($)
Software & Services (continued)			
Computer Sciences	17,778		1,120,903
eBay	134,933	b	7,572,440
Electronic Arts	35,857	b	1,685,817
Facebook, Cl. A	248,430	b	19,382,509
Fidelity National Information Services	34,363		2,137,379
Fiserv	29,457	b	2,090,563
Google, Cl. A	33,867	b	17,971,862
Google, Cl. C	33,836	b	17,811,270
International Business Machines	109,724		17,604,119
Intuit	33,921		3,127,177
MasterCard, Cl. A	116,411		10,029,972
Microsoft	979,400		45,493,130
Oracle	384,851		17,306,749
Paychex	37,655		1,738,531
Red Hat	22,091	b	1,527,372
salesforce.com	69,714	b	4,134,737
Symantec	80,734		2,071,231
Teradata	19,455	b	849,794
Total System Services	19,743		670,472
VeriSign	13,346	a,b	760,722
Visa, Cl. A	58,214		15,263,711
Western Union	64,566		1,156,377
Xerox	128,514		1,781,204
Yahoo!	105,093	b	5,308,247
			225,447,459
Technology Hardware & Equipment—6.8%			
Amphenol, Cl. A	37,302		2,007,221
Apple	697,670		77,008,815
Cisco Systems	607,601		16,900,422
Corning	153,932		3,529,661
EMC	241,839		7,192,292
F5 Networks	8,922	b	1,164,009
FLIR Systems	15,986		516,508
Harris	12,593		904,429
Hewlett-Packard	222,034		8,910,224
Juniper Networks	47,605		1,062,544
Motorola Solutions	25,280		1,695,782

Common Stocks (continued)	Shares		Value ($)
Technology Hardware & Equipment (continued)			
NetApp	38,068		1,577,919
QUALCOMM	198,139		14,727,672
SanDisk	26,280		2,574,914
Seagate Technology	38,946		2,589,909
TE Connectivity	48,400		3,061,300
Western Digital	25,971		2,874,990
			148,298,611
Telecommunication Services—2.3%			
AT&T	616,308		20,701,786
CenturyLink	67,121		2,656,649
Frontier Communications	114,672	a	764,862
Level 3 Communications	32,850	b	1,622,133
Verizon Communications	493,060		23,065,347
Windstream Holdings	70,008	a	576,866
			49,387,643
Transportation—2.2%			
C.H. Robinson Worldwide	16,942		1,268,786
CSX	119,881		4,343,289
Delta Air Lines	99,566		4,897,652
Expeditors International of Washington	23,052		1,028,350
FedEx	31,406		5,453,966
Kansas City Southern	12,890		1,572,967
Norfolk Southern	36,707		4,023,454
Ryder System	6,760		627,666
Southwest Airlines	82,015		3,470,875
Union Pacific	105,725		12,595,019
United Parcel Service, Cl. B	83,296		9,260,016
			48,542,040
Utilities—3.2%			
AES	75,011		1,032,901
AGL Resources	13,986		762,377
Ameren	28,746		1,326,053
American Electric Power	57,787		3,508,827
CenterPoint Energy	52,052		1,219,578
CMS Energy	31,790		1,104,703
Consolidated Edison	34,369		2,268,698
Dominion Resources	69,370		5,334,553

Common Stocks (continued)	Shares		Value ($)
Utilities (continued)			
DTE Energy	21,027		1,816,102
Duke Energy	83,742		6,995,807
Edison International	38,205		2,501,663
Entergy	21,437		1,875,309
Exelon	101,645		3,768,997
FirstEnergy	48,617		1,895,577
Integrys Energy Group	9,716		756,391
NextEra Energy	51,857		5,511,881
NiSource	37,822		1,604,409
Northeast Utilities	36,521		1,954,604
NRG Energy	39,241		1,057,545
Pepco Holdings	31,010		835,099
PG&E	55,680		2,964,403
Pinnacle West Capital	13,127		896,705
PPL	78,453		2,850,197
Public Service Enterprise Group	59,371		2,458,553
SCANA	16,024	a	967,850
Sempra Energy	27,458		3,057,723
Southern	106,897		5,249,712
TECO Energy	26,631		545,669
Wisconsin Energy	26,474		1,396,239
Xcel Energy	58,627		2,105,882
			69,624,007
Total Common Stocks (cost $945,627,553)			**2,168,144,586**

Short-Term Investments—.1%	Principal Amount ($)		Value ($)
U.S. Treasury Bills;			
0.08%, 6/4/15 (cost $964,668)	965,000	d	**964,734**

Other Investment—.9%	Shares		Value ($)
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $19,877,173)	19,877,173	e	**19,877,173**

Investment of Cash Collateral for Securities Loaned—.2%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $5,130,668)	5,130,668 [e]	**5,130,668**
Total Investments (cost $971,600,062)	**100.2%**	**2,194,117,161**
Liabilities, Less Cash and Receivables	**(.2%)**	**(4,250,182)**
Net Assets	**100.0%**	**2,189,866,979**

[a] *Security, or portion thereof, on loan. At December 31, 2014, the value of the fund's securities on loan was $8,498,334 and the value of the collateral held by the fund was $8,779,472, consisting of cash collateral of $5,130,668 and U.S. Government and Agency securities valued at $3,648,804.*

[b] *Non-income producing security.*

[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 (%)
Software & Services	10.3	Food & Staples Retailing	2.5
Pharmaceuticals, Biotech & Life Sciences	9.5	Real Estate	2.4
Energy	8.3	Semiconductors & Semiconductor Equipment	2.4
Capital Goods	7.5	Telecommunication Services	2.3
Technology Hardware & Equipment	6.8	Transportation	2.2
Banks	6.0	Household & Personal Products	2.1
Diversified Financials	5.3	Consumer Services	1.7
Food, Beverage & Tobacco	5.1	Consumer Durables & Apparel	1.4
Health Care Equipment & Services	4.6	Short-Term/ Money Market Investments	1.2
Retailing	4.4	Automobiles & Components	1.0
Media	3.5	Commercial & Professional Services	.6
Utilities	3.2		
Materials	3.1		
Insurance	2.8		**100.2**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF FINANCIAL FUTURES

December 31, 2014

	Contracts	Market Value Covered by Contracts ($)	Expiration	Unrealized Appreciation at 12/31/2014 ($)
Financial Futures Long				
Standard & Poor's 500 E-mini	222	22,781,640	March 2015	**100,850**

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2014

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $8,498,334)—Note 1(b):		
Unaffiliated issuers	946,592,221	2,169,109,320
Affiliated issuers	25,007,841	25,007,841
Cash		3,642,833
Dividends and securities lending income receivable		2,901,938
Prepaid expenses		10,546
		2,200,672,478
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		508,573
Liability for securities on loan—Note 1(b)		5,130,668
Payable for shares of Common Stock redeemed		4,736,714
Payable for futures variation margin—Note 4		268,842
Accrued expenses		160,702
		10,805,499
Net Assets ($)		**2,189,866,979**
Composition of Net Assets ($):		
Paid-in capital		948,780,437
Accumulated undistributed investment income—net		42,071
Accumulated net realized gain (loss) on investments		18,426,522
Accumulated net unrealized appreciation (depreciation) on investments (including $100,850 net unrealized appreciation on financial futures)		1,222,617,949
Net Assets ($)		**2,189,866,979**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	1,955,324,583	234,542,396
Shares Outstanding	43,464,887	5,208,265
Net Asset Value Per Share ($)	**44.99**	**45.03**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2014

Investment Income ($):	
Income:	
Cash dividends (net of $8,771 foreign taxes withheld at source):	
Unaffiliated issuers	42,084,620
Affiliated issuers	19,332
Income from securities lending—Note 1(b)	90,954
Interest	459
Total Income	**42,195,365**
Expenses:	
Management fee—Note 3(a)	5,102,204
Distribution fees—Note 3(b)	586,339
Prospectus and shareholders' reports	189,619
Directors' fees and expenses—Note 3(d)	119,619
Professional fees	94,811
Loan commitment fees—Note 2	21,799
Shareholder servicing costs—Note 3(c)	4,200
Registration fees	593
Miscellaneous	111,527
Total Expenses	**6,230,711**
Less—reduction in fees due to earnings credits—Note 3(c)	(6)
Net Expenses	**6,230,705**
Investment Income—Net	**35,964,660**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	57,712,941
Net realized gain (loss) on financial futures	2,864,724
Net Realized Gain (Loss)	**60,577,665**
Net unrealized appreciation (depreciation) on investments	166,227,112
Net unrealized appreciation (depreciation) on financial futures	(167,685)
Net Unrealized Appreciation (Depreciation)	**166,059,427**
Net Realized and Unrealized Gain (Loss) on Investments	**226,637,092**
Net Increase in Net Assets Resulting from Operations	**262,601,752**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2014	2013
Operations ($):		
Investment income—net	35,964,660	33,748,993
Net realized gain (loss) on investments	60,577,665	39,130,528
Net unrealized appreciation (depreciation) on investments	166,059,427	452,015,601
Net Increase (Decrease) in Net Assets Resulting from Operations	**262,601,752**	**524,895,122**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(32,486,811)	(30,524,057)
Service Shares	(3,496,374)	(3,471,345)
Net realized gain on investments:		
Initial Shares	(21,174,073)	(18,648,547)
Service Shares	(2,747,658)	(2,287,662)
Total Dividends	**(59,904,916)**	**(54,931,611)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	178,069,463	158,642,208
Service Shares	15,253,576	28,775,193
Dividends reinvested:		
Initial Shares	53,660,884	49,172,604
Service Shares	6,244,032	5,759,007
Cost of shares redeemed:		
Initial Shares	(255,053,283)	(367,864,031)
Service Shares	(49,284,189)	(32,872,847)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(51,109,517)**	**(158,387,866)**
Total Increase (Decrease) in Net Assets	**151,587,319**	**311,575,645**
Net Assets ($):		
Beginning of Period	2,038,279,660	1,726,704,015
End of Period	**2,189,866,979**	**2,038,279,660**
Undistributed investment income—net	42,071	8,737

	Year Ended December 31,	
	2014	2013
Capital Share Transactions:		
Initial Shares		
Shares sold	4,171,268	4,363,041
Shares issued for dividends reinvested	1,273,338	1,363,714
Shares redeemed	(6,014,440)	(10,077,013)
Net Increase (Decrease) in Shares Outstanding	**(569,834)**	**(4,350,258)**
Service Shares		
Shares sold	357,107	803,289
Shares issued for dividends reinvested	148,424	159,629
Shares redeemed	(1,160,923)	(903,281)
Net Increase (Decrease) in Shares Outstanding	**(655,392)**	**59,637**

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	2014	2013	2012	2011	2010
Per Share Data ($):					
Net asset value, beginning of period	40.84	31.86	29.48	29.67	26.31
Investment Operations:					
Investment income—net[a]	.74	.66	.63	.54	.48
Net realized and unrealized gain (loss) on investments	4.65	9.39	3.95	.02	3.37
Total from Investment Operations	5.39	10.05	4.58	.56	3.85
Distributions:					
Dividends from investment income—net	(.75)	(.68)	(.64)	(.55)	(.49)
Dividends from net realized gain on investments	(.49)	(.39)	(1.56)	(.20)	–
Total Distributions	(1.24)	(1.07)	(2.20)	(.75)	(.49)
Net asset value, end of period	44.99	40.84	31.86	29.48	29.67
Total Return (%)	13.42	32.02	15.74	1.88	14.84
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.27	.29	.28	.27	.27
Ratio of net expenses to average net assets	.27	.29	.28	.27	.27
Ratio of net investment income to average net assets	1.76	1.82	2.02	1.81	1.78
Portfolio Turnover Rate	1.59	3.76	3.13	3.27	4.46
Net Assets, end of period ($ x 1,000)	1,955,325	1,798,538	1,541,577	1,487,417	1,635,095

[a] *Based on average shares outstanding.*
See notes to financial statements.

Service Shares	Year Ended December 31, 2014	2013	2012	2011	2010
Per Share Data ($):					
Net asset value, beginning of period	40.89	31.90	29.51	29.70	26.34
Investment Operations:					
Investment income—net[a]	.64	.57	.56	.47	.41
Net realized and unrealized gain (loss) on investments	4.63	9.40	3.96	.02	3.38
Total from Investment Operations	5.27	9.97	4.52	.49	3.79
Distributions:					
Dividends from investment income—net	(.64)	(.59)	(.57)	(.48)	(.43)
Dividends from net realized gain on investments	(.49)	(.39)	(1.56)	(.20)	—
Total Distributions	(1.13)	(.98)	(2.13)	(.68)	(.43)
Net asset value, end of period	45.03	40.89	31.90	29.51	29.70
Total Return (%)	13.10	31.71	15.47	1.62	14.54
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.52	.54	.53	.52	.52
Ratio of net expenses to average net assets	.52	.54	.53	.52	.52
Ratio of net investment income to average net assets	1.50	1.57	1.78	1.56	1.53
Portfolio Turnover Rate	1.59	3.76	3.13	3.27	4.46
Net Assets, end of period ($ x 1,000)	234,542	239,742	185,127	168,177	168,782

[a] *Based on average shares outstanding.*
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 & 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 ("ASC") 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. For open short positions, asked prices are 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 generally categorized within Level 1 of the fair value hierarchy.

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. 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 generally 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, 2014 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†	2,162,554,730	–	–	**2,162,554,730**

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($) (continued)				
Investments in Securities (continued):				
Equity Securities– Foreign Common Stocks†	5,589,856	–	–	**5,589,856**
Mutual Funds	25,007,841	–	–	**25,007,841**
U.S. Treasury	–	964,734	–	**964,734**
Other Financial Instruments:				
Financial Futures††	100,850	–	–	**100,850**

† *See Statement of Investments for additional detailed categorizations.*
†† *Amount shown represents unrealized appreciation at period end.*

At December 31, 2014, 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. During the period ended December 31, 2014, The Bank of New York Mellon earned $20,870 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, 2014 were as follows:

Affiliated Investment Company	Value 12/31/2013 ($)	Purchases ($)	Sales ($)	Value 12/31/2014 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	16,746,890	170,941,547	167,811,264	19,877,173	.9
Dreyfus Institutional Cash Advantage Fund	6,133,305	93,037,473	94,040,110	5,130,668	.2
Total	**22,880,195**	**263,979,020**	**261,851,374**	**25,007,841**	**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, 2014, 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, 2014, the fund did not incur any interest or penalties.

Each tax year in the four-year period ended December 31, 2014 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2014, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $1,727,818, undistributed capital gains $58,163,403 and unrealized appreciation $1,181,153,250.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2014 and December 31, 2013 were as follows: ordinary income $39,882,668 and $37,754,271, and long-term capital gains $20,022,248 and $17,177,340, respectively.

During the period ended December 31, 2014, 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 $51,859 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 $430 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 8, 2014, the unsecured credit facility with Citibank, N.A. was $265 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, 2014, the fund did not borrow under the Facilities.

NOTE 3—Management Fee, Index-Management Fee and Other Transactions with Affiliates:

(a) Pursuant to a management agreement (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.

Pursuant to an index management agreement (the "Index Agreement"), Dreyfus has agreed to pay Mellon Capital a monthly index-management fee at the annual rate of .095% of the value of the fund's average daily net assets. Pursuant to the Index Agreement, the fund's custody fee is included in the index-management fee.

(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, 2014, Service shares were charged $586,339 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, 2014, Initial shares were charged $2,587 pursuant to the Shareholders Services Plan.

The fund has arrangements with the transfer agent whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency 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, 2014, the fund was charged $1,367 for transfer agency services and $100 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 $6.

During the period ended December 31, 2014, the fund was charged $7,771 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 $455,552, Distribution Plan fees $49,928, Shareholder Services Plan fees $1,000, Chief Compliance Officer fees $1,851 and transfer agency fees $242.

(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, 2014, amounted to $61,117,543 and $135,331,026, 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, 2014 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, 2014 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, 2014:

	Average Market Value ($)
Equity financial futures	26,474,435

At December 31, 2014, the cost of investments for federal income tax purposes was $1,012,963,911; accordingly, accumulated net unrealized appreciation on investments was $1,181,153,250, consisting of $1,252,446,146 gross unrealized appreciation and $71,292,896 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 was completed in April 2014. Oral argument before the Second Circuit took place on November 5, 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. Pursuant to Master Case Order No. 4, the parties – through their executive committees and liaison counsel – attempted to negotiate a protocol for motions to dismiss and other procedural issues, and submitted rival proposals to the Court. On April 24, 2014, the Court entered an order setting a schedule for the first motions to dismiss in the *FitzSimons* case. Pursuant to that schedule, a "global" motion to dismiss the fraudulent transfer claim asserted against the Shareholder Defendants, which applies equally to all Shareholder Defendants including the fund, was filed on May 23, 2014. Plaintiffs' response brief was filed on June 23, 2014, and the reply brief was filed on July 3, 2014. No date for oral argument has been scheduled. The Court also preserved Shareholder Defendants' rights to file nineteen motions to dismiss enumerated in their proposal and motions pursuant to Rules 12(b)(2)-(5) of the Federal Rules of Civil Procedure. If these various motions are necessary after the Court decides the global motion to dismiss, the Court will set further guidelines and briefing schedules.

As of November 30, 2014, no answers to the Fifth Amended Complaint in the *FitzSimons* case may be filed.

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, 2014, 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, 2014 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, 2014, 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 11, 2015

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, 2014 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2015 of the percentage applicable to the preparation of their 2014 income tax returns. Also, the fund hereby reports $.0795 per share as a short-term capital gain distribution and $.4082 per share as a long-term capital gain distribution paid on March 31, 2014.

BOARD MEMBERS INFORMATION (Unaudited)

INDEPENDENT BOARD MEMBERS

Joseph S. DiMartino (71)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee (1995-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 (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: 146

Peggy C. Davis (71)
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: 52

David P. Feldman (75)
Board Member (1996)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee (1985-present)

Other Public Company Board Membership During Past 5 Years:
• BBH Mutual Funds Group (5 registered mutual funds), Director (1992-present)

No. of Portfolios for which Board Member Serves: 38

Ehud Houminer (74)
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 Membership During Past 5 Years:
• Avnet, Inc., an electronics distributor, Director (1993-2012)

No. of Portfolios for which Board Member Serves: 62

Lynn Martin (75)
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: 38

Robin A. Melvin (51)
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: 114

Dr. Martin Peretz (75)
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: 38

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 69 investment companies (comprised of 146 portfolios) managed by the Manager. He is 56 years old and has been an employee of the Manager since February 1988.

JOHN PAK, Chief Legal Officer since March 2013.

Deputy General Counsel, Investment Management, of BNY Mellon since August 2014; Chief Legal Officer of the Manager 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 52 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 41 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon and Secretary of the Manager, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 59 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 53 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since February 1991.

SARAH S. KELLEHER, Vice President and Assistant Secretary since April 2014.

Senior Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager; from August 2005 to March 2013, Associate General Counsel of Third Avenue Management. She is 39 years old and has been an employee of the Manager since March 2013.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since September 2003.

Senior Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 49 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 56 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 55 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 50 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 47 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 47 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 (70 investment companies, comprised of 171 portfolios). He is 57 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 of UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President of Citi Global Wealth Management. He is an officer of 65 investment companies (comprised of 166 portfolios) managed by the Manager. He is 42 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, 2014

BNY MELLON

Dreyfus

Contents

THE FUND

FOR MORE INFORMATION

Dreyfus Investment Portfolios,
Technology Growth Portfolio

The Fund

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, 2014, through December 31, 2014. 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.

While U.S. equities' 2014 gains fell short of their impressive 2013 performance, some broad measures of stock market performance posted their sixth consecutive year of positive results. Investor sentiment remained strong in an environment of sustained economic growth, rising corporate profits, muted inflation, and historically low interest rates. It also is noteworthy that stocks advanced despite persistent headwinds stemming from a sluggish global economy, which was characterized by economic weakness in Europe, Japan and China; intensifying geopolitical conflicts; and plummeting commodity prices.

Many economists appear to be optimistic about the prospects for 2015. Our own analysts agree and, in light of the ongoing benefits of low interest rates and depressed energy prices, see the potential for a somewhat faster pace of global growth in 2015 than in 2014. U.S. economic growth also seems poised to accelerate, largely due to the fading of drags from tight fiscal policies adopted in the wake of the Great Recession. Of course, a number of risks to U.S. and global economic growth remain, and changing conditions in 2015 are likely to benefit some industry groups more than others. That's why we urge you to talk regularly with your financial advisor about the potential impact of macroeconomic developments on your investments.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2015

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2014, through December 31, 2014, as provided by Barry K. Mills, CFA, Portfolio Manager

Fund and Market Performance Overview

For the 12-month period ended December 31, 2014, Dreyfus Investment Portfolios, Technology Growth Portfolio's Initial shares produced a total return of 6.82%, and its Service shares produced a total return of 6.58%.[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 13.87% and 13.66%, respectively, over the same period.[2,3]

Improving U.S. economic fundamentals and rising corporate earnings drove stocks broadly higher during 2014. Technology stocks mildly outperformed the broader market, led by semiconductor producers and other computer hardware manufacturers. While the fund participated significantly in the market's rise, stock selection shortfalls and underexposure to the semiconductor industry caused its performance to trail that of the benchmark.

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.

U.S. Stocks Rose to Record Territory

After a weather-related contraction during the first quarter of the year, U.S. economic indicators showed signs of improvement over the remainder of 2014, with strong corporate earnings, steady GDP growth, declining unemployment, and muted inflation bolstering investor confidence in U.S. equities. Despite a few brief dips, the S&P 500 Index reached a series of new highs, posting a double-digit gain for the third consecutive year and ending the year near record territory. However, historically low interest rates and economic weakness in Europe, China, and Japan led many investors to focus primarily on higher yielding and traditionally defensive stocks. Within the information technology sector, many top performers were concentrated among slower growing personal computer makers and legacy parts suppliers, while some industry segments, perceived by the market to offer faster growth with greater risk, tended to lag sector averages.

Underexposure to PC and Parts Makers Constrained Returns

While the fund shared in the equity market's gains during 2014, its performance compared to the benchmark suffered due to the market's shift in favor of more defensive, value-oriented stocks. For example, the fund generally avoided investments in relatively slow-growing companies tied to the desktop computer industry, such as Hewlett-Packard and Intel, which rallied from previously beaten-down price levels. A few individual holdings also delivered disappointing returns due to company-specific issues. Social networking company *Twitter* reported strong earnings, but investors reacted negatively to evidence that the company's user base was not expanding as rapidly as expected. Communications equipment maker *Ciena* missed earnings targets due to a slowdown in the telecommunications equipment spending cycle. Online media company *Netflix* fell short of expectations largely as a result of lagging growth among international subscribers over the second half of the year. Electric car manufacturer Tesla Motors declined in response to falling gas prices and reduced production forecasts.

On a more positive note, the fund avoided some of the market's most notable laggards, such as SAP and International Business Machines, while investing in several relatively strong performers. Internet services provider Akamai Technologies rose on the strength of better-than-expected earnings, an encouraging outlook, and diminishing pricing concerns. Semiconductor maker *Micron Technology,* which benefited from structural pricing improvements in the digital memory market, outperformed many of its industry peers. Social media company Facebook climbed sharply as the company succeeded in monetizing its mobile platform. Finally, Alibaba Group Holding, the Chinese-based online sales platform, attracted investors by posting better-than-expected earnings.

Focused on Drivers of Growth in Technology

We believe the market's shift in favor of more defensive technology companies has been motivated by temporary political and economic developments. As the U.S. economy continues to expand, we anticipate renewed interest in the kinds of growth-oriented technology leaders on which the fund is currently focused. In particular, we have targeted companies that our research indicates are poised to benefit from emerging product cycles, strong user adoption trends, and increasing market share. At the same time, we remain concerned about the possible negative impact on technology earnings of economic turmoil in Europe and Asia.

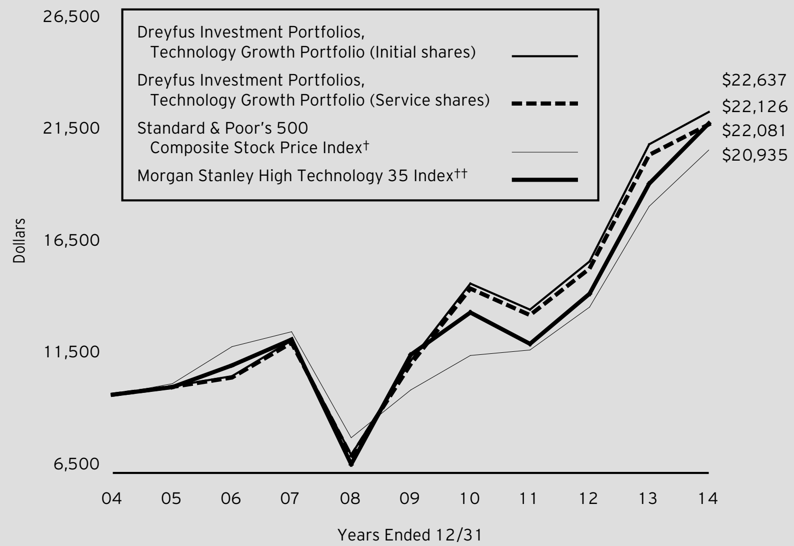
January 15, 2015

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 12/31/14*

	1 Year	5 Years	10 Years
Initial shares	**6.82%**	**14.47%**	**8.51%**
Service shares	**6.58%**	**14.20%**	**8.24%**
Standard & Poor's 500 Composite Stock Price Index	**13.66%**	**15.44%**	**7.67%**
Morgan Stanley High Technology 35 Index	**13.87%**	**13.42%**	**8.26%**

† *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 12/31/04 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, 2014 to December 31, 2014. 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, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.20	$ 5.48
Ending value (after expenses)	$1,034.40	$1,033.30

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, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.18	$ 5.45
Ending value (after expenses)	$1,021.07	$1,019.81

† *Expenses are equal to the fund's annualized expense ratio of .82% for Initial shares and 1.07% 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, 2014

Common Stocks—97.3%	Shares		Value ($)
Application Software—7.8%			
Adobe Systems	148,483	a	10,794,714
salesforce.com	193,914	a	11,501,039
			22,295,753
Automobile Manufacturers—2.0%			
Tesla Motors	25,614	a,b	**5,696,810**
Communications Equipment—4.3%			
Cisco Systems	445,386		**12,388,412**
Computer Storage & Peripherals—15.7%			
Apple	126,607		13,974,881
EMC	392,853		11,683,448
Lenovo Group	4,750,000		6,192,614
SanDisk	130,468		12,783,255
			44,634,198
Data Processing & Outsourced Services—8.9%			
Paychex	236,539		10,921,006
Visa, Cl. A	54,601		14,316,382
			25,237,388
Electronic Components—3.2%			
Amphenol, Cl. A	167,429		**9,009,354**
Internet Retail—3.3%			
Priceline Group	8,379	a	**9,553,820**
Internet Software & Services—21.2%			
Akamai Technologies	146,871	a	9,246,998
Alibaba Group Holding, ADR	84,046	b	8,735,741
Facebook, Cl. A	169,779	a	13,246,158
Google, Cl. A	10,384	a	5,510,373
Google, Cl. C	10,384	a	5,466,138

Common Stocks (continued)	Shares		Value ($)
Internet Software & Services (continued)			
LinkedIn, Cl. A	45,958	a	10,557,012
Tencent Holdings	527,500		7,568,747
			60,331,167
IT Consulting & Other Services—4.3%			
Cognizant Technology Solutions, Cl. A	230,031	a	**12,113,432**
Life Sciences Tools & Services—2.6%			
Illumina	39,531	a	**7,296,632**
Semiconductor Equipment—6.1%			
Applied Materials	469,095		11,689,847
NXP Semiconductors	74,332	a	5,678,965
			17,368,812
Systems Software—17.9%			
Fortinet	299,255	a	9,175,158
Microsoft	226,708		10,530,587
Oracle	218,058		9,806,068
ServiceNow	96,789	a	6,567,134
Symantec	289,062		7,415,886
VMware, Cl. A	88,816	a	7,329,096
			50,823,929
Total Common Stocks (cost $213,612,654)			**276,749,707**

Other Investment—2.8%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $7,826,448)	7,826,448	c	**7,826,448**

Investment of Cash Collateral for Securities Loaned—2.0%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $5,748,432)	5,748,432 [c]	**5,748,432**
Total Investments (cost $227,187,534)	**102.1%**	**290,324,587**
Liabilities, Less Cash and Receivables	**(2.1%)**	**(6,047,802)**
Net Assets	**100.0%**	**284,276,785**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2014, the value of the fund's securities on loan was $14,287,978 and the value of the collateral held by the fund was $14,724,358, consisting of cash collateral of $5,748,432 and U.S. Government & Agency securities valued at $8,975,926.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Internet Software & Services	21.2	Communications Equipment	4.3
Systems Software	17.9	IT Consulting & Other Services	4.3
Computer Storage & Peripherals	15.7	Internet Retail	3.3
Data Processing & Outsourced Services	8.9	Electronic Components	3.2
Application Software	7.8	Life Sciences Tools & Services	2.6
Semiconductor Equipment	6.1	Automobile Manufacturers	2.0
Money Market Investments	4.8		**102.1**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2014

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $14,287,978)—Note 1(c):		
Unaffiliated issuers	213,612,654	276,749,707
Affiliated issuers	13,574,880	13,574,880
Cash		66,800
Dividends and securities lending income receivable		68,353
Prepaid expenses		1,748
		290,461,488
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		231,487
Liability for securities on loan—Note 1(c)		5,748,432
Payable for shares of Beneficial Interest redeemed		142,982
Accrued expenses		61,802
		6,184,703
Net Assets ($)		**284,276,785**
Composition of Net Assets ($):		
Paid-in capital		192,277,988
Accumulated net realized gain (loss) on investments		28,861,744
Accumulated net unrealized appreciation (depreciation) on investments		63,137,053
Net Assets ($)		**284,276,785**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	96,320,032	187,956,753
Shares Outstanding	5,163,639	10,435,174
Net Asset Value Per Share ($)	**18.65**	**18.01**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2014

Investment Income ($):	
Income:	
Cash dividends:	
Unaffiliated issuers	2,137,129
Affiliated issuers	11,149
Income from securities lending—Note 1(c)	67,815
Total Income	**2,216,093**
Expenses:	
Management fee—Note 3(a)	2,149,358
Distribution fees—Note 3(b)	477,201
Trustees' fees and expenses—Note 3(c)	84,477
Professional fees	69,677
Prospectus and shareholders' reports	26,510
Custodian fees—Note 3(b)	21,050
Loan commitment fees—Note 2	2,413
Shareholder servicing costs—Note 3(b)	926
Interest expense—Note 2	344
Miscellaneous	18,048
Total Expenses	**2,850,004**
Less—reduction in fees due to earnings credits—Note 3(b)	(3)
Net Expenses	**2,850,001**
Investment (Loss)—Net	**(633,908)**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments and foreign currency transactions	30,147,217
Net unrealized appreciation (depreciation) on investments	(11,220,542)
Net Realized and Unrealized Gain (Loss) on Investments	**18,926,675**
Net Increase in Net Assets Resulting from Operations	**18,292,767**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2014	2013
Operations ($):		
Investment (loss)—net	(633,908)	(531,973)
Net realized gain (loss) on investments	30,147,217	31,352,021
Net unrealized appreciation (depreciation) on investments	(11,220,542)	39,829,496
Net Increase (Decrease) in Net Assets Resulting from Operations	**18,292,767**	**70,649,544**
Dividends to Shareholders from ($):		
Net realized gain on investments:		
Initial Shares	(5,129,350)	–
Service Shares	(10,634,942)	–
Total Dividends	**(15,764,292)**	**–**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	8,366,168	7,096,023
Service Shares	29,602,554	16,536,945
Dividends reinvested:		
Initial Shares	5,129,350	–
Service Shares	10,634,942	–
Cost of shares redeemed:		
Initial Shares	(15,094,005)	(14,213,627)
Service Shares	(38,169,931)	(38,550,987)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**469,078**	**(29,131,646)**
Total Increase (Decrease) in Net Assets	**2,997,553**	**41,517,898**
Net Assets ($):		
Beginning of Period	281,279,232	239,761,334
End of Period	**284,276,785**	**281,279,232**

	Year Ended December 31,	
	2014	2013
Capital Share Transactions:		
Initial Shares		
Shares sold	461,954	468,302
Shares issued for dividends reinvested	277,562	–
Shares redeemed	(841,829)	(936,124)
Net Increase (Decrease) in Shares Outstanding	**(102,313)**	**(467,822)**
Service Shares		
Shares sold	1,674,566	1,077,685
Shares issued for dividends reinvested	594,795	–
Shares redeemed	(2,186,451)	(2,649,027)
Net Increase (Decrease) in Shares Outstanding	**82,910**	**(1,571,342)**

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	2014	2013	2012	2011	2010
Per Share Data ($):					
Net asset value, beginning of period	18.38	13.84	11.97	12.98	9.99
Investment Operations:					
Investment income (loss)—net[a]	(.01)	(.01)	.00[b]	(.03)	(.03)
Net realized and unrealized gain (loss) on investments	1.26	4.55	1.87	(.98)	3.02
Total from Investment Operations	1.25	4.54	1.87	(1.01)	2.99
Distributions:					
Dividends from net realized gain on investments	(.98)	–	–	–	–
Net asset value, end of period	18.65	18.38	13.84	11.97	12.98
Total Return (%)	6.82	32.80	15.62	(7.78)	29.93
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.83	.85	.83	.83	.81
Ratio of net expenses to average net assets	.83	.85	.83	.83	.81
Ratio of net investment income (loss) to average net assets	(.05)	(.05)	.03	(.25)	(.33)
Portfolio Turnover Rate	72.20	68.73	52.00	79.60	103.90
Net Assets, end of period ($ x 1,000)	96,320	96,786	79,353	74,929	91,806

[a] *Based on average shares outstanding.*
[b] *Amount represents less than $.01 per share.*
See notes to financial statements.

Service Shares	Year Ended December 31, 2014	2013	2012	2011	2010
Per Share Data ($):					
Net asset value, beginning of period	17.82	13.45	11.66	12.68	9.78
Investment Operations:					
Investment (loss)—net[a]	(.05)	(.04)	(.03)	(.06)	(.06)
Net realized and unrealized gain (loss) on investments	1.22	4.41	1.82	(.96)	2.96
Total from Investment Operations	1.17	4.37	1.79	(1.02)	2.90
Distributions:					
Dividends from net realized gain on investments	(.98)	–	–	–	–
Net asset value, end of period	18.01	17.82	13.45	11.66	12.68
Total Return (%)	6.58	32.49	15.35	(8.05)	29.65
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.08	1.10	1.08	1.08	1.06
Ratio of net expenses to average net assets	1.08	1.10	1.08	1.08	1.06
Ratio of net investment (loss) to average net assets	(.30)	(.30)	(.22)	(.50)	(.58)
Portfolio Turnover Rate	72.20	68.73	52.00	79.60	103.90
Net Assets, end of period ($ x 1,000)	187,957	184,493	160,409	125,006	145,238

[a] *Based on average shares outstanding.*

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 ("ASC") 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. For open short positions, asked prices are 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 generally categorized within Level 1 of the fair value hierarchy.

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. These securities are generally categorized within Level 2 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 generally 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.

Forward foreign currency exchange contracts ("forward contracts") are valued at the forward rate and are generally categorized within Level 2 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2014 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†	248,573,640	–	–	**248,573,640**
Equity Securities–Foreign Common Stocks†	14,414,706	13,761,361††	–	**28,176,067**
Mutual Funds	13,574,880	–	–	**13,574,880**

† *See Statement of Investments for additional detailed categorizations.*

†† *Securities classified within Level 2 at period end as the values were determined pursuant to the fund's fair valuation procedures. See note above for additional information.*

At December 31, 2013, no exchange traded foreign equity securities were classified within Level 2 of the fair value hierarchy.

(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 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. During the period ended December 31, 2014, The Bank of New York Mellon earned $21,893 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, 2014 were as follows:

Affiliated Investment Company	Value 12/31/2013 ($)	Purchases ($)	Sales ($)	Value 12/31/2014 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	10,787,463	117,815,210	120,776,225	7,826,448	2.8
Dreyfus Institutional Cash Advantage Fund	6,647,451	27,367,814	28,266,833	5,748,432	2.0
Total	**17,434,914**	**145,183,024**	**149,043,058**	**13,574,880**	**4.8**

(e) 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.

(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, 2014, 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, 2014, the fund did not incur any interest or penalties.

Each tax year in the four-year period ended December 31, 2014 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2014, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $4,362,415, undistributed capital gains $25,154,533 and unrealized appreciation $62,481,849.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2014 and December 31, 2013 were as follows: long-term capital gains $15,764,292 and $0, respectively.

During the period ended December 31, 2014, as a result of permanent book to tax differences, primarily due to the tax treatment for net operating losses and foreign currency gains and losses, the fund increased accumulated undistributed investment income-net by $633,908 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 $430 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 8, 2014, the unsecured credit facility with Citibank, N.A. was $265 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, 2014 was approximately $31,500 with a related weighted average annualized interest rate of 1.09%.

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, 2014, Service shares were charged $477,201 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, 2014, the fund was charged $583 for transfer agency services and $55 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 $3.

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, 2014, the fund was charged $21,050 pursuant to the custody agreement.

During the period ended December 31, 2014, the fund was charged $7,771 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 $181,618, Distribution Plan fees $39,969, custodian fees $7,924, Chief Compliance Officer fees $1,851 and transfer agency fees $125.

(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, 2014, amounted to $197,766,140 and $210,540,958, respectively.

At December 31, 2014, the cost of investments for federal income tax purposes was $227,842,738; accordingly, accumulated net unrealized appreciation on investments was $62,481,849, consisting of $67,801,248 gross unrealized appreciation and $5,319,399 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, 2014, 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, 2014 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, 2014, 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 11, 2015

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby reports $.9752 per share as a long-term capital gain distribution paid on March 20, 2014.

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Trustees held on July 15-16, 2014, 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 (the "Performance Group") and with a broader group of funds (the "Performance Universe"), all for various periods ended May 31, 2014, 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 medians and was variously above and below the Performance Universe medians for the various periods. The Board noted the proximity to the median in certain of the periods when the fund's performance was below the Performance Group and/or Performance Universe median(s). Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's benchmark indices and noted that the fund's return was above the benchmark technology index in five of the ten years.

The Board also reviewed the range of actual and contractual management fees and total expenses of the Expense Group and Expense Universe funds and discussed the results of the comparisons. The Board noted that the fund's contractual management fee was below the Expense Group median and the fund's actual management fee and total expenses were below the Expense Group and 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 its affiliates and the resulting profitability percentage for managing the fund and the aggregate profitability percentage to Dreyfus and its affiliates for 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 expressed some concern about the fund's relative performance and agreed to closely monitor 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 to renew the Agreement.

BOARD MEMBERS INFORMATION (Unaudited)

INDEPENDENT BOARD MEMBERS

Joseph S. DiMartino (71)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee (1995-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 (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: 146

Gordon J. Davis (73)
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: 62

Nathan Leventhal (71)
Board Member (2009)

Principal Occupation During Past 5 Years:
• Chairman of the Avery-Fisher Artist Program (1997-2014)
• Commissioner, NYC Planning Commission (2007-2011)

Other Public Company Board Membership During Past 5 Years:
• Movado Group, Inc., Director (2003-present)

No. of Portfolios for which Board Member Serves: 52

Robin A. Melvin (51)
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: 114

Roslyn M. Watson (65)
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: 70

Benaree Pratt Wiley (68)
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 Membership 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: 70

J. Charles Cardona (58)
Board Member (2014)†

Principal Occupation During Past 5 Years:

- President and a Director of the Manager, Executive Vice President of the Distributor, President of Dreyfus Institutional Services Division (2008-present)

No. of Portfolios for which Board Member Serves: 38

J. Charles Cardona is deemed to be an "interested person" (as defined in the Act) of the Company as a result of his affiliation with The Dreyfus Corporation.

Isabel P. Dunst (67)
Board Member (2014)

Principal Occupation During Past 5 Years:

- Partner, Hogan Lovells LLP (1990-present)

No. of Portfolios for which Board Member Serves: 38

Isabel P. Dunst is deemed to be an "interested person" (as defined in the Act) of the Company 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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† J. Charles Cardona was elected as a Board Member of the Company on February 27, 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
Whitney I. Gerard, Emeritus Board Member
Arthur A. Hartman, Emeritus Board Member
George L. Perry, 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 69 investment companies (comprised of 146 portfolios) managed by the Manager. He is 56 years old and has been an employee of the Manager since February 1988.

JOHN PAK, Chief Legal Officer since March 2013.

Deputy General Counsel, Investment Management, of BNY Mellon since August 2014; Chief Legal Officer of the Manager 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 52 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 41 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon and Secretary of the Manager, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. She is 59 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 53 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since February 1991.

SARAH S. KELLEHER, Vice President and Assistant Secretary since April 2014.

Senior Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager; from August 2005 to March 2013, Associate General Counsel of Third Avenue Management. She is 39 years old and has been an employee of the Manager since March 2013.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 49 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 56 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 55 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 50 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 47 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 70 investment companies (comprised of 171 portfolios) managed by the Manager. He is 47 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 (70 investment companies, comprised of 171 portfolios). He is 57 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 of UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President of Citi Global Wealth Management. He is an officer of 65 investment companies (comprised of 166 portfolios) managed by the Manager. He is 42 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.

0175AR1214

FRANKLIN TEMPLETON INVESTMENTS

Annual Report
December 31, 2014

Franklin Templeton Variable Insurance Products Trust

Franklin Templeton Variable Insurance Products Trust Annual Report

Table of Contents

*Not part of the annual report. Retain for your records.

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.

Supplement Dated September 24, 2014
to the Statement of Additional Information
Dated May 1, 2014 of
Franklin Templeton Variable Insurance Products Trust (the "Trust")

The following section is added to the Trust's Statement of Additional Information before the section "Performance" on page 100:

Calculation of Net Asset Value

The Fund's net asset value per share is generally calculated to two decimal places, but it will generally be calculated to four decimal places in connection with redemptions of two-thirds or more of the Fund's assets.

Please keep this supplement with your statement of additional information for future reference.

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Franklin Growth and Income VIP Fund

(Formerly, Franklin Growth and Income Securities Fund)

This annual report for Franklin Growth and Income VIP Fund covers the fiscal year ended December 31, 2014.

Class 2 Performance Summary as of December 31, 2014

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.

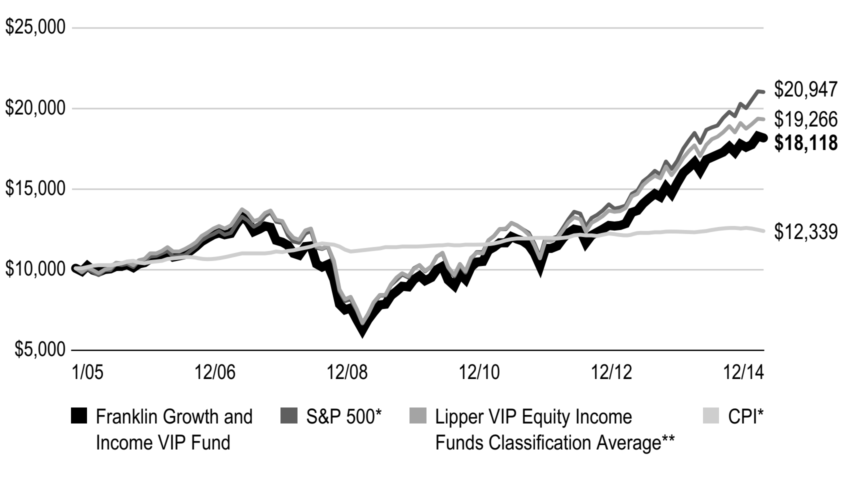
Periods ended 12/31/14	1-Year	5-Year	10-Year
Average Annual Total Return	+9.14%	+13.66%	+6.12%

Performance reflects the Fund's Class 2 operating expenses, but does ***not*** *include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

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.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/05–12/31/14)

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: Morningstar. Please see Index Descriptions following the Fund Summaries.

**Source: Lipper, a Thomson Reuters Company. Please see Index Descriptions following the Fund Summaries.

Fund Goals and Main Investments

Franklin Growth and Income VIP 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.

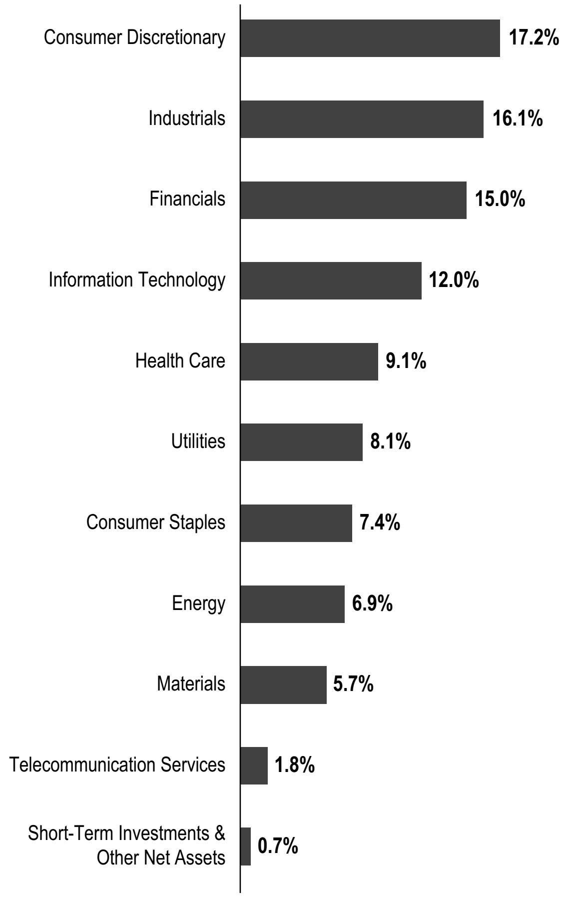
Fund Risks

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.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's benchmark, the Standard & Poor's 500 Index (S&P 500), produced a +13.69% total return.[1] The Fund's peers as measured by the Lipper VIP Equity Income Funds Classification Average posted a +9.48% return for the same period.[2]

Portfolio Breakdown
Based on Total Net Assets as of 12/31/14



Economic and Market Overview

The U.S. economy continued to grow during the year ended December 31, 2014, underpinned in some quarters by manufacturing activity, consumer and business spending and federal defense spending. Home sales experienced some weakness resulting from reduced inventory, higher mortgage rates and tight credit requirements but began to recover in May as mortgage rates declined. Home prices stayed higher than a year earlier. Retail sales generally improved, supported by job growth and lower gasoline prices in the latter part of 2014. The unemployment rate declined to 5.6% in December 2014 from 6.7% in December 2013.[3] Inflation, as measured by the Consumer Price Index, remained low.

In January 2014, the U.S. Federal Reserve Board (Fed) began reducing its large-scale bond purchases $10 billion a month and ended the buying program in October. But it continued its practice of maintaining holdings of longer term securities at sizable levels. The Fed believed underlying economic strength could support ongoing progress in labor market conditions. The Fed also noted that although inflation might remain low in the near term, the likelihood of inflation running persistently below 2% had diminished. Toward period-end, the Fed stated that it could be patient with regard to raising interest rates and that the interest rate might not rise for at least a couple of meetings, possibly implying at least the first two meetings of 2015.

1. Source: Morningstar.
2. Source: Lipper, a Thomson Reuters Company.
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.

Investor confidence grew during the period as corporate profits rose and the economy generally strengthened. The market endured sell-offs when many investors reacted to political instability in certain emerging markets, crises in Ukraine and the Middle East, weakness in Europe and Japan, and moderating economic data in China. U.S. stocks rose overall for the 12 months under review as the S&P 500 and Dow Jones Industrial Average reached all-time highs.[4]

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, most of the sectors the Fund invested in rose in value, as did most of the portfolio's individual securities, supporting overall performance. Key contributing sectors included information technology (IT), consumer discretionary, utilities and industrials, while detracting sectors included energy and materials.

Among IT holdings, top contributors included semiconductor maker Intel, software firm Microsoft and networking solutions provider Cisco. Intel shares gained after the company announced it would increase its quarterly dividends in 2015. Healthy second- and third-quarter 2014 earnings and revenues also boosted stock performance. Leading consumer discretionary performers included fashion retailer L Brands and home improvement retailer Lowe's. L Brands, a new holding, reported strong quarterly earnings, supported by improved sales across its Victoria's Secret and Bath & Body Works brands, and raised earnings guidance for fiscal year 2014. In utilities, natural gas and electricity provider PG&E and electric power holding company Duke Energy were among the top performers. PG&E's shares gained after the company reported better-than-expected third-quarter 2014 results, mainly driven by receipt of incremental revenues following the California Public Utilities Commission's final decision in the 2014 General Rate Case.

Top 10 Holdings
12/31/14

Company *Sector/Industry*	**% of Total Net Assets**
Intel Corp. *Information Technology*	2.4%
Cisco Systems Inc. *Information Technology*	2.2%
BlackRock Inc. *Financials*	2.2%
NIKE Inc., B *Consumer Discretionary*	2.1%
L Brands Inc. *Consumer Discretionary*	2.1%
JPMorgan Chase & Co. *Financials*	2.1%
Target Corp. *Consumer Discretionary*	2.1%
PG&E Corp. *Utilities*	2.1%
Republic Services Inc. *Industrials*	2.1%
PepsiCo Inc. *Consumer Staples*	2.1%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

Within industrials, security and aerospace company Lockheed Martin and waste management company Republic Services led contributors. Shares of Lockheed Martin gained after the Pentagon announced a deal with the company for additional F-35 fighter jets. The stock also surged after the company reached an agreement with Turkish missile manufacturer Roketsan to produce and market SOM-J air-to-surface cruise missiles for the F-35 Lightning II combat jet. Lockheed Martin shares also benefited from better-than-expected earnings in the second and third quarters of 2014.

In contrast, investments in the energy and materials sectors detracted notably from the Fund's performance. Energy stocks retreated as crude oil prices fell sharply during 2014 due to

4. Please see Index Descriptions following the Fund Summaries.

excess supply and weak global demand. Oil refiner HollyFrontier, a new position, led detractors in the energy sector. The company reported muted quarterly earnings, mainly due to lower refining margins. The stock plunged owing to the possibility of the U.S. exporting oil, which could affect the refiner's margins. Among materials holdings, Freeport-McMoRan and BHP Billiton hurt the Fund's performance. Freeport-McMoRan's share price fell after it reported a decline in its third-quarter 2014 earnings, primarily due to falling copper, gold and oil prices, and approached potential buyers for its onshore oil wells in California to reduce debts. Other key detractors included casino and resort operating company Wynn Resorts, which we sold, and machinery manufacturer Caterpillar, a new holding. Wynn Resorts, which generates most of its revenue from Las Vegas and Macau, suffered a decline as gambling revenues in Macau fell sharply in October. Gambling revenues in Macau have been declining since June 2014, due to the anti-corruption stance of China's government and tighter visa policies.

Thank you for your participation in Franklin Growth and Income VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2014, 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.

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 × $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 7/1/14	Ending Account Value 12/31/14	Fund-Level Expenses Incurred During Period* 7/1/14–12/31/14
Actual	$1,000	$1,030.80	$4.15
Hypothetical (5% return before expenses)	$1,000	$1,021.12	$4.13

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund’s Class 2 shares (0.81%), 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.

Financial Highlights

Franklin Growth and Income VIP Fund

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 1					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$15.97	$12.64	$11.60	$11.76	$10.47
Income from investment operations[a]:					
Net investment income[b]	0.53[c]	0.33	0.35	0.33	0.38
Net realized and unrealized gains (losses)	0.95	3.40	1.08	(0.03)	1.32
Total from investment operations	1.48	3.73	1.43	0.30	1.70
Less distributions from net investment income	(0.43)	(0.40)	(0.39)	(0.46)	(0.41)
Net asset value, end of year	$17.02	$15.97	$12.64	$11.60	$11.76
Total return[d]	9.40%	29.96%	12.53%	2.64%	16.93%
Ratios to average net assets					
Expenses	0.57%[e]	0.58%[e]	0.60%	0.59%	0.59%
Net investment income	3.26%[c]	2.29%	2.86%	2.80%	3.62%
Supplemental data					
Net assets, end of year (000's)	$168,961	$175,860	$154,463	$156,830	$176,590
Portfolio turnover rate	20.54%	35.16%	30.00%	32.93%	26.83%

[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 fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.12 per share received in the form of special dividends paid in connection with certain Fund holdings. Excluding these amounts, the ratio of net investment income to average net assets would have been 2.53%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[e]Benefit of expense reduction rounds to less than 0.01%.

Franklin Growth and Income VIP Fund (continued)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 2					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$15.73	$12.46	$11.44	$11.60	$10.33
Income from investment operations[a]:					
Net investment income[b]	0.48[c]	0.29	0.32	0.29	0.35
Net realized and unrealized gains (losses)	0.94	3.35	1.05	(0.02)	1.31
Total from investment operations	1.42	3.64	1.37	0.27	1.66
Less distributions from net investment income	(0.39)	(0.37)	(0.35)	(0.43)	(0.39)
Net asset value, end of year	$16.76	$15.73	$12.46	$11.44	$11.60
Total return[d]	9.14%	29.60%	12.23%	2.41%	16.68%
Ratios to average net assets					
Expenses	0.82%[e]	0.83%[e]	0.85%	0.84%	0.84%
Net investment income	3.01%[c]	2.04%	2.61%	2.55%	3.37%
Supplemental data					
Net assets, end of year (000's)	$138,191	$150,966	$131,400	$129,309	$151,481
Portfolio turnover rate	20.54%	35.16%	30.00%	32.93%	26.83%

[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 fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.12 per share received in the form of special dividends paid in connection with certain Fund holdings. Excluding these amounts, the ratio of net investment income to average net assets would have been 2.28%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[e]Benefit of expense reduction rounds to less than 0.01%.

Statement of Investments, December 31, 2014

Franklin Growth and Income VIP Fund

	Country	Shares	Value
Common Stocks 90.9%			
Consumer Discretionary 15.7%			
Ford Motor Co.	United States	360,900	$ 5,593,950
General Motors Co.	United States	32,188	1,123,683
L Brands Inc.	United States	75,600	6,543,180
Las Vegas Sands Corp.	United States	68,900	4,007,224
Lowe's Cos. Inc.	United States	88,600	6,095,680
McDonald's Corp.	United States	59,300	5,556,410
NIKE Inc., B	United States	68,200	6,557,430
Starwood Hotels & Resorts Worldwide Inc.	United States	76,600	6,209,962
Target Corp.	United States	84,700	6,429,577
			48,117,096
Consumer Staples 7.4%			
Diageo PLC, ADR	United Kingdom	42,100	4,803,189
Mead Johnson Nutrition Co., A	United States	48,700	4,896,298
Nestle SA	Switzerland	49,400	3,624,754
PepsiCo Inc.	United States	66,900	6,326,064
The Procter & Gamble Co.	United States	34,300	3,124,387
			22,774,692
Energy 6.0%			
BP PLC, ADR	United Kingdom	56,500	2,153,780
Chevron Corp.	United States	24,900	2,793,282
Exxon Mobil Corp.	United States	54,244	5,014,858
HollyFrontier Corp.	United States	90,000	3,373,200
Royal Dutch Shell PLC, A, ADR	United Kingdom	76,100	5,094,895
			18,430,015
Financials 13.8%			
Aflac Inc.	United States	79,300	4,844,437
Bank of America Corp.	United States	140,800	2,518,912
BlackRock Inc.	United States	19,300	6,900,908
JPMorgan Chase & Co.	United States	102,770	6,431,347
Marsh & McLennan Cos. Inc.	United States	73,100	4,184,244
MetLife Inc.	United States	105,178	5,689,078
T. Rowe Price Group Inc.	United States	66,900	5,744,034
Wells Fargo & Co.	United States	107,500	5,893,150
			42,206,110
Health Care 9.1%			
Bristol-Myers Squibb Co.	United States	42,700	2,520,581
Eli Lilly & Co.	United States	84,100	5,802,059
Johnson & Johnson	United States	49,300	5,155,301
Pfizer Inc.	United States	144,400	4,498,060
Roche Holding AG	Switzerland	20,700	5,619,523
Sanofi, ADR	France	97,000	4,424,170
			28,019,694
Industrials 14.0%			
The Boeing Co.	United States	32,200	4,185,356
Caterpillar Inc.	United States	48,600	4,448,358
General Electric Co.	United States	181,200	4,578,924
Honeywell International Inc.	United States	62,800	6,274,976
Lockheed Martin Corp.	United States	32,700	6,297,039
Republic Services Inc.	United States	158,300	6,371,575
United Parcel Service Inc., B	United States	45,000	5,002,650
United Technologies Corp.	United States	49,700	5,715,500
			42,874,378

Franklin Growth and Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Information Technology 12.0%			
CA Inc.	United States	170,900	$ 5,203,905
Cisco Systems Inc.	United States	248,208	6,903,905
Intel Corp.	United States	198,900	7,218,081
Maxim Integrated Products Inc.	United States	182,200	5,806,714
Microsoft Corp.	United States	128,300	5,959,535
Seagate Technology PLC	United States	86,300	5,738,950
			36,831,090
Materials 4.8%			
BHP Billiton PLC	Australia	123,300	2,668,526
The Dow Chemical Co.	United States	121,300	5,532,493
Freeport-McMoRan Inc., B	United States	91,888	2,146,504
Potash Corp. of Saskatchewan Inc.	Canada	126,300	4,460,916
			14,808,439
Telecommunication Services 1.8%			
Verizon Communications Inc.	United States	120,401	5,632,359
Utilities 6.3%			
Dominion Resources Inc.	United States	57,100	4,390,990
Duke Energy Corp.	United States	62,103	5,188,085
PG&E Corp.	United States	119,800	6,378,152
Xcel Energy Inc.	United States	97,800	3,512,976
			19,470,203
Total Common Stocks (Cost $200,633,629)			279,164,076
[a] **Equity-Linked Securities (Cost $5,125,650) 1.5%**			
Consumer Discretionary 1.5%			
[b] Barclays Bank PLC into Amazon.com Inc., 3.00%, 144A	United States	15,000	4,697,040
Convertible Preferred Stocks 6.9%			
Energy 0.9%			
[b] Chesapeake Energy Corp., 5.75%, cvt. pfd., 144A	United States	2,700	2,770,875
Financials 1.2%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	3,100	3,605,207
Industrials 2.1%			
Genesee & Wyoming Inc., 5.00%, cvt. pfd.	United States	9,200	1,067,660
Stanley Black & Decker Inc., 6.25%, cvt., pfd.	United States	45,300	5,333,622
			6,401,282
Materials 0.9%			
Alcoa Inc., 5.375%, cvt. pfd.	United States	56,400	2,845,380
Utilities 1.8%			
NextEra Energy Inc., 5.799%, cvt. pfd.	United States	62,000	3,576,780
NextEra Energy Inc., 5.889%, cvt. pfd.	United States	28,100	1,881,014
			5,457,794
Total Convertible Preferred Stocks (Cost $17,339,140)			21,080,538
Total Investments before Short Term Investments (Cost $223,098,419)			304,941,654

Franklin Growth and Income VIP Fund (continued)

	Country	Principal Amount	Value
Short Term Investments (Cost $1,890,415) 0.6%			
Repurchase Agreements 0.6%			
[c]Joint Repurchase Agreement, 0.057%, 1/02/15 (Maturity Value $1,890,421)	United States	$ 1,890,415	$ 1,890,415
BNP Paribas Securities Corp. (Maturity Value $159,305)			
HSBC Securities (USA) Inc. (Maturity Value $1,316,924)			
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $414,192)			
Collateralized by U.S. Government Agency Securities, 0.00% - 1.50%, 1/20/15 - 10/09/19; U.S. Government Agency Securities, Strips, 6/01/17; and U.S. Treasury Notes, 1.625% - 4.50%, 11/15/15 - 11/30/20 (valued at $1,928,462)			
Total Investments (Cost $224,988,834) 99.9%			306,832,069
Other Assets, less Liabilities 0.1%			320,260
Net Assets 100.0%			$ 307,152,329

See Abbreviations on page FGI-20.

[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, 2014, the aggregate value of these securities was $7,467,915 representing 2.43% of net assets.

[c]See Note 1(c) regarding joint repurchase agreement.

Financial Statements

Statement of Assets and Liabilities

December 31, 2014

	Franklin Growth and Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$223,098,419
Cost - Repurchase agreements	1,890,415
Total cost of investments	$224,988,834
Value - Unaffiliated issuers	$304,941,654
Value - Repurchase agreements	1,890,415
Total value of investments	306,832,069
Receivables:	
Capital shares sold	263,779
Dividends	500,127
Other assets	27
Total assets	307,596,002
Liabilities:	
Payables:	
Capital shares redeemed	154,073
Management fees	139,120
Distribution fees	58,153
Reports to shareholders	49,000
Professional fees	41,228
Accrued expenses and other liabilities	2,099
Total liabilities	443,673
Net assets, at value	$307,152,329
Net assets consist of:	
Paid-in capital	$208,829,174
Undistributed net investment income	9,979,465
Net unrealized appreciation (depreciation)	81,834,120
Accumulated net realized gain (loss)	6,509,570
Net assets, at value	$307,152,329
Class 1:	
Net assets, at value	$168,961,489
Shares outstanding	9,927,214
Net asset value and maximum offering price per share	$ 17.02
Class 2:	
Net assets, at value	$138,190,840
Shares outstanding	8,246,430
Net asset value and maximum offering price per share	$ 16.76

Statement of Operations
for the year ended December 31, 2014

	Franklin Growth and Income VIP Fund
Investment income:	
Dividends	$11,976,037
Interest	1,745
Total investment income	11,977,782
Expenses:	
Management fees (Note 3a)	1,659,139
Distribution fees - Class 2 (Note 3c)	355,464
Custodian fees (Note 4)	3,833
Reports to shareholders	62,991
Professional fees	45,747
Trustees’ fees and expenses	1,249
Other	11,703
Total expenses	2,140,126
Expense reductions (Note 4)	(6)
Net expenses	2,140,120
Net investment income	9,837,662
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	23,743,855
Foreign currency transactions	20,169
Net realized gain (loss)	23,764,024
Net change in unrealized appreciation (depreciation) on:	
Investments	(6,132,827)
Translation of other assets and liabilities denominated in foreign currencies	(11,622)
Net change in unrealized appreciation (depreciation)	(6,144,449)
Net realized and unrealized gain (loss)	17,619,575
Net increase (decrease) in net assets resulting from operations	$27,457,237

Statements of Changes in Net Assets

	Franklin Growth and Income VIP Fund	
	Year Ended December 31,	
	2014	2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 9,837,662	$ 6,736,411
Net realized gain (loss) from investments and foreign currency transactions	23,764,024	28,487,148
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	(6,144,449)	45,062,156
Net increase (decrease) in net assets resulting from operations	27,457,237	80,285,715
Distributions to shareholders from:		
Net investment income:		
Class 1	(4,441,593)	(4,583,247)
Class 2	(3,421,107)	(3,711,240)
Total distributions to shareholders	(7,862,700)	(8,294,487)
Capital share transactions: (Note 2)		
Class 1	(17,675,242)	(17,413,301)
Class 2	(21,593,267)	(13,615,221)
Total capital share transactions	(39,268,509)	(31,028,522)
Net increase (decrease) in net assets	(19,673,972)	40,962,706
Net assets:		
Beginning of year	326,826,301	285,863,595
End of year	$307,152,329	$326,826,301
Undistributed net investment income included in net assets:		
End of year	$ 9,979,465	$ 7,938,540

Notes to Financial Statements

Franklin Growth and Income VIP 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 management investment company, consisting of nineteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Growth and Income VIP 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, 2014, 78.90% 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.

Effective May 1, 2014, Franklin Growth and Income Securities Fund was renamed Franklin Growth and Income VIP Fund.

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 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 compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional 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 fair 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

Franklin Growth and Income VIP Fund (continued)

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.

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 fair 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, 2014.

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

Franklin Growth and Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Equity-Linked Securities *(continued)*

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. As a result of several court cases, in certain countries across the European Union, the Fund has filed additional tax reclaims for previously withheld taxes on dividends earned in those countries. These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. At this time, uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment, and accordingly, no amounts are reflected in the financial statements.

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, 2014, 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 for certain foreign securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. 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 U.S. GAAP. 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.

g. Accounting Estimates

The preparation of financial statements in accordance with U.S. 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 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

Franklin Growth and Income VIP Fund (continued)

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, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2014		2013	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	1,787	$ 29,600	37,520	$ 537,654
Shares issued in reinvestment of distributions	273,329	4,441,593	326,675	4,583,247
Shares redeemed	(1,356,798)	(22,146,435)	(1,571,602)	(22,534,202)
Net increase (decrease)	(1,081,682)	$(17,675,242)	(1,207,407)	$(17,413,301)
Class 2 Shares:				
Shares sold	349,345	$ 5,677,772	905,864	$ 12,758,976
Shares issued in reinvestment of distributions	213,552	3,421,107	268,347	3,711,240
Shares redeemed	(1,911,427)	(30,692,146)	(2,124,043)	(30,085,437)
Net increase (decrease)	(1,348,530)	$(21,593,267)	(949,832)	$(13,615,221)

3. Transactions With Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including $100 million
0.500%	Over $100 million, up to and including $250 million
0.450%	Over $250 million, up to and including $7.5 billion
0.440%	Over $7.5 billion, up to and including $10 billion
0.430%	Over $10 billion, up to and including $12.5 billion
0.420%	Over $12.5 billion, up to and including $15 billion
0.400%	In excess of $15 billion

Franklin Growth and Income VIP Fund (continued)

3. Transactions With Affiliates (continued)

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, 2014, 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.

During the year ended December 31, 2014, the Fund utilized $17,114,556 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2014 and 2013, was as follows:

	2014	2013
Distributions paid from ordinary income	$7,862,700	$8,294,487

At December 31, 2014, 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	$225,106,797
Unrealized appreciation	$ 88,022,604
Unrealized depreciation	(6,297,332)
Net unrealized appreciation (depreciation)	$ 81,725,272
Undistributed ordinary income	$ 10,186,591
Undistributed long term capital gains	6,481,128
Distributable earnings	$ 16,667,719

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of equity-linked securities, corporate actions, bond discounts and premiums, and wash sales.

Franklin Growth and Income VIP Fund (continued)

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2014, aggregated $63,637,090 and $103,402,653, 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 matured on February 13, 2015. 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. The Borrowers expect to renew the Global Credit Facility for a total of $2 billion effective February 13, 2015, which matures on February 12, 2016.

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, 2014, 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.

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, 2014, 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	$ 18,430,015	$2,770,875	$ —	$ 21,200,890
All Other Equity Investments[b]	279,043,724	—	—	279,043,724
Equity-Linked Securities	—	4,697,040	—	4,697,040
Short Term Investments	—	1,890,415	—	1,890,415
Total Investments in Securities	$297,473,739	$9,358,330	$ —	$306,832,069

[a]Includes common and convertible preferred stocks.
[b]For detailed categories, see the accompanying Statement of Investments.

Franklin Growth and Income VIP Fund (continued)

9. 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

Report of Independent Registered Public Accounting Firm

Franklin Growth and Income VIP Fund

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 VIP Fund (the “Fund”) at December 31, 2014, 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, 2014 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 13, 2015

Tax Information (unaudited)

Franklin Growth and Income VIP Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 96.42% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2014.

Franklin Large Cap Growth VIP Fund

(Formerly, Franklin Large Cap Growth Securities Fund)

This annual report for Franklin Large Cap Growth VIP Fund covers the fiscal year ended December 31, 2014.

Class 2 Performance Summary as of December 31, 2014

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.

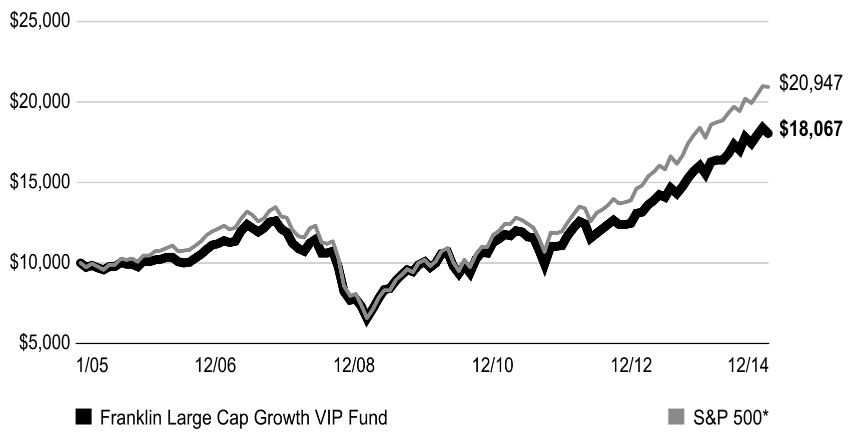
Periods ended 12/31/14	1-Year	5-Year	10-Year
Average Annual Total Return	+12.46%	+12.31%	+6.09%

*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.*

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.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/05–12/31/14)

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: Morningstar. Please see Index Descriptions following the Fund Summaries.

Fund Goal and Main Investments

Franklin Large Cap Growth VIP 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]

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.

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, generated a +13.69% total return.[2]

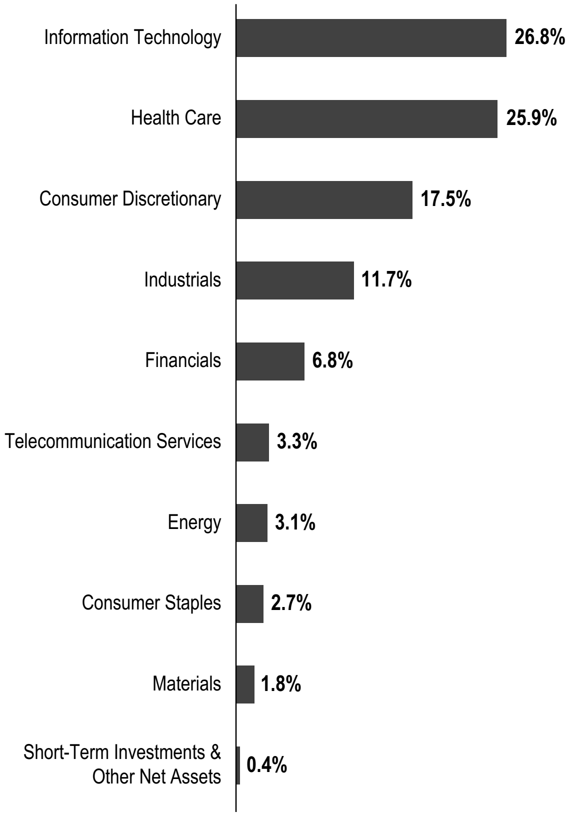
Economic and Market Overview

The U.S. economy continued to grow during the year ended December 31, 2014, underpinned in some quarters by manufacturing activity, consumer and business spending, and federal defense spending. Home sales experienced some weakness resulting from reduced inventory, higher mortgage rates and tight credit requirements but began to recover in May as mortgage rates declined. Home prices stayed higher than a year earlier. Retail sales generally improved, supported by job growth and lower gasoline prices in the latter part of 2014. The unemployment rate declined to 5.6% in December 2014 from 6.7% in December 2013.[3] Inflation, as measured by the Consumer Price Index, remained low.

In January 2014, the U.S. Federal Reserve Board (Fed) began reducing its large-scale bond purchases $10 billion a month and ended the buying program in October. But it continued its practice of maintaining holdings of longer term securities at sizable levels. The Fed believed underlying economic strength could support ongoing progress in labor market conditions. The Fed also noted that although inflation might remain low in the near term, the likelihood of inflation running persistently below 2% had diminished. Toward period-end, the Fed stated that it could be patient with regard to raising interest rates and that the interest rate might not rise for at least a couple of meetings, possibly implying at least the first two meetings of 2015.

Portfolio Breakdown

Based on Total Net Assets as of 12/31/14



1. Please see Index Descriptions following the Fund Summaries.
2. Source: 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.

Investor confidence grew during the period as corporate profits rose and the economy generally strengthened. The market endured sell-offs when many investors reacted to political instability in certain emerging markets, crises in Ukraine and the Middle East, weakness in Europe and Japan, and moderating economic data in China. U.S. stocks rose overall for the 12 months under review as the S&P 500 and Dow Jones Industrial Average reached all-time highs.[1]

Investment Strategy

We are a research driven, fundamental investor, pursuing a growth strategy. As a "bottom-up" investor focusing primarily on individual securities, we seek companies that have identifiable drivers of future earnings growth and that present, in our opinion, the best trade-off between that potential earnings growth, business and financial risk, and valuation.

Manager's Discussion

Looking back on the key factors impacting the Fund's returns during the 12 months 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. We employed our long-held strategy: bottom-up, individual-company, fundamental research aimed at opportunistically finding what we believed to be outstanding large-cap companies across all sectors, at valuations we believed understated their fair worth, with future growth potential being a key driver of estimated worth.

During the year under review, nearly all sectors represented in the Fund's portfolio contributed to absolute performance. Relative to the S&P 500, key contributors included stock selection and an overweighting in health care and an underweighting in energy.

In health care, our positions in biopharmaceutical firm Celgene[4] and generic pharmaceutical company Actavis aided relative results. Celgene delivered strong earnings, driven largely by robust product sales growth in the U.S. and international markets. Revlimid, its top product and a market leader in multiple myeloma therapy, was recommended for European Commission approval by the European Medicines Agency as a treatment for adults suffering from multiple myeloma and ineligible for stem cell transplants. Actavis's shares rallied after the company announced in February that it would acquire Forest Laboratories to strengthen its specialty pharmaceuticals portfolio and reported that its acquisition of specialty drug maker Warner Chilcott had helped earnings results. Actavis agreed to acquire several other companies in 2014, including multi-specialty global health care firm Allergan, also a Fund holding, which would make the combined company one of the largest pharmaceutical companies worldwide. Accretive acquisitions boosted Actavis's revenues and earnings in recent quarters.

Top 10 Holdings
12/31/14

Company ***Sector/Industry***	**% of Total Net Assets**
Celgene Corp. *Health Care*	4.1%
Actavis PLC *Health Care*	3.9%
MasterCard Inc., A *Information Technology*	3.5%
SBA Communications Corp. *Telecommunication Services*	3.3%
Apple Inc. *Information Technology*	3.1%
Facebook Inc., A *Information Technology*	3.0%
Google Inc., A & C *Information Technology*	2.6%
Gilead Sciences Inc. *Health Care*	2.3%
Precision Castparts Corp. *Industrials*	2.2%
The Walt Disney Co. *Consumer Discretionary*	2.2%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

In the energy sector, stocks retreated as crude oil prices fell sharply in 2014 because of excess supply and weak global demand growth. An underweighting in these stocks, notably integrated energy companies Exxon Mobil and Chevron, both of which we sold during the period, contributed to the Fund's relative performance.

Other notable contributors included an investment in American Airlines Group, one of the world's largest airlines.[4,5] Its share price rose as the company increased earnings and provided a positive outlook for 2015.

4. New holding this period.
5. Not part of the index.

In contrast, key detractors from the Fund's relative performance included our stock selection in the consumer discretionary and industrials sectors.

In consumer discretionary, our investment in casino resort operator Las Vegas Sands[4,5] and position in luxury goods maker and retailer Michael Kors Holdings[4] hurt relative results. Las Vegas Sands' share price reached a multi-year high in March 2014 but corrected after gambling revenues in Macau fell due to the Chinese government's anti-corruption campaign. Las Vegas Sands continued to benefit from its mass gaming and non-gaming operations in Macau, and it maintained a strong balance sheet and steady cash flow. Michael Kors posted solid revenues and earnings, but its share price declined as discounts on its fall inventory led to narrower margins.

In the industrials sector, key detractors included our position in Flowserve, a provider of flow control products and services for the global infrastructure markets.[4] Although the company delivered healthy earnings in the first half of the year, its revenues declined in the third quarter, resulting largely from project delays by some customers, unfavorable foreign currency exchange rates and costs related to its divestment of a Russia-focused business.

Other key detractors included natural and organic foods retailer Whole Foods Market and energy equipment and services company Halliburton, both of which we sold during the period. Whole Foods Market's share price fell after disappointing earnings reports. Halliburton's shares were pressured by the company's announcement it would acquire another large company and by a sharp decline in crude oil prices.

Thank you for your participation in Franklin Large Cap Growth VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2014, 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.

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 × $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 7/1/14	Ending Account Value 12/31/14	Fund-Level Expenses Incurred During Period* 7/1/14–12/31/14
Actual	$1,000	$1,039.40	$5.40
Hypothetical (5% return before expenses)	$1,000	$1,019.91	$5.35

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (1.05%), 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.

Financial Highlights

Franklin Large Cap Growth VIP Fund

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 1					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$20.91	$16.43	$14.75	$15.07	$13.62
Income from investment operations[a]:					
Net investment income[b]	0.11	0.24	0.21	0.15	0.12
Net realized and unrealized gains (losses)	2.54	4.48	1.65	(0.33)	1.48
Total from investment operations	2.65	4.72	1.86	(0.18)	1.60
Less distributions from net investment income	(0.30)	(0.24)	(0.18)	(0.14)	(0.15)
Net asset value, end of year	$23.26	$20.91	$16.43	$14.75	$15.07
Total return[c]	12.74%	28.92%	12.65%	(1.22)%	11.85%
Ratios to average net assets					
Expenses	0.79%	0.79%	0.80%	0.80%	0.79%
Net investment income	0.50%	1.27%	1.31%	0.99%	0.86%
Supplemental data					
Net assets, end of year (000's)	$54,971	$54,291	$46,756	$48,666	$58,265
Portfolio turnover rate	93.53%	28.27%	33.88%	56.61%	46.75%

[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 fair 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 Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

Franklin Large Cap Growth VIP Fund (continued)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 2					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$20.62	$16.20	$14.54	$14.86	$13.43
Income from investment operations[a]:					
Net investment income[b]	0.06	0.19	0.17	0.11	0.08
Net realized and unrealized gains (losses)	2.50	4.42	1.62	(0.33)	1.46
Total from investment operations	2.56	4.61	1.79	(0.22)	1.54
Less distributions from net investment income	(0.24)	(0.19)	(0.13)	(0.10)	(0.11)
Net asset value, end of year	$22.94	$20.62	$16.20	$14.54	$14.86
Total return[c]	12.46%	28.63%	12.37%	(1.51)%	11.59%
Ratios to average net assets					
Expenses	1.04%	1.04%	1.05%	1.05%	1.04%
Net investment income	0.25%	1.02%	1.06%	0.74%	0.61%
Supplemental data					
Net assets, end of year (000's)	$256,098	$285,477	$278,989	$293,226	$357,405
Portfolio turnover rate	93.53%	28.27%	33.88%	56.61%	46.75%

[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 fair 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 Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

Statement of Investments, December 31, 2014

Franklin Large Cap Growth VIP Fund

	Shares	Value
Common Stocks 99.6%		
Consumer Discretionary 17.5%		
[a] Amazon.com Inc.	16,460	$ 5,108,361
[a] Buffalo Wild Wings Inc.	10,631	1,917,620
[a] Chipotle Mexican Grill Inc.	5,764	3,945,516
[a] DISH Network Corp., A	26,794	1,953,015
Harman International Industries Inc.	29,118	3,107,182
[a] Kate Spade & Co.	53,169	1,701,940
Las Vegas Sands Corp.	78,083	4,541,307
[a] Liberty Broadband Corp., C	19,974	995,105
Lowe's Cos. Inc.	49,446	3,401,885
[a] Michael Kors Holdings Ltd.	25,475	1,913,172
NIKE Inc., B	43,861	4,217,235
[a] The Priceline Group Inc.	4,801	5,474,148
Starbucks Corp.	63,870	5,240,533
[a] Under Armour Inc., A	61,770	4,194,183
The Walt Disney Co.	71,240	6,710,096
		54,421,298
Consumer Staples 2.7%		
[a] Boston Beer Inc., A	6,996	2,025,622
Mead Johnson Nutrition Co., A	31,160	3,132,826
[a] Monster Beverage Corp.	29,074	3,150,168
		8,308,616
Energy 3.1%		
Anadarko Petroleum Corp.	56,155	4,632,787
[a] Diamondback Energy Inc.	39,604	2,367,527
Schlumberger Ltd.	31,390	2,681,020
		9,681,334
Financials 6.8%		
[a] Affiliated Managers Group Inc.	15,423	3,273,378
American Tower Corp.	23,959	2,368,347
BlackRock Inc.	6,778	2,423,542
[a] CBRE Group Inc.	115,801	3,966,184
The Charles Schwab Corp.	127,242	3,841,436
Outfront Media Inc.	78,179	2,098,324
[a] Signature Bank	26,255	3,307,080
		21,278,291
Health Care 25.9%		
[a] Actavis PLC	46,614	11,998,910
Allergan Inc.	11,933	2,536,836
[a] Alnylam Pharmaceuticals Inc.	29,227	2,835,019
[a] Biogen Idec Inc.	18,439	6,259,119
[a] Celgene Corp.	114,783	12,839,626
[a] Celldex Therapeutics Inc.	102,921	1,878,308
[a] Envision Healthcare Holdings Inc.	64,847	2,249,542
[a] Gilead Sciences Inc.	77,473	7,302,605
[a] HMS Holdings Corp.	145,812	3,082,466
[a] Illumina Inc.	21,902	4,042,671
[a] Incyte Corp.	32,992	2,412,045
[a] Jazz Pharmaceuticals PLC	18,941	3,101,210
[a] Karyopharm Therapeutics Inc.	52,125	1,951,039

Franklin Large Cap Growth VIP Fund (continued)

	Shares	Value
Common Stocks (continued)		
Health Care (continued)		
[a] Medivation Inc.	47,547	$ 4,736,157
Perrigo Co. PLC	27,891	4,662,260
[a] Sagent Pharmaceuticals Inc.	50,804	1,275,688
[a] Valeant Pharmaceuticals International Inc. (Canada)	34,098	4,879,765
[a] VWR Corp.	96,776	2,503,595
		80,546,861
Industrials 11.7%		
Allegiant Travel Co.	13,554	2,037,573
American Airlines Group Inc.	93,042	4,989,842
Cummins Inc.	16,027	2,310,612
[a] DigitalGlobe Inc.	68,172	2,111,287
Flowserve Corp.	74,041	4,429,873
[a] Hexcel Corp.	42,989	1,783,614
[a] IHS Inc., A	28,616	3,258,790
Kansas City Southern	31,794	3,879,822
Precision Castparts Corp.	27,933	6,728,501
Union Pacific Corp.	15,990	1,904,889
[a] United Rentals Inc.	28,870	2,945,029
		36,379,832
Information Technology 26.8%		
[a] Adobe Systems Inc.	42,916	3,119,993
[a] Alibaba Group Holding Ltd., ADR (China)	26,476	2,751,916
Apple Inc.	86,643	9,563,654
Avago Technologies Ltd. (Singapore)	41,780	4,202,650
[a] BroadSoft Inc.	71,630	2,078,703
[a] Facebook Inc., A	120,024	9,364,273
[a] Google Inc., A	8,211	4,357,249
[a] Google Inc., C	7,068	3,720,595
[a] LinkedIn Corp., A	9,823	2,256,441
MasterCard Inc., A	127,154	10,955,589
Microsoft Corp.	118,005	5,481,332
Mobileye NV	32,579	1,321,404
[a] NetSuite Inc.	24,141	2,635,473
[a] NXP Semiconductors NV (Netherlands)	51,120	3,905,568
[a] Palo Alto Networks Inc.	21,253	2,604,980
QUALCOMM Inc.	21,609	1,606,197
[a] Salesforce.com Inc.	44,850	2,660,054
[a] ServiceNow Inc.	32,683	2,217,542
Texas Instruments Inc.	30,280	1,618,920
[a] ViaSat Inc.	37,512	2,364,381
Visa Inc., A	17,863	4,683,679
		83,470,593
Materials 1.8%		
[a] Axalta Coating Systems Ltd.	39,600	1,030,392
LyondellBasell Industries NV, A	37,184	2,952,038
Martin Marietta Materials Inc.	14,785	1,631,081
		5,613,511

Franklin Large Cap Growth VIP Fund (continued)

		Shares	Value
Common Stocks (continued)			
Telecommunication Services 3.3%			
[a] SBA Communications Corp.		91,232	$ 10,104,856
Total Common Stocks (Cost $241,304,657)			309,805,192
		Principal Amount	
Short Term Investments (Cost $1,729,036) 0.5%			
Repurchase Agreements 0.5%			
[b] Joint Repurchase Agreement, 0.057%, 01/02/15 (Maturity Value $1,729,041) BNP Paribas Securities Corp. (Maturity Value $145,706) HSBC Securities (USA) Inc. (Maturity Value $1,204,502) Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $378,833) Collateralized by U.S. Government Agency Securities, 0.000% - 1.50%, 1/20/15 - 10/09/19; U.S. Government Agency Securities, Strips, 6/01/17; and U.S. Treasury Notes, 1.625% - 4.50%, 11/15/15 - 11/30/20 (valued at $1,763,835).	$	1,729,036	1,729,036
Total Investments (Cost $243,033,693) 100.1%			311,534,228
Other Assets, less Liabilities (0.1)%			(465,974)
Net Assets 100.0%			$ 311,068,254

See Abbreviations on page FLG-20.

[a]Non-income producing.
[b]See Note 1(c) regarding joint repurchase agreement.

Financial Statements

Statement of Assets and Liabilities

December 31, 2014

	Franklin Large Cap Growth VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$241,304,657
Cost - Repurchase agreements	1,729,036
Total cost of investments	$243,033,693
Value - Unaffiliated issuers	$309,805,192
Value - Repurchase agreements	1,729,036
Total value of investments	311,534,228
Receivables:	
Capital shares sold	243
Dividends	205,778
Due from brokers	671,792
Other assets	193
Total assets	312,412,234
Liabilities:	
Payables:	
Capital shares redeemed	218,253
Management fees	199,847
Distribution fees	108,340
Reports to shareholders	69,836
Funds advanced by custodian	709,423
Accrued expenses and other liabilities	38,281
Total liabilities	1,343,980
Net assets, at value	$311,068,254
Net assets consist of:	
Paid-in capital	$164,815,145
Undistributed net investment income	983,278
Net unrealized appreciation (depreciation)	68,500,535
Accumulated net realized gain (loss)	76,769,296
Net assets, at value	$311,068,254
Class 1:	
Net assets, at value	$ 54,970,707
Shares outstanding	2,362,916
Net asset value and maximum offering price per share	$ 23.26
Class 2:	
Net assets, at value	$256,097,547
Shares outstanding	11,163,978
Net asset value and maximum offering price per share	$ 22.94

Statement of Operations
for the year ended December 31, 2014

	Franklin Large Cap Growth VIP Fund
Investment income:	
Dividends	$ 4,129,543
Interest	2,894
Total investment income	4,132,437
Expenses:	
Management fees (Note 3a)	2,385,727
Distribution fees - Class 2 (Note 3c)	658,767
Custodian fees (Note 4)	4,680
Reports to shareholders	87,410
Professional fees	41,307
Trustees' fees and expenses	1,281
Other	9,144
Total expenses	3,188,316
Net investment income	944,121
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	106,970,144
Foreign currency transactions	(3,691)
Net realized gain (loss)	106,966,453
Net change in unrealized appreciation (depreciation) on investments	(70,957,037)
Net realized and unrealized gain (loss)	36,009,416
Net increase (decrease) in net assets resulting from operations	$ 36,953,537

Statements of Changes in Net Assets

	Franklin Large Cap Growth VIP Fund	
	Year Ended December 31,	
	2014	2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 944,121	$ 3,571,905
Net realized gain (loss) from investments and foreign currency transactions	106,966,453	34,945,789
Net change in unrealized appreciation (depreciation) on investments	(70,957,037)	46,349,997
Net increase (decrease) in net assets resulting from operations	36,953,537	84,867,691
Distributions to shareholders from:		
Net investment income:		
Class 1	(729,509)	(652,010)
Class 2	(2,842,675)	(3,061,884)
Total distributions to shareholders	(3,572,184)	(3,713,894)
Capital share transactions: (Note 2)		
Class 1	(5,100,024)	(4,699,193)
Class 2	(56,981,465)	(62,431,458)
Total capital share transactions	(62,081,489)	(67,130,651)
Net increase (decrease) in net assets	(28,700,136)	14,023,146
Net assets:		
Beginning of year	339,768,390	325,745,244
End of year	$311,068,254	$339,768,390
Undistributed net investment income included in net assets:		
End of year	$ 983,278	$ 3,615,032

Notes to Financial Statements

Franklin Large Cap Growth VIP 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 management investment company, consisting of nineteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Large Cap Growth VIP 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, 2014, 46.23% 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.

Effective May 1, 2014, Franklin Large Cap Growth Securities Fund was renamed Franklin Large Cap Growth VIP Fund.

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 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 compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional 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 fair 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

Franklin Large Cap Growth VIP Fund (continued)

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.

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 fair 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, 2014.

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

Franklin Large Cap Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Income and Deferred Taxes *(continued)*

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, 2014, 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. Estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except for certain foreign securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. 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 U.S. GAAP. 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 U.S. 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 amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

g. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

Franklin Large Cap Growth VIP Fund (continued)

2. Shares of Beneficial Interest

At December 31, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2014		2013	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	23,998	$ 507,108	49,133	$ 921,214
Shares issued in reinvestment of distributions	33,235	729,509	35,282	652,010
Shares redeemed	(290,268)	(6,336,641)	(333,854)	(6,272,417)
Net increase (decrease)	(233,035)	$ (5,100,024)	(249,439)	$ (4,699,193)
Class 2 Shares:				
Shares sold	570,172	$ 12,631,684	1,055,133	$ 19,291,413
Shares issued in reinvestment of distributions	131,120	2,842,675	167,774	3,061,884
Shares redeemed	(3,381,155)	(72,455,824)	(4,595,616)	(84,784,755)
Net increase (decrease)	(2,679,863)	$(56,981,465)	(3,372,709)	$(62,431,458)

3. Transactions With Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including $500 million
0.625%	Over $500 million, up to and including $1 billion
0.500%	In excess of $1 billion

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on 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

Franklin Large Cap Growth VIP Fund (continued)

3. Transactions With Affiliates (continued)

c. Distribution Fees *(continued)*

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, 2014, 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. During the year ended December 31, 2014, the Fund utilized $25,412,541 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2014 and 2013, was as follows:

	2014	2013
Distributions paid from ordinary income	$3,572,184	$3,713,894

At December 31, 2014, 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	$243,312,766
Unrealized appreciation	$ 75,096,051
Unrealized depreciation	(6,874,589)
Net unrealized appreciation (depreciation)	$ 68,221,462
Undistributed ordinary income	$ 983,278
Undistributed long term capital gains	77,048,371
Distributable earnings	$ 78,031,649

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2014, aggregated $290,816,332 and $346,173,296, respectively.

Franklin Large Cap Growth VIP Fund (continued)

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 matured on February 13, 2015. 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. The Borrowers expect to renew the Global Credit Facility for a total of $2 billion effective February 13, 2015, which matures on February 12, 2016.

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, 2014, 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.

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, 2014, 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]	$309,805,192	$ —	$ —	$309,805,192
Short Term Investments	—	1,729,036	—	1,729,036
Total Investments in Securities	$309,805,192	$1,729,036	$ —	$311,534,228

[a]For detailed categories, see the accompanying Statement of Investments.

Franklin Large Cap Growth VIP Fund (continued)

9. New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-11, Transfers and Servicing (Topic 860), Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The ASU changes the accounting for certain repurchase agreements and expands disclosure requirements related to repurchase agreements, securities lending, repurchase-to-maturity and similar transactions. The ASU is effective for interim and annual reporting periods beginning after December 15, 2014. 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

Report of Independent Registered Public Accounting Firm

Franklin Large Cap Growth VIP Fund

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 VIP Fund (the "Fund") at December 31, 2014, 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, 2014 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 13, 2015

Tax Information (unaudited)

Franklin Large Cap Growth VIP Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 92.17% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2014.

Franklin Strategic Income VIP Fund

(Formerly, Franklin Strategic Income Securities Fund)

This annual report for Franklin Strategic Income VIP Fund covers the fiscal year ended December 31, 2014.

Class 2 Performance Summary as of December 31, 2014

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 12/31/14	1-Year	5-Year	10-Year
Average Annual Total Return	+1.86%	+6.19%	+5.77%

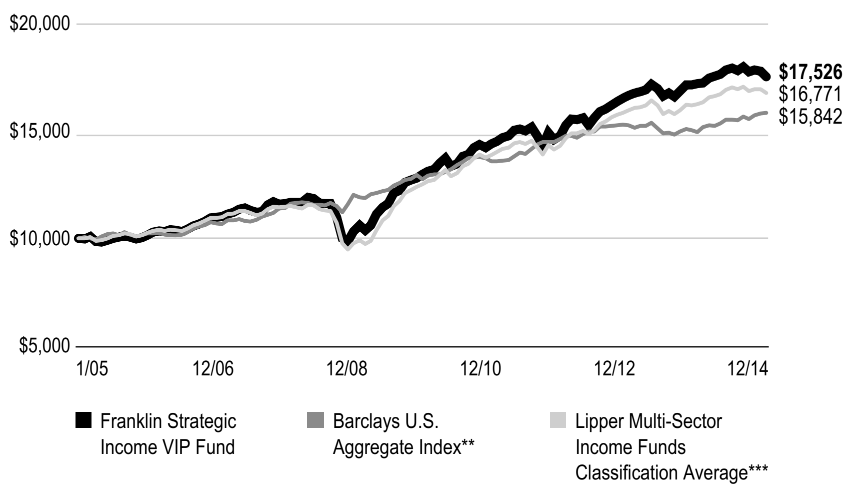
*The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been lower.

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.*

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.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/05–12/31/14)

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.**



**Source: Morningstar. Please see Index Descriptions following the Fund Summaries.

***Source: Lipper, a Thomson Reuters Company. Please see Index Descriptions following the Fund Summaries.

Fund Goals and Main Investments

Franklin Strategic Income VIP 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.

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. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. 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. 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.

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, delivered a +5.97% total return for the period under review.[1] The Fund's peers, as measured by the Lipper Multi-Sector Income Funds Classification Average, produced a +3.03% return.[2]

Economic and Market Overview

The U.S. economy continued to grow during the year ended December 31, 2014, underpinned in some quarters by manufacturing activity, consumer and business spending, and federal defense spending. Home sales experienced weakness resulting from reduced inventory, higher mortgage rates and tight credit requirements but began to recover in May as mortgage rates declined. Home prices stayed higher than a year earlier. Retail sales generally improved, supported by job growth and lower gasoline prices in the latter part of 2014. The unemployment rate declined to 5.6% in December 2014 from 6.7% in December 2013.[3] Inflation, as measured by the Consumer Price Index, remained low.

In January 2014, the U.S. Federal Reserve Board (Fed) began reducing its large-scale bond purchases $10 billion a month and ended the buying program in October. But it continued its practice of maintaining holdings of longer term securities at sizable levels. The Fed believed underlying economic strength could support ongoing progress in labor market conditions. The Fed also noted that although inflation might remain low in the near term, the likelihood of inflation running persistently below 2% had diminished. Toward period-end, the Fed stated that it could be patient with regard to raising interest rates and that the interest rate might not rise for at least a couple of meetings, possibly implying at least the first two meetings of 2015.

The 10-year Treasury yield declined from 3.04% at the beginning of the period to 2.17% at period-end, as investors shifted to less risky assets given the crises in Ukraine and the Middle East, weak economic data in Europe and Japan, record-low bond yields and lower Treasury issuance.

The U.S. dollar broadly strengthened over the course of the year while oil prices weakened significantly, particularly in the final months. Global liquidity from the Bank of Japan (BOJ) and the European Central Bank (ECB) helped dampen volatility in emerging markets, and it helped compensate for the withdrawal of liquidity from the ending of the Fed's bond buying program in October. Some emerging market economies had healthy current account and fiscal balances with strong export-driven economies, while others struggled with deficits and economic imbalances.

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

1. Source: Morningstar.
2. Source: Lipper, a Thomson Reuters Company.

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.

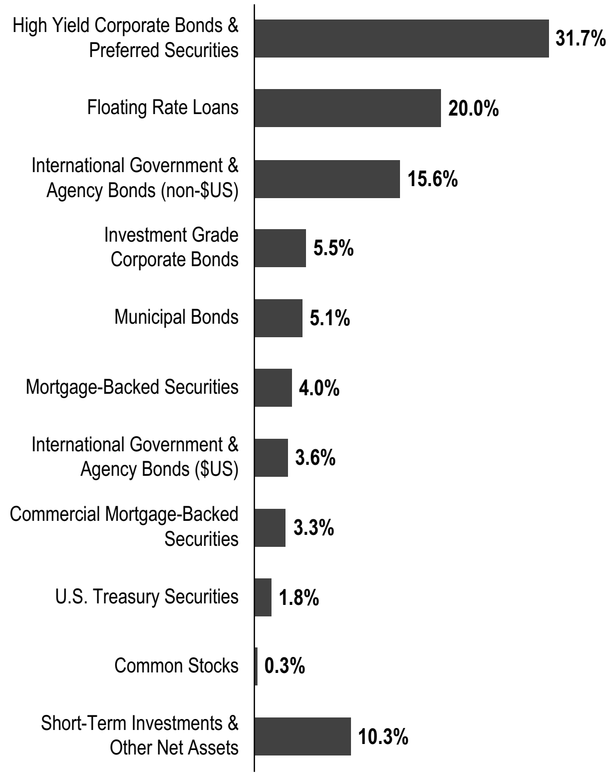
and issuers, seeking to take advantage of varying sector reactions to economic events. For example, we may evaluate business cycles, yield curves, country risk, and the relative interest rates among currencies, and values between and within markets. In selecting debt securities, we generally conduct 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.

Manager's Discussion

Contrary to year-end 2013 consensus forecasts, longer term U.S. interest rates moved markedly lower over the course of 2014. Initially, weaker first-quarter economic growth following a cold winter led rates lower. However, even as the U.S. economy recovered during the remainder of the year, fairly subdued levels of inflation, helped by declining energy prices, as well as some risk aversion due to geopolitical conflicts from Russia to the Middle East, caused rates to remain low by period-end. The Fed announced the end of new asset purchases as part of its quantitative easing (QE) program, but an expected ramp-up in QE by the ECB and the BOJ also maintained global demand for G3 (U.S., eurozone and Japan) government bonds. Although periods of risk aversion did cause financial market volatility during the period, for the past year domestic equity markets rose, and the Standard & Poor's® 500 Index gained 13.69%, supported by corporate earnings and an outlook for improving U.S. economic growth heading into 2015.[1]

The Fund posted a positive total return for the review period but lagged the Barclays U.S. Aggregate Index and the Lipper Multi-Sector Income Funds Classification Average. Given the decline in longer term rates during the period, longer duration U.S. fixed income securities performed well. Additionally, high yield corporates underperformed as did certain non-U.S. dollar government bond sectors due to a stronger U.S. dollar. Consequently, relative to the Fund's benchmarks, the Fund's heavier weightings to high yield and global bonds detracted from performance, as did the Fund's lesser exposure to U.S. interest rate duration than the benchmark. In contrast, the Fund's short position in the Japanese yen aided returns given weakness in the yen relative to the U.S. dollar. The Fund's longer duration municipal bonds, investment-grade corporate holdings and commercial mortgage-backed securities also added to returns, as did exposure to the leveraged bank loan sector.

Asset Allocation*
Based on Total Net Assets as of 12/31/14



*Figures reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of derivatives, unsettled trades or other factors. The breakdown may not match the Statement of Investments (SOI).

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI.

What is duration?
Duration is a measure of a bond's price sensitivity to interest rate changes. In general, a portfolio of securities with a lower duration can be expected to be less sensitive to interest rate changes than a portfolio with a higher duration.

In the corporate sectors, credit fundamentals remained largely supportive, with growing corporate earnings and relatively subdued default rates. However, several years into the economic recovery, management teams have been getting more comfortable taking on incremental leverage for certain capital projects, mergers and acquisitions activity, and shareholder remuneration. Moreover, weakness in certain commodity prices, including coal, iron ore and oil, negatively impacted sentiment in the mining and energy sectors during the period. A significant drop in crude oil prices caused meaningful downward pressure on high yield energy bonds during 2014's fourth quarter. Finally, relatively robust new-issue supply combined with retail fund outflows in the high yield and leveraged loans sectors also added some downward pressure on security prices. Overall, with what we believed was still a supportive intermediate-term fundamental backdrop, the Fund increased its exposure to leveraged loans during the period while raising its weighting in high yield corporate bonds during the latter half of 2014. However, as investment-grade corporate bonds tended to have longer interest rate duration and appreciated during the period, the Fund reduced its exposure to this asset class.

Internationally, given the stronger outlook for the U.S. economy compared to other foreign developed markets, the broad trade-weighted U.S. dollar rallied during the period. As a result, the Fund's position in certain non-U.S. dollar global bonds and currencies detracted from performance, with particular weakness in the Brazilian real, Chilean peso, Mexican peso and Uruguayan peso. Conversely, the Fund's short position in the Japanese yen, through the use of currency forwards, added to returns, as that currency declined relative to the U.S. dollar. Overall, the Fund reduced its non-U.S. dollar weighting during the year, given an outlook for stronger relative U.S. economic growth. The Fund maintained fairly modest exposure to hard currency emerging market bonds, although a position in Ukraine debt securities detracted from performance given the nation's conflict with Russia.

What is a currency forward contract?
A currency forward contract, or a currency forward, 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.

With the decline in longer term U.S. rates, the more rate-sensitive fixed income sectors (Treasuries, agencies and mortgage-backed securities) generally posted positive returns during the period. The Fund maintained a lower exposure to these sectors, preferring higher income opportunities in the corporate credit markets.

The combination of lower U.S. rates and some inflows into dedicated municipal bond funds helped to support performance in this sector. However, concerns regarding Puerto Rico's debt burden as well as the commonwealth's prospective treatment of certain municipal obligations in a restructuring scenario put pressure on select issues over the past year. Given overall strong performance from municipal securities, the Fund reduced its exposure to municipal debt during the period.

The portfolio utilized derivatives, including currency forwards and credit derivatives.

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.

Thank you for your participation in Franklin Strategic Income VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2014, 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.

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 × $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 7/1/14**	**Ending Account Value 12/31/14**	**Fund-Level Expenses Incurred During Period* 7/1/14–12/31/14**
Actual	$1,000	$ 978.00	$4.34
Hypothetical (5% return before expenses)	$1,000	$1,020.82	$4.43

*Expenses are calculated using the most recent six-month annualized expense ratio, net of expense waivers, for the Fund’s Class 2 shares (0.87%), 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.

SUPPLEMENT DATED DECEMBER 15, 2014
TO THE PROSPECTUSES DATED MAY 1, 2014
OF
FRANKLIN STRATEGIC INCOME VIP FUND
(A series of Franklin Templeton Variable Insurance Products Trust)

The prospectus is amended as follows:

I. The fourth paragraph of the Fund Summary "Principal Investment Strategies" section beginning on page FSI-S1 is replaced with the following:

For purposes of pursuing its investment goals, the Fund regularly enters into various currency-related transactions involving derivative instruments, including currency and cross currency forwards, currency swaps, and currency and currency index futures contracts. The Fund may also enter into interest rate and credit-related transactions involving derivative instruments, including interest rate, fixed income total return and credit default swaps and bond/interest rate futures contracts. The use of these derivative transactions may allow the Fund to obtain net long or net short exposures to selected currencies, interest rates, durations or credit risks. These derivative instruments may be used for hedging purposes, to enhance Fund returns or to obtain exposure to various market sectors.

II. The Fund Summary "Principal Risks – Derivative Instruments" section on page FSI-S3 is replaced with the following:

Derivative Instruments The performance of derivative instruments depends largely on the performance of an underlying instrument, such as a currency, security, interest rate or index, and such instruments often have risks similar to the underlying instrument, in addition to other risks. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that exceeds the Fund's initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that the Fund may not realize the intended benefits. When used for hedging, the change in value of the derivative may also not correlate specifically with the currency, security or other risk being hedged. With over-the-counter derivatives, there is the risk that the other party to the transaction will fail to perform.

III. The ninth paragraph of the Fund Details "Principal Investment Policies and Practices" section beginning on page FSI-D1 is replaced with the following:

For purposes of pursuing its investment goals, the Fund regularly enters into currency-related transactions involving derivative instruments, including currency and cross currency forwards, currency swaps, currency and currency index futures contracts, and currency options. The Fund may also enter into interest rate and credit-related transactions involving certain derivative instruments, including interest rate and credit default swaps and interest rate and/or bond futures contracts (including U.S. Treasury futures contracts) and options thereon, and fixed income total return and inflation index swaps. The use of such derivative transactions may allow the Fund to obtain net long or net short exposures to selected currencies, interest rates, countries, durations or credit risks. The Fund may use currency, interest rate or credit-related derivative strategies for the purposes of enhancing Fund returns, increasing liquidity, gaining exposure to particular instruments in more efficient or less expensive ways and/or hedging risks relating to changes in currency exchange rates, credit risks, interest rates and other market factors.

IV. The fourteenth paragraph of the Fund Details "Principal Investment Policies and Practices" section beginning on page FSI-D1 is replaced with the following:

Swap agreements, such as interest rate, fixed income total return, currency, inflation index and credit default swaps, are contracts between the Fund and another party (the swap counterparty) involving the exchange of payments on specified terms over periods ranging from a few days to multiple years. A swap agreement may be negotiated bilaterally and traded over-the-counter (OTC) between the two parties (for an uncleared swap) or, in some instances, must be transacted through a futures commission merchant (FCM) and cleared through a clearinghouse that serves as a central counterparty (for a cleared swap). In a basic swap transaction, the Fund agrees with the swap counterparty to exchange the returns (or differentials in rates of return) earned or realized on a particular "notional amount" of underlying instruments. The notional amount is the set amount selected by the parties as the basis on which to calculate the obligations that they have agreed to exchange. The parties typically do not actually exchange the notional amount. Instead, they agree to exchange the returns that would be earned or realized if the notional amount were invested in given instruments or at given interest rates.

V. The Fund Details "Principal Investment Policies and Practices" section beginning on page FSI-D1 is revised to add the following paragraph immediately following the paragraph that begins with "An interest rate swap…":

A total return swap is an agreement between two parties, pursuant to which one pays (and the other receives) an amount equal to the total return (including, typically, income and capital gains distributions, principal prepayment or credit losses) of an underlying reference asset (*e.g.*, a note, bond or securities index) in exchange for a regular payment, at a floating rate based on LIBOR, or alternatively at a fixed rate or the total rate of return on another financial instrument. A Fund may take either position in a total return swap (*i.e.*, the Fund may receive or pay the total return on the underlying reference asset).

Please keep this supplement with your prospectus for future reference.

SUPPLEMENT DATED DECEMBER 15, 2014
TO THE STATEMENT OF ADDITIONAL INFORMATION
DATED MAY 1, 2014
OF
FRANKLIN STRATEGIC INCOME VIP FUND
(A series of Franklin Templeton Variable Insurance Products Trust)

The statement of additional information is amended as follows:

I. The following is added to the "Glossary of Investments, Techniques, Strategies and Their Risks – Derivative instruments – Swaps" section:

Fixed income total return swaps. Generally, a total return swap is an agreement between two parties, pursuant to which one pays (and the other receives) an amount equal to the total return (including, typically, income and capital gains distributions, principal prepayment or credit losses) of an underlying reference asset (*e.g.*, a note, bond or securities index) in exchange for a regular payment, at a floating rate based on LIBOR, or alternatively at a fixed rate or the total rate of return on another financial instrument. A Fund may take either position in a total return swap (*i.e.*, the Fund may receive or pay the total return on the underlying reference asset). A fixed income total return swap may be written on many different kinds of underlying reference assets, and may include different indices for various kinds of debt securities (*e.g.*, U.S. investment grade bonds, high yield bonds or emerging market bonds). A fixed income total return swap is similar to other swaps, such as interest rate swaps where payment streams are exchanged between a fund and the counterparty.

Please keep this supplement with your statement of additional information for future reference.

Financial Highlights

Franklin Strategic Income VIP Fund

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 1					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$12.64	$13.17	$12.55	$12.99	$12.28
Income from investment operations[a]:					
Net investment income[b]	0.54	0.59	0.65	0.69	0.72
Net realized and unrealized gains (losses)	(0.25)	(0.15)	0.92	(0.32)	0.61
Total from investment operations	0.29	0.44	1.57	0.37	1.33
Less distributions from:					
Net investment income and net foreign currency gains	(0.78)	(0.80)	(0.93)	(0.81)	(0.62)
Net realized gains	(0.25)	(0.17)	(0.02)	—	—
Total distributions	(1.03)	(0.97)	(0.95)	(0.81)	(0.62)
Net asset value, end of year	$11.90	$12.64	$13.17	$12.55	$12.99
Total return[c]	2.12%	3.52%	13.12%	2.78%	11.21%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.63%	0.60%	0.58%	0.60%	0.59%
Expenses net of waiver and payments by affiliates	0.62%[d]	0.60%[d]	0.58%	0.60%[d]	0.59%[d]
Net investment income	4.34%	4.58%	5.04%	5.36%	5.71%
Supplemental data					
Net assets, end of year (000's)	$574,850	$705,493	$1,019,537	$1,043,690	$1,195,149
Portfolio turnover rate	55.64%	48.06%	49.98%	55.65%	56.46%
Portfolio turnover rate excluding mortgage dollar rolls[e]	48.86%	47.01%	48.75%	55.65%	56.46%

[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 fair 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 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 Strategic Income VIP Fund (continued)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 2					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$12.30	$12.84	$12.27	$12.72	$12.05
Income from investment operations[a]:					
Net investment income[b]	0.49	0.54	0.60	0.64	0.68
Net realized and unrealized gains (losses)	(0.24)	(0.13)	0.89	(0.30)	0.59
Total from investment operations	0.25	0.41	1.49	0.34	1.27
Less distributions from:					
Net investment income and net foreign currency gains	(0.75)	(0.78)	(0.90)	(0.79)	(0.60)
Net realized gains	(0.25)	(0.17)	(0.02)	—	—
Total distributions	(1.00)	(0.95)	(0.92)	(0.79)	(0.60)
Net asset value, end of year	$11.55	$12.30	$12.84	$12.27	$12.72
Total return[c]	1.86%	3.32%	12.75%	2.57%	10.91%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.88%	0.85%	0.83%	0.85%	0.84%
Expenses net of waiver and payments by affiliates	0.87%[d]	0.85%[d]	0.83%	0.85%[d]	0.84%[d]
Net investment income	4.09%	4.33%	4.79%	5.11%	5.46%
Supplemental data					
Net assets, end of year (000's)	$206,571	$175,307	$158,451	$123,749	$101,347
Portfolio turnover rate	55.64%	48.06%	49.98%	55.65%	56.46%
Portfolio turnover rate excluding mortgage dollar rolls[e]	48.86%	47.01%	48.75%	55.65%	56.46%

[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 fair 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 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 Strategic Income VIP Fund (continued)

	Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Class 4					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$12.51	$13.04	$12.44	$12.88	$12.20
Income from investment operations[a]:					
Net investment income[b]	0.49	0.54	0.60	0.64	0.67
Net realized and unrealized gains (losses)	(0.25)	(0.14)	0.91	(0.31)	0.60
Total from investment operations	0.24	0.40	1.51	0.33	1.27
Less distributions from:					
Net investment income and net foreign currency gains	(0.72)	(0.76)	(0.89)	(0.77)	(0.59)
Net realized gains	(0.25)	(0.17)	(0.02)	—	—
Total distributions	(0.97)	(0.93)	(0.91)	(0.77)	(0.59)
Net asset value, end of year	$11.78	$12.51	$13.04	$12.44	$12.88
Total return[c]	1.75%	3.17%	12.67%	2.46%	10.88%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.98%	0.95%	0.93%	0.95%	0.94%
Expenses net of waiver and payments by affiliates	0.97%[d]	0.95%[d]	0.93%	0.95%[d]	0.94%[d]
Net investment income	3.99%	4.23%	4.69%	5.01%	5.36%
Supplemental data					
Net assets, end of year (000's)	$113,986	$134,970	$196,479	$188,786	$188,178
Portfolio turnover rate	55.64%	48.06%	49.98%	55.65%	56.46%
Portfolio turnover rate excluding mortgage dollar rolls[e]	48.86%	47.01%	48.75%	55.65%	56.46%

[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 fair 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 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.

Statement of Investments, December 31, 2014

Franklin Strategic Income VIP Fund

	Country	Shares/Units	Value
Common Stocks and Other Equity Interests 1.5%			
Consumer Services 0.3%			
[a,b,c] Turtle Bay Resort	United States	1,901,449	$ 2,566,956
Diversified Financials 1.1%			
iShares iBoxx High Yield Corporate Bond ETF	United States	110,000	9,856,000
Materials 0.1%			
NewPage Holdings Inc.	United States	5,000	453,750
Transportation 0.0%†			
[a] CEVA Holdings LLC	United Kingdom	224	173,817
Total Common Stocks and Other Equity Interests (Cost $13,344,286)			13,050,523
Convertible Preferred Stocks 0.0%†			
Transportation 0.0%†			
[a] CEVA Holdings LLC, cvt. pfd., A-1	United Kingdom	6	6,000
[a] CEVA Holdings LLC, cvt. pfd., A-2	United Kingdom	486	376,270
Total Convertible Preferred Stocks (Cost $731,856)			382,270
Preferred Stocks (Cost $625,000) 0.1%			
Diversified Financials 0.1%			
GMAC Capital Trust I, 8.125%, pfd.	United States	25,000	659,500
		Principal Amount*	
Corporate Bonds 35.8%			
Automobiles & Components 0.4%			
[d] Avis Budget Finance PLC, senior note, 144A, 6.00%, 3/01/21	United States	1,000,000 EUR	1,275,037
The Goodyear Tire & Rubber Co., senior note, 6.50%, 3/01/21	United States	2,000,000	2,130,000
			3,405,037
Banks 2.6%			
Bank of America Corp.,			
[e] junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	2,500,000	2,709,375
senior note, 5.65%, 5/01/18	United States	1,500,000	1,667,733
CIT Group Inc., senior note,			
5.375%, 5/15/20	United States	1,000,000	1,060,650
5.00%, 8/15/22	United States	2,500,000	2,578,125
Citigroup Inc.,			
[e] junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	700,000	691,250
senior note, 3.875%, 10/25/23	United States	3,000,000	3,124,020
sub. bond, 5.50%, 9/13/25	United States	500,000	554,386
sub. note, 4.05%, 7/30/22	United States	300,000	310,903
JPMorgan Chase & Co.,			
[e] junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	1,500,000	1,488,750
[e] junior sub. bond, V, 5.00% to 7/30/19, FRN thereafter, Perpetual	United States	200,000	196,687
[e] junior sub. note, X, 6.10% to 10/01/24, FRN thereafter, Perpetual	United States	500,000	500,000
senior note, 4.25%, 10/15/20	United States	1,000,000	1,075,929
sub. note, 3.375%, 5/01/23	United States	1,000,000	990,381
sub. note, 3.875%, 9/10/24	United States	1,000,000	1,002,054
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	1,000,000	1,088,125
The Royal Bank of Scotland PLC, sub. note, 6.934%, 4/09/18	United Kingdom	1,500,000 EUR	2,095,191

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Banks (continued)			
[e] Wells Fargo & Co., junior sub. bond, S, 5.90% to 6/15/24, FRN thereafter, Perpetual	United States	2,500,000	$ 2,525,000
			23,658,559
Capital Goods 0.8%			
[d] Abengoa Finance SAU, senior note, 144A,			
8.875%, 11/01/17	Spain	2,000,000	1,937,500
7.75%, 2/01/20	Spain	200,000	178,500
[d] AECOM Technology Corp.,			
senior bond, 144A, 5.875%, 10/15/24	United States	200,000	205,000
senior note, 144A, 5.75%, 10/15/22	United States	300,000	307,500
[d] KM Germany Holdings GmbH, senior secured note, first lien, 144A, 8.75%, 12/15/20	Germany	900,000 EUR	1,184,287
Navistar International Corp., senior note, 8.25%, 11/01/21	United States	1,500,000	1,485,000
Terex Corp., senior note, 6.00%, 5/15/21	United States	1,000,000	1,025,000
TransDigm Inc.,			
senior sub. bond, 6.50%, 7/15/24	United States	500,000	505,000
senior sub. note, 6.00%, 7/15/22	United States	400,000	401,000
			7,228,787
Consumer Durables & Apparel 1.0%			
[d] Financiere Gaillon 8 SAS, senior note, 144A, 7.00%, 9/30/19	France	1,200,000 EUR	1,415,700
[d] INVISTA Finance LLC, senior secured note, 144A, 4.25%, 10/15/19	United States	2,500,000	2,512,500
KB Home, senior note,			
4.75%, 5/15/19	United States	1,000,000	987,500
7.00%, 12/15/21	United States	1,600,000	1,687,000
M/I Homes Inc., senior note, 8.625%, 11/15/18	United States	300,000	312,750
Toll Brothers Finance Corp., senior bond, 5.625%, 1/15/24	United States	1,100,000	1,166,000
Visant Corp., senior note, 10.00%, 10/01/17	United States	1,400,000	1,232,000
			9,313,450
Consumer Services 1.3%			
[d] 1011778 BC ULC/New Red Finance Inc., secured note, second lien, 144A, 6.00%, 4/01/22	Canada	2,000,000	2,060,000
Caesars Entertainment Operating Co. Inc., senior secured note, first lien, 11.25%, 6/01/17	United States	2,600,000	1,918,800
[d,f] Financiere Quick SAS, 144A, FRN, 7.582%, 10/15/19	France	1,600,000 EUR	1,488,242
[d,g] Fontainebleau Las Vegas, senior secured note, first lien, 144A, 11.00%, 6/15/15	United States	2,500,000	31,250
MGM Resorts International, senior note,			
6.625%, 7/15/15	United States	2,500,000	2,550,000
6.75%, 10/01/20	United States	200,000	210,500
6.625%, 12/15/21	United States	500,000	527,500
Pinnacle Entertainment Inc., senior note, 6.375%, 8/01/21	United States	700,000	724,500
[d] Scientific Games International Inc.,			
senior note, 144A, 10.00%, 12/01/22	United States	1,100,000	1,013,375
senior secured note, first lien, 144A, 7.00%, 1/01/22	United States	800,000	814,000
			11,338,167
Diversified Financials 2.0%			
[d] AerCap Ireland Capital Ltd./AerCap Global Aviation Trust, senior note, 144A, 5.00%, 10/01/21	Netherlands	1,100,000	1,146,063

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Diversified Financials (continued)			
Ally Financial Inc., senior note, 7.50%, 9/15/20	United States	3,000,000	$ 3,525,000
Deutsche Bank AG, sub. bond, 4.296% to 5/24/23, FRN thereafter, 5/24/28	Germany	3,500,000	3,405,482
E*TRADE Financial Corp., senior note,			
6.375%, 11/15/19	United States	1,100,000	1,171,500
5.375%, 11/15/22	United States	700,000	717,500
General Electric Capital Corp., senior note, A, 8.50%, 4/06/18	United States	29,000,000 MXN	2,179,277
GMAC Inc., sub. note, 8.00%, 12/31/18	United States	500,000	568,750
Navient Corp., senior note,			
8.45%, 6/15/18	United States	1,800,000	2,011,500
5.50%, 1/15/19	United States	1,500,000	1,537,500
6.125%, 3/25/24	United States	500,000	492,500
[d] Neuberger Berman Group LLC/Finance Corp., senior note, 144A, 5.875%, 3/15/22	United States	1,400,000	1,480,500
			18,235,572
Energy 7.0%			
Access Midstream Partner LP/ACMP Finance Corp., senior note,			
5.875%, 4/15/21	United States	1,500,000	1,571,250
6.125%, 7/15/22	United States	600,000	640,500
BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%, 4/15/22	United States	2,700,000	2,099,250
[d] California Resources Corp.,			
senior bond, 144A, 6.00%, 11/15/24	United States	1,500,000	1,275,000
senior note, 144A, 5.50%, 9/15/21	United States	800,000	688,000
CGG SA, senior note,			
7.75%, 5/15/17	France	159,000	137,138
6.50%, 6/01/21	France	1,800,000	1,377,000
6.875%, 1/15/22	France	200,000	152,375
CHC Helicopter SA,			
senior note, 9.375%, 6/01/21	Canada	260,000	245,700
senior secured note, first lien, 9.25%, 10/15/20	Canada	1,800,000	1,755,000
Chesapeake Energy Corp., senior note,			
6.625%, 8/15/20	United States	1,000,000	1,067,500
6.125%, 2/15/21	United States	1,500,000	1,582,500
5.75%, 3/15/23	United States	1,000,000	1,035,000
Clayton Williams Energy Inc., senior note, 7.75%, 4/01/19	United States	2,000,000	1,710,000
[d] CONSOL Energy Inc., senior note, 144A, 5.875%, 4/15/22	United States	2,000,000	1,870,000
Energy Transfer Equity LP, senior note, 7.50%, 10/15/20	United States	3,000,000	3,345,000
Energy Transfer Partners LP, senior note, 5.20%, 2/01/22	United States	1,000,000	1,071,095
Energy XXI Gulf Coast Inc., senior note,			
9.25%, 12/15/17	United States	2,000,000	1,330,000
[d] 144A, 6.875%, 3/15/24	United States	1,000,000	542,500
[d] EnQuest PLC, senior note, 144A, 7.00%, 4/15/22	United Kingdom	1,500,000	921,563
Freeport-McMoran Oil & Gas LLC/FCX Oil & Gas Inc., senior note, 6.875%, 2/15/23	United States	672,000	749,280
[d,h] Gaz Capital SA, (OJSC Gazprom), loan participation,			
senior bond, 144A, 6.51%, 3/07/22	Russia	500,000	450,125
senior note, 144A, 5.092%, 11/29/15	Russia	1,500,000	1,473,337
senior note, 144A, 3.85%, 2/06/20	Russia	1,500,000	1,241,407
Halcon Resources Corp., senior note,			
8.875%, 5/15/21	United States	2,000,000	1,515,000
9.25%, 2/15/22	United States	800,000	594,000

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
[d] Kinder Morgan Finance Co. LLC, senior secured note,			
144A, 6.00%, 1/15/18	United States	2,000,000	$ 2,177,600
Kinder Morgan Inc., senior note, 6.50%, 9/15/20	United States	1,500,000	1,699,278
Linn Energy LLC/Finance Corp., senior note,			
8.625%, 4/15/20	United States	2,000,000	1,750,000
7.75%, 2/01/21	United States	1,200,000	1,017,000
6.50%, 9/15/21	United States	200,000	163,000
[d] LUKOIL International Finance BV, senior note, 144A,			
4.563%, 4/24/23	Russia	3,500,000	2,800,455
Martin Midstream Partners LP/Martin Midstream Finance Corp.,			
senior note, 7.25%, 2/15/21	United States	1,900,000	1,795,500
Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21	United States	1,700,000	867,000
Oasis Petroleum Inc., senior note, 6.875%, 3/15/22	United States	1,300,000	1,189,500
Offshore Group Investment Ltd.,			
senior bond, first lien, 7.125%, 4/01/23	United States	700,000	504,000
senior secured note, first lien, 7.50%, 11/01/19	United States	2,000,000	1,502,500
PBF Holding Co. LLC, first lien, 8.25%, 2/15/20	United States	1,000,000	1,010,000
Peabody Energy Corp., senior note,			
6.50%, 9/15/20	United States	2,500,000	2,181,250
6.25%, 11/15/21	United States	1,500,000	1,288,125
Penn Virginia Corp., senior note, 8.50%, 5/01/20	United States	1,500,000	1,207,500
Penn Virginia Resource Partners LP/Penn Virginia Resource Finance Corp., senior note,			
8.375%, 6/01/20	United States	1,172,000	1,256,970
6.50%, 5/15/21	United States	400,000	406,000
[d,f] Quicksilver Resources Inc., secured note, second lien, 144A, FRN,			
7.00%, 6/21/19	United States	1,500,000	1,121,250
Regency Energy Partners LP/Regency Energy Finance Corp., senior note,			
5.875%, 3/01/22	United States	200,000	200,500
5.00%, 10/01/22	United States	400,000	380,000
Sabine Pass Liquefaction LLC,			
first lien, 5.625%, 2/01/21	United States	2,500,000	2,468,750
first lien, 5.625%, 4/15/23	United States	900,000	884,250
senior secured, first lien, 5.75%, 5/15/24	United States	300,000	295,875
Samson Investment Co., senior note, 9.75%, 2/15/20	United States	2,500,000	1,048,438
Sanchez Energy Corp., senior note,			
7.75%, 6/15/21	United States	1,700,000	1,589,500
[d] 144A, 6.125%, 1/15/23	United States	600,000	505,500
W&T Offshore Inc., senior note, 8.50%, 6/15/19	United States	2,000,000	1,330,000
			63,079,261
Food & Staples Retailing 0.2%			
[d] Cencosud SA, senior note, 144A, 4.875%, 1/20/23	Chile	1,500,000	1,479,248
Food, Beverage & Tobacco 0.9%			
Constellation Brands Inc., senior note, 4.25%, 5/01/23	United States	1,000,000	995,000
Del Monte Corp., senior note, 7.625%, 2/15/19	United States	1,736,000	1,709,960
[d] JBS USA LLC/Finance Inc., senior note, 144A,			
8.25%, 2/01/20	United States	2,400,000	2,538,000
7.25%, 6/01/21	United States	300,000	310,500

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Food, Beverage & Tobacco (continued)			
[d] Post Holdings Inc., senior note, 144A,			
6.75%, 12/01/21	United States	1,700,000	$ 1,653,250
6.00%, 12/15/22	United States	400,000	376,500
[d] Smithfield Foods Inc., senior note, 144A, 5.875%, 8/01/21	United States	600,000	612,375
			8,195,585
Health Care Equipment & Services 1.7%			
Alere Inc., senior sub. note, 6.50%, 6/15/20	United States	800,000	810,000
[d] AmSurg Corp., senior note, 144A, 5.625%, 7/15/22	United States	400,000	412,000
CHS/Community Health Systems Inc.,			
senior note, 8.00%, 11/15/19	United States	1,500,000	1,605,000
senior note, 6.875%, 2/01/22	United States	400,000	425,750
senior secured note, first lien, 5.125%, 8/15/18	United States	600,000	622,500
DaVita HealthCare Partners Inc.,			
senior bond, 5.125%, 7/15/24	United States	500,000	510,938
senior note, 5.75%, 8/15/22	United States	1,500,000	1,595,625
HCA Inc.,			
senior note, 7.50%, 2/15/22	United States	1,500,000	1,717,500
senior note, 5.875%, 5/01/23	United States	1,500,000	1,584,375
senior secured bond, first lien, 5.25%, 4/15/25	United States	600,000	627,750
senior secured note, 5.875%, 3/15/22	United States	1,000,000	1,097,500
Omnicare Inc., senior note, 4.75%, 12/01/22	United States	700,000	712,250
Tenet Healthcare Corp., senior note,			
8.125%, 4/01/22	United States	1,700,000	1,904,000
[d] 144A, 5.00%, 3/01/19	United States	500,000	501,875
[d] 144A, 5.50%, 3/01/19	United States	1,200,000	1,233,000
			15,360,063
Insurance 0.9%			
MetLife Inc., junior sub. note, 6.40% to 12/15/36, FRN thereafter, 12/15/66	United States	1,500,000	1,680,000
[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	2,881,113
[d] Nippon Life Insurance Co., sub. bond, 144A, 5.10% to 10/16/24, FRN thereafter, 10/16/44	Japan	3,500,000	3,660,142
			8,221,255
Materials 4.7%			
ArcelorMittal, senior note,			
6.00%, 3/01/21	Luxembourg	3,000,000	3,109,095
6.75%, 2/25/22	Luxembourg	500,000	533,750
[d] Ardagh Packaging Finance PLC, senior note, 144A, 9.125%, 10/15/20	Luxembourg	500,000	533,750
[d] Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A,			
6.25%, 1/31/19	Luxembourg	200,000	196,000
7.00%, 11/15/20	Luxembourg	105,882	107,471
6.75%, 1/31/21	Luxembourg	200,000	197,875
6.00%, 6/30/21	Luxembourg	1,300,000	1,244,750
[d] Barminco Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18	Australia	1,500,000	1,350,938
Celanese US Holdings LLC, senior note, 3.25%, 10/15/19	United States	700,000 EUR	878,762
[d] Cemex Finance LLC, senior secured note, 144A, 6.00%, 4/01/24	Mexico	1,000,000	968,125

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Materials (continued)			
[d]Cemex SAB de CV,			
first lien, 144A, 5.70%, 1/11/25	Mexico	1,500,000	$ 1,449,375
secured note, 144A, 5.875%, 3/25/19	Mexico	1,000,000	1,014,375
senior secured note, 144A, 9.00%, 1/11/18	Mexico	500,000	523,125
[d]Ceramtec Group GmbH, senior note, 144A, 8.25%, 8/15/21	Germany	1,400,000 EUR	1,832,696
[d]First Quantum Minerals Ltd., senior note, 144A,			
6.75%, 2/15/20	Canada	1,400,000	1,274,000
7.00%, 2/15/21	Canada	1,725,000	1,561,125
[d]FMG Resources (August 2006) Pty. Ltd., senior note, 144A,			
6.875%, 2/01/18	Australia	1,111,111	1,014,583
8.25%, 11/01/19	Australia	2,500,000	2,284,375
Freeport-McMoRan Inc., senior note, 4.55%, 11/14/24	United States	2,500,000	2,432,325
[d]Glencore Funding LLC, senior note, 144A,			
4.125%, 5/30/23	Switzerland	1,000,000	977,471
4.625%, 4/29/24	Switzerland	500,000	504,450
[d]Ineos Finance PLC, senior secured note, 144A,			
8.375%, 2/15/19	Switzerland	200,000	213,000
7.50%, 5/01/20	Switzerland	300,000	315,563
[d]Ineos Group Holdings SA, senior note, 144A,			
6.125%, 8/15/18	Switzerland	700,000	675,500
6.50%, 8/15/18	Switzerland	700,000 EUR	838,001
5.75%, 2/15/19	Switzerland	300,000 EUR	351,202
[d]Kerling PLC, senior secured note, 144A, 10.625%, 2/01/17	United Kingdom	650,000 EUR	799,607
Novelis Inc., senior note, 8.75%, 12/15/20	Canada	1,600,000	1,704,000
[d]Owens-Brockway Glass Container Inc., senior note, 144A,			
5.00%, 1/15/22	United States	1,300,000	1,327,625
Reynolds Group Issuer Inc./LLC/SA,			
first lien, 5.75%, 10/15/20	United States	900,000	927,000
senior note, 8.50%, 5/15/18	United States	1,000,000	1,025,000
senior note, 8.25%, 2/15/21	United States	1,000,000	1,030,000
senior secured note, first lien, 7.125%, 4/15/19	United States	1,000,000	1,036,250
[d]Sealed Air Corp.,			
senior bond, 144A, 5.125%, 12/01/24	United States	1,000,000	1,012,500
senior note, 144A, 8.375%, 9/15/21	United States	800,000	898,000
senior note, 144A, 4.875%, 12/01/22	United States	1,000,000	995,000
[d]Steel Dynamics Inc.,			
senior bond, 144A, 5.50%, 10/01/24	United States	1,000,000	1,027,500
senior note, 144A, 5.125%, 10/01/21	United States	1,000,000	1,018,750
[d]U.S. Coatings Acquisition Inc./Flash Dutch 2 BV, 144A,			
5.75%, 2/01/21	United States	1,000,000 EUR	1,278,819
[d]Xstrata Finance Canada Ltd., senior note, 144A, 4.95%, 11/15/21	Switzerland	1,500,000	1,584,769
			42,046,502
Media 3.8%			
CCO Holdings LLC/CCO Holdings Capital Corp., senior bond,			
5.25%, 9/30/22	United States	2,000,000	2,002,500
CCOH Safari LLC, senior bond, 5.75%, 12/01/24	United States	1,100,000	1,115,125
Clear Channel Worldwide Holdings Inc.,			
senior note, 6.50%, 11/15/22	United States	1,000,000	1,035,000
senior sub. note, 7.625%, 3/15/20	United States	200,000	208,500
senior sub. note, 7.625%, 3/15/20	United States	500,000	528,750

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Media (continued)			
CSC Holdings LLC, senior note, 6.75%, 11/15/21	United States	3,000,000	$ 3,326,250
DISH DBS Corp., senior note,			
7.125%, 2/01/16	United States	2,000,000	2,107,500
6.75%, 6/01/21	United States	500,000	538,750
5.875%, 7/15/22	United States	500,000	513,750
[d] 144A, 5.875%, 11/15/24	United States	400,000	403,000
Gannett Co. Inc.,			
senior bond, 6.375%, 10/15/23	United States	1,900,000	2,023,500
[d] senior bond, 144A, 5.50%, 9/15/24	United States	300,000	301,500
senior note, 5.125%, 7/15/20	United States	1,000,000	1,025,000
iHeartCommunications Inc.,			
senior secured bond, first lien, 9.00%, 3/01/21	United States	2,400,000	2,361,000
[d] senior secured note, first lien, 144A, 9.00%, 9/15/22	United States	700,000	687,750
[d] Nielsen Finance LLC/Co., senior note, 144A, 5.00%, 4/15/22	United States	1,500,000	1,509,375
[d] Sirius XM Radio Inc., senior bond, 144A, 6.00%, 7/15/24	United States	1,700,000	1,746,750
[d] Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH, senior secured note, 144A, 5.625%, 4/15/23	Germany	800,000 EUR	1,053,334
[d] Unitymedia KabelBW GmbH, senior bond, 144A, 6.125%, 1/15/25	Germany	1,700,000	1,761,625
[d] Univision Communications Inc.,			
senior secured bond, 144A, 6.75%, 9/15/22	United States	436,000	468,700
senior secured note, 144A, 7.875%, 11/01/20	United States	1,500,000	1,605,000
[d] UPCB Finance II Ltd., senior secured note, 144A, 6.375%, 7/01/20	Netherlands	2,000,000 EUR	2,547,292
[d] Videotron Ltd., senior bond, 144A, 5.375%, 6/15/24	Canada	800,000	818,000
[d] Virgin Media Finance PLC, senior bond, 144A, 6.375%, 10/15/24	United Kingdom	900,000 GBP	1,515,056
[d] Virgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25	United Kingdom	1,900,000	1,967,688
[d] VTR Finance BV, senior secured note, 144A, 6.875%, 1/15/24	Chile	900,000	920,250
			34,090,945
Pharmaceuticals, Biotechnology & Life Sciences 1.1%			
[d] Grifols Worldwide Operations Ltd., senior note, 144A, 5.25%, 4/01/22	United States	700,000	717,640
[d,i] Jaguar Holding Co. I, senior note, 144A, PIK, 9.375%, 10/15/17	United States	2,500,000	2,561,250
[d] Valeant Pharmaceuticals International Inc., senior note, 144A, 7.50%, 7/15/21	United States	1,200,000	1,300,500
[d] VPI Escrow Corp., senior note, 144A, 6.375%, 10/15/20	United States	2,400,000	2,517,000
Zoetis Inc., senior bond, 3.25%, 2/01/23	United States	2,500,000	2,470,410
			9,566,800
Real Estate 0.1%			
Crown Castle International Corp., senior bond, 5.25%, 1/15/23	United States	500,000	512,500
Retailing 0.4%			
[d] Edcon Pty. Ltd., secured note, 144A, 9.50%, 3/01/18	South Africa	1,800,000 EUR	1,756,013
[d] New Look Bondco I PLC, 144A, 8.75%, 5/14/18	United Kingdom	1,300,000 GBP	2,134,302
			3,890,315
Software & Services 1.1%			
[d] BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21	United States	2,500,000	2,362,500
Equinix Inc., senior bond, 5.375%, 4/01/23	United States	2,000,000	2,010,000
First Data Corp.,			
senior bond, 12.625%, 1/15/21	United States	300,000	357,000
[d] senior secured bond, 144A, 8.25%, 1/15/21	United States	3,500,000	3,762,500

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Software & Services (continued)			
Sterling International Inc., senior note, 11.00%, 10/01/19	United States	1,100,000	$ 1,174,250
			9,666,250
Technology Hardware & Equipment 0.3%			
[d] Alcatel-Lucent USA Inc., senior note, 144A, 6.75%, 11/15/20	France	2,000,000	2,121,000
[d,i] CommScope Holdings Co. Inc., senior note, 144A, PIK, 6.625%, 6/01/20	United States	200,000	207,000
			2,328,000
Telecommunication Services 3.4%			
CenturyLink Inc.,			
senior bond, 6.75%, 12/01/23	United States	200,000	219,750
senior note, 6.00%, 4/01/17	United States	1,000,000	1,066,250
senior note, 6.45%, 6/15/21	United States	1,000,000	1,077,500
[d] Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20	Bermuda	1,500,000	1,468,125
[d] Digicel Ltd., senior note, 144A, 6.00%, 4/15/21	Bermuda	1,000,000	950,625
[d] eAccess Ltd., senior note, 144A, 8.25%, 4/01/18	Japan	1,000,000	1,051,875
Frontier Communications Corp.,			
senior bond, 7.625%, 4/15/24	United States	600,000	621,000
senior note, 8.50%, 4/15/20	United States	2,000,000	2,240,000
senior note, 8.75%, 4/15/22	United States	500,000	561,250
senior note, 7.875%, 1/15/27	United States	400,000	401,000
Intelsat Jackson Holdings SA,			
senior bond, 6.625%, 12/15/22	Luxembourg	1,600,000	1,652,000
senior note, 7.25%, 10/15/20	Luxembourg	1,000,000	1,058,750
senior note, 7.50%, 4/01/21	Luxembourg	1,000,000	1,073,750
[d] Millicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21	Luxembourg	1,500,000	1,542,187
[d,i] Mobile Challenger Intermediate Group SA, secured note, 144A, PIK, 8.75%, 3/15/19	Switzerland	600,000 EUR	738,705
[d] Play Finance 1 SA, senior note, 144A, 6.50%, 8/01/19	Poland	500,000 EUR	642,812
[d] Play Finance 2 SA, senior secured note, 144A, 5.25%, 2/01/19	Poland	800,000 EUR	1,005,268
Sprint Corp., senior bond, 7.875%, 9/15/23	United States	500,000	496,100
Sprint Nextel Corp., senior note,			
8.375%, 8/15/17	United States	1,200,000	1,299,000
6.00%, 11/15/22	United States	500,000	461,875
[d] 144A, 9.00%, 11/15/18	United States	1,500,000	1,709,850
[d] 144A, 7.00%, 3/01/20	United States	800,000	868,000
T-Mobile USA Inc.,			
senior bond, 6.50%, 1/15/24	United States	300,000	308,250
senior bond, 6.375%, 3/01/25	United States	1,300,000	1,324,050
senior note, 6.542%, 4/28/20	United States	1,400,000	1,450,750
senior note, 6.125%, 1/15/22	United States	200,000	203,750
Verizon Communications Inc., senior note, 5.15%, 9/15/23	United States	2,000,000	2,210,028
[d] Wind Acquisition Finance SA, senior secured note, 144A,			
4.00%, 7/15/20	Italy	600,000 EUR	715,110
7.00%, 4/23/21	Italy	2,000,000 EUR	2,377,481
			30,795,091
Transportation 0.7%			
[d] Florida East Coast Holdings Corp.,			
secured note, first lien, 144A, 6.75%, 5/01/19	United States	900,000	893,250
senior note, 144A, 9.75%, 5/01/20	United States	400,000	400,000

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Transportation (continued)			
Hertz Corp., senior note,			
6.75%, 4/15/19	United States	1,500,000	$ 1,552,500
6.25%, 10/15/22	United States	1,500,000	1,522,500
[d] Stena AB, senior bond, 144A, 7.00%, 2/01/24	Sweden	900,000	825,750
[d] Stena International SA, secured bond, 144A, 5.75%, 3/01/24	Sweden	1,100,000	1,039,500
			6,233,500
Utilities 1.4%			
Calpine Corp.,			
senior bond, 5.75%, 1/15/25	United States	1,200,000	1,216,500
senior note, 5.375%, 1/15/23	United States	1,300,000	1,314,625
[d] senior secured bond, first lien, 144A, 5.875%, 1/15/24	United States	600,000	642,000
[d] senior secured note, first lien, 144A, 6.00%, 1/15/22	United States	100,000	107,000
[d] Dynegy Finance I Inc./Dynegy Finance II Inc., senior secured bond, first lien, 144A, 7.625%, 11/01/24	United States	1,300,000	1,327,625
[d,e] EDF SA, sub. note, 144A, 5.25% to 1/29/23, FRN thereafter, Perpetual	France	3,000,000	3,077,100
[d] InterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	2,500,000	2,387,500
[d,g] Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings Finance Inc., senior secured note, first lien, 144A, 11.50%, 10/01/15	United States	3,000,000	2,137,500
			12,209,850
Total Corporate Bonds (Cost $328,498,730)			320,854,737
[f,j] **Senior Floating Rate Interests 18.6%**			
Automobiles & Components 0.8%			
Crowne Group LLC, Term Loan, 6.00%, 9/30/20	United States	1,646,573	1,621,875
FRAM Group Holdings Inc. (Autoparts Holdings),			
Second Lien Term Loan, 10.50%, 1/29/18	United States	1,458,729	1,455,082
Term Loan, 6.50%, 7/29/17	United States	2,290,008	2,283,138
Henniges Automotive Holdings Inc., Term Loans, 5.50%, 6/12/21	United States	810,662	810,662
UCI International Inc., Term Loan, 5.50%, 7/26/17	United States	579,767	577,835
			6,748,592
Capital Goods 1.1%			
Alfred Fueling Systems Inc. (Wayne Fueling),			
First Lien Initial Term Loan, 4.75%, 6/20/21	United States	491,885	483,277
Second Lien Initial Term Loan, 8.50%, 6/20/22	United States	845,106	823,978
Doncasters U.S. Finance LLC,			
Second Lien Term Loan, 9.50%, 10/09/20	United States	125,226	124,130
Term B Loans, 4.50%, 4/09/20	United States	297,841	296,538
[k] Erickson Inc., Purchase Price Notes, 6.00%, 11/02/20	United States	190,406	154,522
Onsite Rental Group Operations Pty. Ltd., Term B Loan, 5.50%, 7/30/21	United States	2,167,856	2,146,177
Sensus USA Inc.,			
First Lien Term Loan, 4.50% - 5.50%, 5/09/17	United States	1,318,102	1,291,740
Second Lien Term Loan, 8.50%, 5/09/18	United States	3,032,186	2,903,318
Signode Industrial Group U.S. Inc., Initial Term B Loan, 3.75%, 5/01/21	United States	839,167	807,698
TransDigm Inc.,			
Tranche C Term Loan, 3.75%, 2/28/20	United States	406,538	400,270
Tranche D Term Loan, 3.75%, 6/04/21	United States	292,729	287,899

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
[f,j] **Senior Floating Rate Interests** (continued)			
Capital Goods (continued)			
[l] WireCo Worldgroup Inc., Term Loan, 7.00%, 2/15/17	United States	48,726	$ 48,818
			9,768,365
Commercial & Professional Services 0.8%			
AlixPartners LLP, Second Lien 2013 Recapitalization Term Loan, 9.00%, 7/10/21	United States	2,678,927	2,710,183
Interactive Data Corp., Term Loan, 4.75%, 5/02/21	United States	4,218,422	4,198,384
			6,908,567
Consumer Durables & Apparel 0.0%[†]			
[l] Varsity Brands Inc., First Lien Term Loan, 7.25%, 12/16/21	United States	328,408	327,997
Consumer Services 2.5%			
24 Hour Fitness Worldwide Inc., Term Loan, 4.75%, 5/30/21	United States	1,277,820	1,233,895
Caesars Entertainment Resort Properties LLC, Term B Loans, 7.00%, 10/11/20	United States	4,070,809	3,863,878
Cannery Casino Resorts LLC,			
Second Lien Term Loan, 10.00%, 10/02/19	United States	780,000	612,300
Term Loan, 6.00%, 10/02/18	United States	2,604,913	2,441,020
ClubCorp Club Operations Inc., Term B Loans, 4.50%, 7/24/20	United States	138,479	136,662
Diamond Resorts Corp., Term Loans, 5.50%, 5/09/21	United States	572,424	569,562
Fitness International LLC, Term B Loan, 5.50%, 7/01/20	United States	3,134,569	3,024,859
ROC Finance LLC, Funded Term B Loans, 5.00%, 4/08/19	United States	314,906	295,618
TGI Friday's Inc.,			
First Lien Initial Term Loan, 5.25% - 6.50%, 7/15/20	United States	479,779	478,579
[l] Second Lien Initial Term Loan, 9.25%, 7/15/21	United States	500,000	492,500
Town Sports International LLC, Initial Term Loan, 4.50% - 5.75%, 11/15/20	United States	1,017,795	735,357
Travelport Finance Luxembourg S.A.R.L., Initial Term Loan, 6.00%, 9/02/21	Luxembourg	2,359,471	2,360,061
[c,i] Turtle Bay Holdings LLC, Term Loan B, PIK, 3.00%, 6/30/16	United States	6,401,230	6,145,181
			22,389,472
Diversified Financials 0.6%			
Guggenheim Partners Investment Management Holdings LLC, Initial Term Loan, 5.50%, 7/22/20	United States	932,033	925,625
[l] Realogy Group LLC, Initial Term B Loans, 5.25%, 3/05/20	United States	92,166	90,860
Trans Union LLC, 2014 Replacement Term Loan, 4.00%, 4/09/21	United States	4,159,657	4,110,261
			5,126,746
Energy 1.2%			
Bowie Resource Holdings LLC, Second Lien Initial Term Loan, 11.75%, 2/16/21	United States	480,257	473,053
Citgo Petroleum Corp., Term B Loan, 4.50%, 7/29/21	United States	224,013	223,453
Drillships Ocean Ventures Inc. and Drillships Vent, Term Loan, 5.50%, 7/25/21	United States	717,677	582,216
Fieldwood Energy LLC, Second Lien Loans, 8.375%, 9/30/20	United States	468,000	344,682
Foresight Energy LLC, Term Loans, 5.50%, 8/23/20	United States	720,000	711,000
McJunkin Red Man Corp., 2013 Term Loan, 5.00%, 11/11/19	United States	723,792	676,746
OSG Bulk Ships Inc., Initial Term Loan, 5.25%, 8/05/19	United States	1,245,444	1,217,421
OSG International Inc., Initial Term Loan, (OIN), 5.75%, 8/05/19	United States	2,022,339	1,971,780
[l] Peabody Energy Corp., Term Loan, 4.25%, 9/24/20	United States	1,240,345	1,126,646
[l] UTEX Industries Inc., First Lien Initial Term Loan, 5.00%, 5/22/21	United States	3,160,867	2,939,607

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
[f,j] **Senior Floating Rate Interests** (continued)			
Energy (continued)			
Westmoreland Coal Co., Term Loan, 7.50%, 12/16/20	United States	664,630	$ 652,999
			10,919,603
Food & Staples Retailing 0.2%			
AdvancePierre Foods Inc., Second Lien Term Loan, 9.50%, 10/10/17	United States	1,805,558	1,787,502
Food, Beverage & Tobacco 0.2%			
Big Heart Pet Brands (Del Monte Pet), Initial Term Loans, 3.50%, 2/24/20	United States	1,690,987	1,627,575
CSM Bakery Supplies LLC (U.S. Acquisition), Second Lien Term Loan, 8.75%, 7/03/21	United States	128,913	125,368
			1,752,943
Health Care Equipment & Services 1.5%			
Carestream Health Inc., Second Lien Loan, 9.50%, 12/07/19	United States	685,642	680,786
Community Health Systems Inc., 2021 Term D Loan, 4.25%, 1/27/21	United States	2,778,862	2,776,933
Connolly LLC,			
Initial Term Loan, 5.00%, 5/14/21	United States	1,766,986	1,760,360
Second Lien Initial Term Loan, 8.00%, 5/14/22	United States	423,200	421,084
Dialysis Newco Inc., Second Lien Term Loan B, 7.75%, 10/22/21	United States	267,300	266,632
Millennium Health LLC, Tranche B Term Loan, 5.25%, 4/16/21	United States	2,713,769	2,704,442
Surgery Centers Holdings Inc.,			
Second Lien Term Loan, 8.50%, 11/03/21	United States	404,200	392,074
Term Loan, 5.25%, 11/03/20	United States	70,600	68,923
Truven Health Analytics Inc., New Tranche B Term Loan, 4.50%, 6/06/19	United States	1,740,077	1,694,400
U.S. Renal Care Inc., Tranche B-2 Term Loan, 4.25%, 7/03/19	United States	3,042,441	3,000,607
			13,766,241
Household & Personal Products 0.8%			
FGI Operating Co. LLC (Freedom Group), Term B Loans, 5.50%, 4/19/19	United States	3,882,930	3,805,271
Sun Products Corp., Tranche B Term Loan, 5.50%, 3/23/20	United States	3,895,804	3,642,577
			7,447,848
Materials 3.6%			
Appvion Inc., Term Loan, 5.75% - 6.75%, 6/28/19	United States	1,025,189	1,014,297
Arysta Lifescience SPC LLC,			
Initial Term Loan, 4.50%, 5/29/20	United States	3,453,831	3,439,439
Second Lien Initial Term Loan, 8.25%, 11/30/20	United States	551,458	551,114
Atkore International Inc., Second Lien Initial Term Loan, 7.75%, 10/09/21	United States	219,800	215,404
AZ Chem US Inc., First Lien Initial Term Loan, 5.75%, 6/12/21	United States	1,478,894	1,461,332
Caraustar Industries Inc.,			
Initial Term Loan, 7.50%, 5/01/19	United States	1,683,063	1,673,596
[l] Term Loan C, 9.00%,5/01/19	United States	2,740,000	2,698,900
CD&R Millennium U.S. Acquico LLC, Second Lien Initial Term Loan, 8.25%, 7/31/22	United States	585,000	570,375
Cyanco Intermediate Corp., Initial Term Loan, 5.50%, 5/01/20	United States	3,385,395	3,283,833
[l] Exopack Holdings SA, USD Term Loan, 5.25%, 5/08/19	Luxembourg	3,692,818	3,685,126

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
[f,j] **Senior Floating Rate Interests** (continued)			
Materials (continued)			
[l] FMG America Finance Inc. (Fortescue Metals Group), Loans, 3.75%, 6/30/19	United States	827,208	$ 755,690
HII Holding Corp. (Houghton International), Second Lien Term Loan, 9.50%, 12/20/20	United States	575,175	575,175
[l] Ineos U.S. Finance LLC, Dollar Term Loan, 5.25%, 5/04/18	United States	301,326	293,308
MacDermid Holdings LLC, First Lien Tranche B Term Loan, 4.00%, 6/07/20	United States	2,285,464	2,246,184
OCI Beaumont LLC, Term B-3 Loan, 5.00%, 8/20/19	United States	1,064,011	1,055,366
Oxbow Carbon LLC,			
First Lien Tranche B Term Loan, 4.25%, 7/19/19	United States	337,855	311,671
Second Lien Initial Term Loan, 8.00%, 1/19/20	United States	311,538	274,154
OXEA GmbH, Second Lien Term Loan, 8.25%, 7/15/20	Luxembourg	838,599	802,958
Prescrix Inc., Second Lien Term Loan, 8.00%, 5/02/22	United States	663,243	658,269
Reynolds Group Holdings Inc., U.S. Term Loan, 4.00%, 12/01/18	United States	2,752,731	2,709,227
Solenis International LP and Solenis Holdings, Second Lien Term Loan, 7.75%, 7/31/22	United States	174,800	170,867
Tronox Pigments (Netherlands) BV, Term Loan, 4.00%, 3/19/20	Netherlands	265,759	262,104
Univar Inc., Term B Loan, 5.00%, 6/30/17	United States	442,956	429,747
[l] Walter Energy Inc., B Term Loan, 7.25%, 4/01/18	United States	3,746,209	2,915,019
			32,053,155
Media 1.6%			
AP NMT Acquisition BV, Second Lien Dollar Term B Loan, 10.00%, 8/13/22	Netherlands	1,290,000	1,244,850
Cengage Learning Acquisitions Inc., First Lien Exit Term Loan, 7.00%, 3/31/20	United States	3,087,626	3,060,610
Cumulus Media Holdings Inc., Term Loans, 4.25%, 12/23/20	United States	459,266	445,201
NEP/NCP Holdco Inc., Second Lien Term Loan, 9.50%, 7/22/20	United States	678,796	668,614
[c] Radio One Inc., Term Loan, 7.50%, 3/31/16	United States	2,066,387	2,050,889
William Morris Endeavor Entertainment LLC,			
Term Loans First Lien, 5.25%, 5/06/21	United States	2,765,480	2,675,602
Term Loans Second Lien, 8.25%, 5/06/22	United States	4,543,017	4,372,654
			14,518,420
Real Estate 0.0%[†]			
Capital Automotive LP, Second Lien Term Loan, 6.00%, 4/30/20	United States	182,500	182,500
Retailing 1.8%			
BJ's Wholesale Club Inc.,			
2013 (Nov) Replacement Loans, 4.50%, 9/26/19	United States	3,530,563	3,476,132
Second Lien 2013 (Nov) Replacement Loans, 8.50%, 3/26/20	United States	1,915,908	1,890,363
Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.00%, 7/09/19	United States	4,157,730	4,100,561
Harbor Freight Tools USA Inc., Loans, 4.75%, 7/26/19	United States	1,095,527	1,094,431
JC Penney Corp. Inc., Term Loan, 5.00%, 6/20/19	United States	478	461
The Men's Wearhouse Inc., Tranche B Term Loan, 4.50%, 6/18/21	United States	1,183,276	1,178,839
Party City Holdings Inc., 2014 Replacement Term Loan, 4.00% - 5.25%, 7/27/19	United States	1,402,113	1,374,071
Sungard Availability Services Capital Inc., Tranche B Term Loan, 6.00%, 3/31/19	United States	3,246,752	2,830,087
			15,944,945

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
[f,j] **Senior Floating Rate Interests** (continued)			
Semiconductors & Semiconductor Equipment 0.1%			
M/A-COM Technology Solutions Holdings Inc., Initial Term Loan, 4.50%, 5/07/21	United States	520,982	$ 520,982
Software & Services 1.3%			
BMC Software Finance Inc., Initial U.S. Term Loans, 5.00%, 9/10/20	United States	4,856,465	4,721,397
[l] MoneyGram International Inc., Term Loan, 4.25%, 3/28/20	United States	5,166,286	4,791,730
Vertafore Inc., Second Lien Term Loan, 9.75%, 10/27/17	United States	2,015,657	2,027,414
[l] Worldpay U.S. Inc.,			
Facility B2A-II Loan, 6.25%, 11/30/19	United States	297,300	297,857
Facility C2 Loan, 5.75%, 11/30/19	United States	106,549	106,316
			11,944,714
Technology Hardware & Equipment 0.2%			
Dell International LLC, Term B Loan, 4.50%, 4/29/20	United States	1,306,268	1,304,518
Presidio Inc., Term Loan, 5.00%, 3/31/17	United States	702,189	702,628
			2,007,146
Transportation 0.3%			
Global Tip Finance BV/Finance America LLC, Facility C Commitment, 7.00%, 10/16/20	United States	2,424,189	2,412,068
Total Senior Floating Rate Interests (Cost $170,403,405)			166,527,806
Foreign Government and Agency Securities 18.2%			
Government of Canada, 1.00%, 5/01/15	Canada	5,755,000 CAD	4,956,759
Government of Hungary,			
5.50%, 2/12/16	Hungary	1,864,700,000 HUF	7,437,507
5.50%, 12/22/16	Hungary	46,690,000 HUF	190,838
6.50%, 6/24/19	Hungary	206,000,000 HUF	896,291
7.50%, 11/12/20	Hungary	313,570,000 HUF	1,460,322
A, 6.75%, 11/24/17	Hungary	104,470,000 HUF	446,879
A, 5.50%, 12/20/18	Hungary	34,100,000 HUF	142,988
A, 7.00%, 6/24/22	Hungary	930,000 HUF	4,372
A, 6.00%, 11/24/23	Hungary	1,270,000 HUF	5,775
senior note, 6.25%, 1/29/20	Hungary	4,597,000	5,175,670
senior note, 6.375%, 3/29/21	Hungary	1,000,000	1,144,430
Government of Indonesia, FR34, 12.80%, 6/15/21	Indonesia	17,235,000,000 IDR	1,733,381
Government of Ireland, 5.00%, 10/18/20	Ireland	3,000,000 EUR	4,545,577
Government of Malaysia,			
3.741%, 2/27/15	Malaysia	12,310,000 MYR	3,522,917
3.835%, 8/12/15	Malaysia	7,475,000 MYR	2,144,052
4.72%, 9/30/15	Malaysia	10,268,000 MYR	2,965,254
3.197%, 10/15/15	Malaysia	4,730,000 MYR	1,350,739
senior bond, 3.814%, 2/15/17	Malaysia	2,500,000 MYR	717,746
senior bond, 4.24%, 2/07/18	Malaysia	600,000 MYR	174,303
senior note, 3.172%, 7/15/16	Malaysia	28,100,000 MYR	7,992,407
Government of Mexico,			
6.00%, 6/18/15	Mexico	18,020[m] MXN	123,816
8.00%, 12/17/15	Mexico	753,560[m] MXN	5,338,389
6.25%, 6/16/16	Mexico	699,310[m] MXN	4,924,668
7.25%, 12/15/16	Mexico	790,330[m] MXN	5,724,533

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Government of Poland,			
5.50%, 4/25/15	Poland	5,300,000 PLN	$ 1,515,622
6.25%, 10/24/15	Poland	9,134,000 PLN	2,672,432
4.75%, 10/25/16	Poland	31,000,000 PLN	9,216,504
Strip, 7/25/15	Poland	2,052,000 PLN	574,410
Strip, 1/25/16	Poland	1,066,000 PLN	295,572
[d] Government of Portugal, 144A, 5.125%, 10/15/24	Portugal	7,000,000	7,380,800
[d] Government of Serbia, senior note, 144A,			
4.875%, 2/25/20	Serbia	4,410,000	4,426,339
7.25%, 9/28/21	Serbia	1,000,000	1,124,125
Government of Singapore, senior note, 1.125%, 4/01/16	Singapore	7,350,000 SGD	5,585,068
Government of Sri Lanka,			
A, 11.75%, 3/15/15	Sri Lanka	1,160,000 LKR	8,944
A, 6.50%, 7/15/15	Sri Lanka	28,980,000 LKR	221,640
A, 6.40%, 8/01/16	Sri Lanka	19,500,000 LKR	148,514
B, 6.40%, 10/01/16	Sri Lanka	16,000,000 LKR	121,534
B, 8.50%, 7/15/18	Sri Lanka	15,280,000 LKR	121,470
C, 8.50%, 4/01/18	Sri Lanka	8,070,000 LKR	64,034
D, 8.50%, 6/01/18	Sri Lanka	54,050,000 LKR	429,782
Government of Sweden, 4.50%, 8/12/15	Sweden	26,000,000 SEK	3,422,112
Government of the Philippines,			
senior bond, 7.00%, 1/27/16	Philippines	80,000,000 PHP	1,853,835
senior note, 1.625%, 4/25/16	Philippines	155,000,000 PHP	3,427,783
[d] Government of Ukraine,			
144A, 7.75%, 9/23/20	Ukraine	3,850,000	2,345,728
senior bond, 144A, 7.80%, 11/28/22	Ukraine	2,790,000	1,667,346
senior note, 144A, 7.95%, 2/23/21	Ukraine	2,120,000	1,289,893
senior note, 144A, 7.50%, 4/17/23	Ukraine	1,000,000	589,530
[n] Government of Uruguay, senior bond, Index Linked,			
4.375%, 12/15/28	Uruguay	192,368,980 UYU	7,971,782
Korea Monetary Stabilization Bond,			
senior bond, 2.47%, 4/02/15	South Korea	4,622,600,000 KRW	4,230,645
senior bond, 2.80%, 8/02/15	South Korea	1,324,510,000 KRW	1,216,039
senior bond, 2.81%, 10/02/15	South Korea	6,000,000,000 KRW	5,515,967
senior note, 2.74%, 2/02/15	South Korea	1,617,220,000 KRW	1,479,345
senior note, 2.76%, 6/02/15	South Korea	5,045,300,000 KRW	4,625,867
Korea Treasury Bond, senior note,			
3.25%, 6/10/15	South Korea	210,800,000 KRW	193,703
2.75%, 12/10/15	South Korea	5,847,900,000 KRW	5,380,383
3.00%, 12/10/16	South Korea	5,500,000,000 KRW	5,114,921
Nota Do Tesouro Nacional,			
10.00%, 1/01/17	Brazil	6,200[o] BRL	2,222,517
[p] Index Linked, 6.00%, 5/15/15	Brazil	1,390[o] BRL	1,326,942
[p] Index Linked, 6.00%, 8/15/16	Brazil	1,604[o] BRL	1,517,596
[p] Index Linked, 6.00%, 8/15/18	Brazil	5,525[o] BRL	5,186,197
Uruguay Notas del Tesoro,			
10.50%, 3/21/15	Uruguay	1,700,000 UYU	69,193
10.25%, 8/22/15	Uruguay	59,720,000 UYU	2,431,639
9.50%, 1/27/16	Uruguay	9,220,000 UYU	379,015
[n] 18, Index Linked, 2.25%, 8/23/17	Uruguay	26,165,056 UYU	1,017,617

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Uruguay Treasury Bill, Strip,			
7/02/15	Uruguay	510,000 UYU	$ 19,585
8/20/15	Uruguay	35,364,000 UYU	1,335,945
Total Foreign Government and Agency Securities (Cost $178,618,520)			162,857,528
U.S. Government and Agency Securities 1.8%			
U.S. Treasury Bond,			
4.50%, 2/15/16	United States	1,000,000	1,046,211
7.875%, 2/15/21	United States	900,000	1,216,055
U.S. Treasury Note,			
4.625%, 2/15/17	United States	600,000	649,102
4.75%, 8/15/17	United States	2,900,000	3,184,449
3.75%, 11/15/18	United States	7,000,000	7,627,536
[n] Index Linked, 0.125%, 4/15/16	United States	2,474,248	2,467,290
Total U.S. Government and Agency Securities (Cost $15,720,021)			16,190,643
Asset-Backed Securities and Commercial Mortgage-Backed Securities 5.7%			
Banks 3.3%			
Banc of America Commercial Mortgage Trust, 2006-4, AJ, 5.695%, 7/10/46	United States	1,807,000	1,877,446
[f] Bear Stearns Adjustable Rate Mortgage Trust, 2004-4, A6, FRN, 3.517%, 6/25/34	United States	2,238,662	2,308,574
Bear Stearns Commercial Mortgage Securities Inc.,			
[f] 2006-PW11, AJ, FRN, 5.605%, 3/11/39	United States	1,000,000	1,032,955
[f] 2006-PW12, AJ, FRN, 5.751%, 9/11/38	United States	1,440,000	1,483,436
2006-PW13, AJ, 5.611%, 9/11/41	United States	5,100,000	5,240,293
Citigroup Commercial Mortgage Trust,			
2006-C5, AJ, 5.482%, 10/15/49	United States	2,520,000	2,472,801
[f] 2007-C6, AM, FRN, 5.706%, 6/10/17	United States	2,500,000	2,673,498
[f] Citigroup/Deutsche Bank Commercial Mortgage Trust, 2006-CD3, AJ, FRN, 5.688%, 10/15/48	United States	2,700,000	2,633,594
Countrywide Asset-Backed Certificates, 2005-11, AF4, 5.21%, 3/25/34	United States	1,275,000	1,158,229
Greenwich Capital Commercial Funding Corp.,			
[f] 2006-GG7, AJ, FRN, 5.82%, 7/10/38	United States	2,560,000	2,630,450
2007-GG9, AM, 5.475%, 3/10/39	United States	1,030,000	1,081,150
JP Morgan Chase Commercial Mortgage Securities Trust,			
2006-CB17, AM, 5.464%, 12/12/43	United States	760,000	788,340
[f] 2006-LDP7, AJ, FRN, 5.873%, 4/15/45	United States	1,680,000	1,690,214
[f] Merrill Lynch Mortgage Investors Trust, 2005-A6, 2A3, FRN, 0.55%, 8/25/35	United States	350,000	324,945
[f] Morgan Stanley Capital I Trust, 2006-HQ8, AJ, FRN, 5.497%, 3/12/44	United States	200,000	205,503
Wells Fargo Mortgage Backed Securities Trust,			
[f] 2004-W, A9, FRN, 2.616%, 11/25/34	United States	1,184,527	1,218,511
2007-3, 3A1, 5.50%, 4/25/37	United States	407,108	420,990
			29,240,929

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial Mortgage-Backed Securities (continued)			
Diversified Financials 2.4%			
[d,f] ARES CLO Funds, 2007-12A, B, 144A, FRN, 1.233%, 11/25/20	United States	1,380,000	$ 1,360,211
[d,f] Atrium CDO Corp., 10A, C, 144A, FRN, 2.829%, 7/16/25	United States	1,400,000	1,339,940
[d,f] Atrium XI, 11A, C, 144A, FRN, 3.435%, 10/23/25	Cayman Islands	1,820,000	1,795,521
[d,f] BCAP LLC Trust, 2009-RR1, 2A2, 144A, FRN, 2.615%, 5/26/35	United States	440,000	436,854
[d,f] Catamaran CLO Ltd., 2013-1A, C, 144A, FRN, 2.834%, 1/27/25	Cayman Islands	1,130,000	1,069,048
[d,f] Cent CDO Ltd., 2007-15A, A2B, 144A, FRN, 0.579%, 3/11/21	United States	1,251,000	1,173,726
[d,f] Cent CLO LP, 2013-17A, D, 144A, FRN, 3.233%, 1/30/25	Cayman Islands	784,314	760,761
[d,f] CIFC Funding Ltd., 2007-3A, A1J, 144A, FRN, 0.634%, 7/26/21	United States	960,000	923,462
[d,f] ColumbusNova CLO Ltd., 2007-2A, A2, 144A, FRN, 1.231%, 10/15/21	United States	860,000	841,149
[d,f] CT CDO IV Ltd., 2006-4A, A1, 144A, FRN, 0.476%, 10/20/43	United States	1,461,964	1,449,479
[d,f] Eaton Vance CDO Ltd., 2014-1A,			
A, 144A, FRN, 1.685%, 7/15/26	Cayman Islands	2,000,000	1,985,600
B, 144A, FRN, 2.285%, 7/15/26	United States	426,000	414,681
C, 144A, FRN, 3.235%, 7/15/26	United States	167,100	162,602
[d] G-Force LLC, 2005-RRA, C, 144A, 5.20%, 8/22/36	United States	2,000,000	1,932,710
[f] Impac Secured Assets Trust, 2007-2, FRN, 0.42%, 4/25/37	United States	342,107	316,693
[d,f] ING Investment Management CLO Ltd.,			
2013-1A, B, 144A, FRN, 3.131%, 4/15/24	Cayman Islands	270,000	260,782
2013-1A, C, 144A, FRN, 3.731%, 4/15/24	Cayman Islands	440,000	418,242
2013-2A, B, 144A, FRN, 2.914%, 4/25/25	United States	1,080,000	1,038,528
MortgageIT Trust, 2004-1, A2, 1.07%, 11/25/34	United States	428,268	416,130
[d,f] Newcastle CDO Ltd., 2004-5A, 1, 144A, FRN, 0.595%, 12/24/39	United States	499,337	490,743
[f] Opteum Mortgage Acceptance Corp. Trust, 2005-4, 1APT, FRN, 0.48%, 11/25/35	United States	703,519	667,683
Residential Asset Securities Corp., 2004-KS1, AI4, 4.213%, 4/25/32	United States	39,021	38,999
Structured Asset Securities Corp., 2005-2XS, 2A2, 1.656%, 2/25/35	United States	374,569	363,017
[f,q] Talisman 6 Finance, Reg S, FRN, 0.262%, 10/22/16	Germany	1,666,863 EUR	1,992,620
[f] Thornburg Mortgage Securities Trust, 2005-1, A3, FRN, 2.234%, 4/25/45	United States	389,232	391,914
			22,041,095
Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost $48,972,136)			51,282,024
Mortgage-Backed Securities 3.1%			
[f] **Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.0%**[†]			
FHLMC, 2.348%, 1/01/33	United States	59,855	62,458
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 0.2%			
FHLMC Gold 15 Year, 5.50%, 7/01/17 - 7/01/19	United States	90,706	96,389
FHLMC Gold 15 Year, 6.00%, 5/01/17	United States	3,998	4,168
FHLMC Gold 15 Year, 6.50%, 5/01/16	United States	379	388
[l] FHLMC Gold 30 Year, 3.50%, 1/01/42	United States	148,000	153,897
FHLMC Gold 30 Year, 5.00%, 4/01/34 - 8/01/35	United States	388,336	429,657
FHLMC Gold 30 Year, 5.50%, 3/01/33 - 1/01/35	United States	365,995	411,229
FHLMC Gold 30 Year, 6.00%, 4/01/33 - 2/01/36	United States	319,783	364,767
FHLMC Gold 30 Year, 6.50%, 12/01/23 - 6/01/36	United States	76,567	87,736
FHLMC Gold 30 Year, 7.00%, 9/01/21 - 4/01/30	United States	32,452	36,857

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Mortgage-Backed Securities (continued)			
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate (continued)			
FHLMC Gold 30 Year, 7.50%, 8/01/30 - 7/01/31	United States	1,245	$ 1,364
			1,586,452
[f]**Federal National Mortgage Association (FNMA) Adjustable Rate 0.0%**†			
FNMA, 2.31% - 2.33%, 4/01/20 - 12/01/34	United States	214,239	227,099
Federal National Mortgage Association (FNMA) Fixed Rate 2.7%			
FNMA 15 Year, 2.50%, 7/01/22 - 6/01/27	United States	607,676	620,941
FNMA 15 Year, 3.00%, 10/01/27	United States	5,241,524	5,463,969
FNMA 15 Year, 4.50%, 6/01/19 - 3/01/20	United States	128,656	135,518
FNMA 15 Year, 5.00%, 10/01/17 - 6/01/18	United States	94,512	99,648
FNMA 15 Year, 5.50%, 3/01/16 - 11/01/18	United States	552,873	584,218
FNMA 15 Year, 6.00%, 4/01/16 - 7/01/16	United States	854	859
[l]FNMA 30 Year, 3.00%, 1/01/43	United States	7,143,000	7,226,149
[l]FNMA 30 Year, 3.50%, 1/01/42	United States	1,087,000	1,133,198
[l]FNMA 30 Year, 4.00%, 1/01/41	United States	7,409,000	7,907,863
FNMA 30 Year, 5.00%, 4/01/30	United States	130,124	144,265
FNMA 30 Year, 6.50%, 6/01/28 - 10/01/37	United States	368,129	420,170
			23,736,798
Government National Mortgage Association (GNMA) Fixed Rate 0.2%			
GNMA I SF 30 Year, 5.00%, 11/15/33 - 7/15/34	United States	441,687	489,201
GNMA I SF 30 Year, 6.50%, 2/15/32	United States	2,164	2,471
GNMA I SF 30 Year, 7.00%, 10/15/28 - 6/15/32	United States	32,104	33,858
GNMA I SF 30 Year, 7.50%, 9/15/30	United States	1,636	1,969
[l]GNMA II SF 30 Year, 3.50%, 1/01/43	United States	820,000	860,808
GNMA II SF 30 Year, 5.00%, 9/20/33 - 11/20/33	United States	130,124	144,661
GNMA II SF 30 Year, 6.00%, 11/20/34	United States	149,979	172,286
GNMA II SF 30 Year, 6.50%, 4/20/31 - 2/20/34	United States	70,608	82,467
GNMA II SF 30 Year, 7.50%, 1/20/28 - 4/20/32	United States	17,319	20,249
			1,807,970
Total Mortgage-Backed Securities (Cost $26,939,088)			27,420,777
Municipal Bonds 3.9%			
Arkansas State GO, Four-Lane Highway Construction and Improvement Bonds, 3.25%, 6/15/22	United States	400,000	433,352
California State GO, Various Purpose,			
5.25%, 11/01/40	United States	560,000	645,854
Refunding, 5.25%, 3/01/38	United States	1,500,000	1,632,060
Refunding, 5.00%, 4/01/38	United States	2,000,000	2,180,720
Refunding, NATL Insured, 4.50%, 12/01/32	United States	300,000	313,008
Refunding, Series 1, AGMC Insured, 4.75%, 9/01/31	United States	290,000	299,982
Colorado State ISD, GO, Mitchell and Scurry Counties, School Building, PSF Guarantee, 5.00%, 8/15/43	United States	300,000	343,011
Evansville Local Public Improvement Bond Bank Revenue, Sewage Works Project, Series A, 5.00%, 7/01/36	United States	675,000	765,848
Florida Hurricane Catastrophe Fund Finance Corp. Revenue, Series A, 2.995%, 7/01/20	United States	3,000,000	3,038,400
Illinois State GO,			
5.877%, 3/01/19	United States	2,000,000	2,210,240
Build America Bonds, 7.35%, 7/01/35	United States	1,000,000	1,177,250

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Municipal Bonds (continued)			
Massachusetts State GO, Consolidated Loan of 2014, Series A, 4.50%, 12/01/43	United States	2,300,000	$ 2,482,344
Minnesota State GO, Various Purpose, Refunding, Series F, 4.00%, 10/01/24	United States	2,650,000	3,009,128
Nassau County GO, General Improvement Bonds, Series B, 5.00%,			
4/01/39	United States	1,500,000	1,674,495
4/01/43	United States	1,600,000	1,764,336
New Jersey EDA Revenue, School Facilities Construction, Refunding, Series NN, 5.00%, 3/01/30	United States	700,000	767,641
New York City HDC Revenue, Series B1, 5.00%, 7/01/33	United States	500,000	572,010
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	2,745,535
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	1,766,445
Puerto Rico Electric Power Authority Power Revenue,			
Series A, 6.75%, 7/01/36	United States	3,465,000	1,754,364
Series XX, 5.25%, 7/01/40	United States	165,000	83,541
Puerto Rico Sales Tax FICO Revenue, Capital Appreciation, Refunding, Series A, zero cpn., 8/01/26	United States	275,000	101,585
Puerto Rico Sales Tax FICO Sales Tax Revenue,			
Capital Appreciation, Series A, zero cpn., 8/01/25	United States	320,000	128,835
first subordinate, Series A, 5.75%, 8/01/37	United States	500,000	372,480
first subordinate, Series A, 6.50%, 8/01/44	United States	2,500,000	2,006,575
Refunding, Series A, NATL RE, FGIC Insured, zero cpn., 8/01/45	United States	3,700,000	531,394
Refunding, Series B, 6.05%, 8/01/37	United States	915,000	669,140
Refunding, Series B, 6.05%, 8/01/38	United States	1,120,000	817,656
South Carolina State Public Service Authority Revenue, Refunding, Series B, 5.00%, 12/01/38	United States	1,000,000	1,123,620
Total Municipal Bonds (Cost $34,692,948)			35,410,849
		Shares	
Escrows and Litigation Trusts 0.0%			
[a,k] Comfort Co. Inc., Escrow Account	United States	13,427	—
[a,k] NewPage Corp., Litigation Trust	United States	2,500,000	—
Total Escrows and Litigation Trusts (Cost $ —)			—
Total Investments before Short Term Investments (Cost $818,545,990)			794,636,657
		Principal Amount*	
Short Term Investments 10.8%			
Foreign Government and Agency Securities (Cost $475,130) 0.1%			
Government of Canada, 1.50%, 8/01/15	Canada	550,000 CAD	475,015
Total Investments before Money Market Funds (Cost $819,021,120)			795,111,672

Franklin Strategic Income VIP Fund (continued)

	Country	Shares	Value
Money Market Funds (Cost $96,065,603) 10.7%			
[a,r] Institutional Fiduciary Trust Money Market Portfolio	United States	96,065,603	$ 96,065,603
Total Investments (Cost $915,086,723) 99.5%			891,177,275
Other Assets, less Liabilities 0.5%			4,230,066
Net Assets 100.0%			$ 895,407,341

[†] 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, 2014, 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.

[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, 2014, the aggregate value of these securities was $176,474,602, representing 19.71% of net assets.

[e] Perpetual security with no stated maturity date.

[f] The coupon rate shown represents the rate at period end.

[g] See Note 7 regarding defaulted securities.

[h] See Note 1(f) regarding loan participation notes.

[i] Income may be received in additional securities and/or cash.

[j] See Note 1(i) regarding senior floating rate interests.

[k] Security has been deemed illiquid because it may not be able to be sold within seven days. At December 31, 2014, the aggregate value of these securities was $154,522, representing 0.02% of net assets.

[l] A portion or all of the security purchased on a delayed delivery or to-be-announced (TBA) basis. See Note 1(c).

[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, 2014, the value of this security was $1,992,620, representing 0.22% of net assets.

[r] See Note 3(e) regarding investments in Institutional Fiduciary Trust Money Market Portfolio.

Franklin Strategic Income VIP Fund (continued)

At December 31, 2014, the Fund had the following forward exchange contracts outstanding. See Note 1(d).

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Chilean Peso	BZWS	Buy	477,650,000	$ 823,534	1/09/15	$ —	$ (37,357)
Chilean Peso	DBAB	Buy	140,000,000	241,421	1/09/15	—	(10,991)
Euro	BZWS	Buy	3,948,823	4,995,538	1/09/15	—	(216,986)
Euro	BZWS	Sell	4,116,197	5,626,760	1/09/15	645,666	—
Euro	DBAB	Buy	5,924,086	8,066,131	1/09/15	—	(897,273)
Euro	DBAB	Sell	7,328,957	9,971,255	1/09/15	1,102,333	—
Euro	JPHQ	Buy	2,590,000	3,302,657	1/09/15	—	(168,445)
Euro	JPHQ	Sell	7,574,544	10,313,425	1/09/15	1,147,313	—
Indian Rupee	DBAB	Buy	307,316,000	4,589,980	1/09/15	276,658	—
Indian Rupee	HSBC	Buy	144,338,000	2,139,801	1/09/15	145,927	—
Indian Rupee	JPHQ	Buy	23,701,000	356,835	1/09/15	18,492	—
Japanese Yen	BZWS	Sell	136,513,000	1,336,671	1/09/15	197,312	—
Japanese Yen	CITI	Sell	127,820,000	1,250,365	1/09/15	183,559	—
Japanese Yen	DBAB	Buy	379,925,000	3,508,727	1/09/15	—	(337,814)
Japanese Yen	DBAB	Sell	987,554,000	9,622,124	1/09/15	1,379,843	—
Japanese Yen	GSCO	Sell	42,760,000	417,639	1/09/15	60,758	—
Japanese Yen	HSBC	Sell	247,910,000	2,397,324	1/09/15	328,228	—
Japanese Yen	JPHQ	Sell	149,719,000	1,472,570	1/09/15	222,991	—
Singapore Dollar	DBAB	Buy	1,663,000	1,319,773	1/09/15	—	(64,773)
Euro	DBAB	Buy	2,150,000	2,876,399	2/09/15	—	(273,846)
Euro	DBAB	Sell	3,561,422	4,905,641	2/09/15	594,576	—
Euro	JPHQ	Sell	1,889,700	2,614,801	2/09/15	327,339	—
Indian Rupee	CITI	Buy	4,537,000	68,123	2/09/15	3,311	—
Japanese Yen	DBAB	Sell	257,790,000	2,516,252	2/09/15	364,132	—
Japanese Yen	HSBC	Sell	85,800,000	837,049	2/09/15	120,761	—
Japanese Yen	JPHQ	Sell	181,500,000	1,771,692	2/09/15	256,468	—
Singapore Dollar	DBAB	Buy	973,400	768,575	2/09/15	—	(34,377)
Singapore Dollar	JPHQ	Buy	694,000	548,088	2/09/15	—	(24,630)
Swedish Krona	DBAB	Buy	91,336,000	14,011,490	2/09/15	—	(2,298,768)
Swedish Krona	DBAB	Sell	52,750,000	7,001,670	2/09/15	237,129	—
British Pound	DBAB	Sell	380,363	643,957	3/09/15	51,408	—
Chilean Peso	DBAB	Buy	314,000,000	543,629	3/09/15	—	(29,644)
Chilean Peso	JPHQ	Buy	234,301,000	408,546	3/09/15	—	(25,020)
Chilean Peso	MSCO	Buy	220,380,000	389,861	3/09/15	—	(29,122)
Euro	BZWS	Sell	132,570	182,984	3/09/15	22,474	—
Euro	DBAB	Buy	3,154,283	3,961,374	3/09/15	—	(142,319)
Euro	DBAB	Sell	14,178,711	19,458,828	3/09/15	2,291,922	—
Euro	HSBC	Sell	142,717	196,450	3/09/15	23,655	—
Euro	JPHQ	Sell	2,118,679	2,926,091	3/09/15	360,895	—
Japanese Yen	DBAB	Sell	780,622,000	7,656,519	3/09/15	1,137,991	—
Japanese Yen	HSBC	Sell	80,270,000	785,267	3/09/15	114,978	—
Japanese Yen	JPHQ	Sell	235,580,000	2,304,140	3/09/15	336,945	—
Singapore Dollar	DBAB	Buy	7,316,140	5,840,520	3/09/15	—	(323,568)
Singapore Dollar	DBAB	Sell	2,651,000	1,999,095	3/09/15	30	—
Singapore Dollar	HSBC	Buy	837,000	669,900	3/09/15	—	(38,736)
Singapore Dollar	JPHQ	Buy	4,945,200	3,938,045	3/09/15	—	(208,971)
British Pound	DBAB	Sell	1,674,528	2,746,518	5/07/15	139,162	—
Chilean Peso	CITI	Buy	377,668,000	634,203	5/07/15	—	(19,050)
Chilean Peso	JPHQ	Buy	1,598,650,000	2,727,027	5/07/15	—	(123,112)
Euro	BZWS	Sell	4,318,741	5,524,305	5/07/15	292,263	—
Euro	CITI	Sell	1,058,200	1,427,103	5/07/15	145,121	—
Euro	DBAB	Sell	10,374,678	13,742,245	5/07/15	1,173,593	—
Euro	GSCO	Sell	369,000	468,398	5/07/15	21,364	—
Euro	JPHQ	Sell	6,561,135	8,572,596	5/07/15	623,951	—
Indian Rupee	DBAB	Sell	31,625,000	500,000	5/07/15	9,526	—

Franklin Strategic Income VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Japanese Yen	BZWS	Sell	60,047,000	$ 587,731	5/07/15	$ 85,961	$ —
Japanese Yen	CITI	Sell	31,757,000	310,679	5/07/15	45,309	—
Japanese Yen	DBAB	Sell	27,184,000	265,287	5/07/15	38,130	—
Japanese Yen	HSBC	Sell	147,626,000	1,444,594	5/07/15	210,991	—
Japanese Yen	JPHQ	Sell	366,653,000	3,477,968	5/07/15	414,115	—
Malaysian Ringgit	DBAB	Buy	6,892,000	2,087,852	5/07/15	—	(139,500)
Singapore Dollar	DBAB	Sell	1,249,000	999,240	5/07/15	58,209	—
Euro	BZWS	Sell	529,706	668,870	6/18/15	26,855	—
Euro	CITI	Sell	3,868,000	4,772,277	6/18/15	84,177	—
Euro	DBAB	Sell	6,574,489	8,210,401	6/18/15	241,980	—
Euro	JPHQ	Sell	2,176,103	2,718,786	6/18/15	81,302	—
Indian Rupee	DBAB	Buy	128,000,000	2,008,473	6/18/15	—	(36,800)
Japanese Yen	DBAB	Sell	1,175,702,500	10,237,325	6/18/15	407,799	—
Japanese Yen	JPHQ	Sell	548,120,000	4,864,378	6/18/15	294,015	(12,224)
Japanese Yen	MSCO	Sell	12,500,000	110,358	6/18/15	5,851	—
Malaysian Ringgit	DBAB	Buy	623,200	184,734	6/18/15	—	(9,157)
Malaysian Ringgit	HSBC	Buy	376,000	110,530	6/18/15	—	(4,597)
Unrealized appreciation (depreciation)						16,352,768	(5,507,080)
Net unrealized appreciation (depreciation)						$10,845,688	

[a]May be comprised of multiple contracts with the same counterparty, currency and settlement date.

At December 31, 2014, 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									
MCDX.NA.21	CITI	7,000,000	1.00%	12/20/18	$(104,821)	$173,015	$ —	$68,194	Non Investment Grade
MCDX.NA.23	CITI	3,000,000	1.00%	12/20/19	19,683	2,602	—	22,285	Non Investment Grade
Net unrealized appreciation (depreciation)						$175,617			

[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 default, bankruptcy or restructuring for single name swaps and failure to pay or bankruptcy of the underlying securities for traded index swaps.

See Note 9 regarding other derivative information.

See Abbreviations on page FSI-49.

Financial Statements

Statement of Assets and Liabilities
December 31, 2014

	Franklin Strategic Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$819,021,120
Cost - Sweep Money Fund (Note 3e)	96,065,603
Total cost of investments	$915,086,723
Value - Unaffiliated issuers	$795,111,672
Value - Sweep Money Fund (Note 3e)	96,065,603
Total value of investments	891,177,275
Cash	182,186
Restricted cash (Note 1e)	5,579,400
Foreign currency, at value (cost $895,888)	895,812
Receivables:	
Investment securities sold	8,259,331
Capital shares sold	219,339
Dividends and interest	9,346,168
OTC swaps (premiums paid $20,637)	19,683
Unrealized appreciation on forward exchange contracts	16,352,768
Unrealized appreciation on OTC swap contracts	175,617
Other assets	89
Total assets	932,207,668
Liabilities:	
Payables:	
Investment securities purchased	24,528,561
Capital shares redeemed	251,919
Management fees	436,276
Distribution fees	153,261
Due to brokers	5,579,400
OTC Swaps (premiums received $137,569)	104,821
Unrealized depreciation on forward exchange contracts	5,507,080
Unrealized depreciation on unfunded loan commitments (Note 8)	19,110
Deferred tax	11,099
Accrued expenses and other liabilities	208,800
Total liabilities	36,800,327
Net assets, at value	$895,407,341
Net assets consist of:	
Paid-in capital	$853,292,288
Undistributed net investment income	39,238,788
Net unrealized appreciation (depreciation)	(13,091,622)
Accumulated net realized gain (loss)	15,967,887
Net assets, at value	$895,407,341

Statement of Assets and Liabilities (continued)

December 31, 2014

	Franklin Strategic Income VIP Fund
Class 1:	
Net assets, at value	$574,850,182
Shares outstanding	48,308,043
Net asset value and maximum offering price per share	$ 11.90
Class 2:	
Net assets, at value	$206,570,686
Shares outstanding	17,887,815
Net asset value and maximum offering price per share	$ 11.55
Class 4:	
Net assets, at value	$113,986,473
Shares outstanding	9,674,546
Net asset value and maximum offering price per share	$ 11.78

Statement of Operations
for the year ended December 31, 2014

	Franklin Strategic Income VIP Fund
Investment income:	
Dividends	$ 137,853
Interest	48,006,997
Total investment income	48,144,850
Expenses:	
Management fees (Note 3a)	5,595,205
Distribution fees: (Note 3c)	
Class 2	480,827
Class 4	451,080
Custodian fees (Note 4)	126,357
Reports to shareholders	206,080
Professional fees	101,661
Trustees' fees and expenses	3,913
Other	82,245
Total expenses	7,047,368
Expense reductions (Note 4)	(1,130)
Expenses waived/paid by affiliates (Note 3e)	(75,838)
Net expenses	6,970,400
Net investment income	41,174,450
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	18,635,732
Foreign currency transactions	2,286,891
Swap contracts	973,216
Net realized gain (loss)	21,895,839
Net change in unrealized appreciation (depreciation) on:	
Investments	(52,758,469)
Translation of other assets and liabilities denominated in foreign currencies	11,194,003
Change in deferred taxes on unrealized appreciation	30
Net change in unrealized appreciation (depreciation)	(41,564,436)
Net realized and unrealized gain (loss)	(19,668,597)
Net increase (decrease) in net assets resulting from operations	$ 21,505,853

Statements of Changes in Net Assets

	Franklin Strategic Income VIP Fund	
	Year Ended December 31,	
	2014	2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 41,174,450	$ 54,238,182
Net realized gain (loss) from investments, foreign currency transactions and swap contracts	21,895,839	22,020,933
Net change in unrealized appreciation (depreciation) on investments, translation of other assets and liabilities denominated in foreign currencies and deferred taxes	(41,564,436)	(37,991,817)
Net increase (decrease) in net assets resulting from operations	21,505,853	38,267,298
Distributions to shareholders from:		
Net investment income and net foreign currency gains:		
Class 1	(39,220,893)	(54,987,119)
Class 2	(11,269,863)	(10,246,664)
Class 4	(7,512,342)	(10,775,092)
Net realized gains:		
Class 1	(12,517,628)	(11,433,439)
Class 2	(3,732,579)	(2,203,428)
Class 4	(2,588,163)	(2,384,488)
Total distributions to shareholders	(76,841,468)	(92,030,230)
Capital share transactions: (Note 2)		
Class 1	(94,647,397)	(275,817,937)
Class 2	43,236,033	23,867,593
Class 4	(13,615,799)	(52,983,286)
Total capital share transactions	(65,027,163)	(304,933,630)
Net increase (decrease) in net assets	(120,362,778)	(358,696,562)
Net assets:		
Beginning of year	1,015,770,119	1,374,466,681
End of year	$ 895,407,341	$1,015,770,119
Undistributed net investment income included in net assets:		
End of year	$ 39,238,788	$ 50,393,655

Notes to Financial Statements

Franklin Strategic Income VIP 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 management investment company, consisting of nineteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Strategic Income VIP 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, 2014, 77.75% 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.

Effective May 1, 2014, Franklin Strategic Income Securities Fund was renamed Franklin Strategic Income VIP Fund.

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 compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional 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 NAV.

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

Franklin Strategic Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation *(continued)*

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 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 Purchased on a Delayed Delivery and TBA Basis

The Fund purchases securities on a delayed delivery and to-be-announced (TBA) basis, with payment and delivery scheduled for a future date. These transactions are subject to market

Franklin Strategic Income VIP Fund (continued)

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 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

Franklin Strategic Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Derivative Financial Instruments *(continued)*

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 9 regarding other derivative information.

e. Restricted Cash

At December 31, 2014, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian 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. 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, 2014, FT Subsidiary's investment, Turtle Bay Resort, as well as any other assets and liabilities of 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 FT Subsidiary. All intercompany transactions and balances have been eliminated.

h. Mortgage Dollar Rolls

The Fund enters into mortgage dollar rolls, typically on a TBA basis. Mortgage dollar rolls are agreements between the Fund and a financial institution to simultaneously sell and repurchase mortgage-backed securities at a future date. Gains or losses are realized on the initial sale, and the difference between the repurchase price and the sale price is recorded as an unrealized gain or loss to the Fund upon entering into the mortgage dollar roll. In addition, the Fund may invest the cash proceeds that are received from the initial sale. During the period between the sale and repurchase, the Fund is not entitled to principal and interest paid on the mortgage backed securities. The risks of mortgage dollar roll transactions include the potential inability of the counterparty to fulfill its obligations.

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

Franklin Strategic Income VIP Fund (continued)

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, 2014, 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 U.S. GAAP. 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.

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 U.S. 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 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.

Franklin Strategic Income VIP Fund (continued)

2. Shares of Beneficial Interest

At December 31, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2014		2013	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	702,662	$ 8,745,867	782,903	$ 10,091,023
Shares issued in reinvestment of distributions	4,268,855	51,738,520	5,373,832	66,420,558
Shares redeemed	(12,467,167)	(155,131,784)	(27,765,536)	(352,329,518)
Net increase (decrease)	(7,495,650)	$ (94,647,397)	(21,608,801)	$(275,817,937)
Class 2 Shares:				
Shares sold	6,058,039	$ 72,800,016	4,461,765	$ 56,022,684
Shares issued in reinvestment of distributions	1,273,552	15,002,442	1,034,061	12,450,092
Shares redeemed	(3,696,063)	(44,566,425)	(3,579,730)	(44,605,183)
Net increase (decrease)	3,635,528	$ 43,236,033	1,916,096	$ 23,867,593
Class 4 Shares:				
Shares sold	732,854	$ 9,004,820	930,235	$ 11,782,444
Shares issued on reinvestment of distributions	839,610	10,100,506	1,074,251	13,159,580
Shares redeemed	(2,683,922)	(32,721,125)	(6,283,838)	(77,925,310)
Net increase (decrease)	(1,111,458)	$ (13,615,799)	(4,279,352)	$ (52,983,286)

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

Franklin Strategic Income VIP Fund (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 $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

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 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. 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. Investments in Institutional Fiduciary Trust Money Market Portfolio

The Fund invests in Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an affiliated open-end management investment company. Management fees paid by the Fund are waived on assets invested in the Sweep Money Fund, as noted on the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by the Sweep Money Fund. Prior to January 1, 2014, the waiver was accounted for as a reduction to management fees.

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, 2014, the custodian fees were reduced as noted in the Statement of Operations.

Franklin Strategic Income VIP Fund (continued)

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2014 and 2013, was as follows:

	2014	2013
Distributions paid from:		
Ordinary income	$59,337,862	$79,686,221
Long term capital gain	17,503,606	12,344,009
	$76,841,468	$92,030,230

At December 31, 2014, 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	$917,305,934
Unrealized appreciation	$ 20,839,065
Unrealized depreciation	(46,967,724)
Net unrealized appreciation (depreciation)	$ (26,128,659)
Undistributed ordinary income	$ 55,480,213
Undistributed long term capital gains	14,270,924
Distributable earnings	$ 69,751,137

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 and bond discounts and premiums.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2014, aggregated $478,174,188 and $532,087,943, respectively.

7. Credit Risk and Defaulted Securities

At December 31, 2014, the Fund had 57.01% of its portfolio invested in high yield, senior secured floating rate notes, or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At December 31, 2014, the aggregate value of these securities was $2,168,750, representing 0.24% of the Fund's net assets. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The securities have been identified on the accompanying Statement of Investments.

8. 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, 2014, unfunded commitments were as follows:

Borrower	Unfunded Commitment
Patriot Coal Corp., L/C Facility, 6.50%, 12/18/18	$173,376

Franklin Strategic Income VIP Fund (continued)

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.

9. Other Derivative Information

At December 31, 2014, 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**	**Statement of Assets and Liabilities Location**	**Fair Value**
Foreign exchange contracts	Unrealized appreciation on forward exchange contracts	$16,352,768	Unrealized depreciation on forward exchange contracts	$5,507,080
Credit contracts	Unrealized appreciation on OTC swap contracts	175,617	Unrealized depreciation on OTC swap contracts	—

For the year ended December 31, 2014, 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	$2,520,387	$11,455,572
Credit contracts	Net realized gain (loss) from swap contracts / Net change in unrealized appreciation (depreciation) on investments	973,216	(71,683)

At December 31, 2014, 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	$16,352,768	$5,507,080
Swap Contracts	195,300	104,821
Total	$16,548,068	$5,611,901

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

Franklin Strategic Income VIP Fund (continued)

9. Other Derivative Information (continued)

At December 31, 2014, the Fund's OTC derivative assets which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, is as follows:

		Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross and Net Amounts of Assets Presented in the Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Received[a,b]	Cash Collateral Received[b]	Net Amount (Not less than zero)
Counterparty					
BZWS	$ 1,270,531	$ (254,343)	$ —	$ (839,000)	$177,188
CITI	656,777	(123,871)	(338,840)	—	194,066
DBAB	9,504,421	(4,598,830)	—	(4,690,000)	215,591
GSCO	82,122	—	—	—	82,122
HSBC	944,540	(43,333)	(901,207)	—	—
JPHQ	4,083,826	(562,402)	(3,521,424)	—	—
MSCO	5,851	(5,851)	—	—	—
Total	$16,548,068	$(5,588,630)	$(4,761,471)	$(5,529,000)	$668,967

[a]At December 31, 2014, the Fund received United Kingdom Treasury Bonds and Notes, U.S. Government Agency Securities and U.S. Treasury Bonds and Notes as collateral for derivatives.

[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 over-collateralization. Actual collateral received and/or pledged may be more than the amounts disclosed herein.

At December 31, 2014, the Fund's OTC derivative liabilities which may be offset against the Fund's OTC derivative assets and collateral pledged to the counterparty, is as follows:

		Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross and Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged	Net Amount (Not less than zero)
Counterparty					
BZWS	$ 254,343	$ (254,343)	$ —	$ —	$ —
CITI	123,871	(123,871)	—	—	—
DBAB	4,598,830	(4,598,830)	—	—	—
GSCO	—	—	—	—	—
HSBC	43,333	(43,333)	—	—	—
JPHQ	562,402	(562,402)	—	—	—
MSCO	29,122	(5,851)	—	—	23,271
Total	$5,611,901	$(5,588,630)	$ —	$ —	$23,271

For the year ended December 31, 2014, the average month end fair value of derivatives represented 1.08% of average month end net assets. The average month end number of open derivative contracts for the year was 203.

See Note 1(d) regarding derivative financial instruments.

Franklin Strategic Income VIP Fund (continued)

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 matured on February 13, 2015. 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. The Borrowers expect to renew the Global Credit Facility for a total of $2 billion effective February 13, 2015, which matures on February 12, 2016.

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, 2014, the Fund did not use the Global Credit Facility.

11. 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, 2014, 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	$ —	$ —	$2,566,956	$ 2,566,956
Materials	—	453,750	—	453,750
Transportation	—	—	556,087	556,087
All Other Equity Investments[b]	10,515,500	—	—	10,515,500
Corporate Bonds	—	320,823,487	31,250	320,854,737
Senior Floating Rate Interests	—	166,373,284	154,522	166,527,806
Foreign Government and Agency Securities	—	162,857,528	—	162,857,528
U.S. Government and Agency Securities	—	16,190,643	—	16,190,643
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	51,282,024	—	51,282,024
Mortgage-Backed Securities	—	27,420,777	—	27,420,777
Municipal Bonds	—	35,410,849	—	35,410,849
Escrows and Litigation Trusts	—	—	—[c]	—
Short Term Investments	96,065,603	475,015	—	96,540,618
Total Investments in Securities	$106,581,103	$781,287,357	$3,308,815	$891,177,275

Franklin Strategic Income VIP Fund (continued)

11. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Other Financial Instruments				
Forward Exchange Contracts	$ —	$16,352,768	$ —	$16,352,768
Swap Contracts	—	175,617	—	175,617
Total Other Financial Instruments	$ —	$16,528,385	$ —	$16,528,385
Liabilities:				
Other Financial Instruments				
Forward Exchange Contracts	$ —	$ 5,507,080	$ —	$ 5,507,080
Unfunded Loan Commitments	—	19,110	—	19,110
Total Other Financial Instruments	$ —	$ 5,526,190	$ —	$ 5,526,190

[a]Includes common, preferred and convertible preferred stocks.
[b]For detailed categories, see the accompanying Statement of Investments.
[c]Includes securities determined to have no value at December 31, 2014.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the end of the year.

12. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

Franklin Strategic Income VIP Fund (continued)

Abbreviations

Counterparty		Currency		Selected Portfolio	
BZWS	Barclays Bank PLC	**BRL**	Brazilian Real	**AGMC**	Assured Guaranty Municipal Corp.
CITI	Citigroup, Inc.	**CAD**	Canadian Dollar	**CDO**	Collateralized Debt Obligation
DBAB	Deutsche Bank AG	**EUR**	Euro	**CLO**	Collateralized Loan Obligation
GSCO	The Goldman Sachs Group,	**GBP**	British Pound	**EDA**	Economic Development Authority
HSBC	HSBC Bank USA, N.A.	**HUF**	Hungarian Forint	**ETF**	Exchange Traded Fund
JPHQ	JP Morgan Chase & Co.	**IDR**	Indonesian Rupiah	**FGIC**	Financial Guaranty Insurance Co.
MSCO	Morgan Stanley	**KRW**	South Korean Won	**FICO**	Financing Corp.
		LKR	Sri Lankan Rupee	**FRN**	Floating Rate Note
		MXN	Mexican Peso	**GO**	General Obligation
		MYR	Malaysian Ringgit	**HDC**	Housing Development Corp.
		PHP	Philippine Peso	**ISD**	Independent School District
		PLN	Polish Zloty	**NATL**	National Public Financial Guarantee Corp.
		SEK	Swedish Krona	**NATL RE**	National Public Financial Guarantee Corp. Reinsured
		SGD	Singapore Dollar	**PIK**	Payment-In-Kind
		UYU	Uruguayan Peso	**PSF**	Permanent School Fund

Report of Independent Registered Public Accounting Firm

Franklin Strategic Income VIP Fund

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 VIP Fund (the “Fund”) at December 31, 2014, 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, 2014 by correspondence with the custodian, transfer agent and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 13, 2015

Tax Information (unaudited)

Franklin Strategic Income VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than $17,503,606 as a long term capital gain dividend for the fiscal year ended December 31, 2014.

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Templeton Growth VIP Fund

(Formerly, Templeton Growth Securities Fund)

This annual report for Templeton Growth VIP Fund covers the fiscal year ended December 31, 2014.

Class 2 Performance Summary as of December 31, 2014

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.

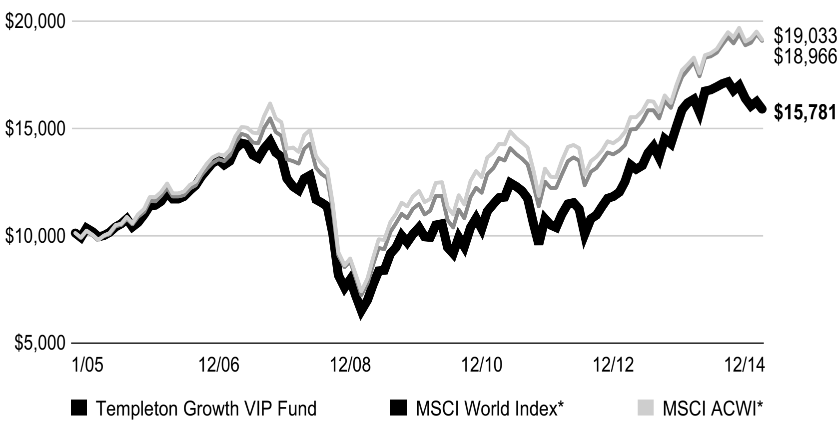
Periods ended 12/31/14	1-Year	5-Year	10-Year
Average Annual Total Return	-2.81%	+8.99%	+4.67%

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.*

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.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/05–12/31/14)

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: Morningstar. Please see Index Descriptions following the Fund Summaries.

Fund Goal and Main Investments

Templeton Growth VIP 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 emerging markets.

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 the Fund focuses on particular countries, regions, industries, sectors or types of investments 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. 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.

Performance Overview

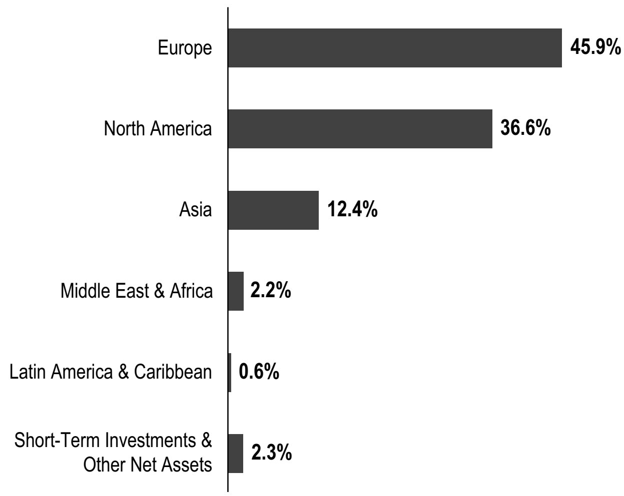
You can find the Fund's one-year total return in the Performance Summary. For comparison, the Fund's benchmarks, the MSCI All Country World Index (ACWI) returned +4.71%, and the MSCI World Index returned +5.50% for the period under review.[1]

Economic and Market Overview

The global economy grew moderately during the 12 months under review as U.S. economic growth expanded while growth rates in much of the rest of the world declined. As measured by the MSCI World Index, stocks in global developed markets advanced overall during the 12-month period amid a generally accommodative monetary policy environment and continued strength in corporate earnings. Oil prices declined sharply during the 12-month period, resulting from weak global demand growth and strong world supply, and gold prices ended lower amid benign global inflation and a strong U.S. dollar.

U.S. economic growth trends were generally encouraging during the period. Economic activity expanded for most of 2014, supported in some quarters by increased consumer spending, business investment and federal defense spending. The U.S. Federal Reserve Board (Fed) began reducing its large-scale bond purchases $10 billion a month in January and ended the buying

Geographic Breakdown
Based on Total Net Assets as of 12/31/14



program in October. But it continued its practice of maintaining holdings of longer term securities at sizable levels. The Fed believed underlying economic strength could support ongoing progress in labor market conditions. Toward period-end, the Fed stated that it could be patient with regard to raising interest rates and that the interest rate might not rise for at least a couple of meetings, possibly implying at least the first two meetings of 2015.

Outside the U.S., the U.K. economy grew relatively well, supported by the services and manufacturing sectors. In the eurozone, economic growth remained subdued, as concerns persisted about the potential negative impacts to growth from the crisis in Ukraine and China's moderating growth rate. However, third-quarter economic growth, though meager, exceeded expectations, especially in the region's major economies of Germany and France. In June, the European Central Bank (ECB) reduced its main interest rate and, for the first time, set a negative deposit rate; the ECB reduced both rates again in September. The ECB broadened its monetary easing stance by implementing an asset purchase program to prevent deflation and stimulate the economy. Toward period-end, the ECB cut its 2014 growth forecast for the eurozone and attributed the reduction to geopolitical risks dampening confidence and private investment.

Japan's second- and third-quarter economic contractions indicated the economy was in a recession. However, private consumption and exports improved in the third quarter. In October, the Bank of Japan expanded its stimulus measures amid weak domestic demand and as substantially lower crude oil prices exerted further

1. Source: 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.

downward pressure on inflation. Toward period-end, Japan's ruling coalition was reelected in early parliamentary elections and subsequently announced a fresh stimulus package aimed at reviving economic growth.

In several emerging markets, economic growth generally moderated. However, Brazil exited recession as government spending prior to a presidential election drove third-quarter economic growth. Emerging market equities, as measured by the MSCI Emerging Markets Index, fell for the 12-month period, amid headwinds such as soft domestic demand and weak exports in several countries.[2] Falling crude oil prices and geopolitical tensions in certain regions, as well as concerns about the timing of U.S. interest rate increases, also pressured emerging market equities. Many emerging market currencies depreciated against the U.S. dollar, leading central banks in several countries to raise interest rates in an effort to curb inflation and support their currencies. Several other central banks lowered interest rates to promote economic growth. After implementing monetary stimulus measures to support specific sectors, China's central bank increased its efforts to bolster the economy by cutting its benchmark interest rates for the first time since July 2012. In contrast, Russia's central bank raised its key interest rate sharply toward period-end to limit further devaluation of the Russian ruble and contain rising inflation.

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 2014 was a challenging one for global equity markets. Following a period of tentative optimism that corporate fundamentals would resume driving share prices, investor focus shifted back to broad-based economic and political factors in 2014. In our opinion, the most significant story in 2014 was the deepening divergence between the U.S., where growth rates accelerated for much of 2014, and the rest of the world, where growth rates generally moderated. Numerous factors contributed to the change in market conditions. In Europe, disinflationary pressures intensified and political discord resurfaced; in Japan, extraordinary monetary policy failed to prevent a triple-dip recession; and in diverse emerging markets, economic growth generally cooled as commodities and currencies came under pressure. Two major events further deepened the divide between U.S. and international markets. The price of oil nearly halved, favoring the consumer-driven U.S. economy at the expense of oil-exporting nations abroad; and Russia invaded Ukraine, marring European business confidence and reminding investors of the risks sometimes associated with emerging market investing. In this environment of increasing economic and geopolitical uncertainty, the U.S. seemed to us to solidify its status as a destination for capital in troubled times.

However, in our opinion, the U.S.'s attractive mix of defensive and pro-cyclical characteristics came at a cost. The price-to-book multiple of U.S. stocks relative to global peers neared all-time highs at year-end, and measures of price-to-normalized earnings were also elevated. Yet, despite our detractive underweighting in the U.S., we continued to find selective bottom-up opportunities in this deep and diverse market, and stock selection in the U.S. contributed to relative performance.

We also found select opportunities we regarded as attractive in Asia. Although we found value relatively scarce in Japan, where we had yet to see the structural reforms required to deal with challenges caused by debt, demographics and corporate governance, we selectively discovered what we deemed as attractive opportunities elsewhere, including in Singapore and emerging Asia. Although our stock selection and underweighting in Japan contributed to relative returns in 2014, stock selection in China and an overweighted allocation in South Korea resulted in the Fund's Asian stocks detracting from performance relative to the MSCI ACWI. In China, our focus was on finding companies with, in our opinion, balance sheet strength, capital discipline and the ability to sustainably generate strong free cash flow. We found what we considered attractive bottom-up opportunities in South Korea despite concerns about currency strength and cyclical exposure. Valuations looked reasonable to us for a competitive, commodity-importing emerging market with accommodative monetary policy, a comfortable current account surplus and good exposure to U.S. and Asian growth.

Stock selection and an overweighted allocation in Europe detracted from relative performance as the delicate progress made stabilizing the banking system, enacting necessary budget reforms, and preparing for further monetary stimulus failed to meaningfully restore corporate confidence or revive lending activity. Concerns about Europe, along with worries about a slowing China and destabilized Russia, made European equities cheap on nearly all normalized valuation metrics. In our analysis, European equities

2. Please see Index Descriptions following the Fund Summaries.

also looked attractive relative to bonds. Cyclical stocks, in particular, looked attractively priced to us at the end of 2014, with the relative price, price-to-earnings ratio and price-to-book ratio of European cyclical sectors compared with defensive sectors all close to post-financial crisis lows. Overall, we consider such valuation levels depressed for a diverse corporate sector composed of many high-quality, globally relevant companies.

From a sector perspective, an overweighted energy position comprised several of the Fund's biggest detractors, pressured primarily by European oil services stocks.[3] Shares of Dutch oilfield surveyor Fugro was a major laggard as weaker oil and gas markets led to project delays and cancellations that could result in the company forgoing its dividend. Oil market weakness and reduced capital expenditure plans by energy producers, Fugro's main clients, coincided with company-specific issues, resulting in our loss of confidence in Fugro's management and the impairment of our original investment thesis. Thus, we liquidated the position toward the end of the reporting period seeking to limit losses and redirect the proceeds to what we considered more attractive opportunities. Despite challenging conditions in the energy sector more broadly, we remained favorable toward our sector holdings. Although we do not know when equilibrium will be restored to oil markets, we do expect that supply could incrementally decline and oil may eventually return to a level that promotes continued investment. In the meantime, we have focused on the long-term fundamental prospects of individual energy companies. Energy stocks were historically cheap following a period of sustained pressure on sector fundamentals and, most recently, a major oil price correction. As energy companies improved capital allocation and refocused on shareholder returns, we continued to find what we considered compelling long-term bargains in the sector, with a focus on companies with the balance sheet strength to weather a period of lower oil prices, in our opinion.

Consistent with the broad-based underperformance of cyclical sectors in 2014, stock selection in industrials also hurt relative performance, pressured by U.K. services firm Serco Group, whose share price declined as an investigation into alleged malpractice at a domestic business unit resulted in profit warnings and a need to raise capital.[4] We remained encouraged by the company's earnest efforts to address its issues and restore the faith of its clients and regulator, and felt that the stock's

Top 10 Holdings
12/31/14

Company ***Sector/Industry, Country***	**% of Total** **Net Assets**
Microsoft Corp. *Software, U.S.*	3.0%
Samsung Electronics Co. Ltd. *Technology Hardware, Storage & Peripherals, South Korea*	3.0%
Citigroup Inc. *Banks, U.S.*	2.3%
Hewlett-Packard Co. *Technology Hardware, Storage & Peripherals, U.S.*	2.3%
Comcast Corp., Special A *Media, U.S.*	2.3%
Teva Pharmaceutical Industries Ltd., ADR *Pharmaceuticals, Israel*	2.2%
Talisman Energy Inc. *Oil, Gas & Consumable Fuels, Canada*	2.1%
Medtronic Inc. *Health Care Equipment & Supplies, U.S.*	2.0%
Amgen Inc. *Biotechnology, U.S.*	1.9%
Pfizer Inc. *Pharmaceuticals, U.S.*	1.9%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

depressed valuation failed to reflect what we saw as new management's sensible turnaround plan and Serco's attractive position as a long-term beneficiary of public sector outsourcing growth. Underweighted consumer staples and overweighted telecommunications holdings also detracted from relative performance, pressured by stock-specific weakness.[5]

Conversely, stock selection in the consumer discretionary sector contributed to relative performance, led by our media holdings.[6] We believe our long-term investment theses in U.S. media began to be validated as television and movie studios (such as Twenty-First Century Fox and Walt Disney) benefited from rising demand for quality content, and as content distributors (such as Comcast and Time Warner Cable, which was sold by period-end) gained from their control of the increasingly valuable broadband pipeline. Health care and information technology holdings delivered double-digit absolute gains and among them

3. The energy sector comprises energy equipment and services; and oil, gas and consumable fuels in the SOI.
4. The industrials sector comprises aerospace and defense, air freight and logistics, airlines, commercial services and supplies, construction and engineering, electrical equipment, industrial conglomerates, machinery and professional services in the SOI.
5. The consumer staples sector comprises food and staples retailing in the SOI. The telecommunication services sector comprises diversified telecommunication services and wireless telecommunication services in the SOI.
6. The consumer discretionary sector comprises auto components, automobiles, media, multiline retail and specialty retail in the SOI.

were several of the Fund's top contributors.[7] From health care, shares of U.S. biotechnology giant Amgen rallied to a record after the firm beat earnings estimates and announced a dividend hike and share buyback. We were pleased to see Amgen use its prodigious cash flow to directly enhance shareholder value and were encouraged by the continued resilience of the firm's base business and positive evolution of its new drug pipeline. We believe the market remained overly concerned about pressures to Amgen's more mature business lines and failed to appreciate the company's sustainable long-term earnings potential. More generally, in our analysis, our health care position offered a mix of longer term holdings among major pharmaceuticals firms that have restructured and rebased earnings in the aftermath of many expiring patents industry-wide, and newer bargains among medical technology, specialty pharmaceuticals and biotechnology stocks with what we considered undervalued cash-flow and profit growth potential. From the information technology sector, U.S. computer manufacturer Hewlett-Packard and U.S. software firm Microsoft, both long-term holdings, also finished the year among the Fund's top contributors.

It is also important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended December 31, 2014, the U.S. dollar rose in value relative to most currencies. As a result, the Fund's performance was negatively affected by the portfolio's substantial investment in securities with non-U.S. currency exposure.

In recent years, we felt stocks traded more on broad-based economic and policy expectations than on business fundamentals. This trend, in our view, resulted in an increasingly bifurcated market in which the leaders (U.S. stocks, consumer cyclicals and health care) kept surging farther ahead and the laggards (international stocks and industrial cyclicals) kept falling farther behind. Throughout this challenging period, we tried to use the market's distraction to our advantage by focusing on what we determined to be overlooked value. In doing so, we sought to build a differentiated portfolio based on our long-term assumptions about company-level business fundamentals. We believe outperformance comes from value recognition, and our experience has been that price and value eventually do intersect over time. Going into 2015, we remained confident that our portfolio contained far more value than its prices seemed to reflect.

Thank you for your participation in Templeton Growth VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2014, 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.

7. The health care sector comprises biotechnology, life sciences tools and services, and pharmaceuticals in the SOI. The information technology sector comprises communications equipment; electronic equipment, instruments and components; semiconductors and semiconductor equipment; and software in the SOI.

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 × $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 7/1/14	Ending Account Value 12/31/14	Fund-Level Expenses Incurred During Period* 7/1/14–12/31/14
Actual	$1,000	$ 925.30	$5.00
Hypothetical (5% return before expenses)	$1,000	$1,021.01	$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.

Financial Highlights

Templeton Growth VIP Fund

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 1					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$15.47	$12.16	$10.27	$11.19	$10.56
Income from investment operations[a]:					
Net investment income[b]	0.38[c]	0.22	0.27	0.25	0.17
Net realized and unrealized gains (losses)	(0.75)	3.49	1.88	(0.99)	0.62
Total from investment operations	(0.37)	3.71	2.15	(0.74)	0.79
Less distributions from net investment income	(0.25)	(0.40)	(0.26)	(0.18)	(0.16)
Net asset value, end of year	$14.85	$15.47	$12.16	$10.27	$11.19
Total return[d]	(2.53)%	31.05%	21.40%	(6.80)%	7.74%
Ratios to average net assets					
Expenses	0.78%	0.78%[e]	0.78%[e]	0.78%[e]	0.77%[e]
Net investment income	2.46%[c]	1.62%	2.31%	2.22%	1.71%
Supplemental data					
Net assets, end of year (000's)	$572,860	$588,409	$476,954	$1,200,682	$1,348,622
Portfolio turnover rate	17.46%	11.60%	18.73%[f]	42.13%[f]	9.61%

[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 fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.09 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.88%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[e]Benefit of expense reduction rounds to less than 0.01%.

[f]Excludes the value of portfolio securities delivered as a result of redemption in-kind.

Templeton Growth VIP Fund (continued)

	Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Class 2					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$15.23	$11.97	$10.11	$11.01	$10.40
Income from investment operations[a]:					
Net investment income[b]	0.34[c]	0.19	0.21	0.21	0.15
Net realized and unrealized gains (losses)	(0.75)	3.44	1.88	(0.96)	0.60
Total from investment operations	(0.41)	3.63	2.09	(0.75)	0.75
Less distributions from net investment income	(0.21)	(0.37)	(0.23)	0.15	(0.14)
Net asset value, end of year	$14.61	$15.23	$11.97	$10.11	$11.01
Total return[d]	(2.81)%	30.82%	21.07%	(6.97)%	7.39%
Ratios to average net assets					
Expenses	1.03%	1.03%[e]	1.03%[e]	1.03%[e]	1.02%[e]
Net investment income	2.21%[c]	1.37%	2.06%	1.97%	1.46%
Supplemental data					
Net assets, end of year (000's)	$1,171,896	$1,450,304	$1,352,554	$1,254,193	$1,626,885
Portfolio turnover rate	17.46%	11.60%	18.73%[f]	42.13%[f]	9.61%

[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 fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.09 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.63%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[e]Benefit of expense reduction rounds to less than 0.01%.

[f]Excludes the value of portfolio securities delivered as a result of redemption in-kind.

Templeton Growth VIP Fund (continued)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 4					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$15.35	$12.07	$10.19	$11.11	$10.50
Income from investment operations[a]:					
Net investment income[b]	0.33[c]	0.17	0.20	0.20	0.14
Net realized and unrealized gains (losses)	(0.76)	3.47	1.90	(0.98)	0.61
Total from investment operations	(0.43)	3.64	2.10	(0.78)	0.75
Less distributions from net investment income	(0.19)	(0.36)	(0.22)	(0.14)	(0.14)
Net asset value, end of year	$14.73	$15.35	$12.07	$10.19	$11.11
Total return[d]	(2.88)%	30.64%	21.02%	(7.14)%	7.31%
Ratios to average net assets					
Expenses	1.13%	1.13%[e]	1.13%[e]	1.13%[e]	1.12%[e]
Net investment income	2.11%[c]	1.27%	1.96%	1.87%	1.36%
Supplemental data					
Net assets, end of year (000's)	$59,989	$72,683	$67,158	$56,170	$60,569
Portfolio turnover rate	17.46%	11.60%	18.73%[f]	42.13%[f]	9.61%

[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 fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.09 per share received in the form of special dividends. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.53%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[e]Benefit of expense reduction rounds to less than 0.01%.

[f]Excludes the value of portfolio securities delivered as a result of redemption in-kind.

Statement of Investments, December 31, 2014

Templeton Growth VIP Fund

	Country	Shares	Value
Common Stocks 97.1%			
Aerospace & Defense 0.7%			
BAE Systems PLC	United Kingdom	1,730,147	$ 12,728,802
Air Freight & Logistics 1.4%			
TNT Express NV	Netherlands	646,272	4,333,002
[a] TNT Express NV, 144A	Netherlands	441,000	2,956,733
United Parcel Service Inc., B	United States	160,030	17,790,535
			25,080,270
Airlines 2.7%			
Deutsche Lufthansa AG	Germany	1,735,414	29,040,938
[b] International Consolidated Airlines Group SA	United Kingdom	2,633,247	19,951,692
			48,992,630
Auto Components 1.3%			
Cie Generale des Etablissements Michelin, B	France	259,469	23,631,580
Automobiles 2.2%			
Nissan Motor Co. Ltd.	Japan	2,342,720	20,665,596
Toyota Motor Corp.	Japan	312,490	19,710,406
			40,376,002
Banks 13.7%			
Bangkok Bank PCL, fgn.	Thailand	913,600	5,390,462
BNP Paribas SA	France	401,637	23,939,412
Citigroup Inc.	United States	770,990	41,718,269
[b] Commerzbank AG	Germany	547,840	7,278,493
Credit Agricole SA	France	1,640,346	21,356,648
DBS Group Holdings Ltd.	Singapore	932,690	14,502,879
HSBC Holdings PLC	United Kingdom	2,567,864	24,489,911
[b] ING Groep NV, IDR	Netherlands	1,482,966	19,433,231
JPMorgan Chase & Co.	United States	440,760	27,582,761
KB Financial Group Inc.	South Korea	657,984	21,747,112
SunTrust Banks Inc.	United States	478,520	20,049,988
UniCredit SpA	Italy	3,118,881	20,133,468
			247,622,634
Biotechnology 2.2%			
Amgen Inc.	United States	219,000	34,884,510
[b] Gilead Sciences Inc.	United States	49,050	4,623,453
			39,507,963
Capital Markets 3.2%			
Credit Suisse Group AG	Switzerland	1,026,980	25,906,919
Morgan Stanley	United States	832,180	32,288,584
			58,195,503
Chemicals 1.5%			
Akzo Nobel NV	Netherlands	397,282	27,713,001
Commercial Services & Supplies 0.3%			
Serco Group PLC	United Kingdom	2,443,089	6,119,525
Communications Equipment 2.2%			
Cisco Systems Inc.	United States	836,770	23,274,757
Ericsson, B	Sweden	1,291,812	15,627,760
			38,902,517

Templeton Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Construction & Engineering 0.6%			
[c] FLSmidth & Co. AS	Denmark	250,000	$ 11,060,293
Construction Materials 1.7%			
CRH PLC	Ireland	1,290,661	31,077,825
Consumer Finance 0.3%			
Capital One Financial Corp.	United States	55,980	4,621,149
Diversified Telecommunication Services 3.7%			
China Telecom Corp. Ltd., ADR	China	179,195	10,520,539
Singapore Telecommunications Ltd.	Singapore	5,861,470	17,255,233
Telefonica SA	Spain	1,682,480	24,266,745
Verizon Communications Inc.	United States	158,750	7,426,325
Vivendi SA	France	286,004	7,160,081
			66,628,923
Electrical Equipment 0.2%			
Dongfang Electric Corp. Ltd., H	China	2,016,600	3,708,654
Electronic Equipment, Instruments & Components 0.4%			
[b] Flextronics International Ltd.	Singapore	691,118	7,726,699
Energy Equipment & Services 1.6%			
Baker Hughes Inc.	United States	146,590	8,219,302
Noble Corp. PLC	United States	902,230	14,949,951
Paragon Offshore PLC	United States	232,730	644,662
[b] Saipem SpA	Italy	158,570	1,681,738
Technip SA	France	60,350	3,608,456
			29,104,109
Food & Staples Retailing 2.8%			
CVS Health Corp.	United States	182,840	17,609,320
[b] Metro AG	Germany	587,740	17,999,596
Tesco PLC	United Kingdom	4,757,618	14,015,671
			49,624,587
Health Care Equipment & Supplies 3.2%			
Getinge AB, B	Sweden	925,050	21,088,829
Medtronic Inc.	United States	497,540	35,922,388
			57,011,217
Industrial Conglomerates 2.0%			
Koninklijke Philips NV	Netherlands	459,718	13,433,649
Siemens AG	Germany	201,712	22,881,705
			36,315,354
Insurance 6.2%			
American International Group Inc.	United States	569,370	31,890,414
Aviva PLC	United Kingdom	2,366,920	17,874,746
AXA SA	France	1,091,068	25,354,292
Muenchener Rueckversicherungs-Gesellschaft AG	Germany	28,871	5,790,295
[a,b] NN Group NV, 144A	Netherlands	276,400	8,309,261
Swiss Re AG	Switzerland	270,006	22,717,765
			111,936,773

Templeton Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Life Sciences Tools & Services 0.5%			
[b] QIAGEN NV	Netherlands	385,000	$ 9,018,856
Machinery 1.1%			
[b] Navistar International Corp.	United States	598,440	20,035,771
Media 4.8%			
Comcast Corp., Special A	United States	710,142	40,879,324
[b] News Corp., A	United States	319,435	5,011,935
Sky PLC	United Kingdom	721,063	10,104,049
Twenty-First Century Fox Inc., A	United States	641,182	24,624,595
The Walt Disney Co.	United States	64,060	6,033,811
			86,653,714
Metals & Mining 1.8%			
Mining and Metallurgical Co. Norilsk Nickel OJSC, ADR	Russia	1,040,760	14,799,607
POSCO	South Korea	63,730	16,052,530
POSCO, ADR	South Korea	27,740	1,770,089
			32,622,226
Multiline Retail 0.8%			
Target Corp.	United States	191,680	14,550,429
Oil, Gas & Consumable Fuels 9.6%			
BP PLC	United Kingdom	2,807,128	17,983,183
Chevron Corp.	United States	137,470	15,421,384
China Shenhua Energy Co. Ltd., H	China	5,271,520	15,568,556
Eni SpA	Italy	776,759	13,637,635
Galp Energia SGPS SA, B	Portugal	1,575,520	16,072,683
Kunlun Energy Co. Ltd.	China	15,089,830	14,323,171
Royal Dutch Shell PLC, B	United Kingdom	299,573	10,426,869
Talisman Energy Inc.	Canada	4,745,780	37,189,751
Total SA, B	France	618,659	31,829,510
			172,452,742
Pharmaceuticals 11.6%			
[b] Actavis PLC	United States	56,124	14,446,879
GlaxoSmithKline PLC	United Kingdom	1,103,090	23,658,756
Merck & Co. Inc.	United States	304,971	17,319,303
Merck KGaA	Germany	229,554	21,781,965
Pfizer Inc.	United States	1,111,443	34,621,450
Roche Holding AG	Switzerland	115,383	31,323,548
Sanofi	France	290,857	26,627,551
Teva Pharmaceutical Industries Ltd., ADR	Israel	688,930	39,620,364
			209,399,816
Professional Services 0.0%[†]			
Hays PLC	United Kingdom	2,280	5,174
Software 3.4%			
Microsoft Corp.	United States	1,177,169	54,679,500
SAP SE	Germany	80,912	5,703,859
			60,383,359
Specialty Retail 2.0%			
Best Buy Co. Inc.	United States	277,560	10,819,289
Kingfisher PLC	United Kingdom	4,891,448	25,960,740
			36,780,029

Templeton Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Technology Hardware, Storage & Peripherals 5.3%			
Hewlett-Packard Co.	United States	1,036,700	$ 41,602,771
Samsung Electronics Co. Ltd.	South Korea	45,020	54,620,337
			96,223,108
Wireless Telecommunication Services 2.1%			
Mobile TeleSystems, ADR	Russia	70,713	507,719
[b] Turkcell Iletisim Hizmetleri AS, ADR	Turkey	1,647,543	24,910,850
Vodafone Group PLC	United Kingdom	3,292,417	11,426,154
			36,844,723
Total Common Stocks (Cost $1,395,816,925)			1,752,655,957
Preferred Stocks (Cost $18,040,759) 0.6%			
Oil, Gas & Consumable Fuels 0.6%			
Petroleo Brasileiro SA, ADR, pfd.	Brazil	1,317,392	9,985,831
Total Investments before Short Term Investments (Cost $1,413,857,684)			1,762,641,788
		Principal Amount*	
Short Term Investments 2.8%			
Time Deposits 2.2%			
Bank of Montreal, 0.03%, 1/02/15	Canada	12,000,000	12,000,000
Bank of Nova Scotia, 0.04%, 1/02/15	United States	14,000,000	14,000,000
Royal Bank of Canada, 0.03%, 1/02/15	Canada	14,000,000	14,000,000
Total Time Deposits (Cost $40,000,000)			40,000,000
Total Investments before Money Market Funds (Cost $1,453,857,684)			1,802,641,788
		Shares	
[d] **Investments from Cash Collateral Received for Loaned Securities (Cost $11,687,500) 0.6%**			
Money Market Funds 0.6%			
[e] BNY Mellon Overnight Government Fund, 0.072%	United States	11,687,500	11,687,500
Total Investments (Cost $1,465,545,184) 100.5%			1,814,329,288
Other Assets, less Liabilities (0.5)%			(9,584,712)
Net Assets 100.0%			$ 1,804,744,576

See Abbreviations on page TG-24.

†Rounds to less than 0.1% of net assets.

*The principal amount is stated in U.S. dollars unless otherwise indicated.

[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. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2014, the aggregate value of these securities was $11,265,994, representing 0.62% of net assets.

[b] Non-income producing.

[c] A portion or all of the security is on loan at December 31, 2014. See Note 1(c).

[d] See Note 1(c) regarding securities on loan.

[e] The rate shown is the annualized seven-day yield at period end.

Financial Statements

Statement of Assets and Liabilities

December 31, 2014

	Templeton Growth VIP Fund
Assets:	
Investments in securities:	
Cost	$1,465,545,184
Value (Includes securities loaned in the amount of $11,060,293)	$1,814,329,288
Cash	637,065
Receivables:	
Investment securities sold	893,948
Capital shares sold	56,949
Dividends and interest	3,527,056
Other assets	178
Total assets	1,819,444,484
Liabilities:	
Payables:	
Investment securities purchased	351,460
Capital shares redeemed	542,498
Management fees	1,174,814
Distribution fees	533,118
Payable upon return of securities loaned	11,687,500
Accrued expenses and other liabilities	410,518
Total liabilities	14,699,908
Net assets, at value	$1,804,744,576
Net assets consist of:	
Paid-in capital	$1,500,964,915
Undistributed net investment income	44,589,038
Net unrealized appreciation (depreciation)	348,736,638
Accumulated net realized gain (loss)	(89,546,015)
Net assets, at value	$1,804,744,576
Class 1:	
Net assets, at value	$ 572,859,920
Shares outstanding	38,575,054
Net asset value and maximum offering price per share	$ 14.85
Class 2:	
Net assets, at value	$1,171,895,526
Shares outstanding	80,202,282
Net asset value and maximum offering price per share	$ 14.61
Class 4:	
Net assets, at value	$ 59,989,130
Shares outstanding	4,072,480
Net asset value and maximum offering price per share	$ 14.73

Statement of Operations

for the year ended December 31, 2014

	Templeton Growth VIP Fund
Investment income:	
Dividends (net of foreign taxes of $4,294,947)	$ 63,974,034
Interest	11,444
Income from securities loaned	1,115,554
Total investment income	65,101,032
Expenses:	
Management fees (Note 3a)	15,167,256
Distribution fees: (Note 3c)	
Class 2	3,356,502
Class 4	237,543
Custodian fees (Note 4)	143,548
Reports to shareholders	316,235
Professional fees	74,729
Trustees' fees and expenses	8,173
Other	53,303
Total expenses	19,357,289
Net investment income	45,743,743
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	104,727,236
Non-controlled affiliated issuers (Note 8)	773,990
Foreign currency transactions	(6,005)
Net realized gain (loss)	105,495,221
Net change in unrealized appreciation (depreciation) on:	
Investments	(200,399,842)
Translation of other assets and liabilities denominated in foreign currencies	(94,980)
Net change in unrealized appreciation (depreciation)	(200,494,822)
Net realized and unrealized gain (loss)	(94,999,601)
Net increase (decrease) in net assets resulting from operations	$ (49,255,858)

Statements of Changes in Net Assets

	Templeton Growth VIP Fund	
	Year Ended December 31,	
	2014	2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 45,743,743	$ 28,850,993
Net realized gain (loss) from investments and foreign currency transactions	105,495,221	98,725,339
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	(200,494,822)	412,375,570
Net increase (decrease) in net assets resulting from operations	(49,255,858)	539,951,902
Distributions to shareholders from:		
Net investment income:		
Class 1	(9,482,577)	(15,214,157)
Class 2	(18,300,865)	(38,639,867)
Class 4	(885,005)	(1,946,523)
Total distributions to shareholders	(28,668,447)	(55,800,547)
Capital share transactions: (Note 2)		
Class 1	9,471,206	(17,266,459)
Class 2	(227,816,318)	(240,507,877)
Class 4	(10,381,665)	(11,647,677)
Total capital share transactions	(228,726,777)	(269,422,013)
Net increase (decrease) in net assets	(306,651,082)	214,729,342
Net assets:		
Beginning of year	2,111,395,658	1,896,666,316
End of year	$1,804,744,576	$2,111,395,658
Undistributed net investment income included in net assets:		
End of year	$ 44,589,038	$ 26,566,772

Notes to Financial Statements

Templeton Growth VIP 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 management investment company, consisting of nineteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Templeton Growth VIP 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.

Effective May 1, 2014, Templeton Growth Securities Fund was renamed Templeton Growth VIP Fund.

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 compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional 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 non-registered money market funds are valued at the closing NAV. Time deposits are valued at cost, which approximates fair 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

Templeton Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation *(continued)*

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. 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 fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is invested in a non-registered money fund as indicated on the Statement of Investments. The Fund receives income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

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. As a result of several court cases, in certain countries across the European Union, the Fund has filed additional tax reclaims for previously withheld taxes on dividends earned in those countries. These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the

Templeton Growth VIP Fund (continued)

European Union, as well as a number of related judicial proceedings. At this time, uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment and accordingly, no amounts are reflected in the financial statements.

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, 2014, 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 for certain foreign securities where the dividend rate is not available. In such cases the dividend is recorded as soon as the information is received by the fund. 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 U.S. GAAP. 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 U.S. 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 amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

g. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. Shares of Beneficial Interest

At December 31, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2014		2013	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	2,100,767	$ 33,047,439	896,927	$ 12,053,666
Shares issued in reinvestment of distributions	589,713	9,482,577	1,149,106	15,214,157
Shares redeemed	(2,142,457)	(33,058,810)	(3,250,296)	(44,534,282)
Net increase (decrease)	548,023	$ 9,471,206	(1,204,263)	$(17,266,459)

Templeton Growth VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Year Ended December 31,			
	2014		2013	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	2,721,083	$ 41,308,837	7,540,783	$ 101,234,976
Shares issued in reinvestment of distributions	1,155,358	18,300,865	2,963,180	38,639,867
Shares redeemed	(18,911,727)	(287,426,020)	(28,236,625)	(380,382,720)
Net increase (decrease)	(15,035,286)	$(227,816,318)	(17,732,662)	$(240,507,877)
Class 4 Shares:				
Shares sold	416,620	$ 6,355,215	683,745	$ 9,107,528
Shares issued on reinvestment of distributions	55,382	885,005	147,912	1,946,523
Shares redeemed	(1,134,025)	(17,621,885)	(1,660,931)	(22,701,728)
Net increase (decrease)	(662,023)	$ (10,381,665)	(829,274)	$ (11,647,677)

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.

Templeton Growth VIP Fund (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 0.35% per year of its average daily net assets of 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, 2014, Franklin Templeton Variable Insurance Products Trust – Franklin Founding Funds Allocation VIP Fund owned 22.87% of the Fund's outstanding shares.

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, 2014, 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, 2014, capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:	
2017	$16,985,638
2018	55,299,629
Total capital loss carryforwards	$72,285,267

During the year ended December 31, 2014, the Fund utilized $100,617,302 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2014 and 2013, was as follows:

	2014	2013
Distributions paid from ordinary income	$28,668,447	$55,800,547

Templeton Growth VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2014, the cost of investments net unrealized appreciation (depreciation), and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$1,482,805,931
Unrealized appreciation	$ 461,615,214
Unrealized depreciation	(130,091,857)
Net unrealized appreciation (depreciation)	$ 331,523,357
Distributable earnings – undistributed ordinary income	$ 44,589,039

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, 2014, aggregated $345,290,172 and $558,996,224, 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. 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, 2014, 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 (Value is —% of Net Assets)	1,195,196	—	(1,195,196)	—	$ —	$ —	$773,990

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $1.5 billion (Global Credit Facility) which matured on February 13, 2015. 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. The Borrowers expect to renew the Global Credit Facility for a total of $2 billion effective February 13, 2015, which matures on February 12, 2016.

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

Templeton Growth VIP Fund (continued)

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, 2014, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The 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, 2014, 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,b]	$1,762,641,788	$ —	$ —	$1,762,641,788
Short Term Investments	—	51,687,500	—	51,687,500
Total Investments in Securities	$1,762,641,788	$51,687,500	$ —	$1,814,329,288

[a]Includes common and preferred stocks.
[b]For detailed categories, see the accompanying Statement of Investments.

11. New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-11, Transfers and Servicing (Topic 860), Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The ASU changes the accounting for certain repurchase agreements and expands disclosure requirements related to repurchase agreements, securities lending, repurchase-to-maturity and similar transactions. The ASU is effective for interim and annual reporting periods beginning after December 15, 2014. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

12. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

Templeton Growth VIP Fund (continued)

Abbreviations

Selected Portfolio	
ADR	American Depositary Receipt
IDR	International Depositary Receipt

Report of Independent Registered Public Accounting Firm

Templeton Growth VIP Fund

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 VIP Fund (the “Fund”) at December 31, 2014, 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, 2014 by correspondence with the custodian, transfer agent and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 13, 2015

Tax Information (unaudited)

Templeton Growth VIP Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code (Code), the Fund hereby reports 38.13% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2014.

At December 31, 2014, 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 2015 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.

Index Descriptions

The indexes are unmanaged and include reinvested distributions.

For Russell Indexes: Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

See www.franklintempletondatasources.com for additional data provider information.

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.

Bloomberg Commodity Index consists of exchanged-traded futures on physical commodities weighted to account for economic significance and market liquidity. Prior to 7/1/14, the index was known as the Dow Jones-UBS Commodity Index.

Citigroup World Government Bond Index is a market capitalization-weighted index consisting of investment-grade world government bond markets.

Consumer Price Index (CPI) is a commonly used measure of the inflation rate.

Credit Suisse (CS) High Yield Index is designed to mirror the investable universe of the U.S. dollar-denominated high yield debt market.

Dow Jones Industrial Average is a price-weighted average of blue-chip stocks that are generally the leaders in their industry.

FTSE® EPRA®/NAREIT® Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets.

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 12/31/14, there were 246 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 12/31/14, there were 64 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/14, 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 12/31/14, there were 112 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 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 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®/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.

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	137	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).

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
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since October 2014	111	Avis Budget Group Inc. (car rental), Omnicom Group Inc. (advertising and marketing communications services) and H.J. Heinz Company (processed foods and allied products) (1998-2006).

Principal Occupation During at Least the Past 5 Years:
Founding Partner and Senior Managing Director, Strategic Investment Group (investment management group) (1987-present); director of various companies; and **formerly**, Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).

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
Sam Ginn (1937) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	111	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; and **formerly**, Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (2012-2014); 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).

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
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	137	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).

Independent Board Members (continued)

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
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	137	Boeing Capital Corporation (aircraft financing) (2006-2013).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company); and **formerly**, Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).

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
Frank A. Olson (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	137	Hess Corporation (exploration and refining of oil and gas) (1998-2013).

Principal Occupation During at Least the Past 5 Years:
Director of various companies; and **formerly**, Chairman of the Board, The Hertz Corporation (car rental) (1980-2000) and Chief Executive Officer (1977-1999); and Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (June-December 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	137	Cbeyond, Inc. (business communications provider) (2010-2012), The Southern Company (energy company) (December 2014; previously 2010-2012) and Graham Holdings Company (education and media organization) (2011-present).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-present); 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	111	None

Principal Occupation During at Least the Past 5 Years:
President, Staples Europe (office supplies) (2012-present); 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 2013	147	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 Vice Chairman, Investment Company Institute.

****Rupert H. Johnson, Jr. (1940)** One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since 2013 and Trustee since 1988	137	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.

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.

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).

Interested Board Members and Officers (continued)

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 Franklin Alternative Strategies Advisers, 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
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; Chief Compliance Officer, Franklin Alternative Strategies Advisers, LLC; Vice President, Franklin Templeton Companies, 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
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 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 2013	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; 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).

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
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.

Interested Board Members and Officers (continued)

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
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.

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
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.

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.

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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.

FRANKLIN TEMPLETON
INVESTMENTS

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 help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.

ANNUAL REPORT
December 31, 2014

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

Dear Contract Owners:

As 2015 begins, sharply lower oil prices are reshaping the global economy, adding to deflationary pressures in the eurozone and exacerbating challenges faced by oil exporters such as Russia. The U.S. economy stands on firmer ground, having expanded steadily over the past year. The U.S. labor market has regained momentum, consumer confidence is buoyant and gasoline prices have tumbled, boosting prospects for a stronger economic rebound in 2015.

Other regions are struggling. The eurozone economy is barely expanding, and the European Central Bank (ECB) has introduced large-scale asset purchases.

Despite Japan's efforts to strengthen its economy, its sales tax increase last spring tipped the country into a recession, leading to additional monetary stimulus from the Bank of Japan. China's economy is slowing as it transitions to a more sustainable basis, and its growth rate will likely continue to decline.

As always, active risk management is integral to how we at MFS® manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global investment team uses a diversified, multidisciplined, long-term approach.

Applying proven principles, such as asset allocation and diversification, can best serve investors over the long term. We are confident that this approach can help you as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

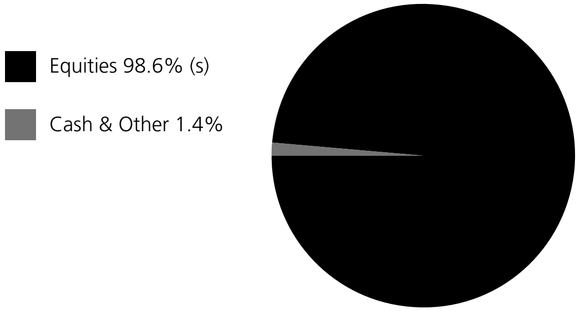
Robert J. Manning
Chairman
MFS Investment Management

February 13, 2015

The opinions expressed in this letter are subject to change and may not be relied upon for investment advice. No forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

Apple, Inc.	2.6%
American International Group, Inc.	1.6%
Hess Corp.	1.6%
Visa, Inc., "A"	1.6%
JPMorgan Chase & Co.	1.4%
Wells Fargo & Co.	1.3%
MetLife, Inc.	1.3%
Twenty-First Century Fox, Inc.	1.3%
Discover Financial Services	1.2%
Chevron Corp.	1.2%

Equity sectors

Financial Services	18.7%
Technology	15.7%
Health Care	14.1%
Industrial Goods & Services	7.2%
Retailing	7.1%
Energy	7.0%
Consumer Staples	6.7%
Leisure (s)	5.1%
Utilities & Communications	5.1%
Special Products & Services	4.0%
Basic Materials	3.4%
Autos & Housing	2.5%
Transportation	2.0%

(s) Includes securities sold short.

Cash & Other can include cash, other assets less liabilities, offsets to derivative positions, and short-term securities.

Percentages are based on net assets as of 12/31/14.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2014, Initial Class shares of the MFS Core Equity Series ("fund") provided a total return of 11.24%, while Service Class shares of the fund provided a total return of 10.97%. These compare with a return of 12.56% over the same period for the fund's benchmark, the Russell 3000 Index.

Market Environment

Early in the period, US equities suffered what proved to be a temporary setback due to concerns over emerging markets as well as what was perceived at the time to be a pause in US economic growth, partially caused by extreme weather events and a weak December 2013 labor market report. Markets soon recovered as the economic pause concluded and investors appeared to have become increasingly comfortable that newly-installed US Federal Reserve ("Fed") Chair Janet Yellen would not make any substantial changes to the trajectory of Fed monetary policy.

A generally risk-friendly, carry trade environment persisted from February 2014 until mid-year. While geopolitical tensions flared in the Middle East and Russia/Ukraine, any market setbacks were short-lived as improving economic growth in the US, coupled with prospects for easier monetary policy in regions with slowing growth, such as Japan, Europe and China, supported risk assets. For example, the European Central Bank ("ECB") cut policy interest rates into negative territory and, by the end of the period, expectations were for additional rate cuts and the announcement for non-conventional easing measures. Similarly, the Bank of Japan surprised markets late in the period with fresh stimulus measures given lackluster growth trends. The related decline in developed market government bond yields and credit spreads were also supportive for equity markets. At the end of the period, the US equity market was trading close to all-time highs and US Treasury yields were close to their lows for the period. However, credit markets did not fare as well in the second half of 2014, particularly US high yield and emerging market debt. The higher weightings of oil and gas credits in these asset classes resulted in widening spreads and increased volatility as oil prices began to decline in an accelerated fashion in the fourth quarter.

Detractors from Performance

Weak stock selection in the *special products & services* sector detracted from performance relative to the Russell 3000 Index. The fund's overweight position in postsecondary education provider ITT Educational Services [h] held back relative returns. Shares of ITT Educational Services declined during the period reflecting weaker trends in new student enrollment and potential regulatory issues brought forward by the Securities and Exchange Commission ("SEC"). In addition, the Department of Education introduced sanctions against ITT Educational Services as the company did not submit 2013 audited financials within the deadline date which further pressured the stock.

Stock selection was also a negative factor affecting relative performance in the *leisure* sector, particularly the fund's overweight positions in digital coupon marketplace operator RetailMeNot [h] and casino resorts operator Wynn Resorts. Shares of Wynn Resorts were negatively impacted by downward operating trends across the industry. The share price decline was also affected by the adverse impact from regulatory risks centered around anticorruption policies on the company's Macau operations.

Elsewhere, the fund's overweight positions in food retail stores operator Fairway Group Holdings, global integrated energy company Hess, oil and natural gas exploration and production company Noble Energy, complex metal parts manufacturer for the aerospace industry Precision Castparts and global industrial manufacturing and engineering company Colfax dampened relative performance. Shares of Fairway Group Holdings were pressured due to disappointing earnings results and the announcement that the company's long-serving CEO was retiring. The timing of the fund's ownership in shares of software giant Microsoft [h] and not owning strong-performing semiconductor company Intel, further weighed on relative returns.

Contributors to Performance

Stock selection in the *health care* sector contributed to relative performance. The fund's overweight positions in development stage biopharmaceutical company Puma Biotechnology, medical devices and supply products manufacturer Covidien and specialty pharmaceutical company Actavis boosted results. Shares of Covidien skyrocketed late in the reporting period as the company announced that Medtronic had entered into an agreement to acquire the company at a significant premium.

Stock selection was also a positive factor affecting performance in the *autos & housing* sector. Within this sector, overweighting strong-performing paint and coating manufacturer Sherwin-Williams helped relative results. Shares of Sherwin-Williams rose as the company beat market expectations on the back of strong volume trends across all segments which were the primary drivers behind the outperformance. Additionally, the company raised its earnings guidance for the full year which also helped relative returns.

Elsewhere, the fund's overweight positions in analog semiconductor devices developer Avago Technologies, computer and personal electronics maker Hewlett-Packard and retailer Burlington Stores aided relative performance. Shares of Hewlett-Packard benefited from total company sales growth driven by the PC segment. Additionally, Hewlett-Packard posted very strong free cash flows that could potentially provide adequate funds for stock repurchases, dividends and strategic Mergers & Acquisitions (M&A) activity. Not holding weak-performing diversified industrial conglomerate General Electric, internet retailer Amazon.com and diversified technology products and services company International Business Machines (IBM) also benefited relative returns as all three stocks underperformed the benchmark during the reporting period.

Respectfully,

Joseph MacDougall
Portfolio Manager

(h) Security was not held in the portfolio at period end.

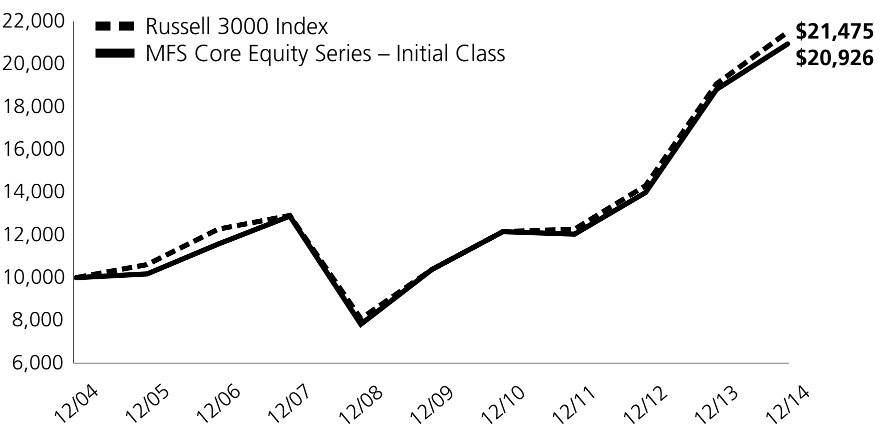
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other 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 12/31/14

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 12/31/14

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	8/14/96	11.24%	15.09%	7.66%
Service Class	5/01/00	10.97%	14.78%	7.40%

Comparative benchmark

Russell 3000 Index (f)	12.56%	15.63%	7.94%

(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, 2014 through December 31, 2014

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, 2014 through December 31, 2014.

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 7/01/14	Ending Account Value 12/31/14	Expenses Paid During Period (p) 7/01/14-12/31/14
Initial Class	Actual	0.90%	$1,000.00	$1,052.10	$4.66
	Hypothetical (h)	0.90%	$1,000.00	$1,020.67	$4.58
Service Class	Actual	1.15%	$1,000.00	$1,050.66	$5.94
	Hypothetical (h)	1.15%	$1,000.00	$1,019.41	$5.85

(h) 5% class return per year before expenses.

(p) "Expenses Paid During Period" are equal to each class's annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 12/31/14

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 98.8%		
Aerospace – 3.2%		
Honeywell International, Inc.	8,226	$ 821,934
Precision Castparts Corp.	2,047	493,081
Textron, Inc.	2,808	118,245
United Technologies Corp.	6,401	736,115
		$ 2,169,375
Alcoholic Beverages – 0.3%		
Constellation Brands, Inc., "A" (a)	1,823	$ 178,964
Apparel Manufacturers – 0.9%		
NIKE, Inc., "B"	571	$ 54,902
PVH Corp.	3,341	428,216
VF Corp.	1,710	128,079
		$ 611,197
Automotive – 1.2%		
Delphi Automotive PLC	4,701	$ 341,857
Harley-Davidson, Inc.	4,023	265,156
Johnson Controls, Inc.	4,600	222,364
		$ 829,377
Biotechnology – 1.7%		
Alexion Pharmaceuticals, Inc. (a)	2,135	$ 395,039
Biogen Idec, Inc. (a)	1,501	509,514
Exact Sciences Corp. (a)	1,303	35,754
Illumina, Inc. (a)	168	31,009
MiMedx Group, Inc. (a)(l)	3,812	43,952
Puma Biotechnology, Inc. (a)	839	158,798
		$ 1,174,066
Broadcasting – 2.5%		
Time Warner, Inc.	7,236	$ 618,099
Twenty-First Century Fox, Inc.	22,352	858,429
Walt Disney Co.	2,135	201,096
		$ 1,677,624
Brokerage & Asset Managers – 1.7%		
Affiliated Managers Group, Inc. (a)	671	$ 142,413
BlackRock, Inc.	893	319,301
Franklin Resources, Inc.	3,732	206,641
FXCM, Inc., "A"	7,862	130,273
NASDAQ OMX Group, Inc.	7,690	368,812
		$ 1,167,440
Business Services – 2.6%		
Accenture PLC, "A"	2,886	$ 257,749
Bright Horizons Family Solutions, Inc. (a)	6,809	320,091
Fidelity National Information Services, Inc.	5,869	365,052
FleetCor Technologies, Inc. (a)	1,491	221,727
Forrester Research, Inc.	2,896	113,987
Gartner, Inc. (a)	3,127	263,325
Global Payments, Inc.	654	52,797
Wex, Inc. (a)	1,497	148,083
		$ 1,742,811

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Cable TV – 1.3%		
Charter Communications, Inc., "A" (a)	1,676	$ 279,255
Comcast Corp., "Special A"	3,522	202,744
Time Warner Cable, Inc.	2,411	366,617
		$ 848,616
Chemicals – 1.4%		
Agrium, Inc.	2,106	$ 199,397
E.I. du Pont de Nemours & Co.	5,969	441,348
LyondellBasell Industries N.V., "A"	3,404	270,244
		$ 910,989
Computer Software – 4.1%		
Adobe Systems, Inc. (a)	5,431	$ 394,834
Check Point Software Technologies Ltd. (a)	8,197	644,038
Intuit, Inc.	1,998	184,196
Oracle Corp.	11,959	537,796
Qlik Technologies, Inc. (a)	10,668	329,535
Salesforce.com, Inc. (a)	11,092	657,867
		$ 2,748,266
Computer Software – Systems – 4.5%		
Apple, Inc. (s)	15,645	$ 1,726,895
EMC Corp.	25,656	763,009
Hewlett-Packard Co.	3,583	143,786
NCR Corp. (a)	6,778	197,511
SS&C Technologies Holdings, Inc.	3,754	219,571
		$ 3,050,772
Construction – 1.3%		
Fortune Brands Home & Security, Inc.	6,300	$ 285,201
Pool Corp.	1,424	90,339
Sherwin-Williams Co.	1,916	503,985
		$ 879,525
Consumer Products – 2.4%		
Colgate-Palmolive Co.	6,486	$ 448,766
Estee Lauder Cos., Inc., "A"	1,854	141,275
Newell Rubbermaid, Inc.	8,085	307,958
Procter & Gamble Co.	8,008	729,449
		$ 1,627,448
Consumer Services – 1.4%		
Nord Anglia Education, Inc. (a)	11,449	$ 218,447
Priceline Group, Inc. (a)	627	714,912
		$ 933,359
Containers – 0.1%		
Crown Holdings, Inc. (a)	1,784	$ 90,806
Electrical Equipment – 1.8%		
Advanced Drainage Systems, Inc.	9,773	$ 224,584
AMETEK, Inc.	5,836	307,149
Danaher Corp.	6,957	596,284
W.W. Grainger, Inc.	375	95,584
		$ 1,223,601

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Electronics – 3.9%		
Altera Corp.	15,854	$ 585,647
Avago Technologies Ltd.	3,637	365,846
Broadcom Corp., "A"	7,738	335,288
Freescale Semiconductor Ltd. (a)	2,952	74,479
KLA-Tencor Corp.	2,973	209,061
Mellanox Technologies Ltd. (a)	4,671	199,592
Rubicon Technology, Inc. (a)(l)	11,907	54,415
Skyworks Solutions, Inc.	1,445	105,066
Texas Instruments, Inc.	12,120	647,996
Ultratech, Inc. (a)	4,513	83,761
		$ 2,661,151
Energy – Independent – 3.0%		
Access Midstream Partners LP	2,427	$ 131,543
Anadarko Petroleum Corp.	3,655	301,538
Clayton Williams Energy, Inc. (a)	693	44,213
Concho Resources, Inc. (a)	838	83,591
CONSOL Energy, Inc.	1,267	42,837
Energy XXI (Bermuda) Ltd.	4,119	13,428
EOG Resources, Inc.	3,354	308,803
Goodrich Petroleum Corp. (a)(l)	6,722	29,846
Marathon Petroleum Corp.	4,224	381,258
Memorial Resource Development Corp. (a)	7,959	143,501
Noble Energy, Inc.	2,871	136,172
PDC Energy, Inc. (a)	767	31,654
Peabody Energy Corp.	1,394	10,790
Pioneer Natural Resources Co.	971	144,533
Rice Energy, Inc. (a)	2,303	48,294
Sanchez Energy Corp. (a)	2,031	18,868
Targa Resources Corp.	1,159	122,912
		$ 1,993,781
Energy – Integrated – 2.9%		
Chevron Corp.	7,359	$ 825,533
Hess Corp. (s)	14,845	1,095,858
		$ 1,921,391
Food & Beverages – 2.8%		
Coca-Cola Co.	16,776	$ 708,283
Flowers Foods, Inc.	6,946	133,294
General Mills, Inc.	5,452	290,755
Mondelez International, Inc.	10,275	373,239
Pinnacle Foods, Inc.	5,579	196,939
WhiteWave Foods Co., "A" (a)	6,151	215,223
		$ 1,917,733
Food & Drug Stores – 1.1%		
CVS Health Corp.	7,281	$ 701,233
Fairway Group Holdings Corp. (a)(l)	18,924	59,611
		$ 760,844
Gaming & Lodging – 0.7%		
Starwood Hotels & Resorts Worldwide, Inc.	1,579	$ 128,010
Wynn Resorts Ltd.	2,195	326,528
		$ 454,538

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
General Merchandise – 1.5%		
Five Below, Inc. (a)	3,810	$ 155,562
Kohl's Corp.	5,794	353,666
Target Corp.	6,738	511,482
		$ 1,020,710
Health Maintenance Organizations – 1.1%		
UnitedHealth Group, Inc.	7,061	$ 713,796
Insurance – 3.1%		
American International Group, Inc.	19,784	$ 1,108,102
MetLife, Inc.	15,952	862,844
Safety Insurance Group, Inc.	2,016	129,044
		$ 2,099,990
Internet – 3.0%		
Facebook, Inc., "A " (a)	7,080	$ 552,382
Google, Inc., "A" (a)	1,297	688,266
Google, Inc., "C" (a)	1,018	535,875
LinkedIn Corp., "A" (a)	1,074	246,709
		$ 2,023,232
Machinery & Tools – 2.1%		
Colfax Corp. (a)	5,821	$ 300,189
Eaton Corp. PLC	1,665	113,153
IPG Photonics Corp. (a)	2,619	196,215
Joy Global, Inc.	5,437	252,929
Roper Industries, Inc.	3,659	572,085
		$ 1,434,571
Major Banks – 5.4%		
Bank of America Corp.	41,354	$ 739,823
Goldman Sachs Group, Inc.	1,989	385,528
JPMorgan Chase & Co. (s)	14,590	913,042
Morgan Stanley	8,986	348,657
State Street Corp.	4,692	368,322
Wells Fargo & Co.	15,843	868,513
		$ 3,623,885
Medical & Health Technology & Services – 1.1%		
Cerner Corp. (a)	1,473	$ 95,244
Express Scripts Holding Co. (a)	3,419	289,487
Healthcare Services Group, Inc.	3,709	114,719
McKesson Corp.	1,071	222,318
		$ 721,768
Medical Equipment – 4.6%		
Abbott Laboratories	16,551	$ 745,126
AtriCure, Inc. (a)	4,563	91,077
Cepheid, Inc. (a)	1,601	86,678
Cooper Cos., Inc.	2,571	416,733
Covidien PLC	5,104	522,037
DENTSPLY International, Inc.	2,406	128,168
DexCom, Inc. (a)	1,298	71,455
Heartware International, Inc. (a)	476	34,953
OraSure Technologies, Inc. (a)	3,821	38,745
STERIS Corp.	778	50,453
Stryker Corp.	6,372	601,071

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical Equipment – continued		
TearLab Corp. (a)	14,680	$ 38,902
Thermo Fisher Scientific, Inc.	2,006	251,332
		$ 3,076,730
Metals & Mining – 0.3%		
First Quantum Minerals Ltd.	6,434	$ 91,432
Lundin Mining Corp. (a)	27,049	133,173
		$ 224,605
Natural Gas – Pipeline – 0.3%		
Williams Cos., Inc.	4,484	$ 201,511
Network & Telecom – 0.2%		
Ixia (a)	9,159	$ 103,039
Oil Services – 1.1%		
Forum Energy Technologies, Inc. (a)	1,720	$ 35,656
Halliburton Co.	3,322	130,654
Schlumberger Ltd.	7,089	605,471
		$ 771,781
Other Banks & Diversified Financials – 5.0%		
American Express Co.	4,526	$ 421,099
BB&T Corp.	10,129	393,917
Discover Financial Services	12,774	836,569
EuroDekania Ltd.	50,820	27,673
PrivateBancorp, Inc.	9,803	327,420
Texas Capital Bancshares, Inc. (a)	4,787	260,078
Visa, Inc., "A"	4,168	1,092,850
		$ 3,359,606
Pharmaceuticals – 5.6%		
AbbVie, Inc.	8,186	$ 535,692
Actavis PLC (a)	3,106	799,515
Bristol-Myers Squibb Co.	11,797	696,377
Eli Lilly & Co.	4,029	277,961
Endo International PLC (a)	5,372	387,429
Merck & Co., Inc.	7,997	454,150
Valeant Pharmaceuticals International, Inc. (a)	4,916	703,529
		$ 3,854,653
Railroad & Shipping – 1.4%		
Canadian Pacific Railway Ltd.	2,101	$ 404,842
Union Pacific Corp.	4,785	570,037
		$ 974,879
Real Estate – 3.5%		
Equity Lifestyle Properties, Inc., REIT	8,443	$ 435,237
Gramercy Property Trust, Inc., REIT	33,102	228,404
Medical Properties Trust, Inc., REIT	27,629	380,728
Mid-America Apartment Communities, Inc., REIT	6,804	508,123
Plum Creek Timber Co. Inc., REIT	9,748	417,117
Tanger Factory Outlet Centers, Inc., REIT	10,732	396,655
		$ 2,366,264

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Restaurants – 1.0%		
Domino's Pizza, Inc.	2,049	$ 192,954
YUM! Brands, Inc.	6,175	449,849
		$ 642,803
Specialty Chemicals – 1.6%		
Albemarle Corp.	6,296	$ 378,578
Amira Nature Foods Ltd. (a)(l)	3,680	52,808
Axalta Coating Systems Ltd. (a)	12,151	316,169
W.R. Grace & Co. (a)	3,375	321,941
		$ 1,069,496
Specialty Stores – 3.6%		
AutoZone, Inc. (a)	502	$ 310,793
Bed Bath & Beyond, Inc. (a)	4,971	378,641
Burlington Stores, Inc. (a)	7,766	367,021
L Brands, Inc.	4,657	403,063
Ross Stores, Inc.	4,029	379,774
Sally Beauty Holdings, Inc. (a)	7,329	225,293
Urban Outfitters, Inc. (a)	9,836	345,539
		$ 2,410,124
Telecommunications – Wireless – 1.1%		
American Tower Corp., REIT	7,670	$ 758,180
Telephone Services – 1.1%		
Verizon Communications, Inc.	16,561	$ 774,724
Tobacco – 1.2%		
Altria Group, Inc.	7,579	$ 373,417
Philip Morris International, Inc.	4,946	402,852
		$ 776,269
Trucking – 0.6%		
Swift Transportation Co. (a)	14,144	$ 404,943
Utilities – Electric Power – 2.5%		
American Electric Power Co., Inc.	4,543	$ 275,851
Calpine Corp. (a)	7,847	173,654
CMS Energy Corp.	8,099	281,440
Dominion Resources, Inc.	2,420	186,098
Edison International	3,684	241,228
Exelon Corp.	4,466	165,599
NextEra Energy, Inc.	1,365	145,086
NRG Energy, Inc.	4,454	120,035
Pattern Energy Group, Inc.	4,494	110,822
		$ 1,699,813
Total Common Stocks (Identified Cost, $54,449,971)		**$66,681,046**
MONEY MARKET FUNDS – 1.4%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	961,007	$ 961,007

Issuer	Shares/Par	Value ($)
COLLATERAL FOR SECURITIES LOANED – 0.2%		
Navigator Securities Lending Prime Portfolio, 0.16%, at Cost and Net Asset Value (j)	139,694	$ 139,694
Total Collateral for Securities Loaned (Identified Cost, $139,694)		**$ 139,694**
Total Investments (Identified Cost, $55,550,672)		**$67,781,747**
SECURITIES SOLD SHORT – (0.2)%		
Gaming & Lodging – (0.2)%		
Marriott International, Inc., "A" (Proceeds Received, $130,560)	(1,944)	$ (151,690)
OTHER ASSETS, LESS LIABILITIES – (0.2)%		**(177,441)**
NET ASSETS – 100.0%		**$67,452,616**

(a) Non-income producing security.

(j) The rate quoted is the annualized seven-day yield of the fund at period end.

(l) A portion of this security is on loan.

(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.

At December 31, 2014, the fund had cash collateral of $9,626 and other liquid securities with an aggregate value of $707,209 to cover any commitments for securities sold short. Cash collateral is comprised of "Deposits with brokers" on 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 12/31/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $54,589,665)	$66,820,740	
Underlying affiliated funds, at cost and value	961,007	
Total investments, at value, including $138,848 of securities on loan (identified cost, $55,550,672)	$67,781,747	
Deposits with brokers	9,626	
Receivables for		
Fund shares sold	6,512	
Interest and dividends	62,163	
Other assets	739	
Total assets		$67,860,787
Liabilities		
Payables for		
Securities sold short, at value (proceeds received, $130,560)	$151,690	
Fund shares reacquired	57,200	
Collateral for securities loaned, at value	139,694	
Payable to affiliates		
Investment adviser	5,645	
Shareholder servicing costs	163	
Distribution and/or service fees	56	
Payable for independent Trustees' compensation	9	
Accrued expenses and other liabilities	53,714	
Total liabilities		$408,171
Net assets		$67,452,616
Net assets consist of		
Paid-in capital	$53,826,742	
Unrealized appreciation (depreciation) on investments	12,209,945	
Accumulated net realized gain (loss) on investments and foreign currency	968,746	
Undistributed net investment income	447,183	
Net assets		$67,452,616
Shares of beneficial interest outstanding		2,594,002

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$63,438,158	2,439,124	$26.01
Service Class	4,014,458	154,878	25.92

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 12/31/14

Net investment income		
Income		
Dividends	$1,042,951	
Interest	7,659	
Dividends from underlying affiliated funds	502	
Foreign taxes withheld	(1,742)	
Total investment income		$1,049,370
Expenses		
Management fee	$491,993	
Distribution and/or service fees	10,141	
Shareholder servicing costs	22,587	
Administrative services fee	19,594	
Independent Trustees' compensation	2,677	
Custodian fee	16,738	
Shareholder communications	25,100	
Audit and tax fees	54,655	
Legal fees	548	
Dividend and interest expense on securities sold short	1,181	
Miscellaneous	10,801	
Total expenses		$656,015
Fees paid indirectly	(1)	
Reduction of expenses by investment adviser	(53,800)	
Net expenses		$602,214
Net investment income		$447,156
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$8,461,990	
Foreign currency	47	
Net realized gain (loss) on investments and foreign currency		$8,462,037
Change in unrealized appreciation (depreciation)		
Investments	$(2,022,422)	
Securities sold short	(21,130)	
Net unrealized gain (loss) on investments		$(2,043,552)
Net realized and unrealized gain (loss) on investments		$6,418,485
Change in net assets from operations		$6,865,641

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	2014	2013
Change in net assets		
From operations		
Net investment income	$447,156	$495,965
Net realized gain (loss) on investments and foreign currency	8,462,037	9,126,033
Net unrealized gain (loss) on investments and foreign currency translation	(2,043,552)	8,871,412
Change in net assets from operations	$6,865,641	$18,493,410
Distributions declared to shareholders		
From net investment income	$(494,579)	$(618,002)
Change in net assets from fund share transactions	$(6,329,774)	$(7,406,477)
Total change in net assets	$41,288	$10,468,931
Net assets		
At beginning of period	67,411,328	56,942,397
At end of period (including undistributed net investment income of $447,183 and $494,589, respectively)	$67,452,616	$67,411,328

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				
	2014	2013	2012	2011	2010
Net asset value, beginning of period	$23.56	$17.68	$15.33	$15.65	$13.49
Income (loss) from investment operations					
Net investment income (d)	$0.17	$0.17	$0.18	$0.11	$0.13
Net realized and unrealized gain (loss) on investments and foreign currency	2.47	5.92	2.30	(0.28)	2.18
Total from investment operations	$2.64	$6.09	$2.48	$(0.17)	$2.31
Less distributions declared to shareholders					
From net investment income	$(0.19)	$(0.21)	$(0.13)	$(0.15)	$(0.15)
Net asset value, end of period (x)	$26.01	$23.56	$17.68	$15.33	$15.65
Total return (%) (k)(r)(s)(x)	11.24	34.60	16.23	(1.02)	17.21
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.98	1.00	1.00	1.00	1.01
Expenses after expense reductions (f)	0.90	0.90	0.90	0.91	0.91
Net investment income	0.70	0.80	1.05	0.72	0.93
Portfolio turnover	50	57	64	68	69
Net assets at end of period (000 omitted)	$63,438	$63,166	$53,504	$54,471	$62,602
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				
	2014	2013	2012	2011	2010
Net asset value, beginning of period	$23.48	$17.63	$15.28	$15.59	$13.45
Income (loss) from investment operations					
Net investment income (d)	$0.11	$0.11	$0.14	$0.07	$0.09
Net realized and unrealized gain (loss) on investments and foreign currency	2.46	5.90	2.29	(0.27)	2.17
Total from investment operations	$2.57	$6.01	$2.43	$(0.20)	$2.26
Less distributions declared to shareholders					
From net investment income	$(0.13)	$(0.16)	$(0.08)	$(0.11)	$(0.12)
Net asset value, end of period (x)	$25.92	$23.48	$17.63	$15.28	$15.59
Total return (%) (k)(r)(s)(x)	10.97	34.23	15.95	(1.28)	16.86
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.23	1.25	1.25	1.25	1.26
Expenses after expense reductions (f)	1.15	1.15	1.15	1.16	1.16
Net investment income	0.45	0.55	0.81	0.47	0.67
Portfolio turnover	50	57	64	68	69
Net assets at end of period (000 omitted)	$4,014	$4,245	$3,438	$3,537	$4,623
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 diversified 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.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(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 June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures ("ASU 2014-11"). ASU 2014-11 changes the accounting for repurchase-to-maturity transactions (i.e., repurchase agreements that settle at the same time as the maturity of the transferred financial asset) and enhances the required disclosures for repurchase agreements and other similar transactions. Although still evaluating the potential impacts of ASU 2014-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures which would first be effective for interim reporting periods beginning after March 15, 2015.

Balance Sheet Offsetting – 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 International Swaps and Derivatives Association (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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, 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.

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 may be 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, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$64,205,707	$—	$—	$64,205,707
Canada	1,532,373	—	—	1,532,373
Israel	644,038	—	—	644,038
Hong Kong	218,447	—	—	218,447
United Arab Emirates	52,808	—	—	52,808
Cayman Islands	—	—	27,673	27,673
Mutual Funds	1,100,701	—	—	1,100,701
Total Investments	$67,754,074	$—	$27,673	$67,781,747
Short Sales	$(151,690)	$—	$—	$(151,690)

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 12/31/13	$47,191
Change in unrealized appreciation (depreciation)	(19,087)
Proceeds from a tender offer	(431)
Balance as of 12/31/14	$27,673

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at December 31, 2014 is $(19,087). At December 31, 2014, the fund held one level 3 security.

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. At December 31, 2014, 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, 2014 as reported in the Statement of Operations:

Risk	Investments (Purchased Options)
Equity	$11

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, 2014 as reported in the Statement of Operations:

Risk	Investments (Purchased Options)
Equity	$759

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 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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific ISDA counterparty is subject.

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.

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, 2014, this expense amounted to $1,181. The fund segregates cash or marketable securities in an amount that, when combined with the amount of proceeds from the short sale deposited with the broker, at least equals the current market value of the security sold short.

Security Loans – 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. At period end, the fund had investment securities on loan with a fair value of $138,848 and a related liability of $139,694 for cash collateral received on securities loaned, both of which are presented gross on the Statement of Assets and Liabilities. The collateral received on securities loaned exceeded the value of securities on loan at period end. The liability for cash collateral for securities loaned is carried at fair value, which is categorized as level 2 within the fair value hierarchy. 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.

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, 2014, 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, 2014, there were no significant adjustments due to differences between book and tax accounting.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/14	12/31/13
Ordinary income (including any short-term capital gains)	$494,579	$618,002

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/14	
Cost of investments	$55,561,155
Gross appreciation	14,417,448
Gross depreciation	(2,196,856)
Net unrealized appreciation (depreciation)	$12,220,592
Undistributed ordinary income	447,183
Undistributed long-term capital gain	989,689
Other temporary differences	(31,590)

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 12/31/14	Year ended 12/31/13
Initial Class	$473,006	$587,561
Service Class	21,573	30,441
Total	$494,579	$618,002

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

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 year ended December 31, 2014, this management fee reduction amounted to $3,024, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2014 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, excluding 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, 2016. For the year ended December 31, 2014, this reduction amounted to $50,662 and is included in the 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.

Notes to Financial Statements – continued

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, 2014, the fee was $21,932, which equated to 0.0334% 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, 2014, these costs amounted to $655.

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, 2014 was equivalent to an annual effective rate of 0.0299% 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 – Effective November 1, 2014, this fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. Prior to November 1, 2014, the funds had entered into services agreements (the Compliance Officer Agreements) which provided 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. Prior to November 1, 2014, Frank L. Tarantino served as the ICCO. Effective October 31, 2014, Mr. Tarantino resigned as ICCO and the Compliance Officer Agreement between the funds and Tarantino LLC was terminated. Prior to June 1, 2014, Robyn L. Griffin served as the Assistant ICCO and was an officer of the funds. Ms. Griffin is the sole member of Griffin Compliance LLC. Effective May 31, 2014, Ms. Griffin resigned as Assistant ICCO and the Compliance Officer Agreement between the funds and Griffin Compliance LLC was terminated. For the year ended December 31, 2014, the aggregate fees paid by the fund under these agreements were $277 and are included in "Miscellaneous" expense in the Statement of Operations. MFS had agreed to reimburse the fund for a portion of the payments made by the fund for the services under the Compliance Officer Agreements in the amount of $114, which is included in the 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, Assistant ICCO, and ISO.

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

For the year ended December 31, 2014, purchases and sales of investments, other than purchased option transactions, and short-term obligations, aggregated $32,744,689 and $39,384,040, 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 12/31/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	188,516	$4,667,830	378,017	$7,890,348
Service Class	3,563	85,900	28,308	593,152
	192,079	$4,753,730	406,325	$8,483,500
Shares issued to shareholders in reinvestment of distributions				
Initial Class	18,689	$473,006	28,006	$587,561
Service Class	854	21,573	1,454	30,441
	19,543	$494,579	29,460	$618,002
Shares reacquired				
Initial Class	(449,384)	$(10,848,496)	(751,219)	$(15,580,081)
Service Class	(30,318)	(729,587)	(44,031)	(927,898)
	(479,702)	$(11,578,083)	(795,250)	$(16,507,979)

	Year ended 12/31/14 Shares	Year ended 12/31/14 Amount	Year ended 12/31/13 Shares	Year ended 12/31/13 Amount
Net change				
Initial Class	(242,179)	$(5,707,660)	(345,196)	$(7,102,172)
Service Class	(25,901)	(622,114)	(14,269)	(304,305)
	(268,080)	$(6,329,774)	(359,465)	$(7,406,477)

(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, 2014, the fund's commitment fee and interest expense were $237 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	704,325	13,500,308	(13,243,626)	961,007

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$502	$961,007

(8) Subsequent Event

On December 2, 2014, the Board of Trustees of the fund approved a proposed Agreement and Plan of Reorganization, whereby MFS Core Equity Series, a series of MFS Variable Insurance Trust would be reorganized into MFS Core Equity Portfolio, a portfolio of MFS Variable Insurance Trust II. The Agreement and Plan of Reorganization is subject to the approval of the shareholders of the MFS Core Equity Series. The proposed Agreement and Plan of Reorganization provides for the transfer of the assets of the MFS Core Equity Series to the MFS Core Equity Portfolio and the assumption by the MFS Core Equity Portfolio of the liabilities of the MFS Core Equity Series in exchange solely for shares of beneficial interest in the MFS Core Equity Portfolio. Immediately following the transfer, the MFS Core Equity Portfolio shares received by the MFS Core Equity Series will be distributed to shareholders, pro rata, and the MFS Core Equity Series will be liquidated and terminated. If approved by shareholders, it is expected that the reorganization will occur on or around March 27, 2015.

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 of MFS Variable Insurance Trust) (the "Fund") as of December 31, 2014, 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, 2014, 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 Core Equity Series as of December 31, 2014, 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 13, 2015

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2015, 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 51)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Co-Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach [k] (age 53)	Trustee and President	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 72)	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
Steven E. Buller (age 63)	Trustee	February 2014	Chairman, Financial Accounting Standards Advisory Council; Standing Advisory Group, Public Company Accounting Oversight Board, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014)	N/A
Robert E. Butler (age 73)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 59)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 73)	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 70)	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 60)	Trustee	January 2009	Private investor	N/A
Maryanne L. Roepke (age 58)	Trustee	May 2014	American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014)	N/A
Laurie J. Thomsen (age 57)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 73)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
Christopher R. Bohane [k] (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark [k] (age 46)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [k] (age 55)	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

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)
Ethan D. Corey (k) (age 51)	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 46)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Timothy M. Fagan (k) (age 46)	Chief Compliance Officer	November 2014	Massachusetts Financial Services Company, Chief Compliance Officer; Vice President and Senior Counsel (until 2012)	N/A
Brian E. Langenfeld (k) (age 41)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 64)	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 44)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 44)	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 62)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Matthew A. Stowe (k) (age 40)	Assistant Secretary and Assistant Clerk	October 2014	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Frank L. Tarantino (age 70)	Independent Senior Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 44)	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 54)	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. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. Ms. Stelmach was appointed as President of the Funds as of October 1, 2014.

(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 a position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach, Mr. Buller and Ms. Roepke) 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 Mses. Thomsen and Roepke 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 February 1, 2015, the Trustees served as board members of 135 funds within the MFS Family of Funds.

Trustees and Officers – continued

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, 2014 ("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, 2013 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, 2013, 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, 2013 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 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, 2014.

PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are 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 "Market Commentary" and "Announcements" sub sections in the "Market Outlooks" section 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**.

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, 2014

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

Dear Contract Owners:

As 2015 begins, sharply lower oil prices are reshaping the global economy, adding to deflationary pressures in the eurozone and exacerbating challenges faced by oil exporters such as Russia. The U.S. economy stands on firmer ground, having expanded steadily over the past year. The U.S. labor market has regained momentum, consumer confidence is buoyant and gasoline prices have tumbled, boosting prospects for a stronger economic rebound in 2015.

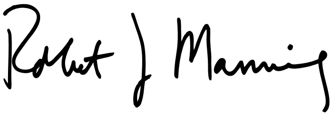
Other regions are struggling. The eurozone economy is barely expanding, and the European Central Bank (ECB) has introduced large-scale asset purchases.

Despite Japan's efforts to strengthen its economy, its sales tax increase last spring tipped the country into a recession, leading to additional monetary stimulus from the Bank of Japan. China's economy is slowing as it transitions to a more sustainable basis, and its growth rate will likely continue to decline.

As always, active risk management is integral to how we at MFS® manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global investment team uses a diversified, multidisciplined, long-term approach.

Applying proven principles, such as asset allocation and diversification, can best serve investors over the long term. We are confident that this approach can help you as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,



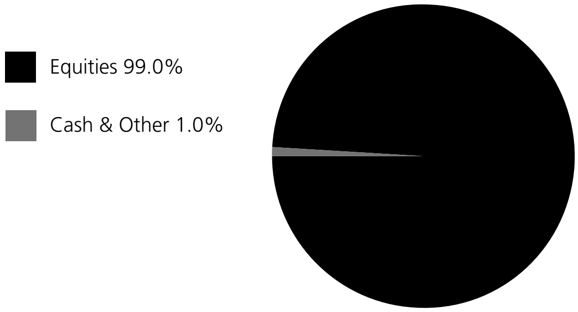
Robert J. Manning
Chairman
MFS Investment Management

February 13, 2015

The opinions expressed in this letter are subject to change and may not be relied upon for investment advice. No forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

Visa, Inc., "A"	3.3%
Apple, Inc.	3.3%
Facebook, Inc., "A"	2.5%
Google, Inc., "A"	2.4%
Danaher Corp.	2.4%
MasterCard, Inc., "A"	2.3%
Thermo Fisher Scientific, Inc.	2.2%
Google, Inc., "C"	2.2%
Actavis PLC	2.0%
American Tower Corp., REIT	2.0%

Equity sectors

Health Care	20.6%
Technology	19.0%
Retailing	12.2%
Financial Services	11.0%
Leisure	9.4%
Industrial Goods & Services	6.9%
Special Products & Services	5.1%
Consumer Staples	4.9%
Energy	2.6%
Utilities & Communications	2.0%
Transportation	1.9%
Basic Materials	1.7%
Autos & Housing	1.7%

Cash & Other can include cash, other assets less liabilities, offsets to derivative positions, and short-term securities.
Percentages are based on net assets as of 12/31/14.
The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2014, Initial Class shares of the MFS Growth Series ("fund") provided a total return of 8.94%, while Service Class shares of the fund provided a total return of 8.68%. These compare with a return of 13.05% over the same period for the fund's benchmark, the Russell 1000 Growth Index.

Market Environment

Early in the period, US equities suffered what proved to be a temporary setback due to concerns over emerging markets as well as what was perceived at the time to be a pause in US economic growth, partially caused by extreme weather events and a weak December 2013 labor market report. Markets soon recovered as the economic pause concluded and investors appeared to have become increasingly comfortable that newly-installed US Federal Reserve ("Fed") Chair Janet Yellen would not make any substantial changes to the trajectory of Fed monetary policy.

A generally risk-friendly, carry trade environment persisted from February 2014 until mid-year. While geopolitical tensions flared in the Middle East and Russia/Ukraine, any market setbacks were short-lived as improving economic growth in the US, coupled with prospects for easier monetary policy in regions with slowing growth, such as Japan, Europe and China, supported risk assets. For example, the European Central Bank ("ECB") cut policy interest rates into negative territory and, by the end of the period, expectations were for additional rate cuts and the announcement for non-conventional easing measures. Similarly, the Bank of Japan surprised markets late in the period with fresh stimulus measures given lackluster growth trends. The related decline in developed market government bond yields and credit spreads were also supportive for equity markets. At the end of the period, the US equity market was trading close to all-time highs and US Treasury yields were close to their lows for the period. However, credit markets did not fare as well in the second half of 2014, particularly US high yield and emerging market debt. The higher weightings of oil and gas credits in these asset classes resulted in widening spreads and increased volatility as oil prices began to decline in an accelerated fashion in the fourth quarter.

Detractors from Performance

Weak stock selection in the *technology* sector held back performance relative to the Russell 1000 Growth Index. An underweight position in computer and personal electronics maker Apple, and not holding shares of software giant Microsoft, dampened relative results as both stocks outpaced the benchmark during the reporting period. The portfolio's overweight position in poor-performing internet search giant Google further weighed on relative returns. Shares of Google fell as the company missed analysts' estimates for both revenue and income for four consecutive quarters. The company continued to face headwinds from a maturing internet search market, challenges with monetizing mobile search and regulatory anti-trust rulings in the European Union.

Stock selection in the *consumer staples* sector, and the combination of stock selection and an underweight position in the *transportation* sector, also hurt relative performance. However, there were no stocks within either sector that were among the fund's top relative detractors over the reporting period.

Stock selection and an overweight position in the *leisure* sector were additional negative factors for relative performance. Here, overweight positions in casino resorts operators, Wynn Resorts and Las Vegas Sands, and global media company Discovery Communications hampered relative results. Shares of Discovery Communications fell as soft sales totals in US Networks, decreased margins in International networks and higher-than-anticipated corporate expenses weighed on the company's bottom line. Additionally, management unexpectedly lowered earnings guidance due to foreign exchange headwinds and ongoing weakness in domestic ad revenues which further pressured the stock.

Elsewhere, overweight positions in Precision Castparts, a complex metal parts manufacturer for the aerospace industry, and oil and natural gas exploration and production company Noble Energy detracted from relative performance. Shares of Precision Castparts declined on weak earnings due to lower revenues which resulted from decreased organic growth and unexpected changes in delivery schedules. Not holding stand-out-performing eye and skin care products maker Allergan and biotechnology firm Amgen also dampened relative performance as both stocks outperformed the benchmark during the reporting period.

Contributors to Performance

An overweight position in the *health care* sector contributed to relative performance. Holdings of medical equipment and supplies company Covidien [(b)] and the fund's overweight positions in specialty pharmaceutical company Actavis and biopharmaceutical companies, Alexion Pharmaceuticals and Regeneron Pharmaceuticals, bolstered relative results. Shares of Covidien skyrocketed late in the reporting period as the company announced that Medtronic had entered into an agreement to acquire the company at a significant premium.

Security selection in the *utilities & communications* sector further aided relative performance. Avoiding poor-performing telecommunications company Verizon and an overweight position in strong-performing broadcast and communication tower management firm American Tower positively impacted relative returns. Shares of American Tower rose as the company's international operations segment exhibited accelerated growth trends and its US operations segment posted growth surpassing management's outlook. A solid guidance raise coupled with a decrease in net leverage further strengthened results.

Elsewhere, not holding diversified technology products and services company International Business Machines (IBM) and the fund's overweight positions in hotel chain operator Marriott International, paint manufacturer and distributor Sherwin Williams and off-price retail apparel and home accessories stores operator Ross Stores, benefited relative performance. Shares of Ross Stores rose after the company reported earnings results that beat consensus estimates, primarily due to comparable store sales and gross margin growth. Increased merchandise margins, reflecting higher markups due to an improvement in procurements costs and lower mark downs as a result of tighter inventory controls, also helped the stock.

Respectfully,

Eric Fischman	Matthew Sabel
Portfolio Manager	Portfolio Manager

(b) Security is not a benchmark constituent.

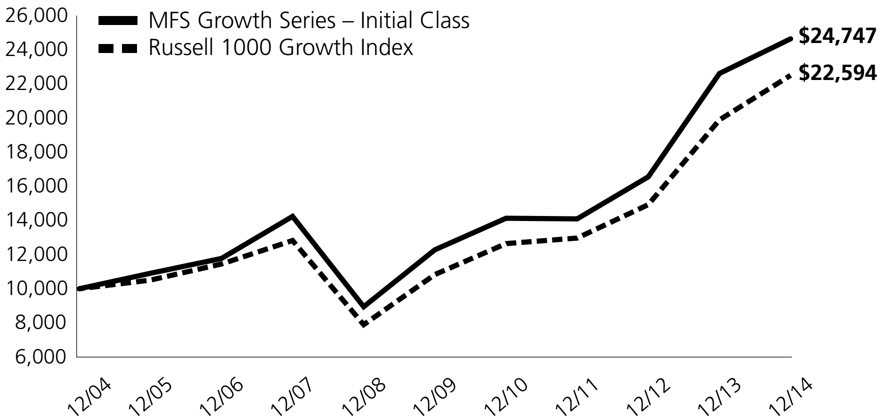
Note to Contract Owners: Effective April 30, 2014, Matthew Sabel is also a Portfolio Manager of the Fund.

PERFORMANCE SUMMARY THROUGH 12/31/14

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 12/31/14

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/24/95	8.94%	15.01%	9.48%
Service Class	5/01/00	8.68%	14.72%	9.21%

Comparative benchmark

Russell 1000 Growth Index (f)	13.05%	15.81%	8.49%

(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, 2014 through December 31, 2014

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, 2014 through December 31, 2014.

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 7/01/14	Ending Account Value 12/31/14	Expenses Paid During Period (p) 7/01/14-12/31/14
Initial Class	Actual	0.76%	$1,000.00	$1,059.62	$3.95
	Hypothetical (h)	0.76%	$1,000.00	$1,021.37	$3.87
Service Class	Actual	1.01%	$1,000.00	$1,058.32	$5.24
	Hypothetical (h)	1.01%	$1,000.00	$1,020.11	$5.14

(h) 5% class return per year before expenses.

(p) "Expenses Paid During Period" are equal to each class's annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 12/31/14

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 99.0%		
Aerospace – 2.0%		
Honeywell International, Inc.	135,693	$ 13,558,444
Precision Castparts Corp.	71,878	17,313,973
		$ 30,872,417
Alcoholic Beverages – 1.2%		
Constellation Brands, Inc., "A" (a)	126,769	$ 12,444,913
Pernod Ricard S.A.	51,999	5,765,491
		$ 18,210,404
Apparel Manufacturers – 3.2%		
LVMH Moet Hennessy Louis Vuitton S.A.	53,161	$ 8,406,565
NIKE, Inc., "B"	109,543	10,532,559
PVH Corp.	63,803	8,177,631
VF Corp.	305,408	22,875,059
		$ 49,991,814
Automotive – 0.2%		
BorgWarner Transmission Systems, Inc.	55,837	$ 3,068,243
Biotechnology – 7.4%		
Alexion Pharmaceuticals, Inc. (a)	132,722	$ 24,557,552
Biogen Idec, Inc. (a)	66,225	22,480,076
Celgene Corp. (a)	192,933	21,581,485
Gilead Sciences, Inc. (a)	125,361	11,816,528
Isis Pharmaceuticals, Inc. (a)	43,204	2,667,415
Puma Biotechnology, Inc. (a)	23,826	4,509,547
Regeneron Pharmaceuticals, Inc. (a)	47,133	19,336,313
Vertex Pharmaceuticals, Inc. (a)	61,292	7,281,490
		$ 114,230,406
Broadcasting – 3.7%		
Discovery Communications, Inc., "C" (a)	79,248	$ 2,672,243
Time Warner, Inc.	189,525	16,189,226
Twenty-First Century Fox, Inc.	724,431	27,821,773
Walt Disney Co.	104,946	9,884,864
		$ 56,568,106
Brokerage & Asset Managers – 3.2%		
Affiliated Managers Group, Inc. (a)	50,263	$ 10,667,819
BlackRock, Inc.	34,503	12,336,893
Intercontinental Exchange, Inc.	119,119	26,121,606
		$ 49,126,318
Business Services – 3.3%		
Cognizant Technology Solutions Corp., "A" (a)	415,898	$ 21,901,189
Equifax, Inc.	31,846	2,575,386
FleetCor Technologies, Inc. (a)	111,314	16,553,505
Realogy Holdings Corp. (a)	106,170	4,723,503
Verisk Analytics, Inc., "A" (a)	75,515	4,836,736
		$ 50,590,319
Cable TV – 1.3%		
Comcast Corp., "Special A"	362,930	$ 20,892,065

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Chemicals – 1.1%		
Monsanto Co.	138,156	$ 16,505,497
Computer Software – 3.6%		
Adobe Systems, Inc. (a)	176,170	$ 12,807,559
Citrix Systems, Inc. (a)	24,799	1,582,176
Oracle Corp.	429,695	19,323,384
Salesforce.com, Inc. (a)	363,357	21,550,704
		$ 55,263,823
Computer Software – Systems – 5.2%		
Apple, Inc.	458,888	$ 50,652,057
EMC Corp.	1,010,888	30,063,809
		$ 80,715,866
Construction – 1.5%		
Sherwin-Williams Co.	89,194	$ 23,461,590
Consumer Products – 1.5%		
Colgate-Palmolive Co.	236,464	$ 16,360,944
Estee Lauder Cos., Inc., "A"	96,793	7,375,627
		$ 23,736,571
Consumer Services – 1.8%		
Ctrip.com International Ltd., ADR (a)	25,854	$ 1,176,357
Priceline Group, Inc. (a)	24,035	27,404,947
		$ 28,581,304
Electrical Equipment – 3.4%		
AMETEK, Inc.	286,045	$ 15,054,548
Danaher Corp.	430,976	36,938,953
		$ 51,993,501
Electronics – 1.0%		
Altera Corp.	146,646	$ 5,417,103
Avago Technologies Ltd.	38,060	3,828,455
Broadcom Corp., "A"	162,397	7,036,662
		$ 16,282,220
Energy – Independent – 1.9%		
Anadarko Petroleum Corp.	126,487	$ 10,435,178
Concho Resources, Inc. (a)	32,450	3,236,888
Noble Energy, Inc.	160,828	7,628,072
Pioneer Natural Resources Co.	49,456	7,361,526
		$ 28,661,664
Entertainment – 0.3%		
Netflix, Inc. (a)	12,984	$ 4,435,464
Food & Beverages – 2.0%		
Danone S.A.	112,295	$ 7,387,494
Mead Johnson Nutrition Co., "A"	122,616	12,327,813
Mondelez International, Inc.	305,293	11,089,768
		$ 30,805,075
Food & Drug Stores – 1.0%		
CVS Health Corp.	156,703	$ 15,092,066

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Gaming & Lodging – 2.5%		
Hilton Worldwide Holdings, Inc. (a)	213,029	$ 5,557,927
Las Vegas Sands Corp.	139,244	8,098,431
Marriott International, Inc., "A"	162,363	12,669,185
Wynn Resorts Ltd.	79,811	11,872,684
		$ 38,198,227
General Merchandise – 0.9%		
Costco Wholesale Corp.	95,686	$ 13,563,491
Insurance – 0.2%		
MetLife, Inc.	57,141	$ 3,090,757
Internet – 9.1%		
Alibaba Group Holding Ltd., ADR (a)	13,662	$ 1,420,028
Facebook, Inc., "A " (a)	498,084	38,860,514
Google, Inc., "A" (a)	70,597	37,463,004
Google, Inc., "C" (a)	63,253	33,296,379
LinkedIn Corp., "A" (a)	70,700	16,240,497
Twitter, Inc. (a)	114,590	4,110,343
Yahoo!, Inc. (a)	185,273	9,358,139
		$ 140,748,904
Machinery & Tools – 1.5%		
Colfax Corp. (a)	156,795	$ 8,085,918
Roper Industries, Inc.	96,083	15,022,577
		$ 23,108,495
Major Banks – 0.7%		
Morgan Stanley	284,326	$ 11,031,849
Medical & Health Technology & Services – 2.1%		
Cerner Corp. (a)	192,700	$ 12,459,982
McKesson Corp.	97,246	20,186,325
		$ 32,646,307
Medical Equipment – 5.1%		
Abbott Laboratories	346,931	$ 15,618,834
C.R. Bard, Inc.	37,945	6,322,396
Cooper Cos., Inc.	35,651	5,778,671
Covidien PLC	166,382	17,017,551
Thermo Fisher Scientific, Inc.	276,559	34,650,077
		$ 79,387,529
Oil Services – 0.7%		
Schlumberger Ltd.	128,835	$ 11,003,797
Other Banks & Diversified Financials – 6.9%		
American Express Co.	209,960	$ 19,534,678
MasterCard, Inc., "A"	415,943	35,837,649
Visa, Inc., "A"	194,547	51,010,223
		$ 106,382,550
Pharmaceuticals – 6.0%		
AbbVie, Inc.	159,437	$ 10,433,557
Actavis PLC (a)	121,105	31,173,638
Bristol-Myers Squibb Co.	403,829	23,838,026
Merck & Co., Inc.	119,001	6,758,067
Receptos, Inc. (a)	22,114	2,709,186

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Pharmaceuticals – continued		
Valeant Pharmaceuticals International, Inc. (a)	67,493	$ 9,658,923
Zoetis, Inc.	176,807	7,608,005
		$ 92,179,402
Printing & Publishing – 0.4%		
Moody's Corp.	60,995	$ 5,843,931
Railroad & Shipping – 1.4%		
Canadian Pacific Railway Ltd.	13,660	$ 2,632,145
Kansas City Southern Co.	43,890	5,355,897
Union Pacific Corp.	116,766	13,910,334
		$ 21,898,376
Restaurants – 1.3%		
Starbucks Corp.	221,908	$ 18,207,551
YUM! Brands, Inc.	21,434	1,561,467
		$ 19,769,018
Specialty Chemicals – 0.7%		
Airgas, Inc.	48,926	$ 5,635,297
Ecolab, Inc.	43,559	4,552,787
		$ 10,188,084
Specialty Stores – 7.0%		
Amazon.com, Inc. (a)	39,338	$ 12,208,548
AutoZone, Inc. (a)	17,367	10,752,083
Burlington Stores, Inc. (a)	109,619	5,180,594
L Brands, Inc.	139,315	12,057,713
Ross Stores, Inc.	309,340	29,158,388
Tiffany & Co.	74,964	8,010,653
TJX Cos., Inc.	311,912	21,390,925
Tractor Supply Co.	109,892	8,661,687
Urban Outfitters, Inc. (a)	41,406	1,454,593
		$ 108,875,184
Telecommunications – Wireless – 2.0%		
American Tower Corp., REIT	314,635	$ 31,101,670
Tobacco – 0.2%		
Philip Morris International, Inc.	37,795	$ 3,078,403
Trucking – 0.5%		
United Parcel Service, Inc., "B"	63,907	$ 7,104,541
Total Common Stocks (Identified Cost, $1,025,382,112)		**$1,528,285,248**
MONEY MARKET FUNDS – 1.3%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	19,395,311	$ 19,395,311
Total Investments (Identified Cost, $1,044,777,423)		**$1,547,680,559**
OTHER ASSETS, LESS LIABILITIES – (0.3)%		**(4,682,749)**
NET ASSETS – 100.0%		**$1,542,997,810**

Portfolio of Investments – continued

(a) Non-income producing security.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

ADR American Depositary Receipt

PLC Public Limited Company

REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $1,025,382,112)	$1,528,285,248	
Underlying affiliated funds, at cost and value	19,395,311	
Total investments, at value (identified cost, $1,044,777,423)	$1,547,680,559	
Receivables for		
Investments sold	1,493,442	
Fund shares sold	620,626	
Interest and dividends	1,126,516	
Other assets	9,817	
Total assets		$1,550,930,960
Liabilities		
Payable to custodian	$116,488	
Payables for		
Investments purchased	3,288,796	
Fund shares reacquired	4,295,345	
Payable to affiliates		
Investment adviser	52,775	
Shareholder servicing costs	633	
Distribution and/or service fees	3,866	
Payable for independent Trustees' compensation	9	
Accrued expenses and other liabilities	175,238	
Total liabilities		$7,933,150
Net assets		$1,542,997,810
Net assets consist of		
Paid-in capital	$955,933,538	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	502,905,939	
Accumulated net realized gain (loss) on investments and foreign currency	82,057,881	
Undistributed net investment income	2,100,452	
Net assets		$1,542,997,810
Shares of beneficial interest outstanding		38,992,147

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$1,263,934,723	31,794,856	$39.75
Service Class	279,063,087	7,197,291	38.77

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 12/31/14

Net investment income		
Income		
Dividends	$14,394,306	
Interest	103,652	
Dividends from underlying affiliated funds	20,885	
Foreign taxes withheld	(198,598)	
Total investment income		$14,320,245
Expenses		
Management fee	$10,951,918	
Distribution and/or service fees	641,116	
Shareholder servicing costs	91,960	
Administrative services fee	215,995	
Independent Trustees' compensation	32,713	
Custodian fee	133,094	
Shareholder communications	112,038	
Audit and tax fees	55,989	
Legal fees	13,453	
Miscellaneous	40,332	
Total expenses		$12,288,608
Fees paid indirectly	(6)	
Reduction of expenses by investment adviser	(73,183)	
Net expenses		$12,215,419
Net investment income		$2,104,826
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$93,280,909	
Foreign currency	(3,840)	
Net realized gain (loss) on investments and foreign currency		$93,277,069
Change in unrealized appreciation (depreciation)		
Investments	$34,225,938	
Translation of assets and liabilities in foreign currencies	2,803	
Net unrealized gain (loss) on investments and foreign currency translation		$34,228,741
Net realized and unrealized gain (loss) on investments and foreign currency		$127,505,810
Change in net assets from operations		$129,610,636

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	2014	2013
Change in net assets		
From operations		
Net investment income	$2,104,826	$1,231,688
Net realized gain (loss) on investments and foreign currency	93,277,069	101,361,807
Net unrealized gain (loss) on investments and foreign currency translation	34,228,741	315,012,859
Change in net assets from operations	$129,610,636	$417,606,354
Distributions declared to shareholders		
From net investment income	$(1,315,037)	$(2,907,322)
From net realized gain on investments	(101,856,096)	(9,897,269)
Total distributions declared to shareholders	$(103,171,133)	$(12,804,591)
Change in net assets from fund share transactions	$(34,019,063)	$4,106,615
Total change in net assets	$(7,579,560)	$408,908,378
Net assets		
At beginning of period	1,550,577,370	1,141,668,992
At end of period (including undistributed net investment income of $2,100,452 and $1,241,314, respectively)	$1,542,997,810	$1,550,577,370

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**				
	2014	**2013**	**2012**	**2011**	**2010**
Net asset value, beginning of period	$39.07	$28.83	$24.56	$24.69	$21.43
Income (loss) from investment operations					
Net investment income (loss) (d)	$0.07	$0.04	$0.13	$(0.00)(w)	$0.05
Net realized and unrealized gain (loss) on investments and foreign currency	3.33	10.53	4.14	(0.08)	3.24
Total from investment operations	$3.40	$10.57	$4.27	$(0.08)	$3.29
Less distributions declared to shareholders					
From net investment income	$(0.04)	$(0.08)	$—	$(0.05)	$(0.03)
From net realized gain on investments	(2.68)	(0.25)	—	—	—
Total distributions declared to shareholders	$(2.72)	$(0.33)	$—	$(0.05)	$(0.03)
Net asset value, end of period (x)	$39.75	$39.07	$28.83	$24.56	$24.69
Total return (%) (k)(r)(s)(x)	8.94	36.85	17.39	(0.32)	15.34
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.76	0.77	0.82	0.84	0.85
Expenses after expense reductions (f)	0.76	0.77	0.82	0.84	0.85
Net investment income	0.18	0.13	0.45	(0.00)(w)	0.24
Portfolio turnover	36	43	52	75	100
Net assets at end of period (000 omitted)	$1,263,935	$1,308,361	$1,007,422	$461,382	$503,497

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2014	2013	2012	2011	2010
Net asset value, beginning of period	$38.22	$28.25	$24.13	$24.27	$21.10
Income (loss) from investment operations					
Net investment income (loss) (d)	$(0.02)	$(0.04)	$0.07	$(0.06)	$0.00(w)
Net realized and unrealized gain (loss) on investments and foreign currency	3.25	10.30	4.05	(0.08)	3.17
Total from investment operations	$3.23	$10.26	$4.12	$(0.14)	$3.17
Less distributions declared to shareholders					
From net investment income	$—	$(0.04)	$—	$(0.00)(w)	$—
From net realized gain on investments	(2.68)	(0.25)	—	—	—
Total distributions declared to shareholders	$(2.68)	$(0.29)	$—	$(0.00)(w)	$—
Net asset value, end of period (x)	$38.77	$38.22	$28.25	$24.13	$24.27
Total return (%) (k)(r)(s)(x)	8.68	36.49	17.07	(0.56)	15.02
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.01	1.02	1.07	1.09	1.10
Expenses after expense reductions (f)	1.01	1.02	1.07	1.09	1.10
Net investment income (loss)	(0.06)	(0.12)	0.26	(0.25)	0.02
Portfolio turnover	36	43	52	75	100
Net assets at end of period (000 omitted)	$279,063	$242,216	$134,247	$56,810	$43,161

(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 or ratio 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 diversified 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.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(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 June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures ("ASU 2014-11"). ASU 2014-11 changes the accounting for repurchase-to-maturity transactions (i.e., repurchase agreements that settle at the same time as the maturity of the transferred financial asset) and enhances the required disclosures for repurchase agreements and other similar transactions. Although still evaluating the potential impacts of ASU 2014-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures which would first be effective for interim reporting periods beginning after March 15, 2015.

Balance Sheet Offsetting – 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 International Swaps and Derivatives Association (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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, 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.

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 may be 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, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$1,491,838,243	$—	$—	$1,491,838,243
France	—	21,559,551	—	21,559,551
Canada	12,291,069	—	—	12,291,069
China	2,596,385	—	—	2,596,385
Mutual Funds	19,395,311	—	—	19,395,311
Total Investments	$1,526,121,008	$21,559,551	$—	$1,547,680,559

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $21,559,551 would have been considered level 1 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

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. On loans collateralized by cash, the cash collateral is invested in a money market fund. 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. 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, 2014, 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, 2014, 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:

	12/31/14	12/31/13
Ordinary income (including any short-term capital gains)	$28,519,200	$2,907,322
Long-term capital gains	74,651,933	9,897,269
Total distributions	$103,171,133	$12,804,591

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/14	
Cost of investments	$1,046,878,830
Gross appreciation	511,395,743
Gross depreciation	(10,594,014)
Net unrealized appreciation (depreciation)	$500,801,729
Undistributed ordinary income	3,887,306
Undistributed long-term capital gain	82,537,653
Other temporary differences	(162,416)

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 12/31/14	Year ended 12/31/13	Year ended 12/31/14	Year ended 12/31/13
Initial Class	$1,315,037	$2,673,098	$83,920,326	$8,467,219
Service Class	—	234,224	17,935,770	1,430,050
Total	$1,315,037	$2,907,322	$101,856,096	$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%

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 year ended December 31, 2014, this management fee reduction amounted to $70,529, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2014 was equivalent to an annual effective rate of 0.71% 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, 2014, the fee was $89,291, which equated to 0.0058% 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, 2014, these costs amounted to $2,669.

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, 2014 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 – Effective November 1, 2014, this fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. Prior to November 1, 2014, the funds had entered into services agreements (the Compliance Officer Agreements) which provided 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. Prior to November 1, 2014, Frank L. Tarantino served as the ICCO. Effective October 31, 2014, Mr. Tarantino resigned as ICCO and the Compliance Officer Agreement between the funds and Tarantino LLC was terminated. Prior to June 1, 2014, Robyn L. Griffin served as the Assistant ICCO and was an officer of the funds. Ms. Griffin is the sole member of Griffin Compliance LLC. Effective May 31, 2014, Ms. Griffin resigned as Assistant ICCO and the Compliance Officer Agreement between the funds and Griffin Compliance LLC was terminated. For the year ended December 31, 2014, the aggregate fees paid by the fund under these agreements were $7,365 and are included in "Miscellaneous" expense in the Statement of Operations. MFS had agreed to reimburse the fund for a portion of the payments made by the fund for the services under the Compliance Officer Agreements in the amount of $2,654, which is included in the 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, Assistant ICCO, and ISO.

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

For the year ended December 31, 2014, purchases and sales of investments, other than short-term obligations, aggregated $549,519,870 and $676,948,394, 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 12/31/14		Year ended 12/31/13	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	1,933,212	$75,547,700	5,035,809	$169,845,931
Service Class	2,525,829	96,644,801	2,764,608	91,199,853
	4,459,041	$172,192,501	7,800,417	$261,045,784
Shares issued to shareholders in reinvestment of distributions				
Initial Class	2,206,955	$84,945,696	330,769	$11,140,317
Service Class	477,396	17,935,770	50,463	1,664,274
	2,684,351	$102,881,466	381,232	$12,804,591
Shares reacquired				
Initial Class	(5,836,614)	$(229,260,814)	(6,822,186)	$(229,194,954)
Service Class	(2,143,317)	(79,832,216)	(1,230,190)	(40,548,806)
	(7,979,931)	$(309,093,030)	(8,052,376)	$(269,743,760)
Net change				
Initial Class	(1,696,447)	$(68,767,418)	(1,455,608)	$(48,208,706)
Service Class	859,908	34,748,355	1,584,881	52,315,321
	(836,539)	$(34,019,063)	129,273	$4,106,615

The fund is one of several mutual funds in which certain MFS funds may invest. The MFS 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 12%, 4%, and 3%, 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, 2014, the fund's commitment fee and interest expense were $5,688 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	22,764,729	269,874,861	(273,244,279)	19,395,311

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$20,885	$19,395,311

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 of MFS Variable Insurance Trust) (the "Fund") as of December 31, 2014, 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, 2014, 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 Growth Series as of December 31, 2014, 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 13, 2015

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2015, 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 51)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Co-Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach (k) (age 53)	Trustee and President	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 72)	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
Steven E. Buller (age 63)	Trustee	February 2014	Chairman, Financial Accounting Standards Advisory Council; Standing Advisory Group, Public Company Accounting Oversight Board, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014)	N/A
Robert E. Butler (age 73)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 59)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 73)	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 70)	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 60)	Trustee	January 2009	Private investor	N/A
Maryanne L. Roepke (age 58)	Trustee	May 2014	American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014)	N/A
Laurie J. Thomsen (age 57)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 73)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
Christopher R. Bohane (k) (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark (k) (age 46)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors (k) (age 55)	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

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)
Ethan D. Corey (k) (age 51)	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 46)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Timothy M. Fagan (k) (age 46)	Chief Compliance Officer	November 2014	Massachusetts Financial Services Company, Chief Compliance Officer; Vice President and Senior Counsel (until 2012)	N/A
Brian E. Langenfeld (k) (age 41)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 64)	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 44)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 44)	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 62)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Matthew A. Stowe (k) (age 40)	Assistant Secretary and Assistant Clerk	October 2014	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Frank L. Tarantino (age 70)	Independent Senior Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 44)	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 54)	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. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. Ms. Stelmach was appointed as President of the Funds as of October 1, 2014.

(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 a position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach, Mr. Buller and Ms. Roepke) 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 Mses. Thomsen and Roepke 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 February 1, 2015, the Trustees served as board members of 135 funds within the MFS Family of Funds.

Trustees and Officers – continued

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
Eric Fischman
Matthew Sabel

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, 2014 ("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, 2013 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, 2013, 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, 2013 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 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, 2014.

PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are 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 "Market Commentary" and "Announcements" sub sections in the "Market Outlooks" section 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 $82,118,000 as capital gain dividends paid during the fiscal year.

For corporate shareholders, 36.45% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

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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, 2014

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

Dear Contract Owners:

As 2015 begins, sharply lower oil prices are reshaping the global economy, adding to deflationary pressures in the eurozone and exacerbating challenges faced by oil exporters such as Russia. The U.S. economy stands on firmer ground, having expanded steadily over the past year. The U.S. labor market has regained momentum, consumer confidence is buoyant and gasoline prices have tumbled, boosting prospects for a stronger economic rebound in 2015.

Other regions are struggling. The eurozone economy is barely expanding, and the European Central Bank (ECB) has introduced large-scale asset purchases.

Despite Japan's efforts to strengthen its economy, its sales tax increase last spring tipped the country into a recession, leading to additional monetary stimulus from the Bank of Japan. China's economy is slowing as it transitions to a more sustainable basis, and its growth rate will likely continue to decline.

As always, active risk management is integral to how we at MFS® manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global investment team uses a diversified, multidisciplined, long-term approach.

Applying proven principles, such as asset allocation and diversification, can best serve investors over the long term. We are confident that this approach can help you as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

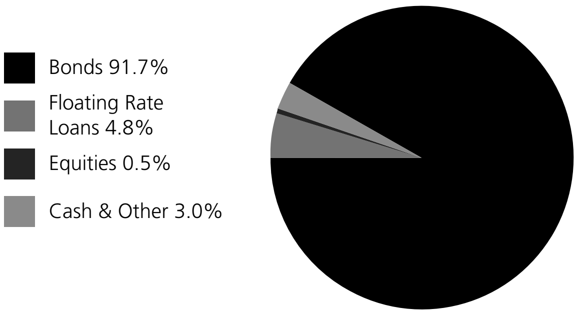
Robert J. Manning
Chairman
MFS Investment Management

February 13, 2015

The opinions expressed in this letter are subject to change and may not be relied upon for investment advice. No forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top five industries (i)

Energy – Independent	7.2%
Medical & Health Technology & Services	5.7%
Cable TV	5.5%
Midstream	5.1%
Metals & Mining	4.8%

Composition including fixed income credit quality (a)(i)

BBB	2.3%
BB	36.3%
B	47.1%
CCC	11.6%
C	0.1%
D (o)	0.0%
Not Rated	(0.9)%
Non-Fixed Income	0.5%
Cash & Other	3.0%

Portfolio facts (i)

Average Duration (d)	4.4
Average Effective Maturity (m)	6.8 yrs.

(a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. Non-Fixed Income includes equity securities (including convertible bonds and equity derivatives) and commodities. 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 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 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%.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Cash & Other can include cash, other assets less liabilities, offsets to derivative positions, and short-term securities.

Percentages are based on net assets as of 12/31/14.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2014, Initial Class shares of the MFS High Yield Portfolio ("fund") provided a total return of 2.81%, while Service Class shares of the fund provided a total return of 2.53%. These compare with a return of 2.46% over the same period for the fund's benchmark, the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index.

Market Environment

Early in the period, US equities suffered what proved to be a temporary setback due to concerns over emerging markets as well as what was perceived at the time to be a pause in US economic growth, partially caused by extreme weather events and a weak December 2013 labor market report. Markets soon recovered as the economic pause concluded and investors appeared to have become increasingly comfortable that newly-installed US Federal Reserve ("Fed") Chair Janet Yellen would not make any substantial changes to the trajectory of Fed monetary policy.

A generally risk-friendly, carry trade environment persisted from February 2014 until mid-year. While geopolitical tensions flared in the Middle East and Russia/Ukraine, any market setbacks were short-lived as improving economic growth in the US, coupled with prospects for easier monetary policy in regions with slowing growth, such as Japan, Europe and China, supported risk assets. For example, the European Central Bank ("ECB") cut policy interest rates into negative territory and, by the end of the period, expectations were for additional rate cuts and the announcement for non-conventional easing measures. Similarly, the Bank of Japan surprised markets late in the period with fresh stimulus measures given lackluster growth trends. The related decline in developed market government bond yields and credit spreads were also supportive for equity markets. At the end of the period, the US equity market was trading close to all-time highs and US Treasury yields were close to their lows for the period. However, credit markets did not fare as well in the second half of 2014, particularly US high yield and emerging market debt. The higher weightings of oil and gas credits in these asset classes resulted in widening spreads and increased volatility as oil prices began to decline in an accelerated fashion in the fourth quarter.

Contributors to Performance

Relative to the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index, the fund's lesser exposure to "CCC" rated(r) securities benefited results as lower-quality issues underperformed higher-quality issues during the reporting period.

Strong bond selection further supported relative performance. Top individual contributors during the reporting period included the fund's debt holdings of energy company El Paso Energy(h), mortgage lending services provider Dollar Tree, specialized real estate finance company Arbor Realty Mortgage Securities and financial services firm JPMorgan Chase.

Detractors from Performance

The fund's greater exposure to "B" rated(r) securities detracted from relative performance. The portion of the fund's return derived from yield, which was less than that of the benchmark, also weighed on relative results. A lesser exposure to the *telecommunications* sector further hindered relative returns as this market segment outpaced the benchmark during the reporting period.

Top individual detractors for the period included debt holdings of metallurgical coal producer and exporter Walter Energy, oil and natural gas producers Chaparral Energy, BreitBurn Energy Partners and SandRidge Energy, and diversified holding company Icahn Enterprises.

Respectfully,

William Adams	David Cole
Portfolio Manager	Portfolio Manager

(h) Security was not held in the portfolio at period end.

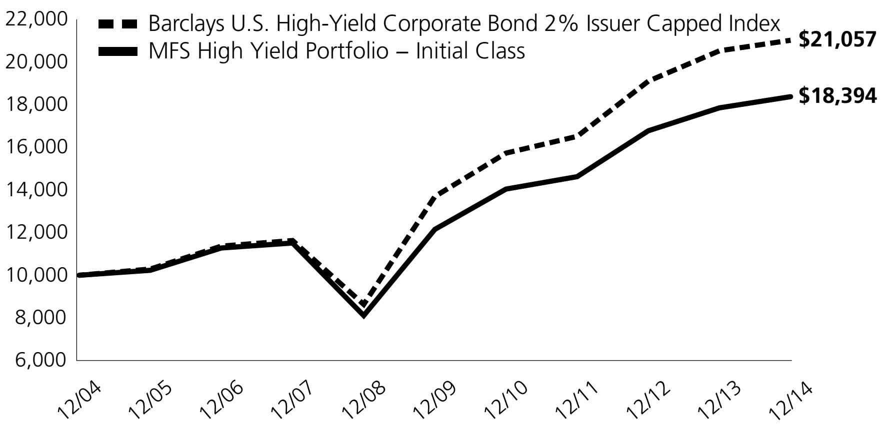
(r) Bonds rated "BBB", "Baa", or higher are considered investment grade; bonds rated "BB", "Ba", or below are considered non-investment grade. The sources for bond quality ratings are Moody's Investors Service, Standard & Poor's and Fitch, Inc. and are applied using the following hierarchy: If all three 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.

PERFORMANCE SUMMARY THROUGH 12/31/14

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 12/31/14

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	6/12/85	2.81%	8.63%	6.28%
Service Class	8/24/01	2.53%	8.31%	6.00%

Comparative benchmark

Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index (f)	2.46%	8.98%	7.73%

(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, 2014 through December 31, 2014

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, 2014 through December 31, 2014.

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 7/01/14	Ending Account Value 12/31/14	Expenses Paid During Period (p) 7/01/14-12/31/14
Initial Class	Actual	0.73%	$1,000.00	$978.22	$3.64
	Hypothetical (h)	0.73%	$1,000.00	$1,021.53	$3.72
Service Class	Actual	0.98%	$1,000.00	$976.59	$4.88
	Hypothetical (h)	0.98%	$1,000.00	$1,020.27	$4.99

(h) 5% class return per year before expenses.

(p) "Expenses Paid During Period" are equal to each class's annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

Notes to Expense Table

Changes to the fund's fee arrangements occurred during the six month period. Had these fee changes been in effect throughout the entire six month period, the annualized expense ratios, the actual expenses paid during the period and the hypothetical expenses paid during the period would have been approximately 0.72%, $3.59 and $3.67 for Initial Class and 0.97%, $4.83 and $4.94 for Service Class. For further information about the fund's fee arrangements and changes to those fee arrangements, please see Note 3 in the Notes to Financial Statements.

PORTFOLIO OF INVESTMENTS – 12/31/14

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 – 91.2%		
Aerospace – 2.1%		
Bombardier, Inc., 7.75%, 3/15/20 (n)	$ 1,265,000	$ 1,372,525
Bombardier, Inc., 6.125%, 1/15/23 (n)	1,155,000	1,178,100
CPI International, Inc., 8.75%, 2/15/18	2,484,000	2,552,310
Gencorp, Inc., 7.125%, 3/15/21	2,625,000	2,749,163
Huntington Ingalls Industries, Inc., 7.125%, 3/15/21	2,585,000	2,791,800
Huntington Ingalls Industries, Inc., 5%, 12/15/21 (n)	260,000	264,550
Kratos Defense & Security Solutions, Inc., 7%, 5/15/19	270,000	229,500
TransDigm, Inc., 6%, 7/15/22	515,000	513,713
TransDigm, Inc., 6.5%, 7/15/24	980,000	984,900
		$ 12,636,561
Apparel Manufacturers – 0.4%		
Hanesbrands, Inc., 6.375%, 12/15/20	$ 1,430,000	$ 1,515,800
PVH Corp., 4.5%, 12/15/22	1,030,000	1,017,125
		$ 2,532,925
Asset-Backed & Securitized – 0.3%		
Arbor Realty Mortgage Securities, CDO, FRN, 2.531%, 4/21/38 (z)	$ 1,136,457	$ 1,031,267
Citigroup Commercial Mortgage Trust, FRN, 5.71%, 12/10/49	2,086,863	324,862
Crest Ltd., CDO, 7%, 1/28/40 (a)(p)	1,366,873	15,678
CWCapital Cobalt Ltd., CDO, 6.23%, 5/25/45 (a)(p)(z)	2,735,836	138,926
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.53%, 4/26/50 (a)(p)(z)	1,085,651	11
		$ 1,510,744
Automotive – 3.2%		
Accuride Corp., 9.5%, 8/01/18	$ 2,680,000	$ 2,760,400
Allison Transmission, Inc., 7.125%, 5/15/19 (n)	2,525,000	2,641,781
Goodyear Tire & Rubber Co., 6.5%, 3/01/21	2,670,000	2,830,200
Goodyear Tire & Rubber Co., 7%, 5/15/22	1,220,000	1,317,600
Jaguar Land Rover PLC, 8.125%, 5/15/21 (n)	2,850,000	3,120,750
Lear Corp., 4.75%, 1/15/23	1,640,000	1,635,900
Lear Corp., 5.25%, 1/15/25	1,335,000	1,351,688
Schaeffler Finance B.V., 6.875%, 8/15/18 (n)(p)	1,530,000	1,595,025
Schaeffler Finance B.V., 4.75%, 5/15/21 (n)	1,330,000	1,330,000
Schaeffler Holding Finance B.V., 6.25%, 11/15/19 (n)(p)	560,000	576,800
		$ 19,160,144

Issuer	Shares/Par	Value ($)
BONDS – continued		
Broadcasting – 2.2%		
AMC Networks, Inc., 7.75%, 7/15/21	$ 1,935,000	$ 2,070,450
Clear Channel Communications, Inc., 9%, 3/01/21	1,164,000	1,140,720
Clear Channel Worldwide Holdings, Inc., "A", 6.5%, 11/15/22	650,000	661,375
Clear Channel Worldwide Holdings, Inc., "B", 6.5%, 11/15/22	1,095,000	1,127,850
Liberty Media Corp., 8.5%, 7/15/29	1,840,000	2,014,800
Netflix, Inc., 5.375%, 2/01/21	1,645,000	1,710,800
Nexstar Broadcasting, Inc., 6.875%, 11/15/20	2,020,000	2,095,750
Univision Communications, Inc., 6.875%, 5/15/19 (n)	210,000	218,663
Univision Communications, Inc., 7.875%, 11/01/20 (n)	1,980,000	2,108,700
Univision Communications, Inc., 6.75%, 9/15/22 (n)	226,000	241,820
		$ 13,390,928
Brokerage & Asset Managers – 0.6%		
E*TRADE Financial Corp., 6.375%, 11/15/19	$ 3,120,000	$ 3,307,200
Building – 3.3%		
Allegion U.S. Holding Co., Inc., 5.75%, 10/01/21	$ 2,720,000	$ 2,876,400
Associated Materials LLC, 9.125%, 11/01/17	340,000	280,500
Building Materials Corp. of America, 5.375%, 11/15/24 (n)	1,610,000	1,605,975
Building Materials Holding Corp., 6.75%, 5/01/21 (n)	1,620,000	1,713,150
CEMEX S.A.B. de C.V., 5.875%, 3/25/19 (n)	467,000	474,005
CEMEX S.A.B. de C.V., 7.25%, 1/15/21 (n)	684,000	716,490
CEMEX S.A.B. de C.V., 5.7%, 1/11/25 (n)	1,339,000	1,298,830
Gibraltar Industries, Inc., 6.25%, 2/01/21	1,475,000	1,504,500
HD Supply, Inc., 7.5%, 7/15/20	2,230,000	2,335,925
Headwaters, Inc., 7.625%, 4/01/19	775,000	807,938
Headwaters, Inc., 7.25%, 1/15/19	1,320,000	1,372,800
Nortek, Inc., 8.5%, 4/15/21	2,005,000	2,145,350
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 6/01/20 (n)	1,787,000	1,772,525
USG Corp., 7.875%, 3/30/20 (n)	830,000	888,100
		$ 19,792,488
Business Services – 0.9%		
Equinix, Inc., 4.875%, 4/01/20	$ 1,325,000	$ 1,318,375
Equinix, Inc., 5.375%, 4/01/23	1,070,000	1,070,000
Equinix, Inc., 5.375%, 1/01/22	530,000	534,982
Iron Mountain, Inc., 8.375%, 8/15/21	210,000	218,925
NeuStar, Inc., 4.5%, 1/15/23	2,310,000	2,015,475
		$ 5,157,757

Portfolio of Investments – continued

Issuer		Shares/Par		Value ($)
BONDS – continued				
Cable TV – 5.3%				
CCO Holdings LLC, 5.25%, 9/30/22	$	250,000	$	249,375
CCO Holdings LLC/CCO Holdings Capital Corp., 8.125%, 4/30/20		2,385,000		2,510,213
CCO Holdings LLC/CCO Holdings Capital Corp., 7.375%, 6/01/20		905,000		959,300
CCO Holdings LLC/CCO Holdings Capital Corp., 5.75%, 1/15/24		1,620,000		1,636,200
CCO Holdings LLC/CCO Holdings Capital Corp., 6.5%, 4/30/21		2,100,000		2,205,000
Cequel Communications Holdings, 6.375%, 9/15/20 (n)		1,650,000		1,707,750
DISH DBS Corp., 6.75%, 6/01/21		1,165,000		1,252,375
DISH DBS Corp., 5%, 3/15/23		1,590,000		1,538,325
DISH DBS Corp., 5.875%, 11/15/24 (n)		655,000		658,275
Intelsat Jackson Holdings S.A., 6.625%, 12/15/22		1,315,000		1,351,163
Intelsat Jackson Holdings S.A., 5.5%, 8/01/23		3,075,000		3,056,243
Intelsat Luxembourg S.A., 8.125%, 6/01/23		1,450,000		1,479,000
LGE Holdco VI B.V., 7.125%, 5/15/24 (z)	EUR	945,000		1,258,879
Lynx I Corp., 5.375%, 4/15/21 (n)	$	1,085,000		1,120,263
Lynx II Corp., 6.375%, 4/15/23 (n)		1,485,000		1,555,538
Numericable Group S.A., 6%, 5/15/22 (n)		2,145,000		2,156,798
SIRIUS XM Radio, Inc., 4.625%, 5/15/23 (n)		770,000		719,950
SIRIUS XM Radio, Inc., 4.25%, 5/15/20 (n)		635,000		625,475
SIRIUS XM Radio, Inc., 5.875%, 10/01/20 (n)		255,000		262,650
SIRIUS XM Radio, Inc., 6%, 7/15/24 (n)		1,155,000		1,183,875
Unitymedia Hessen, 5.5%, 1/15/23 (n)		1,605,000		1,677,225
Unitymedia KabelBW GmbH, 6.125%, 1/15/25 (n)		1,335,000		1,378,388
UPCB Finance III Ltd., 6.625%, 7/01/20 (n)		870,000		913,500
			$	31,455,760
Chemicals – 3.0%				
Celanese U.S. Holdings LLC, 4.625%, 11/15/22	$	965,000	$	955,350
Celanese U.S. Holdings LLC, 5.875%, 6/15/21		1,628,000		1,725,680
Flash Dutch 2 B.V./U.S. Coatings Acquisition, 7.375%, 5/01/21 (n)		1,765,000		1,870,900
Hexion U.S. Finance Corp., 6.625%, 4/15/20		1,180,000		1,156,400
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2/01/18		2,165,000		1,926,850
Huntsman International LLC, 8.625%, 3/15/21		1,585,000		1,699,913
INEOS Finance PLC, 7.5%, 5/01/20 (n)		100,000		105,000
INEOS Finance PLC, 8.375%, 2/15/19 (n)		2,025,000		2,151,563
INEOS Group Holdings S.A., 6.125%, 8/15/18 (n)		1,380,000		1,321,350

Issuer		Shares/Par		Value ($)
BONDS – continued				
Chemicals – continued				
INEOS Group Holdings S.A., 5.875%, 2/15/19 (n)	$	865,000	$	819,588
Tronox Finance LLC, 6.375%, 8/15/20		3,285,000		3,293,204
W.R. Grace & Co., 5.125%, 10/01/21 (n)		900,000		922,500
			$	17,948,298
Computer Software – 0.5%				
Syniverse Holdings, Inc., 9.125%, 1/15/19	$	755,000	$	788,975
VeriSign, Inc., 4.625%, 5/01/23		2,090,000		2,048,200
			$	2,837,175
Computer Software – Systems – 0.6%				
Audatex North America, Inc., 6%, 6/15/21 (n)	$	740,000	$	762,200
CDW LLC/CDW Finance Corp., 8.5%, 4/01/19		565,000		595,369
CDW LLC/CDW Finance Corp., 6%, 8/15/22		1,035,000		1,068,638
CDW LLC/CDW Finance Corp., 5.5%, 12/01/24		915,000		916,144
			$	3,342,351
Conglomerates – 2.1%				
Amsted Industries Co., 5%, 3/15/22 (n)	$	2,320,000	$	2,279,400
BC Mountain LLC, 7%, 2/01/21 (n)		1,500,000		1,282,500
Dynacast International LLC, 9.25%, 7/15/19		1,275,000		1,367,438
EnPro Industries, Inc., 5.875%, 9/15/22 (n)		1,425,000		1,439,250
Entegris, Inc., 6%, 4/01/22 (n)		2,225,000		2,252,813
Renaissance Acquisition, 6.875%, 8/15/21 (n)		2,265,000		2,174,400
Rexel S.A., 6.125%, 12/15/19 (n)		1,490,000		1,534,700
			$	12,330,501
Construction – 0.3%				
Empresas ICA S.A.B. de C.V., 8.9%, 2/04/21	$	930,000	$	892,800
Empresas ICA S.A.B. de C.V., 8.875%, 5/29/24 (n)		807,000		738,405
			$	1,631,205
Consumer Products – 0.8%				
Elizabeth Arden, Inc., 7.375%, 3/15/21	$	1,045,000	$	958,788
Prestige Brands, Inc., 5.375%, 12/15/21		1,150,000		1,129,875
Prestige Brands, Inc., 8.125%, 2/01/20 (n)		971,000		1,034,115
Spectrum Brands, Inc., 6.375%, 11/15/20		1,825,000		1,902,563
			$	5,025,341
Consumer Services – 1.7%				
ADT Corp., 4.125%, 6/15/23	$	885,000	$	800,925
ADT Corp., 6.25%, 10/15/21		1,690,000		1,736,475
Garda World Security Corp., 7.25%, 11/15/21 (n)		590,000		584,100
Garda World Security Corp., 7.25%, 11/15/21 (n)		1,445,000		1,430,550
Grupo Posadas S.A.B. de C.V., 7.875%, 11/30/17		1,115,000		1,059,250

Issuer	Shares/Par	Value ($)
BONDS – continued		
Consumer Services – continued		
Monitronics International, Inc., 9.125%, 4/01/20	$ 2,105,000	$ 1,987,909
Multi-Color Corp., 6.125%, 12/01/22 (n)	870,000	870,000
Service Corp. International, 5.375%, 5/15/24	1,025,000	1,045,500
Service Corp. International, 7%, 6/15/17	650,000	698,750
		$ 10,213,459
Containers – 3.1%		
Ardagh Packaging Finance PLC, 7%, 11/15/20 (n)	$ 331,765	$ 335,082
Ardagh Packaging Finance PLC, 9.125%, 10/15/20 (n)	200,000	213,000
Ardagh Packaging Finance PLC, 9.125%, 10/15/20 (n)	1,160,000	1,229,600
Berry Plastics Group, Inc., 5.5%, 5/15/22	2,675,000	2,715,125
Crown American LLC, 4.5%, 1/15/23	3,027,000	2,936,190
Greif, Inc., 6.75%, 2/01/17	650,000	695,500
Greif, Inc., 7.75%, 8/01/19	765,000	864,450
Owens-Brockway Glass Container, Inc., 5%, 1/15/22 (n)	615,000	627,300
Reynolds Group, 5.75%, 10/15/20	1,265,000	1,296,625
Reynolds Group, 8.25%, 2/15/21	1,570,000	1,609,250
Reynolds Group, 9.875%, 8/15/19	940,000	996,400
Reynolds Group, 7.125%, 4/15/19	1,235,000	1,276,681
Sealed Air Corp., 4.875%, 12/01/22 (n)	1,610,000	1,597,925
Sealed Air Corp., 5.125%, 12/01/24 (n)	255,000	257,550
Signode Industrial Group, 6.375%, 5/01/22 (n)	1,980,000	1,930,500
		$ 18,581,178
Defense Electronics – 0.4%		
Ducommun, Inc., 9.75%, 7/15/18	$ 2,294,000	$ 2,454,580
Electrical Equipment – 0.4%		
Anixter, Inc., 5.125%, 10/01/21	$ 1,800,000	$ 1,800,000
Avaya, Inc., 10.5%, 3/01/21 (z)	400,000	342,000
		$ 2,142,000
Electronics – 2.0%		
Advanced Micro Devices, Inc., 7.5%, 8/15/22	$ 735,000	$ 661,500
Advanced Micro Devices, Inc., 6.75%, 3/01/19	2,180,000	2,049,200
Advanced Micro Devices, Inc., 7%, 7/01/24	570,000	483,075
Micron Technology, Inc., 5.875%, 2/15/22 (n)	1,130,000	1,186,500
Micron Technology, Inc., 5.5%, 2/01/25 (n)	1,085,000	1,095,850
Nokia Corp., 6.625%, 5/15/39	900,000	994,500
Nokia Corp., 5.375%, 5/15/19	570,000	609,900
NXP B.V., 5.75%, 2/15/21 (n)	745,000	782,250
NXP B.V., 5.75%, 3/15/23 (n)	1,495,000	1,573,488
Sensata Technologies B.V., 6.5%, 5/15/19 (n)	1,695,000	1,758,563

Issuer	Shares/Par	Value ($)
BONDS – continued		
Electronics – continued		
Sensata Technologies B.V., 5.625%, 11/01/24 (z)	$ 960,000	$ 996,000
		$ 12,190,826
Emerging Market Quasi-Sovereign – 0.1%		
NOVA Chemicals Corp., 5%, 5/01/25 (n)	$ 787,000	$ 781,098
Energy – Independent – 6.9%		
American Energy-Permian Basin LLC, 7.125%, 11/01/20 (n)	$ 830,000	$ 610,050
American Energy-Permian Basin LLC, 7.375%, 11/01/21 (n)	1,340,000	984,900
Antero Resources Finance Corp., 6%, 12/01/20	1,475,000	1,471,313
Antero Resources Finance Corp., 5.375%, 11/01/21	1,835,000	1,775,363
Baytex Energy Corp., 5.125%, 6/01/21 (n)	285,000	242,250
Baytex Energy Corp., 5.625%, 6/01/24 (n)	2,010,000	1,708,500
BreitBurn Energy Partners LP, 8.625%, 10/15/20	1,270,000	1,092,200
BreitBurn Energy Partners LP, 7.875%, 4/15/22	1,510,000	1,166,475
Chaparral Energy, Inc., 7.625%, 11/15/22	2,080,000	1,362,400
Concho Resources, Inc., 6.5%, 1/15/22	1,560,000	1,630,200
Concho Resources, Inc., 5.5%, 4/01/23	1,740,000	1,748,178
Energy XXI Gulf Coast, Inc., 6.875%, 3/15/24 (n)	405,000	218,700
EP Energy LLC, 6.875%, 5/01/19	875,000	888,125
EP Energy LLC, 7.75%, 9/01/22	2,565,000	2,398,275
EP Energy LLC, 9.375%, 5/01/20	1,595,000	1,610,950
Halcon Resources Corp., 8.875%, 5/15/21	1,955,000	1,471,128
Harvest Operations Corp., 6.875%, 10/01/17	538,000	518,498
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2/15/20 (n)	605,000	617,100
Hilcorp Energy I/Hilcorp Finance Co., 5%, 12/01/24 (n)	390,000	343,200
Linn Energy LLC/Linn Energy Finance Corp., 7.75%, 2/01/21	2,419,000	2,038,008
Linn Energy LLC/Linn Energy Finance Corp., 8.625%, 4/15/20	1,030,000	896,100
Linn Energy LLC/Linn Energy Finance Corp., 6.5%, 9/15/21	675,000	546,750
MEG Energy Corp., 6.5%, 3/15/21 (n)	1,725,000	1,574,063
MEG Energy Corp., 7%, 3/31/24 (n)	1,160,000	1,049,800
Northern Blizzard Resources, Inc., 7.25%, 2/01/22 (n)	1,417,000	1,147,770
Oasis Petroleum, Inc., 6.875%, 3/15/22	2,495,000	2,270,450
Range Resources Corp., 5%, 8/15/22	1,785,000	1,785,000
Rosetta Resources, Inc., 5.625%, 5/01/21	965,000	883,072
RSP Permian, Inc., 6.625%, 10/01/22 (n)	690,000	641,700
Sanchez Energy Corp., 6.125%, 1/15/23 (n)	2,880,000	2,419,200
SandRidge Energy, Inc., 8.125%, 10/15/22	995,000	626,850
SM Energy Co., 6.5%, 11/15/21	2,025,000	1,964,250
SM Energy Co., 6.125%, 11/15/22 (n)	1,060,000	996,400
Whiting Petroleum Corp., 5.75%, 3/15/21	365,000	338,528
		$ 41,035,746

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Entertainment – 1.7%		
Activision Blizzard, Inc., 6.125%, 9/15/23 (n)	$ 1,620,000	$ 1,745,550
Cedar Fair LP, 5.25%, 3/15/21	1,935,000	1,944,675
Cedar Fair LP, 5.375%, 6/01/24 (n)	880,000	875,600
Cinemark USA, Inc., 5.125%, 12/15/22	1,415,000	1,383,163
Cinemark USA, Inc., 4.875%, 6/01/23	1,020,000	963,900
NCL Corp. Ltd., 5.25%, 11/15/19 (n)	1,615,000	1,627,113
Six Flags Entertainment Corp., 5.25%, 1/15/21 (n)	1,700,000	1,700,000
		$ 10,240,001
Financial Institutions – 4.5%		
AerCap Ireland Capital Ltd., 5%, 10/01/21 (n)	$ 1,035,000	$ 1,071,225
Aircastle Ltd., 4.625%, 12/15/18	1,310,000	1,316,550
Aircastle Ltd., 5.125%, 3/15/21	880,000	880,000
Aviation Capital Group, 6.75%, 4/06/21 (n)	935,000	1,058,888
Aviation Capital Group, 4.625%, 1/31/18 (n)	960,000	997,713
CIT Group, Inc., 6.625%, 4/01/18 (n)	1,925,000	2,088,625
CIT Group, Inc., 5%, 8/15/22	2,245,000	2,306,738
CIT Group, Inc., 5.5%, 2/15/19 (n)	1,898,000	2,002,390
CIT Group, Inc., 5.25%, 3/15/18	1,655,000	1,725,338
Icahn Enterprises LP, 6%, 8/01/20	1,020,000	1,050,804
Icahn Enterprises LP, 5.875%, 2/01/22	2,465,000	2,475,784
Nationstar Mortgage LLC/Capital Corp., 7.875%, 10/01/20	2,660,000	2,553,600
Nationstar Mortgage LLC/Capital Corp., 6.5%, 8/01/18	820,000	781,050
SLM Corp., 8%, 3/25/20	2,930,000	3,236,566
SLM Corp., 7.25%, 1/25/22	1,700,000	1,844,500
SLM Corp., 6.125%, 3/25/24	1,055,000	1,036,538
SLM Corp., 4.875%, 6/17/19	490,000	491,421
		$ 26,917,730
Food & Beverages – 1.5%		
B&G Foods, Inc., 4.625%, 6/01/21	$ 1,415,000	$ 1,381,182
Constellation Brands, Inc., 3.75%, 5/01/21	335,000	331,650
Constellation Brands, Inc., 4.25%, 5/01/23	1,755,000	1,741,838
Darling Ingredients, Inc., 5.375%, 1/15/22	2,110,000	2,078,350
H.J. Heinz Co., 4.25%, 10/15/20	1,710,000	1,727,100
Sun Merger Sub, Inc., 5.875%, 8/01/21 (n)	1,730,000	1,764,600
		$ 9,024,720
Forest & Paper Products – 0.5%		
Appvion, Inc., 9%, 6/01/20 (n)	$ 1,680,000	$ 1,150,800
Rayonier AM Products, Inc., 5.5%, 6/01/24 (z)	395,000	324,394
Tembec Industries, Inc., 9%, 12/15/19 (n)	1,280,000	1,259,200
		$ 2,734,394

Issuer	Shares/Par	Value ($)
BONDS – continued		
Gaming & Lodging – 2.7%		
CCM Merger, Inc., 9.125%, 5/01/19 (n)	$ 2,095,000	$ 2,199,750
Chester Downs & Marina LLC, 9.25%, 2/01/20 (n)	835,000	609,550
Greektown Holdings LLC, 8.875%, 3/15/19 (n)	1,970,000	1,965,075
Hilton Worldwide Finance LLC/Hilton Worldwide Finance Corp., 5.625%, 10/15/21	1,975,000	2,063,875
Isle of Capri Casinos, Inc., 8.875%, 6/15/20	620,000	644,800
Isle of Capri Casinos, Inc., 5.875%, 3/15/21	1,285,000	1,304,275
MGM Resorts International, 6.625%, 12/15/21	1,990,000	2,089,500
MGM Resorts International, 6%, 3/15/23	1,320,000	1,326,600
Ryman Hospitality Properties, Inc., REIT, 5%, 4/15/21	2,475,000	2,462,625
Wynn Las Vegas LLC, 7.75%, 8/15/20	1,525,000	1,624,476
		$ 16,290,526
Industrial – 1.3%		
Dematic S.A., 7.75%, 12/15/20 (n)	$ 2,785,000	$ 2,917,288
Howard Hughes Corp., 6.875%, 10/01/21 (n)	2,440,000	2,525,400
SPL Logistics Escrow LLC, 8.875%, 8/01/20 (n)	2,065,000	2,188,900
		$ 7,631,588
Machinery & Tools – 1.8%		
Ashtead Capital, Inc., 5.625%, 10/01/24 (n)	$ 2,385,000	$ 2,450,588
H&E Equipment Services Co., 7%, 9/01/22	2,400,000	2,469,000
Jurassic Holdings III, Inc., 6.875%, 2/15/21 (n)	2,035,000	1,892,550
Light Tower Rentals, Inc., 8.125%, 8/01/19 (n)	1,660,000	1,290,650
RSC Equipment Rental, Inc., 8.25%, 2/01/21	1,460,000	1,591,400
United Rentals North America, Inc., 7.625%, 4/15/22	1,183,000	1,300,709
		$ 10,994,897
Major Banks – 1.1%		
Bank of America Corp., FRN, 5.2%, 12/31/49	$ 2,385,000	$ 2,203,144
JPMorgan Chase & Co., 6% to 8/01/23, FRN to 12/29/49	1,905,000	1,881,188
Royal Bank of Scotland Group PLC, 7.648% to 9/30/31, FRN to 8/29/49	1,350,000	1,572,750
Royal Bank of Scotland Group PLC, 6.99% to 10/04/17, FRN to 10/29/49 (n)	850,000	956,250
		$ 6,613,332
Medical & Health Technology & Services – 5.3%		
CHS/Community Health Systems, Inc., 5.125%, 8/01/21	$ 440,000	$ 456,500
CHS/Community Health Systems, Inc., 6.875%, 2/01/22	3,430,000	3,633,656
Davita, Inc., 6.625%, 11/01/20	1,535,000	1,611,750

Issuer	Shares/Par	Value ($)
BONDS – continued		
Medical & Health Technology & Services – continued		
Davita, Inc., 5.125%, 7/15/24	$ 1,065,000	$ 1,086,300
Fresenius Medical Care Capital Trust III, 5.875%, 1/31/22 (n)	765,000	830,025
Fresenius Medical Care Capital Trust III, 5.625%, 7/31/19 (n)	1,030,000	1,099,525
HCA, Inc., 4.75%, 5/01/23	200,000	203,500
HCA, Inc., 7.5%, 2/15/22	3,125,000	3,570,313
HCA, Inc., 5%, 3/15/24	1,450,000	1,489,875
HCA, Inc., 5.875%, 3/15/22	1,435,000	1,571,325
HCA, Inc., 4.25%, 10/15/19	1,260,000	1,278,900
HealthSouth Corp., 8.125%, 2/15/20	2,575,000	2,690,875
Kindred Escrow Corp. II, 8%, 1/15/20 (z)	1,050,000	1,115,625
LifePoint Hospitals, Inc., 5.5%, 12/01/21	2,775,000	2,837,438
Tenet Healthcare Corp., 4.5%, 4/01/21	2,530,000	2,536,325
Tenet Healthcare Corp., 8.125%, 4/01/22	1,345,000	1,503,038
Tenet Healthcare Corp., 8%, 8/01/20	2,560,000	2,700,800
Universal Health Services, Inc., 7.625%, 8/15/20	1,750,000	1,505,000
		$ 31,720,770
Medical Equipment – 0.9%		
Biomet, Inc., 6.5%, 8/01/20	$ 1,240,000	$ 1,326,800
Physio-Control International, Inc., 9.875%, 1/15/19 (n)	969,000	1,027,140
Teleflex, Inc., 6.875%, 6/01/19	1,705,000	1,777,463
Teleflex, Inc., 5.25%, 6/15/24 (n)	1,330,000	1,330,000
		$ 5,461,403
Metals & Mining – 4.5%		
ArcelorMittal S.A., 6.75%, 2/25/22	$ 630,000	$ 672,525
ArcelorMittal S.A., 7.25%, 3/01/41	885,000	893,850
Arch Coal, Inc., 7.25%, 10/01/20	670,000	217,750
Arch Coal, Inc., 8%, 1/15/19 (n)	1,070,000	593,850
Century Aluminum Co., 7.5%, 6/01/21 (n)	1,890,000	1,937,250
Commercial Metals Co., 4.875%, 5/15/23	1,243,000	1,187,065
Consol Energy, Inc., 6.375%, 3/01/21	790,000	790,000
Consol Energy, Inc., 5.875%, 4/15/22 (n)	1,545,000	1,436,850
EVRAZ, Inc. N.A. Canada, 7.5%, 11/15/19 (n)	1,530,000	1,480,275
First Quantum Minerals Ltd., 7.25%, 10/15/19 (n)	3,146,000	2,910,050
First Quantum Minerals Ltd., 7.25%, 5/15/22 (n)	852,000	766,800
Fortescue Metals Group Ltd., 8.25%, 11/01/19 (n)	2,425,000	2,206,750
GrafTech International Co., 6.375%, 11/15/20	2,170,000	1,801,100
Lundin Mining Corp., 7.5%, 11/01/20 (n)	1,030,000	1,019,700
Lundin Mining Corp., 7.875%, 11/01/22 (n)	1,030,000	1,030,000
Steel Dynamics, Inc., 5.25%, 4/15/23 (n)	1,000,000	1,015,000
Steel Dynamics, Inc., 5.125%, 10/01/21	975,000	993,281
Steel Dynamics, Inc., 5.5%, 10/01/24 (n)	975,000	999,375

Issuer	Shares/Par	Value ($)
BONDS – continued		
Metals & Mining – continued		
Suncoke Energy Partners LP/Suncoke Energy Partners Finance Corp., 7.375%, 2/01/20 (n)	$ 715,000	$ 742,706
Suncoke Energy, Inc., 7.625%, 8/01/19	1,620,000	1,668,600
TMS International Corp., 7.625%, 10/15/21 (n)	1,570,000	1,636,725
Walter Energy, Inc., 9.5%, 10/15/19 (n)	1,035,000	786,600
Walter Energy, Inc., 8.5%, 4/15/21	1,060,000	201,400
		$ 26,987,502
Midstream – 5.0%		
AmeriGas Finance LLC, 6.75%, 5/20/20	$ 2,730,000	$ 2,811,900
Atlas Pipeline Partners LP/Atlas Pipeline, 5.875%, 8/01/23	2,300,000	2,277,000
Atlas Pipeline Partners LP/Atlas Pipeline, 4.75%, 11/15/21	660,000	627,000
Blue Racer Midstream LLC/Blue Racer Finance Corp., 6.125%, 11/15/22 (n)	670,000	646,550
Crestwood Midstream Partners LP, 6%, 12/15/20	1,410,000	1,350,075
Crestwood Midstream Partners LP, 6.125%, 3/01/22	905,000	864,275
El Paso Corp., 7.75%, 1/15/32	3,725,000	4,581,750
Energy Transfer Equity LP, 7.5%, 10/15/20	2,105,000	2,336,550
Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 5/01/21	790,000	770,250
Ferrellgas LP/Ferrellgas Finance Corp., 6.75%, 1/15/22	2,710,000	2,649,025
MarkWest Energy Partners LP/MarkWest Energy Finance Corp., 4.5%, 7/15/23	1,108,000	1,066,450
MarkWest Energy Partners LP/MarkWest Energy Finance Corp., 5.5%, 2/15/23	2,115,000	2,141,438
Sabine Pass Liquefaction LLC, 5.625%, 4/15/23	1,880,000	1,837,700
Sabine Pass Liquefaction LLC, 5.625%, 2/01/21	2,020,000	1,984,650
Sabine Pass Liquefaction LLC, 5.75%, 5/15/24	1,055,000	1,035,219
Summit Midstream Holdings LLC/Summit Midstream Finance Corp., 7.5%, 7/01/21	570,000	598,500
Summit Midstream Holdings LLC/Summit Midstream Finance Corp., 5.5%, 8/15/22	1,190,000	1,130,500
Targa Resources Partners LP/Targa Resources Finance Corp., 4.125%, 11/15/19 (n)	1,160,000	1,116,500
		$ 29,825,332
Network & Telecom – 1.6%		
Centurylink, Inc., 6.45%, 6/15/21	$ 1,120,000	$ 1,201,200
Centurylink, Inc., 6.75%, 12/01/23	585,000	640,575
Centurylink, Inc., 7.65%, 3/15/42	1,970,000	1,960,150
Citizens Communications Co., 9%, 8/15/31	1,665,000	1,747,792
Frontier Communications Corp., 8.125%, 10/01/18	495,000	555,638
Telecom Italia Capital, 6%, 9/30/34	730,000	730,000
Telecom Italia S.p.A., 5.303%, 5/30/24 (n)	1,810,000	1,832,625
Windstream Corp., 7.75%, 10/15/20	935,000	960,713
		$ 9,628,693

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Oil Services – 1.2%		
Bristow Group, Inc., 6.25%, 10/15/22	$ 2,588,000	$ 2,575,060
Pacific Drilling S.A., 5.375%, 6/01/20 (n)	2,275,000	1,854,125
Shale-Inland Holdings LLC/Finance Co., 8.75%, 11/15/19 (n)	1,275,000	1,287,750
Unit Corp., 6.625%, 5/15/21	1,695,000	1,517,025
		$ 7,233,960
Oils – 0.2%		
CITGO Petroleum Corp., 6.25%, 8/15/22 (n)	$ 1,350,000	$ 1,370,250
Other Banks & Diversified Financials – 0.5%		
Groupe BPCE S.A., 12.5% to 9/30/19, FRN to 8/29/49 (n)	$ 2,447,000	$ 3,303,450
Pharmaceuticals – 1.5%		
Endo Finance LLC/Endo Finco, Inc., 7.25%, 1/15/22 (n)	$ 2,745,000	$ 2,937,150
Mallinckrodt International Finance S.A., 5.75%, 8/01/22 (n)	1,260,000	1,294,650
Valeant Pharmaceuticals International, Inc., 7%, 10/01/20 (n)	3,035,000	3,201,925
Valeant Pharmaceuticals International, Inc., 7.25%, 7/15/22 (n)	1,135,000	1,210,194
Vantage Point Imaging, 7.5%, 7/15/21 (n)	320,000	345,600
		$ 8,989,519
Pollution Control – 0.0%		
Abengoa Finance S.A.U., 8.875%, 2/05/18	EUR 230,000	$ 265,927
Precious Metals & Minerals – 0.6%		
Aurico Gold, Inc., 7.75%, 4/01/20 (n)	$ 1,735,000	$ 1,596,200
Eldorado Gold Corp., 6.125%, 12/15/20 (n)	2,000,000	1,940,000
		$ 3,536,200
Printing & Publishing – 1.0%		
American Media, Inc., 13.5%, 6/15/18 (z)	$ 194,964	$ 208,246
Gannett Co., Inc., 5.125%, 7/15/20	935,000	953,700
Gannett Co., Inc., 4.875%, 9/15/21 (n)	555,000	550,838
Gannett Co., Inc., 6.375%, 10/15/23	1,390,000	1,473,400
Lamar Media Corp., 5%, 5/01/23	1,140,000	1,128,600
Nielsen Finance LLC, 5%, 4/15/22 (n)	1,465,000	1,472,325
		$ 5,787,109
Railroad & Shipping – 0.3%		
Watco Cos. LLC, 6.375%, 4/01/23 (n)	$ 1,630,000	$ 1,613,700
Real Estate – Healthcare – 1.0%		
Aviv Healthcare Properties LP/Aviv Healthcare, REIT, 6%, 10/15/21	$ 2,475,000	$ 2,574,000
MPT Operating Partnership LP, REIT, 6.875%, 5/01/21	1,840,000	1,968,800
MPT Operating Partnership LP, REIT, 6.375%, 2/15/22	1,380,000	1,466,250
		$ 6,009,050

Issuer	Shares/Par	Value ($)
BONDS – continued		
Real Estate – Other – 1.4%		
CNL Lifestyle Properties, Inc., REIT, 7.25%, 4/15/19	$ 1,355,000	$ 1,385,488
DuPont Fabros Technology LP, REIT, 5.875%, 9/15/21	2,455,000	2,501,031
EPR Properties, REIT, 7.75%, 7/15/20	1,520,000	1,823,311
EPR Properties, REIT, 5.75%, 8/15/22	550,000	600,801
Felcor Lodging LP, REIT, 5.625%, 3/01/23	2,380,000	2,356,200
		$ 8,666,831
Retailers – 1.7%		
Best Buy Co., Inc., 5.5%, 3/15/21	$ 2,680,000	$ 2,787,200
Bon Ton Stores, Inc., 8%, 6/15/21	1,505,000	1,256,675
DriveTime Automotive Group, Inc./DT Acceptance Corp., 8%, 6/01/21 (z)	340,000	305,575
Jo-Ann Stores Holdings, Inc., 9.75%, 10/15/19 (n)(p)	1,695,000	1,440,750
Limited Brands, Inc., 7%, 5/01/20	580,000	658,300
Limited Brands, Inc., 6.95%, 3/01/33	735,000	768,075
Neiman Marcus Group Ltd., 8%, 10/15/21 (n)	990,000	1,046,925
Rite Aid Corp., 9.25%, 3/15/20	1,350,000	1,473,188
Sally Beauty Holdings, Inc., 6.875%, 11/15/19	585,000	621,563
		$ 10,358,251
Specialty Chemicals – 0.3%		
Chemtura Corp., 5.75%, 7/15/21	$ 1,950,000	$ 1,901,250
Specialty Stores – 0.7%		
Group 1 Automotive, Inc., 5%, 6/01/22 (n)	$ 2,555,000	$ 2,497,513
Michaels Stores, Inc., 5.875%, 12/15/20 (n)	1,440,000	1,454,400
		$ 3,951,913
Telecommunications – Wireless – 4.2%		
Crown Castle International Corp., 5.25%, 1/15/23	$ 1,710,000	$ 1,744,200
Crown Castle International Corp., 4.875%, 4/15/22	725,000	732,250
Digicel Group Ltd., 8.25%, 9/01/17 (n)	1,050,000	1,063,125
Digicel Group Ltd., 8.25%, 9/30/20 (n)	765,000	742,050
Digicel Group Ltd., 6%, 4/15/21 (n)	785,000	733,975
Digicel Group Ltd., 7.125%, 4/01/22 (n)	1,102,000	1,024,860
Eileme 2 AB, 11.625%, 1/31/20 (n)	1,190,000	1,332,800
Sprint Capital Corp., 6.875%, 11/15/28	1,915,000	1,685,200
Sprint Corp., 7.875%, 9/15/23	1,745,000	1,722,664
Sprint Corp., 7.125%, 6/15/24	1,885,000	1,753,050
Sprint Nextel Corp., 9%, 11/15/18 (n)	590,000	671,066
Sprint Nextel Corp., 6%, 11/15/22	1,985,000	1,826,200
T-Mobile USA, Inc., 6.125%, 1/15/22	300,000	304,500
T-Mobile USA, Inc., 6.5%, 1/15/24	920,000	943,000
T-Mobile USA, Inc., 6.633%, 4/28/21	1,185,000	1,216,106
T-Mobile USA, Inc., 6.25%, 4/01/21	3,455,000	3,536,193
Wind Acquisition Finance S.A., 7.375%, 4/23/21 (n)	2,475,000	2,335,905
Wind Acquisition Finance S.A., 4.75%, 7/15/20 (n)	1,900,000	1,776,500
		$ 25,143,644

Issuer	Shares/Par	Value ($)
BONDS – continued		
Telephone Services – 0.3%		
Cogent Communications Group, Inc., 8.375%, 2/15/18 (n)	$ 790,000	$ 825,550
Frontier Communications Corp., 6.25%, 9/15/21	620,000	623,100
Level 3 Financing, Inc., 8.625%, 7/15/20	460,000	496,225
		$ 1,944,875
Transportation – Services – 2.1%		
Aguila American Resources Ltd., 7.875%, 1/31/18 (n)	$ 1,955,000	$ 1,891,463
Jack Cooper Holdings Corp., 9.25%, 6/01/20 (n)	2,160,000	2,235,600
Navios Logistics Finance (U.S.), Inc., 7.25%, 5/01/22 (n)	712,000	704,880
Navios Maritime Acquisition Corp., 8.125%, 11/15/21 (n)	699,000	681,525
Navios Maritime Holding, Inc., 7.375%, 1/15/22 (n)	2,165,000	2,002,625
Stena AB, 7%, 2/01/24 (n)	3,205,000	2,932,575
Syncreon Group BV/Syncre, 8.625%, 11/01/21 (n)	1,405,000	1,320,700
Ultrapetrol (Bahamas) Ltd., 8.875%, 6/15/21	585,000	617,175
		$ 12,386,543
Utilities – Electric Power – 1.6%		
AES Corp., 7.75%, 10/15/15	$ 42,000	$ 43,785
AES Corp., 7.375%, 7/01/21	1,190,000	1,344,700
Calpine Corp., 5.375%, 1/15/23	1,065,000	1,075,650
Covanta Holding Corp., 7.25%, 12/01/20	1,570,000	1,668,125
Covanta Holding Corp., 6.375%, 10/01/22	400,000	424,000
NRG Energy, Inc., 6.625%, 3/15/23	2,385,000	2,480,400
NRG Energy, Inc., 8.25%, 9/01/20	1,645,000	1,756,038
NRG Energy, Inc., 6.25%, 7/15/22	910,000	930,475
		$ 9,723,173
Total Bonds (Identified Cost, $562,864,465)		**$545,714,798**
FLOATING RATE LOANS (g)(r) – 4.8%		
AEROSPACE – 0.3%		
TransDigm, Inc., Term Loan C, 3.75%, 2/28/20	$ 1,668,917	$ 1,635,538
BUILDING – 0.4%		
ABC Supply Co., Inc., Term Loan, 3.5%, 4/16/20	$ 1,252,084	$ 1,211,001
HD Supply, Inc., Term Loan B, 6/28/18	1,114,343	1,102,271
		$ 2,313,272
BUSINESS SERVICES – 0.1%		
Fleetcor Technologies, Inc., Term Loan B, 9/24/21 (o)	$ 538,375	$ 538,375
CABLE TV – 0.2%		
Cequel Communications LLC, Term Loan B, 3.5%, 2/14/19	$ 1,088,553	$ 1,070,637

Issuer	Shares/Par	Value ($)
FLOATING RATE LOANS (g)(r) – continued		
CONGLOMERATES – 0.5%		
Entegris, Inc., Term Loan B, 3.5%, 4/30/21	$ 1,704,504	$ 1,664,022
Silver II U.S. Holdings LLC, Term Loan, 4%, 12/13/19	1,291,876	1,195,254
		$ 2,859,276
CONSUMER SERVICES – 0.2%		
Realogy Corp., Term Loan B, 3.75%, 3/05/20	$ 1,350,521	$ 1,324,635
CONTAINERS – 0.1%		
Berry Plastics Group, Inc., Term Loan E, 3.75%, 1/06/21	$ 944,700	$ 919,115
ELECTRONICS – 0.3%		
Avago Technologies Cayman Ltd., Term Loan B, 3.75%, 5/06/21	$ 1,603,490	$ 1,594,804
ENERGY – INDEPENDENT – 0.2%		
MEG Energy Corp., Term Loan, 3.75%, 3/31/20	$ 1,099,729	$ 1,049,141
ENTERTAINMENT – 0.1%		
Cedar Fair LP, Term Loan B, 3.25%, 3/06/20	$ 959,456	$ 955,858
FOOD & BEVERAGES – 0.1%		
H.J. Heinz Co., Term Loan B2, 3.5%, 6/05/20	$ 573,458	$ 569,054
GAMING & LODGING – 0.3%		
Hilton Worldwide Finance LLC, Term Loan B2, 3.5%, 10/25/20	$ 1,786,243	$ 1,761,682
MEDICAL & HEALTH TECHNOLOGY & SERVICES – 0.3%		
Community Health Systems, Inc., Term Loan D, 4.25%, 1/27/21	$ 340,230	$ 339,096
DaVita HealthCare Partners, Inc., Term Loan B, 3.5%, 6/24/21 (o)	1,578,973	1,558,953
		$ 1,898,049
METALS & MINING – 0.2%		
FMG Resources Ltd., Term Loan B, 3.75%, 6/30/19	$ 1,098,589	$ 998,343
PRINTING & PUBLISHING – 0.2%		
CBS Outdoor Americas Capital LLC, Term Loan B, 3%, 1/31/21	$ 1,319,425	$ 1,285,120
RETAILERS – 0.3%		
Rite Aid Corp., Second Lien Term Loan, 4.87%, 6/21/21	$ 428,335	$ 427,799
Dollar Tree, Inc., Bridge Term Loan, 8/08/15 (o)	1,435,000	1,435,000
		$ 1,862,799
TELEPHONE SERVICES – 0.3%		
Level 3 Financing, Inc., Term Loan B, 4.5%, 1/31/22	$ 1,601,566	$ 1,602,067
TRANSPORTATION – SERVICES – 0.3%		
Commercial Barge Line Co., First Lien Term Loan, 7.5%, 9/15/19	$ 1,954,024	$ 1,944,254

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
FLOATING RATE LOANS (g)(r) – continued		
UTILITIES – ELECTRIC POWER – 0.4%		
Calpine Construction Finance Co., Term Loan B1, 3%, 5/03/20	$ 2,314,311	$ 2,230,417
Total Floating Rate Loans (Identified Cost, $29,018,833)		**$ 28,412,436**
COMMON STOCKS – 0.5%		
Automotive – 0.0%		
Accuride Corp. (a)	42,065	$ 182,562
Special Products & Services – 0.5%		
iShares iBoxx High Yield Corp. Bond ETF	33,700	$ 3,019,520
Total Common Stocks (Identified Cost, $3,608,836)		**$ 3,202,082**
MONEY MARKET FUNDS – 2.3%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	13,904,801	$ 13,904,801
Total Investments (Identified Cost, $609,396,935)		**$591,234,117**
OTHER ASSETS, LESS LIABILITIES – 1.2%		**7,126,899**
NET ASSETS – 100.0%		**$598,361,016**

(a) Non-income producing security.

(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 $202,048,094, representing 33.8% of net assets.

(o) All or a portion of this position has not settled. Upon settlement date, interest rates for unsettled amounts will be determined. The rate shown, if any, represents the weighted average coupon rate for settled amounts.

(p) Payment-in-kind security for which interest income may be received in additional securities and/or cash. During the period, the following amount of interest income was received in additional securities and/or cash:

Payment-in-kind Securities	Cash	Additional Securities
Jo-Ann Stores Holdings, Inc., 9.75%, 10/15/19	$165,263	$—
Schaeffler Finance B.V., 6.875%, 8/15/18	52,594	—
Schaeffler Holding Finance B.V., 6.25%, 11/15/19	—	—
Total	$217,857	$—

(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
American Media, Inc., 13.5%, 6/15/18	12/22/10	$196,770	$208,246
Arbor Realty Mortgage Securities, CDO, FRN, 2.531%, 4/21/38	12/20/05	1,136,457	1,031,267
Avaya, Inc., 10.5%, 3/01/21	12/11/14-12/15/14	327,808	342,000
CWCapital Cobalt Ltd., CDO, 6.23%, 5/25/45	3/20/06-8/16/13	2,329,901	138,926
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.53%, 4/26/50	4/12/06	1,082,068	11
DriveTime Automotive Group, Inc./DT Acceptance Corp., 8%, 6/01/21	12/08/14	321,426	305,575
Kindred Escrow Corp. II, 8%, 1/15/20	12/11/14-12/12/14	1,050,000	1,115,625
LGE Holdco VI B.V., 7.125%, 5/15/24	7/21/11-3/15/12	1,398,736	1,258,879
Rayonier AM Products, Inc., 5.5%, 6/01/24	12/22/14	325,464	324,394
Sensata Technologies B.V., 5.625%, 11/01/24	10/07/14-10/16/14	964,098	996,000
Total Restricted Securities			$5,720,923
% of Net assets			1.0%

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 12/31/14

Forward Foreign Currency Exchange Contracts at 12/31/14

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives							
SELL	EUR	Credit Suisse Group	1,208,511	1/09/15	$1,527,008	$1,462,421	$ 64,587
SELL	EUR	Goldman Sachs International	12,625	1/09/15	15,819	15,278	541
SELL	EUR	Royal Bank of Scotland Group PLC	155,665	1/09/15	194,997	188,371	6,626
							$ 71,754
Liability Derivatives							
BUY	EUR	Citibank N.A.	291,098	1/09/15	$ 368,147	$ 352,258	$(15,889)
BUY	EUR	Goldman Sachs International	37,800	1/09/15	47,124	45,741	(1,383)
BUY	EUR	UBS AG	982,423	1/09/15	1,243,050	1,188,832	(54,218)
							$(71,490)

Futures Contracts Outstanding at 12/31/14

Description	Currency	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
Liability Derivatives					
Interest Rate Futures					
U.S. Treasury Note 10 yr (Short)	USD	56	$7,100,625	March - 2015	$(37,821)

At December 31, 2014, the fund had cash collateral of $67,200 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 12/31/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $595,492,134)	$577,329,316	
Underlying affiliated funds, at cost and value	13,904,801	
Total investments, at value (identified cost, $609,396,935)	$591,234,117	
Cash	646,404	
Restricted cash	67,200	
Receivables for		
Forward foreign currency exchange contracts	71,754	
Fund shares sold	72,388	
Interest	9,943,733	
Receivable from investment adviser	26,042	
Other assets	5,165	
Total assets		$602,066,803
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$71,490	
Daily variation margin on open futures contracts	12,250	
Investments purchased	2,699,801	
Fund shares reacquired	801,622	
Payable to affiliates		
Shareholder servicing costs	128	
Distribution and/or service fees	1,156	
Payable for independent Trustees' compensation	25	
Accrued expenses and other liabilities	119,315	
Total liabilities		$3,705,787
Net assets		$598,361,016
Net assets consist of		
Paid-in capital	$625,915,552	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	(18,200,961)	
Accumulated net realized gain (loss) on investments and foreign currency	(47,736,874)	
Undistributed net investment income	38,383,299	
Net assets		$598,361,016
Shares of beneficial interest outstanding		98,123,775

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$514,088,709	84,171,596	$6.11
Service Class	84,272,307	13,952,179	6.04

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 12/31/14

Net investment income		
Income		
Interest	$41,028,540	
Dividends	107,952	
Dividends from underlying affiliated funds	7,740	
Total investment income		$41,144,232
Expenses		
Management fee	$4,661,893	
Distribution and/or service fees	237,046	
Shareholder servicing costs	29,925	
Administrative services fee	99,291	
Independent Trustees' compensation	15,718	
Custodian fee	73,272	
Shareholder communications	105,656	
Audit and tax fees	74,717	
Legal fees	6,793	
Miscellaneous	41,781	
Total expenses		$5,346,092
Fees paid indirectly	(546)	
Reduction of expenses by investment adviser	(189,015)	
Net expenses		$5,156,531
Net investment income		$35,987,701
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$11,045,539	
Futures contracts	(211,289)	
Swap agreements	330,761	
Foreign currency	1,589	
Net realized gain (loss) on investments and foreign currency		$11,166,600
Change in unrealized appreciation (depreciation)		
Investments	$(27,129,830)	
Futures contracts	(37,821)	
Swap agreements	(316,333)	
Translation of assets and liabilities in foreign currencies	189,047	
Net unrealized gain (loss) on investments and foreign currency translation		$(27,294,937)
Net realized and unrealized gain (loss) on investments and foreign currency		$(16,128,337)
Change in net assets from operations		$19,859,364

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	2014	2013
Change in net assets		
From operations		
Net investment income	$35,987,701	$32,196,425
Net realized gain (loss) on investments and foreign currency	11,166,600	14,791,354
Net unrealized gain (loss) on investments and foreign currency translation	(27,294,937)	(8,037,754)
Change in net assets from operations	$19,859,364	$38,950,025
Distributions declared to shareholders		
From net investment income	$(34,697,077)	$(17,013,351)
Change in net assets from fund share transactions	$(90,410,935)	$202,347,725
Total change in net assets	$(105,248,648)	$224,284,399
Net assets		
At beginning of period	703,609,664	479,325,265
At end of period (including undistributed net investment income of $38,383,299 and $34,473,668, respectively)	$598,361,016	$703,609,664

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				
	2014	2013	2012	2011	2010
Net asset value, beginning of period	$6.28	$6.05	$5.64	$5.96	$5.67
Income (loss) from investment operations					
Net investment income (d)	$0.35	$0.36	$0.40	$0.41	$0.42
Net realized and unrealized gain (loss) on investments and foreign currency	(0.17)	0.02	0.42	(0.18)	0.42
Total from investment operations	$0.18	$0.38	$0.82	$0.23	$0.84
Less distributions declared to shareholders					
From net investment income	$(0.35)	$(0.15)	$(0.41)	$(0.55)	$(0.55)
Net asset value, end of period (x)	$6.11	$6.28	$6.05	$5.64	$5.96
Total return (%) (k)(r)(s)(x)	2.81	6.42	14.91	4.13	15.53
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.77	0.76	0.81	0.86	0.88
Expenses after expense reductions (f)	0.74	0.75	0.79	0.81	0.83
Net investment income	5.44	5.79	6.65	6.97	7.42
Portfolio turnover	43	52	48	57	62
Net assets at end of period (000 omitted)	$514,089	$600,994	$368,899	$145,773	$122,666

Service Class	Years ended 12/31				
	2014	2013	2012	2011	2010
Net asset value, beginning of period	$6.21	$5.99	$5.59	$5.91	$5.63
Income (loss) from investment operations					
Net investment income (d)	$0.33	$0.34	$0.38	$0.40	$0.41
Net realized and unrealized gain (loss) on investments and foreign currency	(0.16)	0.02	0.41	(0.19)	0.40
Total from investment operations	$0.17	$0.36	$0.79	$0.21	$0.81
Less distributions declared to shareholders					
From net investment income	$(0.34)	$(0.14)	$(0.39)	$(0.53)	$(0.53)
Net asset value, end of period (x)	$6.04	$6.21	$5.99	$5.59	$5.91
Total return (%) (k)(r)(s)(x)	2.53	6.10	14.54	3.86	15.17
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.02	1.01	1.06	1.11	1.13
Expenses after expense reductions (f)	0.99	1.00	1.04	1.06	1.08
Net investment income	5.19	5.56	6.46	6.73	7.18
Portfolio turnover	43	52	48	57	62
Net assets at end of period (000 omitted)	$84,272	$102,616	$110,426	$83,400	$101,189

(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 diversified 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.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(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 June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures ("ASU 2014-11"). ASU 2014-11 changes the accounting for repurchase-to-maturity transactions (i.e., repurchase agreements that settle at the same time as the maturity of the transferred financial asset) and enhances the required disclosures for repurchase agreements and other similar transactions. Although still evaluating the potential impacts of ASU 2014-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures which would first be effective for interim reporting periods beginning after March 15, 2015.

Balance Sheet Offsetting – 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 International Swaps and Derivatives Association (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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, 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.

Investment Valuations – Debt instruments and floating rate loans, 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 may be 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. Futures contracts are generally valued at last posted settlement price as provided by a third-party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as provided by a third-party pricing service on the market on which such futures contracts are primarily traded. 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 futures contracts and forward foreign currency exchange contracts. The following is a summary of the levels used as of December 31, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities	$3,202,082	$—	$—	$3,202,082
Non-U.S. Sovereign Debt	—	781,098	—	781,098
U.S. Corporate Bonds	—	440,664,637	—	440,664,637
Commercial Mortgage-Backed Securities	—	324,862	—	324,862
Asset-Backed Securities (including CDOs)	—	1,185,881	—	1,185,881
Foreign Bonds	—	102,758,320	—	102,758,320
Floating Rate Loans	—	28,412,436	—	28,412,436
Mutual Funds	13,904,801	—	—	13,904,801
Total Investments	$17,106,883	$574,127,234	$—	$591,234,117
Other Financial Instruments				
Futures Contracts	$(37,821)	$—	$—	$(37,821)
Forward Foreign Currency Exchange Contracts	—	264	—	264

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 12/31/13	$244,309
Realized gain (loss)	(704,002)
Change in unrealized appreciation (depreciation)	468,661
Proceeds from tender offer	(8,968)
Balance as of 12/31/14	$—

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, futures contracts, 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, 2014 as reported in the Statement of Assets and Liabilities:

		Fair Value (a)	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Interest Rate	Interest Rate Futures	$—	$(37,821)
Foreign Exchange	Forward Foreign Currency Exchange	71,754	(71,490)
Total		$71,754	$(109,311)

(a) The value of futures contracts includes cumulative appreciation (depreciation) as reported in the fund's Portfolio of Investments. Only the current day variation margin for futures contracts is separately reported 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, 2014 as reported in the Statement of Operations:

Risk	**Futures Contracts**	**Swap Agreements**	**Foreign Currency**	**Investments (Purchased Options)**
Interest Rate	$(211,289)	$—	$—	$—
Foreign Exchange	—	—	65,273	—
Equity	—	—	—	(98,065)
Credit	—	330,761	—	—
Total	$(211,289)	$330,761	$65,273	$(98,065)

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, 2014 as reported in the Statement of Operations:

Risk	**Futures Contracts**	**Swap Agreements**	**Translation of Assets and Liabilities in Foreign Currencies**
Interest Rate	$(37,821)	$—	$—
Foreign Exchange	—	—	191,848
Credit	—	(316,333)	—
Total	$(37,821)	$(316,333)	$191,848

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 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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific ISDA counterparty is subject.

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.

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.

Futures Contracts – The fund entered into futures contracts which may be used to hedge against or obtain broad market exposure, interest rate exposure, currency exposure, or to manage duration. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the fund is required to deposit with the broker, either in cash or securities, an initial margin in an amount equal to a certain percentage of the notional amount of the contract. Subsequent payments (variation margin) are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gain or loss by the fund until the contract is closed or expires at which point the gain or loss on futures contracts is realized.

The fund bears the risk of interest rates, exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. While futures contracts may present less counterparty risk to the fund since the contracts are exchange traded and the exchange's clearinghouse guarantees payments to the broker, there is still counterparty credit risk due to the insolvency of the broker. The fund's maximum risk of loss due to counterparty credit risk is equal to the margin posted by the fund to the broker plus any gains or minus any losses on the outstanding futures contracts.

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. 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 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. The fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from/paid to the counterparty over the contract's remaining life, to the extent that the amount is positive. 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 to the protection seller based on a fixed percentage applied to the agreement notional amount 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.

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 contractually obligate the fund to supply additional cash to the borrower on demand. The fund generally provides this financial support in order to preserve its existing investment or to obtain a more senior secured interest in the assets of the borrower. 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.

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, 2014, 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:

	12/31/14	**12/31/13**
Ordinary income (including any short-term capital gains)	$34,697,077	$17,013,351

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/14	
Cost of investments	$612,646,986
Gross appreciation	7,523,727
Gross depreciation	(28,936,596)
Net unrealized appreciation (depreciation)	$(21,412,869)
Undistributed ordinary income	38,419,572
Capital loss carryforwards	(44,524,644)
Other temporary differences	(36,595)

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, 2014, the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

12/31/15	$(2,561,952)
12/31/16	(30,768,220)
12/31/17	(11,194,472)
Total	$(44,524,644)

The availability of $10,086,800 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.

The availability of $34,437,844 of the capital loss carryforwards of the fund may be limited in a given year due to a change in ownership of the fund on July 31, 2013.

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 12/31/14	**Year ended 12/31/13**
Initial Class	$29,997,899	$14,745,171
Service Class	4,699,178	2,268,180
Total	$34,697,077	$17,013,351

(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%

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 year ended December 31, 2014, this management fee reduction amounted to $30,321, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2014 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, excluding 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 expired on July 31, 2014. For the period January 1, 2014 through July 31, 2014, this reduction amounted to $15,865, which is included in the reduction of total expenses in the Statement of Operations. Effective August 1, 2014, the investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, excluding interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses, such that total annual operating expenses do not exceed 0.72% of average daily net assets for the Initial Class shares and 0.97% 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, 2016. For the period August 1, 2014 through December 31, 2014, this reduction amounted to $141,648, which is included in the 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, 2014, the fee was $29,172, which equated to 0.0044% 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, 2014, these costs amounted to $753.

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, 2014 was equivalent to an annual effective rate of 0.0149% 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 – Effective November 1, 2014, this fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. Prior to November 1, 2014, the funds had entered into services agreements (the Compliance Officer Agreements) which provided 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. Prior to November 1, 2014, Frank L. Tarantino served as the ICCO. Effective October 31, 2014, Mr. Tarantino resigned as ICCO and the Compliance Officer Agreement between the funds and Tarantino LLC was terminated. Prior to June 1, 2014, Robyn L. Griffin served as the Assistant ICCO and was an officer of the funds. Ms. Griffin is the sole member of Griffin Compliance LLC. Effective May 31, 2014, Ms. Griffin resigned as Assistant ICCO and the Compliance Officer Agreement between the funds and Griffin Compliance LLC was terminated. For the year ended December 31, 2014, the aggregate fees paid by the fund under these agreements were $3,000 and are included in "Miscellaneous" expense in the Statement of Operations. MFS had agreed to reimburse the fund for a portion of the payments made by the fund for the services under the Compliance Officer Agreements in the amount of $1,181, which is included in the 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, Assistant ICCO, and ISO.

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

For the year ended December 31, 2014, purchases and sales of investments, other than purchased option transactions and short-term obligations, aggregated $278,557,509 and $369,596,111, 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 12/31/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	2,991,264	$19,007,846	6,128,557	$37,619,278
Service Class	2,757,244	16,995,501	2,045,810	12,424,302
	5,748,508	$36,003,347	8,174,367	$50,043,580
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

Notes to Financial Statements – continued

	Year ended 12/31/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares issued to shareholders in reinvestment of distributions				
Initial Class	4,791,997	$29,997,899	2,453,439	$14,745,171
Service Class	757,932	4,699,178	381,207	2,268,180
	5,549,929	$34,697,077	2,834,646	$17,013,351
Shares reacquired				
Initial Class	(19,315,849)	$(123,140,577)	(14,297,350)	$(88,123,651)
Service Class	(6,083,157)	(37,970,782)	(5,214,014)	(31,898,066)
	(25,399,006)	$(161,111,359)	(19,511,364)	$(120,021,717)
Net change				
Initial Class	(11,532,588)	$(74,134,832)	34,682,651	$214,304,447
Service Class	(2,567,981)	(16,276,103)	(1,929,340)	(11,956,722)
	(14,100,569)	$(90,410,935)	32,753,311	$202,347,725

The fund is one of several mutual funds in which certain MFS funds may invest. The MFS 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 18%, 7%, and 5%, 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, 2014, the fund's commitment fee and interest expense were $2,587 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	6,453,869	195,154,013	(187,703,081)	13,904,801

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$7,740	$13,904,801

(8) Acquisitions

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.

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 of MFS Variable Insurance Trust II) (the "Fund") as of December 31, 2014, 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, 2014, 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, 2014, 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 13, 2015

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2015, 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 51)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Co-Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach (k) (age 53)	Trustee and President	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 72)	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
Steven E. Buller (age 63)	Trustee	February 2014	Chairman, Financial Accounting Standards Advisory Council; Standing Advisory Group, Public Company Accounting Oversight Board, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014)	N/A
Robert E. Butler (age 73)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 59)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 73)	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 70)	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 60)	Trustee	January 2009	Private investor	N/A
Maryanne L. Roepke (age 58)	Trustee	May 2014	American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014)	N/A
Laurie J. Thomsen (age 57)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 73)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
Christopher R. Bohane (k) (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark (k) (age 46)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors (k) (age 55)	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

Name, Age	Position(s) Held with Fund	Trustee/Officer Since (h)	Principal Occupations During the Past Five Years	Other Directorships (j)
Ethan D. Corey (k) (age 51)	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 46)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Timothy M. Fagan (k) (age 46)	Chief Compliance Officer	November 2014	Massachusetts Financial Services Company, Chief Compliance Officer; Vice President and Senior Counsel (until 2012)	N/A
Brian E. Langenfeld (k) (age 41)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 64)	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 44)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 44)	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 62)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Matthew A. Stowe (k) (age 40)	Assistant Secretary and Assistant Clerk	October 2014	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Frank L. Tarantino (age 70)	Independent Senior Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 44)	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 54)	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. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. Ms. Stelmach was appointed as President of the Funds as of October 1, 2014.

(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 a position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach, Mr. Buller and Ms. Roepke) 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 Mses. Thomsen and Roepke 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 February 1, 2015, the Trustees served as board members of 135 funds within the MFS Family of Funds.

Trustees and Officers – continued

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, 2014 ("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, 2013 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, 2013, 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 3rd quintile for the one-year period and the 2nd quintile for the five-year period ended December 31, 2013 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, and that MFS has agreed to further reduce such 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 higher than the Lipper expense group median and the Fund's total expense ratio was 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 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, 2014.

PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are 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 "Market Commentary" and "Announcements" sub sections in the "Market Outlooks" section 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?

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, 2014

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

Dear Contract Owners:

As 2015 begins, sharply lower oil prices are reshaping the global economy, adding to deflationary pressures in the eurozone and exacerbating challenges faced by oil exporters such as Russia. The U.S. economy stands on firmer ground, having expanded steadily over the past year. The U.S. labor market has regained momentum, consumer confidence is buoyant and gasoline prices have tumbled, boosting prospects for a stronger economic rebound in 2015.

Other regions are struggling. The eurozone economy is barely expanding, and the European Central Bank (ECB) has introduced large-scale asset purchases.

Despite Japan's efforts to strengthen its economy, its sales tax increase last spring tipped the country into a recession, leading to additional monetary stimulus from the Bank of Japan. China's economy is slowing as it transitions to a more sustainable basis, and its growth rate will likely continue to decline.

As always, active risk management is integral to how we at MFS® manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global investment team uses a diversified, multidisciplined, long-term approach.

Applying proven principles, such as asset allocation and diversification, can best serve investors over the long term. We are confident that this approach can help you as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

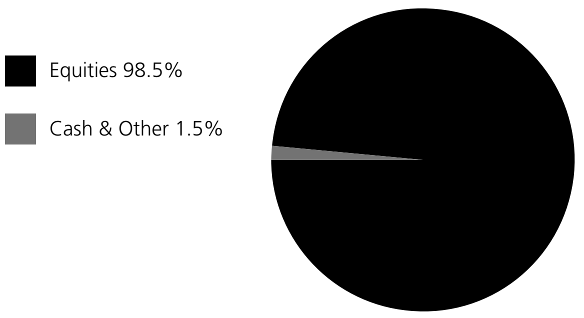
Robert J. Manning
Chairman
MFS Investment Management

February 13, 2015

The opinions expressed in this letter are subject to change and may not be relied upon for investment advice. No forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

JPMorgan Chase & Co.	3.0%
Danaher Corp.	2.8%
Visa, Inc., "A"	2.5%
EMC Corp.	2.2%
Johnson & Johnson	2.1%
Procter & Gamble Co.	2.1%
Wells Fargo & Co.	2.1%
Walt Disney Co.	2.0%
United Technologies Corp.	2.0%
American Express Co.	1.9%

Equity sectors

Financial Services	19.4%
Health Care	14.2%
Technology	10.6%
Industrial Goods & Services	9.4%
Consumer Staples	8.0%
Leisure	7.9%
Retailing	7.6%
Energy	5.9%
Special Products & Services	4.4%
Basic Materials	3.7%
Utilities & Communications	3.6%
Transportation	2.2%
Autos & Housing	1.6%

Cash & Other can include cash, other assets less liabilities, offsets to derivative positions, and short-term securities.
Percentages are based on net assets as of 12/31/14.
The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2014, Initial Class shares of the MFS Investors Trust Series ("fund") provided a total return of 11.01%, while Service Class shares of the fund provided a total return of 10.71%. These compare with a return of 13.69% over the same period for the fund's benchmark, the Standard & Poor's 500 Stock Index ("S&P 500 Index").

Market Environment

Early in the period, US equities suffered what proved to be a temporary setback due to concerns over emerging markets as well as what was perceived at the time to be a pause in US economic growth, partially caused by extreme weather events and a weak December 2013 labor market report. Markets soon recovered as the economic pause concluded and investors appeared to have become increasingly comfortable that newly-installed US Federal Reserve ("Fed") Chair Janet Yellen would not make any substantial changes to the trajectory of Fed monetary policy.

A generally risk-friendly, carry trade environment persisted from February 2014 until mid-year. While geopolitical tensions flared in the Middle East and Russia/Ukraine, any market setbacks were short-lived as improving economic growth in the US, coupled with prospects for easier monetary policy in regions with slowing growth, such as Japan, Europe and China, supported risk assets. For example, the European Central Bank ("ECB") cut policy interest rates into negative territory and, by the end of the period, expectations were for additional rate cuts and the announcement for non-conventional easing measures. Similarly, the Bank of Japan surprised markets late in the period with fresh stimulus measures given lackluster growth trends. The related decline in developed market government bond yields and credit spreads were also supportive for equity markets. At the end of the period, the US equity market was trading close to all-time highs and US Treasury yields were close to their lows for the period. However, credit markets did not fare as well in the second half of 2014, particularly US high yield and emerging market debt. The higher weightings of oil and gas credits in these asset classes resulted in widening spreads and increased volatility as oil prices began to decline in an accelerated fashion in the fourth quarter.

Detractors from Performance

The combination of weak stock selection and an underweight position in the *technology* sector was a negative factor for performance relative to the S&P 500 Index. Within this sector, the fund's underweight position in computer and personal electronics maker Apple, and not holding shares of strong-performing computer electronic components manufacturer Intel and computer and software provider Microsoft, weighed on relative results as all three stocks outperformed the benchmark during the period. The fund's overweight position in poor-performing internet search giant Google also hurt relative performance. Shares of Google missed analysts' estimates for both revenue and income for the last four quarters. The company continued to face headwinds from a maturing internet search market, challenges with monetizing mobile search, and regulatory anti-trust rulings in the European Union.

Weak stock selection in the *consumer staples* sector was another detractor from relative returns, led by the fund's holdings of international food producer Groupe Danone [(b)] (France) and alcoholic beverage producer Diageo [(b)] (United Kingdom) hampered relative performance as both stocks turned in negative performance. Shares of Diageo declined due to the company's slower sales growth in the emerging markets and North America.

Stock selection in both the *health care* and *basic materials* sectors also detracted from relative results. However, there were no individual stocks within either sector that were among the fund's largest relative detractors during the period.

Elsewhere, the fund's overweight positions in independent energy company Noble Energy, oil and gas equipment company Cameron International and construction engineering firm Fluor Corp. held back relative performance. Shares of these oil-sensitive companies declined during the period primarily due to a significant decrease in oil prices during the period. Additionally, an overweight position in poor-performing aerospace and defense parts maker Precision Castparts lowered relative performance.

During the reporting period, the fund's relative currency exposure, resulting primarily from differences between the fund's and the benchmark's exposures to holdings of securities denominated in foreign currencies, detracted from relative performance. All of MFS' investment decisions are driven by the fundamentals of each individual opportunity and, as such, it is common for our portfolios to have different currency exposure than the benchmark.

Contributors to Performance

Strong stock selection in both the *leisure* and *autos & housing* sectors benefited relative performance during the period. Within the *leisure* sector, the fund's overweight position in media company Time Warner boosted relative returns as its stock price rose on the back of solid revenue growth. Within *autos & housing*, the fund's overweight position in strong-performing paint company Sherwin-Williams aided relative results. The company beat market expectations due to strong volume trends across all segments which were the primary drivers behind the stock's outperformance.

Stocks in other sectors that benefited relative performance included the fund's overweight positions in medical equipment manufacturer Covidien, computer products and services provider Hewlett-Packard, and women's apparel holding company Limited

Brands as all three stocks posted strong performance during the period. Shares of Covidien skyrocketed during the middle of the period as the company announced that Medtronic had entered into an agreement to acquire the company at a significant premium. The fund's underweight positions in poor-performing energy companies Exxon Mobil and Chevron, and avoiding shares of weak-performing diversified industrial company General Electric, internet retailer Amazon.com and diversified technology products and services company International Business Machines (IBM), supported relative returns.

Respectfully,

T. Kevin Beatty	Ted Maloney
Portfolio Manager	Portfolio Manager

(b) Security is not a benchmark constituent.

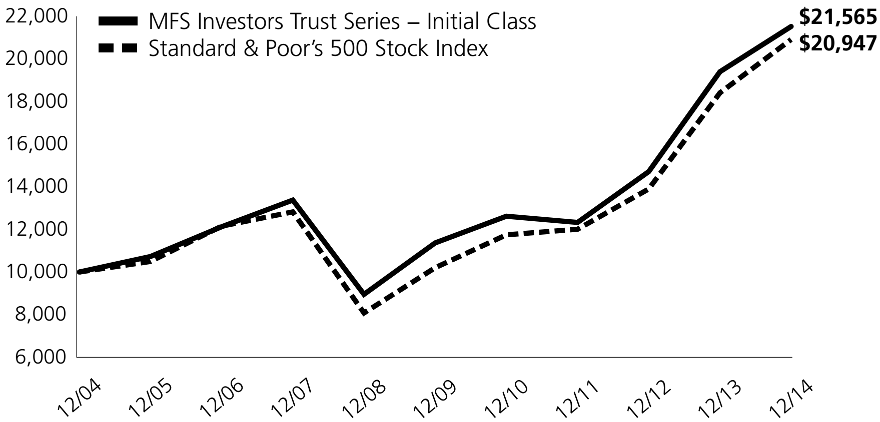
The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or 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 12/31/14

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 12/31/14

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	10/09/95	11.01%	13.68%	7.99%
Service Class	5/01/00	10.71%	13.40%	7.71%

Comparative benchmark

Standard & Poor's 500 Stock Index (f)	13.69%	15.45%	7.67%

(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, 2014 through December 31, 2014

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, 2014 through December 31, 2014.

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 7/01/14	Ending Account Value 12/31/14	Expenses Paid During Period (p) 7/01/14-12/31/14
Initial Class	Actual	0.80%	$1,000.00	$1,057.12	$4.15
	Hypothetical (h)	0.80%	$1,000.00	$1,021.17	$4.08
Service Class	Actual	1.05%	$1,000.00	$1,055.60	$5.44
	Hypothetical (h)	1.05%	$1,000.00	$1,019.91	$5.35

(h) 5% class return per year before expenses.

(p) "Expenses Paid During Period" are equal to each class's annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 12/31/14

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 – 98.2%		
Aerospace – 5.0%		
Honeywell International, Inc.	105,644	$ 10,555,948
Precision Castparts Corp.	35,668	8,591,708
United Technologies Corp.	109,874	12,635,510
		$ 31,783,166
Alcoholic Beverages – 1.7%		
Diageo PLC	155,015	$ 4,446,008
Pernod Ricard S.A.	59,158	6,559,259
		$ 11,005,267
Apparel Manufacturers – 2.4%		
LVMH Moet Hennessy Louis Vuitton S.A.	31,541	$ 4,987,707
NIKE, Inc., "B"	40,844	3,927,151
VF Corp.	81,614	6,112,889
		$ 15,027,747
Automotive – 0.5%		
Delphi Automotive PLC	41,465	$ 3,015,335
Broadcasting – 5.0%		
Time Warner, Inc.	131,057	$ 11,194,889
Twenty-First Century Fox, Inc.	209,067	8,029,218
Walt Disney Co.	137,586	12,959,225
		$ 32,183,332
Brokerage & Asset Managers – 2.9%		
BlackRock, Inc.	28,400	$ 10,154,704
Franklin Resources, Inc.	40,288	2,230,747
NASDAQ OMX Group, Inc.	128,158	6,146,458
		$ 18,531,909
Business Services – 4.4%		
Accenture PLC, "A"	109,639	$ 9,791,859
Cognizant Technology Solutions Corp., "A" (a)	183,002	9,636,885
Fidelity National Information Services, Inc.	140,628	8,747,062
		$ 28,175,806
Cable TV – 1.8%		
Comcast Corp., "A"	199,123	$ 11,551,125
Computer Software – 1.1%		
Citrix Systems, Inc. (a)	68,276	$ 4,356,009
Oracle Corp.	62,688	2,819,079
		$ 7,175,088
Computer Software – Systems – 4.2%		
Apple, Inc.	61,302	$ 6,766,515
EMC Corp.	463,278	13,777,888
Hewlett-Packard Co.	159,596	6,404,587
		$ 26,948,990
Construction – 1.1%		
Sherwin-Williams Co.	27,133	$ 7,137,064

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Consumer Products – 3.8%		
Colgate-Palmolive Co.	75,947	$ 5,254,773
Newell Rubbermaid, Inc.	145,609	5,546,247
Procter & Gamble Co.	146,064	13,304,970
		$ 24,105,990
Containers – 1.1%		
Crown Holdings, Inc. (a)	143,816	$ 7,320,234
Electrical Equipment – 3.9%		
Danaher Corp.	208,914	$ 17,906,019
W.W. Grainger, Inc.	26,463	6,745,154
		$ 24,651,173
Electronics – 2.4%		
Altera Corp.	189,890	$ 7,014,537
Microchip Technology, Inc.	186,466	8,411,481
		$ 15,426,018
Energy – Independent – 3.2%		
EOG Resources, Inc.	100,580	$ 9,260,401
Noble Energy, Inc.	126,926	6,020,100
Occidental Petroleum Corp.	61,011	4,918,097
		$ 20,198,598
Engineering – Construction – 0.6%		
Fluor Corp.	64,569	$ 3,914,818
Food & Beverages – 2.5%		
Danone S.A.	97,261	$ 6,398,460
General Mills, Inc.	46,842	2,498,084
Mondelez International, Inc.	197,355	7,168,920
		$ 16,065,464
General Merchandise – 2.1%		
Kohl's Corp.	102,854	$ 6,278,208
Target Corp.	94,649	7,184,806
		$ 13,463,014
Insurance – 0.9%		
ACE Ltd.	47,318	$ 5,435,892
Internet – 2.8%		
Google, Inc., "A" (a)	18,891	$ 10,024,698
Google, Inc., "C" (a)	15,136	7,967,590
		$ 17,992,288
Major Banks – 9.7%		
Bank of America Corp.	479,079	$ 8,570,723
Goldman Sachs Group, Inc.	60,650	11,755,790
JPMorgan Chase & Co.	303,007	18,962,178
Morgan Stanley	152,627	5,921,928
State Street Corp.	50,141	3,936,069
Wells Fargo & Co.	241,031	13,213,319
		$ 62,360,007

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical & Health Technology & Services – 0.9%		
McKesson Corp.	28,689	$ 5,955,263
Medical Equipment – 5.2%		
Abbott Laboratories	129,813	$ 5,844,181
Covidien PLC	62,854	6,428,707
St. Jude Medical, Inc.	70,172	4,563,285
Stryker Corp.	62,028	5,851,101
Thermo Fisher Scientific, Inc.	85,775	10,746,750
		$ 33,434,024
Oil Services – 2.8%		
Cameron International Corp. (a)	100,635	$ 5,026,718
National Oilwell Varco, Inc.	65,630	4,300,734
Schlumberger Ltd.	97,500	8,327,475
		$ 17,654,927
Other Banks & Diversified Financials – 5.9%		
American Express Co.	127,640	$ 11,875,626
MasterCard, Inc., "A"	112,311	9,676,716
Visa, Inc., "A"	61,487	16,121,891
		$ 37,674,233
Pharmaceuticals – 8.0%		
AbbVie, Inc.	93,794	$ 6,137,879
Actavis PLC (a)	14,653	3,771,829
Bristol-Myers Squibb Co.	98,897	5,837,890
Eli Lilly & Co.	44,609	3,077,575
Endo International PLC (a)	84,633	6,103,732
Johnson & Johnson	127,593	13,342,400
Pfizer, Inc.	111,386	3,469,674
Valeant Pharmaceuticals International, Inc. (a)	67,071	9,598,531
		$ 51,339,510
Railroad & Shipping – 1.3%		
Canadian National Railway Co.	122,391	$ 8,433,964
Restaurants – 1.1%		
McDonald's Corp.	73,729	$ 6,908,407
Specialty Chemicals – 2.6%		
FMC Corp.	12,278	$ 700,214
Linde AG	24,667	4,602,609
Praxair, Inc.	39,464	5,112,956
W.R. Grace & Co. (a)	64,021	6,106,963
		$ 16,522,742
Specialty Stores – 3.2%		
Bed Bath & Beyond, Inc. (a)	108,829	$ 8,289,505
Hermes International	259	92,391
L Brands, Inc.	63,475	5,493,761
Ross Stores, Inc.	67,959	6,405,815
		$ 20,281,472
Telecommunications – Wireless – 1.8%		
American Tower Corp., REIT	114,200	$ 11,288,670
Trucking – 0.8%		
United Parcel Service, Inc., "B"	48,217	$ 5,360,284

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Utilities – Electric Power – 1.5%		
American Electric Power Co., Inc.	72,658	$ 4,411,794
CMS Energy Corp.	157,717	5,480,666
		$ 9,892,460
Total Common Stocks (Identified Cost, $414,956,717)		**$628,214,281**
CONVERTIBLE PREFERRED STOCKS – 0.3%		
Utilities – Electric Power – 0.3%		
Exelon Corp., 6.5% (Identified Cost, $1,672,245)	33,054	$ 1,735,335
MONEY MARKET FUNDS – 1.5%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	9,693,997	$ 9,693,997
Total Investments (Identified Cost, $426,322,959)		**$639,643,613**
OTHER ASSETS, LESS LIABILITIES – 0.0%		**72,841**
NET ASSETS – 100.0%		**$639,716,454**

(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 12/31/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $416,628,962)	$629,949,616	
Underlying affiliated funds, at cost and value	9,693,997	
Total investments, at value (identified cost, $426,322,959)	$639,643,613	
Cash	22,426	
Receivables for		
Fund shares sold	278,630	
Interest and dividends	676,059	
Other assets	3,983	
Total assets		$640,624,711
Liabilities		
Payable to custodian	$68,629	
Payables for		
Investments purchased	17	
Fund shares reacquired	704,915	
Payable to affiliates		
Investment adviser	23,209	
Shareholder servicing costs	402	
Distribution and/or service fees	3,925	
Payable for independent Trustees' compensation	6	
Accrued expenses and other liabilities	107,154	
Total liabilities		$908,257
Net assets		$639,716,454
Net assets consist of		
Paid-in capital	$360,298,655	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	213,321,695	
Accumulated net realized gain (loss) on investments and foreign currency	61,303,504	
Undistributed net investment income	4,792,600	
Net assets		$639,716,454
Shares of beneficial interest outstanding		21,119,836

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$356,388,799	11,717,815	$30.41
Service Class	283,327,655	9,402,021	30.13

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 12/31/14

Net investment income		
Income		
Dividends	$10,524,978	
Interest	73,239	
Dividends from underlying affiliated funds	4,220	
Foreign taxes withheld	(183,958)	
Total investment income		$10,418,479
Expenses		
Management fee	$4,641,318	
Distribution and/or service fees	622,763	
Shareholder servicing costs	67,536	
Administrative services fee	93,638	
Independent Trustees' compensation	15,584	
Custodian fee	65,727	
Shareholder communications	68,526	
Audit and tax fees	52,630	
Legal fees	5,375	
Miscellaneous	21,209	
Total expenses		$5,654,306
Reduction of expenses by investment adviser	(29,551)	
Net expenses		$5,624,755
Net investment income		$4,793,724
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$62,249,569	
Foreign currency	(1,087)	
Net realized gain (loss) on investments and foreign currency		$62,248,482
Change in unrealized appreciation (depreciation)		
Investments	$(5,856,824)	
Translation of assets and liabilities in foreign currencies	642	
Net unrealized gain (loss) on investments and foreign currency translation		$(5,856,182)
Net realized and unrealized gain (loss) on investments and foreign currency		$56,392,300
Change in net assets from operations		$61,186,024

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	2014	2013
Change in net assets		
From operations		
Net investment income	$4,793,724	$5,380,383
Net realized gain (loss) on investments and foreign currency	62,248,482	52,154,454
Net unrealized gain (loss) on investments and foreign currency translation	(5,856,182)	117,146,735
Change in net assets from operations	$61,186,024	$174,681,572
Distributions declared to shareholders		
From net investment income	$(5,376,758)	$(6,505,100)
From net realized gain on investments	(47,877,196)	—
Total distributions declared to shareholders	$(53,253,954)	$(6,505,100)
Change in net assets from fund share transactions	$(8,620,643)	$(124,872,601)
Total change in net assets	$(688,573)	$43,303,871
Net assets		
At beginning of period	640,405,027	597,101,156
At end of period (including undistributed net investment income of $4,792,600 and $5,376,721, respectively)	$639,716,454	$640,405,027

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**				
	2014	**2013**	**2012**	**2011**	**2010**
Net asset value, beginning of period	$29.95	$22.93	$19.41	$20.04	$18.24
Income (loss) from investment operations					
Net investment income (d)	$0.26	$0.24	$0.25	$0.17	$0.16
Net realized and unrealized gain (loss) on investments and foreign currency	2.92	7.07	3.46	(0.61)	1.86
Total from investment operations	$3.18	$7.31	$3.71	$(0.44)	$2.02
Less distributions declared to shareholders					
From net investment income	$(0.30)	$(0.29)	$(0.19)	$(0.19)	$(0.22)
From net realized gain on investments	(2.42)	—	—	—	—
Total distributions declared to shareholders	$(2.72)	$(0.29)	$(0.19)	$(0.19)	$(0.22)
Net asset value, end of period (x)	$30.41	$29.95	$22.93	$19.41	$20.04
Total return (%) (k)(r)(s)(x)	11.01	32.05	19.18	(2.18)	11.10
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.81	0.81	0.82	0.82	0.83
Expenses after expense reductions (f)	0.81	0.81	0.82	0.82	0.83
Net investment income	0.87	0.93	1.15	0.84	0.87
Portfolio turnover	25	19	28	22	22
Net assets at end of period (000 omitted)	$356,389	$405,682	$455,295	$486,500	$603,279

Financial Highlights – continued

Service Class	Years ended 12/31				
	2014	2013	2012	2011	2010
Net asset value, beginning of period	$29.72	$22.78	$19.31	$19.95	$18.16
Income (loss) from investment operations					
Net investment income (d)	$0.19	$0.18	$0.20	$0.12	$0.11
Net realized and unrealized gain (loss) on investments and foreign currency	2.88	7.02	3.43	(0.61)	1.86
Total from investment operations	$3.07	$7.20	$3.63	$(0.49)	$1.97
Less distributions declared to shareholders					
From net investment income	$(0.24)	$(0.26)	$(0.16)	$(0.15)	$(0.18)
From net realized gain on investments	(2.42)	—	—	—	—
Total distributions declared to shareholders	$(2.66)	$(0.26)	$(0.16)	$(0.15)	$(0.18)
Net asset value, end of period (x)	$30.13	$29.72	$22.78	$19.31	$19.95
Total return (%) (k)(r)(s)(x)	10.71	31.74	18.83	(2.42)	10.88
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.06	1.06	1.07	1.07	1.08
Expenses after expense reductions (f)	1.06	1.06	1.07	1.07	1.08
Net investment income	0.63	0.67	0.93	0.60	0.63
Portfolio turnover	25	19	28	22	22
Net assets at end of period (000 omitted)	$283,328	$234,723	$141,806	$78,392	$62,309

(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 diversified 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.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(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 June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures ("ASU 2014-11"). ASU 2014-11 changes the accounting for repurchase-to-maturity transactions (i.e., repurchase agreements that settle at the same time as the maturity of the transferred financial asset) and enhances the required disclosures for repurchase agreements and other similar transactions. Although still evaluating the potential impacts of ASU 2014-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures which would first be effective for interim reporting periods beginning after March 15, 2015.

Balance Sheet Offsetting – 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 International Swaps and Derivatives Association (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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, 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.

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 may be 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, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$584,830,687	$—	$—	$584,830,687
France	92,391	17,945,426	—	18,037,817
Canada	18,032,495	—	—	18,032,495
Germany	4,602,609	—	—	4,602,609
United Kingdom	—	4,446,008	—	4,446,008
Mutual Funds	9,693,997	—	—	9,693,997
Total Investments	$617,252,179	$22,391,434	$—	$639,643,613

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $22,391,434 would have been considered level 1 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

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. On loans collateralized by cash, the cash collateral is invested in a money market fund. 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. 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, 2014, 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 payments received in additional securities are recorded on the ex-dividend 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, 2014, 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 years is as follows:

	12/31/14	**12/31/13**
Ordinary income (including any short-term capital gains)	$10,197,233	$6,505,100
Long-term capital gains	43,056,721	—
Total distributions	$53,253,954	$6,505,100

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/14	
Cost of investments	$427,979,520
Gross appreciation	215,886,323
Gross depreciation	(4,222,230)
Net unrealized appreciation (depreciation)	$211,664,093
Undistributed ordinary income	10,174,203
Undistributed long-term capital gain	57,578,462
Other temporary differences	1,041

Notes to Financial Statements – continued

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 12/31/14	Year ended 12/31/13	Year ended 12/31/14	Year ended 12/31/13
Initial Class	$3,396,452	$4,558,137	$27,760,205	$—
Service Class	1,980,306	1,946,963	20,116,991	—
Total	$5,376,758	$6,505,100	$47,877,196	$—

(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, 2016. For the year ended December 31, 2014, 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. MFS has also 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 year ended December 31, 2014, this management fee reduction amounted to $28,473 which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2014 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, 2014, the fee was $66,169, which equated to 0.0107% 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, 2014, these costs amounted to $1,367.

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, 2014 was equivalent to an annual effective rate of 0.0151% 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 – Effective November 1, 2014, this fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. Prior to November 1, 2014, the funds had entered into services agreements (the Compliance Officer

Agreements) which provided 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. Prior to November 1, 2014, Frank L. Tarantino served as the ICCO. Effective October 31, 2014, Mr. Tarantino resigned as ICCO and the Compliance Officer Agreement between the funds and Tarantino LLC was terminated. Prior to June 1, 2014, Robyn L. Griffin served as the Assistant ICCO and was an officer of the funds. Ms. Griffin is the sole member of Griffin Compliance LLC. Effective May 31, 2014, Ms. Griffin resigned as Assistant ICCO and the Compliance Officer Agreement between the funds and Griffin Compliance LLC was terminated. For the year ended December 31, 2014, the aggregate fees paid by the fund under these agreements were $2,576 and are included in "Miscellaneous" expense in the Statement of Operations. MFS had agreed to reimburse the fund for a portion of the payments made by the fund for the services under the Compliance Officer Agreements in the amount of $1,078, which is included in the 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, Assistant ICCO, and ISO.

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

For the year ended December 31, 2014, purchases and sales of investments, other than short-term obligations, aggregated $151,586,989 and $214,699,209, 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 12/31/14		Year ended 12/31/13	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	216,623	$6,487,891	527,522	$13,502,090
Service Class	3,399,102	100,586,085	2,975,204	77,017,940
	3,615,725	$107,073,976	3,502,726	$90,520,030
Shares issued to shareholders in reinvestment of distributions				
Initial Class	1,070,308	$31,156,657	171,423	$4,558,137
Service Class	765,407	22,097,297	73,748	1,946,963
	1,835,715	$53,253,954	245,171	$6,505,100
Shares reacquired				
Initial Class	(3,114,178)	$(93,629,876)	(7,012,013)	$(185,471,471)
Service Class	(2,661,329)	(75,318,697)	(1,376,108)	(36,426,260)
	(5,775,507)	$(168,948,573)	(8,388,121)	$(221,897,731)
Net change				
Initial Class	(1,827,247)	$(55,985,328)	(6,313,068)	$(167,411,244)
Service Class	1,503,180	47,364,685	1,672,844	42,538,643
	(324,067)	$(8,620,643)	(4,640,224)	$(124,872,601)

(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, 2014, the fund's commitment fee and interest expense were $2,242 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	4,298,195	106,749,634	(101,353,832)	9,693,997

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$4,220	$9,693,997

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 of MFS Variable Insurance Trust) (the "Fund") as of December 31, 2014, 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, 2014, 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 Investors Trust Series as of December 31, 2014, 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 13, 2015

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2015, 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 51)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Co-Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach (k) (age 53)	Trustee and President	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 72)	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
Steven E. Buller (age 63)	Trustee	February 2014	Chairman, Financial Accounting Standards Advisory Council; Standing Advisory Group, Public Company Accounting Oversight Board, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014)	N/A
Robert E. Butler (age 73)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 59)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 73)	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 70)	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 60)	Trustee	January 2009	Private investor	N/A
Maryanne L. Roepke (age 58)	Trustee	May 2014	American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014)	N/A
Laurie J. Thomsen (age 57)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 73)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
Christopher R. Bohane (k) (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark (k) (age 46)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors (k) (age 55)	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

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)
Ethan D. Corey (k) (age 51)	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 46)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Timothy M. Fagan (k) (age 46)	Chief Compliance Officer	November 2014	Massachusetts Financial Services Company, Chief Compliance Officer; Vice President and Senior Counsel (until 2012)	N/A
Brian E. Langenfeld (k) (age 41)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 64)	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 44)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 44)	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 62)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Matthew A. Stowe (k) (age 40)	Assistant Secretary and Assistant Clerk	October 2014	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Frank L. Tarantino (age 70)	Independent Senior Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 44)	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 54)	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. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. Ms. Stelmach was appointed as President of the Funds as of October 1, 2014.

(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 a position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach, Mr. Buller and Ms. Roepke) 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 Mses. Thomsen and Roepke 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 February 1, 2015, the Trustees served as board members of 135 funds within the MFS Family of Funds.

Trustees and Officers – continued

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, 2014 ("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, 2013 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, 2013, 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 3rd quintile for each of the one- and five-year periods ended December 31, 2013 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, and that MFS has agreed in writing to further reduce its advisory fee rate on the Fund's average daily net assets over $2.5 billion, 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 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, 2014.

PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are 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 "Market Commentary" and "Announcements" sub sections in the "Market Outlooks" section 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 $47,363,000 as capital gain dividends paid during the fiscal year.

For corporate shareholders, 89.95% 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, 2014

MFS®

MFS® RESEARCH SERIES

MFS® Variable Insurance Trust

VFR-ANN

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

Dear Contract Owners:

As 2015 begins, sharply lower oil prices are reshaping the global economy, adding to deflationary pressures in the eurozone and exacerbating challenges faced by oil exporters such as Russia. The U.S. economy stands on firmer ground, having expanded steadily over the past year. The U.S. labor market has regained momentum, consumer confidence is buoyant and gasoline prices have tumbled, boosting prospects for a stronger economic rebound in 2015.

Other regions are struggling. The eurozone economy is barely expanding, and the European Central Bank (ECB) has introduced large-scale asset purchases.

Despite Japan's efforts to strengthen its economy, its sales tax increase last spring tipped the country into a recession, leading to additional monetary stimulus from the Bank of Japan. China's economy is slowing as it transitions to a more sustainable basis, and its growth rate will likely continue to decline.

As always, active risk management is integral to how we at MFS® manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global investment team uses a diversified, multidisciplined, long-term approach.

Applying proven principles, such as asset allocation and diversification, can best serve investors over the long term. We are confident that this approach can help you as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

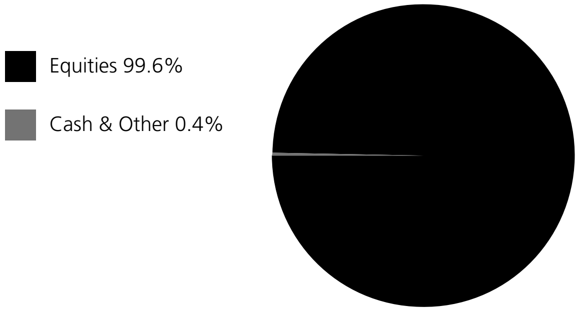
Robert J. Manning
Chairman
MFS Investment Management

February 13, 2015

The opinions expressed in this letter are subject to change and may not be relied upon for investment advice. No forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Global equity sectors

Technology	18.2%
Financial Services	17.3%
Capital Goods	14.6%
Health Care	14.3%
Consumer Cyclicals	12.8%
Energy	11.1%
Consumer Staples	7.4%
Telecommunications/Cable Television	3.9%

Top ten holdings

Apple, Inc.	3.1%
Exxon Mobil Corp.	2.5%
Danaher Corp.	2.1%
Visa, Inc., "A"	2.1%
JPMorgan Chase & Co.	1.8%
Wells Fargo & Co.	1.7%
Google, Inc., "A"	1.7%
Union Pacific Corp.	1.4%
EMC Corp.	1.4%
Bank of America Corp.	1.4%

Cash & Other can include cash, other assets less liabilities, offsets to derivative positions, and short-term securities.
Percentages are based on net assets as of 12/31/14.
The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2014, Initial Class shares of the MFS Research Series ("fund") provided a total return of 10.20%, while Service Class shares of the fund provided a total return of 9.94%. These compare with a return of 13.69% over the same period for the fund's benchmark, the Standard & Poor's 500 Stock Index (S&P 500 Index).

Market Environment

Early in the period, US equities suffered what proved to be a temporary setback due to concerns over emerging markets as well as what was perceived at the time to be a pause in US economic growth, partially caused by extreme weather events and a weak December 2013 labor market report. Markets soon recovered as the economic pause concluded and investors appeared to have become increasingly comfortable that newly-installed US Federal Reserve ("Fed") Chair Janet Yellen would not make any substantial changes to the trajectory of Fed monetary policy.

A generally risk-friendly, carry trade environment persisted from February 2014 until mid-year. While geopolitical tensions flared in the Middle East and Russia/Ukraine, any market setbacks were short-lived as improving economic growth in the US, coupled with prospects for easier monetary policy in regions with slowing growth, such as Japan, Europe and China, supported risk assets. For example, the European Central Bank ("ECB") cut policy interest rates into negative territory and, by the end of the period, expectations were for additional rate cuts and the announcement for non-conventional easing measures. Similarly, the Bank of Japan surprised markets late in the period with fresh stimulus measures given lackluster growth trends. The related decline in developed market government bond yields and credit spreads were also supportive for equity markets. At the end of the period, the US equity market was trading close to all-time highs and US Treasury yields were close to their lows for the period. However, credit markets did not fare as well in the second half of 2014, particularly US high yield and emerging market debt. The higher weightings of oil and gas credits in these asset classes resulted in widening spreads and increased volatility as oil prices began to decline in an accelerated fashion in the fourth quarter.

Detractors from Performance

Stock selection in the *energy* sector was a primary factor that detracted from performance relative to the S&P 500 Index. Within this sector, the fund's overweight positions in weak-performing energy companies Whiting Petroleum [(b)(h)], Cabot Oil & Gas, Noble Energy, and Halliburton hurt relative returns as oil sensitive companies suffered during the period due to a significant drop in the price of oil.

Stock selection in the *financial services* sector also negatively impacted relative results. However, there were no individual stocks within this sector that were among the fund's largest relative detractors during the period.

Stock selection in the *technology* and *consumer cyclicals* sectors also dampened relative returns. Within the *technology* sector, the fund's timing in the ownership of computer electronic components manufacturer Intel [(h)] and not holding computer and software provider Microsoft weighed on relative results as these stocks outperformed during the period. The fund's overweight position in poor-performing internet search giant Google also hurt relative performance. The company missed analysts' estimates for both revenue and income for the last four quarters. Also, the company continued to face headwinds from a maturing internet search market, challenges with monetizing mobile search, and regulatory anti-trust rulings in the EU. In the *consumer cyclicals* sector, the fund's holdings of for-profit education company ITT Educational Services [(b)(h)] detracted from relative results as the stock price declined after the company announced the resignation of its CEO amid regulatory and financial challenges.

Stocks in other sectors that detracted from relative performance included the fund's overweight positions in weak-performing aerospace and defense parts maker Precision Castparts and mining equipment manufacturer Joy Global.

Contributors to Performance

Factors that benefited relative performance included the fund's avoidance of diversified electric company General Electric, energy company Chevron, and diversified technology products and services company International Business Machines (IBM), as all three stocks performed poorly during the period. Additionally, the fund's overweight positions in computer products and services provider Hewlett-Packard, medical equipment manufacturer Covidien, railroad company Union Pacific, integrated specialty pharmaceutical company Actavis and women's apparel holding company L Brands [(h)] boosted relative performance, as all five stocks delivered strong performance. Hewlett-Packard benefited from its enterprise services segment gaining share throughout the period and stabilization in computer sales growth allowing the firm to generate solid cash flow during the year. Shares of Covidien skyrocketed during the middle of the period as the company announced that Medtronic had entered into an agreement to acquire the company at a significant premium. The fund's holdings of strong-performing semi-conductor firm NXP Semiconductors [(b)] and apparel retailer Burlington Stores [(b)] also aided relative results.

Respectfully,

Joseph MacDougall
Portfolio Manager

(b) Security is not a benchmark constituent.

(h) Security was not held in the fund at period end.

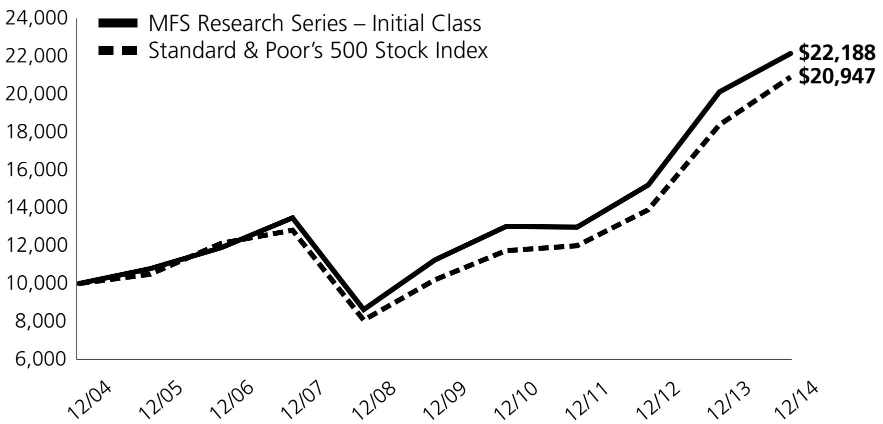
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other 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 12/31/14

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 12/31/14

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/26/95	10.20%	14.55%	8.30%
Service Class	5/01/00	9.94%	14.27%	8.03%

Comparative benchmark

Standard & Poor's 500 Stock Index (f)	13.69%	15.45%	7.67%

(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, 2014 through December 31, 2014

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, 2014 through December 31, 2014.

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 7/01/14	Ending Account Value 12/31/14	Expenses Paid During Period (p) 7/01/14-12/31/14
Initial Class	Actual	0.80%	$1,000.00	$1,047.70	$4.13
	Hypothetical (h)	0.80%	$1,000.00	$1,021.17	$4.08
Service Class	Actual	1.04%	$1,000.00	$1,046.46	$5.36
	Hypothetical (h)	1.04%	$1,000.00	$1,019.96	$5.30

(h) 5% class return per year before expenses.

(p) "Expenses Paid During Period" are equal to each class's annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 12/31/14

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 – 99.6%		
Aerospace – 3.1%		
Honeywell International, Inc.	75,828	$ 7,576,734
Precision Castparts Corp.	23,496	5,659,716
United Technologies Corp.	83,702	9,625,728
		$ 22,862,178
Alcoholic Beverages – 0.8%		
Constellation Brands, Inc., “A” (a)	38,721	$ 3,801,241
Molson Coors Brewing Co.	28,243	2,104,668
		$ 5,905,909
Apparel Manufacturers – 1.1%		
Global Brands Group Holding Ltd. (a)	5,084,000	$ 993,745
Li & Fung Ltd.	266,000	249,033
NIKE, Inc., “B”	20,662	1,986,651
PVH Corp.	37,082	4,752,800
		$ 7,982,229
Automotive – 1.1%		
Delphi Automotive PLC	80,871	$ 5,880,939
Harley-Davidson, Inc.	27,598	1,818,984
		$ 7,699,923
Biotechnology – 1.8%		
Alexion Pharmaceuticals, Inc. (a)	33,250	$ 6,152,248
Biogen Idec, Inc. (a)	21,109	7,165,450
		$ 13,317,698
Broadcasting – 2.6%		
Time Warner, Inc.	80,959	$ 6,915,518
Twenty-First Century Fox, Inc.	230,983	8,870,902
Walt Disney Co.	29,796	2,806,485
		$ 18,592,905
Brokerage & Asset Managers – 3.1%		
BlackRock, Inc.	16,571	$ 5,925,127
Evercore Partners, Inc.	66,601	3,487,894
Franklin Resources, Inc.	112,782	6,244,739
Intercontinental Exchange, Inc.	15,180	3,328,822
NASDAQ OMX Group, Inc.	68,407	3,280,800
		$ 22,267,382
Business Services – 2.3%		
Accenture PLC, “A”	56,944	$ 5,085,669
Equifax, Inc.	14,990	1,212,241
Fidelity National Information Services, Inc.	66,352	4,127,094
FleetCor Technologies, Inc. (a)	23,887	3,552,236
Gartner, Inc. (a)	20,011	1,685,126
Global Payments, Inc.	17,310	1,397,436
		$ 17,059,802
Cable TV – 2.0%		
Charter Communications, Inc., “A” (a)	29,858	$ 4,974,940
Comcast Corp., “Special A”	106,044	6,104,423
Time Warner Cable, Inc.	22,290	3,389,417
		$ 14,468,780

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Chemicals – 1.0%		
E.I. du Pont de Nemours & Co.	79,097	$ 5,848,432
LyondellBasell Industries N.V., “A”	14,088	1,118,446
		$ 6,966,878
Computer Software – 3.4%		
Adobe Systems, Inc. (a)	50,422	$ 3,665,679
Citrix Systems, Inc. (a)	61,617	3,931,165
Oracle Corp.	188,350	8,470,100
Qlik Technologies, Inc. (a)	81,285	2,510,894
Salesforce.com, Inc. (a)	102,713	6,091,908
		$ 24,669,746
Computer Software – Systems – 5.9%		
Apple, Inc. (s)	204,840	$ 22,610,239
EMC Corp.	338,451	10,065,533
Hewlett-Packard Co.	220,266	8,839,275
NCR Corp. (a)	46,784	1,363,286
		$ 42,878,333
Construction – 0.8%		
Sherwin-Williams Co.	22,409	$ 5,894,463
Consumer Products – 2.8%		
Colgate-Palmolive Co.	84,036	$ 5,814,451
Estee Lauder Cos., Inc., “A”	45,653	3,478,759
Newell Rubbermaid, Inc.	130,656	4,976,687
Procter & Gamble Co.	69,993	6,375,662
		$ 20,645,559
Consumer Services – 0.6%		
Priceline Group, Inc. (a)	3,990	$ 4,549,438
Containers – 0.7%		
Crown Holdings, Inc. (a)	93,375	$ 4,752,788
Electrical Equipment – 2.8%		
Danaher Corp.	179,592	$ 15,392,830
W.W. Grainger, Inc.	20,322	5,179,875
		$ 20,572,705
Electronics – 1.7%		
Altera Corp.	115,093	$ 4,251,535
Mellanox Technologies Ltd. (a)	50,242	2,146,841
Microchip Technology, Inc.	72,759	3,282,158
NXP Semiconductors N.V. (a)	36,788	2,810,603
		$ 12,491,137
Energy – Independent – 4.1%		
Anadarko Petroleum Corp.	68,685	$ 5,666,513
Cabot Oil & Gas Corp.	117,127	3,468,130
EOG Resources, Inc.	47,285	4,353,530
EQT Corp.	31,878	2,413,165
Marathon Petroleum Corp.	41,673	3,761,405
Memorial Resource Development Corp. (a)	199,538	3,597,670
Noble Energy, Inc.	67,483	3,200,719

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Energy – Independent – continued		
Pioneer Natural Resources Co.	23,758	$ 3,536,378
		$ 29,997,510
Energy – Integrated – 2.5%		
Exxon Mobil Corp. (s)	198,075	$ 18,312,034
Engineering – Construction – 0.1%		
Fluor Corp.	12,103	$ 733,805
Food & Beverages – 2.7%		
Coca-Cola Co.	218,344	$ 9,218,484
General Mills, Inc.	76,585	4,084,278
Mondelez International, Inc.	172,612	6,270,131
		$ 19,572,893
Food & Drug Stores – 0.9%		
CVS Health Corp.	65,378	$ 6,296,555
Gaming & Lodging – 0.4%		
Wynn Resorts Ltd.	19,748	$ 2,937,712
General Merchandise – 1.4%		
Kohl's Corp.	73,920	$ 4,512,077
Target Corp.	78,942	5,992,487
		$ 10,504,564
Health Maintenance Organizations – 1.1%		
UnitedHealth Group, Inc.	78,211	$ 7,906,350
Insurance – 2.5%		
ACE Ltd.	37,213	$ 4,275,029
American International Group, Inc.	105,283	5,896,901
MetLife, Inc.	144,911	7,838,236
		$ 18,010,166
Internet – 4.9%		
eBay, Inc. (a)	42,116	$ 2,363,550
Facebook, Inc., "A " (a)	102,945	8,031,769
Google, Inc., "A" (a)	23,290	12,359,071
Google, Inc., "C" (a)	13,599	7,158,514
LinkedIn Corp., "A" (a)	17,144	3,938,148
Yelp, Inc. (a)	31,192	1,707,138
		$ 35,558,190
Machinery & Tools – 2.4%		
Eaton Corp. PLC	65,557	$ 4,455,254
Joy Global, Inc.	75,946	3,533,008
Roper Industries, Inc.	61,570	9,626,470
		$ 17,614,732
Major Banks – 7.0%		
Bank of America Corp.	562,239	$ 10,058,456
Goldman Sachs Group, Inc.	26,589	5,153,746
JPMorgan Chase & Co. (s)	213,549	13,363,896
Morgan Stanley	122,572	4,755,794
State Street Corp.	63,363	4,973,996
Wells Fargo & Co.	229,805	12,597,910
		$ 50,903,798

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical & Health Technology & Services – 1.3%		
Express Scripts Holding Co. (a)	56,938	$ 4,820,940
McKesson Corp.	21,953	4,557,004
		$ 9,377,944
Medical Equipment – 3.7%		
Abbott Laboratories	182,802	$ 8,229,746
Covidien PLC	16,579	1,695,700
DENTSPLY International, Inc.	53,252	2,836,734
Stryker Corp.	73,809	6,962,403
Thermo Fisher Scientific, Inc.	58,543	7,334,852
		$ 27,059,435
Natural Gas – Distribution – 0.5%		
Sempra Energy	33,166	$ 3,693,366
Natural Gas – Pipeline – 0.5%		
Williams Cos., Inc.	80,706	$ 3,626,928
Oil Services – 0.9%		
Halliburton Co.	54,335	$ 2,136,996
Schlumberger Ltd.	52,998	4,526,559
		$ 6,663,555
Other Banks & Diversified Financials – 4.8%		
American Express Co.	90,316	$ 8,403,001
BB&T Corp.	103,718	4,033,593
Discover Financial Services	66,120	4,330,199
PrivateBancorp, Inc.	88,888	2,968,859
Visa, Inc., "A"	58,160	15,249,552
		$ 34,985,204
Pharmaceuticals – 6.4%		
AbbVie, Inc.	118,741	$ 7,770,411
Actavis PLC (a)	30,608	7,878,805
Bristol-Myers Squibb Co.	133,172	7,861,143
Eli Lilly & Co.	63,682	4,393,421
Endo International PLC (a)	54,241	3,911,861
Merck & Co., Inc.	164,368	9,334,459
Valeant Pharmaceuticals International, Inc. (a)	39,282	5,621,647
		$ 46,771,747
Railroad & Shipping – 1.7%		
Canadian Pacific Railway Ltd.	12,310	$ 2,372,014
Union Pacific Corp.	85,111	10,139,273
		$ 12,511,287
Restaurants – 1.4%		
McDonald's Corp.	39,078	$ 3,661,609
YUM! Brands, Inc.	92,027	6,704,167
		$ 10,365,776
Specialty Chemicals – 1.0%		
Albemarle Corp.	55,961	$ 3,364,935
W.R. Grace & Co. (a)	38,303	3,653,723
		$ 7,018,658

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Specialty Stores – 4.4%		
Amazon.com, Inc. (a)	11,834	$ 3,672,682
AutoZone, Inc. (a)	7,645	4,733,096
Bed Bath & Beyond, Inc. (a)	51,762	3,942,712
Burlington Stores, Inc. (a)	77,418	3,658,775
L Brands, Inc.	51,904	4,492,291
Ross Stores, Inc.	42,868	4,040,738
Sally Beauty Holdings, Inc. (a)	94,188	2,895,339
Urban Outfitters, Inc. (a)	119,821	4,209,312
		$ 31,644,945
Telecommunications – Wireless – 1.0%		
American Tower Corp., REIT	53,812	$ 5,319,316
SBA Communications Corp. (a)	15,534	1,720,546
		$ 7,039,862
Telephone Services – 0.9%		
Verizon Communications, Inc.	146,126	$ 6,835,774
Tobacco – 1.0%		
Philip Morris International, Inc.	92,924	$ 7,568,660
Utilities – Electric Power – 2.5%		
American Electric Power Co., Inc.	66,559	$ 4,041,462
CMS Energy Corp.	155,227	5,394,138
Northeast Utilities	93,354	4,996,306
NRG Energy, Inc.	141,867	3,823,316
		$ 18,255,222
Total Common Stocks (Identified Cost, $538,808,966)		**$725,344,525**
MONEY MARKET FUNDS – 0.4%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	2,802,369	$ 2,802,369
Total Investments (Identified Cost, $541,611,335)		**$728,146,894**
OTHER ASSETS, LESS LIABILITIES – 0.0%		**166,358**
NET ASSETS – 100.0%		**$728,313,252**

(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, 2014, 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, 2014, the fund had cash collateral of $15,690 and other liquid securities with an aggregate value of $589,901 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, 2014, 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 12/31/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $538,808,966)	$725,344,525	
Underlying affiliated funds, at cost and value	2,802,369	
Total investments, at value (identified cost, $541,611,335)	$728,146,894	
Deposits with brokers	15,690	
Receivables for		
Investments sold	1,858,133	
Fund shares sold	727,490	
Dividends	680,658	
Other assets	4,830	
Total assets		$731,433,695
Liabilities		
Payables for		
Investments purchased	$1,950,808	
Fund shares reacquired	1,030,814	
Payable to affiliates		
Investment adviser	26,372	
Shareholder servicing costs	391	
Distribution and/or service fees	3,601	
Payable for independent Trustees' compensation	1	
Accrued expenses and other liabilities	108,456	
Total liabilities		$3,120,443
Net assets		$728,313,252
Net assets consist of		
Paid-in capital	$486,876,625	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	186,535,560	
Accumulated net realized gain (loss) on investments and foreign currency	50,589,045	
Undistributed net investment income	4,312,022	
Net assets		$728,313,252
Shares of beneficial interest outstanding		25,104,819

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$468,285,533	16,087,621	$29.11
Service Class	260,027,719	9,017,198	28.84

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 12/31/14

Net investment income		
Income		
Dividends	$10,943,015	
Interest	1,793	
Dividends from underlying affiliated funds	3,842	
Foreign taxes withheld	(1,828)	
Total investment income		$10,946,822
Expenses		
Management fee	$5,607,391	
Distribution and/or service fees	667,300	
Shareholder servicing costs	58,575	
Administrative services fee	110,775	
Independent Trustees' compensation	15,912	
Custodian fee	81,012	
Shareholder communications	42,208	
Audit and tax fees	54,996	
Legal fees	6,528	
Miscellaneous	25,671	
Total expenses		$6,670,368
Fees paid indirectly	(6)	
Reduction of expenses by investment adviser	(35,637)	
Net expenses		$6,634,725
Net investment income		$4,312,097
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$51,675,090	
Foreign currency	(75)	
Net realized gain (loss) on investments and foreign currency		$51,675,015
Change in unrealized appreciation (depreciation)		
Investments	$15,785,871	
Translation of assets and liabilities in foreign currencies	1	
Net unrealized gain (loss) on investments and foreign currency translation		$15,785,872
Net realized and unrealized gain (loss) on investments and foreign currency		$67,460,887
Change in net assets from operations		$71,772,984

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	2014	2013
Change in net assets		
From operations		
Net investment income	$4,312,097	$5,404,151
Net realized gain (loss) on investments and foreign currency	51,675,015	72,739,040
Net unrealized gain (loss) on investments and foreign currency translation	15,785,872	132,956,308
Change in net assets from operations	$71,772,984	$211,099,499
Distributions declared to shareholders		
From net investment income	$(5,407,049)	$(2,329,011)
From net realized gain on investments	(55,311,546)	(1,807,468)
Total distributions declared to shareholders	$(60,718,595)	$(4,136,479)
Change in net assets from fund share transactions	$(58,652,020)	$(157,925,678)
Total change in net assets	$(47,597,631)	$49,037,342
Net assets		
At beginning of period	775,910,883	726,873,541
At end of period (including undistributed net investment income of $4,312,022 and $5,407,761, respectively)	$728,313,252	$775,910,883

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				
	2014	2013	2012	2011	2010
Net asset value, beginning of period	$28.74	$21.84	$18.78	$19.04	$16.57
Income (loss) from investment operations					
Net investment income (d)	$0.19	$0.20	$0.22	$0.15	$0.15
Net realized and unrealized gain (loss) on investments and foreign currency	2.68	6.84	3.01	(0.24)	2.47
Total from investment operations	$2.87	$7.04	$3.23	$(0.09)	$2.62
Less distributions declared to shareholders					
From net investment income	$(0.25)	$(0.08)	$(0.17)	$(0.17)	$(0.15)
From net realized gain on investments	(2.25)	(0.06)	—	—	—
Total distributions declared to shareholders	$(2.50)	$(0.14)	$(0.17)	$(0.17)	$(0.15)
Net asset value, end of period (x)	$29.11	$28.74	$21.84	$18.78	$19.04
Total return (%) (k)(r)(s)(x)	10.20	32.35	17.22	(0.45)	15.90
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.80	0.81	0.88	0.88	0.89
Expenses after expense reductions (f)	0.80	0.81	0.88	0.88	0.89
Net investment income	0.67	0.80	1.06	0.79	0.86
Portfolio turnover	34	43	83	70	71
Net assets at end of period (000 omitted)	$468,286	$496,857	$460,834	$160,892	$182,895
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	N/A	0.80	0.87	0.86	0.89

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2014	2013	2012	2011	2010
Net asset value, beginning of period	$28.49	$21.70	$18.67	$18.93	$16.48
Income (loss) from investment operations					
Net investment income (d)	$0.12	$0.14	$0.18	$0.10	$0.10
Net realized and unrealized gain (loss) on investments and foreign currency	2.65	6.78	2.97	(0.24)	2.47
Total from investment operations	$2.77	$6.92	$3.15	$(0.14)	$2.57
Less distributions declared to shareholders					
From net investment income	$(0.17)	$(0.07)	$(0.12)	$(0.12)	$(0.12)
From net realized gain on investments	(2.25)	(0.06)	—	—	—
Total distributions declared to shareholders	$(2.42)	$(0.13)	$(0.12)	$(0.12)	$(0.12)
Net asset value, end of period (x)	$28.84	$28.49	$21.70	$18.67	$18.93
Total return (%) (k)(r)(s)(x)	9.94	32.00	16.90	(0.69)	15.64
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.05	1.06	1.11	1.13	1.14
Expenses after expense reductions (f)	1.05	1.05	1.11	1.13	1.14
Net investment income	0.42	0.56	0.82	0.55	0.61
Portfolio turnover	34	43	83	70	71
Net assets at end of period (000 omitted)	$260,028	$279,054	$266,040	$20,015	$19,825
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	N/A	1.05	1.11	1.11	1.14

(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 diversified 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.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(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 June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures ("ASU 2014-11"). ASU 2014-11 changes the accounting for repurchase-to-maturity transactions (i.e., repurchase agreements that settle at the same time as the maturity of the transferred financial asset) and enhances the required disclosures for repurchase agreements and other similar transactions. Although still evaluating the potential impacts of ASU 2014-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures which would first be effective for interim reporting periods beginning after March 15, 2015.

Balance Sheet Offsetting – 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 International Swaps and Derivatives Association (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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, 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.

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 may be 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, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$713,297,483	$—	$—	$713,297,483
Canada	7,993,661	—	—	7,993,661
Netherlands	2,810,603	—	—	2,810,603
Hong Kong	249,033	993,745	—	1,242,778
Mutual Funds	2,802,369	—	—	2,802,369
Total Investments	$727,153,149	$993,745	$—	$728,146,894

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 1 investments presented above, equity investments amounting to $249,033 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 purchased options. At December 31, 2014, 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, 2014 as reported in the Statement of Operations:

Risk	**Investments (Purchased Options)**
Equity	$(4,319)

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 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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific ISDA counterparty is subject.

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.

Purchased Options – The fund purchased put options for a premium. Purchased put options entitle the holder to sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing put options may hedge against an anticipated decline in the value of portfolio securities or currency or decrease 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 put options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased put option, the premium paid is offset against the proceeds on the sale of the underlying security or financial instrument in order to determine the realized gain or loss on investments.

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 may enter 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. 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, 2014, 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. On loans collateralized by cash, the cash collateral is invested in a money market fund. 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. 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, 2014, 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, 2014, 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:

	12/31/14	**12/31/13**
Ordinary income (including any short-term capital gains)	$33,841,423	$2,782,538
Long-term capital gains	26,877,172	1,353,941
Total distributions	$60,718,595	$4,136,479

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/14	
Cost of investments	$542,321,541
Gross appreciation	189,449,006
Gross depreciation	(3,623,653)
Net unrealized appreciation (depreciation)	$185,825,353
Undistributed ordinary income	10,615,708
Undistributed long-term capital gain	45,067,125
Other temporary differences	(71,559)

Notes to Financial Statements – continued

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 12/31/14	Year ended 12/31/13	Year ended 12/31/14	Year ended 12/31/13
Initial Class	$3,892,093	$1,533,253	$35,317,366	$1,142,549
Service Class	1,514,956	795,758	19,994,180	664,919
Total	$5,407,049	$2,329,011	$55,311,546	$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%

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 year ended December 31, 2014, this management fee reduction amounted to $34,332, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2014 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, 2014, the fee was $57,149, 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, 2014, these costs amounted to $1,426.

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, 2014 was equivalent to an annual effective rate of 0.0148% 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 – Effective November 1, 2014, this fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. Prior to November 1, 2014, the funds had entered into services agreements (the Compliance Officer Agreements) which provided 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. Prior to November 1, 2014, Frank L. Tarantino served as the ICCO. Effective October 31, 2014, Mr. Tarantino resigned as ICCO and the

Compliance Officer Agreement between the funds and Tarantino LLC was terminated. Prior to June 1, 2014, Robyn L. Griffin served as the Assistant ICCO and was an officer of the funds. Ms. Griffin is the sole member of Griffin Compliance LLC. Effective May 31, 2014, Ms. Griffin resigned as Assistant ICCO and the Compliance Officer Agreement between the funds and Griffin Compliance LLC was terminated. For the year ended December 31, 2014, the aggregate fees paid by the fund under these agreements were $3,888 and are included in "Miscellaneous" expense in the Statement of Operations. MFS had agreed to reimburse the fund for a portion of the payments made by the fund for the services under the Compliance Officer Agreements in the amount of $1,305, which is included in the 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, Assistant ICCO, and ISO.

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

For the year ended December 31, 2014, purchases and sales of investments, other than purchased option transactions and short-term obligations, aggregated $253,906,604 and $366,157,371, 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 12/31/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	543,408	$15,577,721	831,878	$20,972,321
Service Class	422,906	12,106,891	518,954	12,972,521
	966,314	$27,684,612	1,350,832	$33,944,842
Shares issued to shareholders in reinvestment of distributions				
Initial Class	1,381,587	$39,209,459	104,279	$2,675,802
Service Class	764,362	21,509,136	57,371	1,460,677
	2,145,949	$60,718,595	161,650	$4,136,479
Shares reacquired				
Initial Class	(3,124,409)	$(90,997,198)	(4,745,222)	$(119,670,066)
Service Class	(1,964,146)	(56,058,029)	(3,040,947)	(76,336,933)
	(5,088,555)	$(147,055,227)	(7,786,169)	$(196,006,999)
Net change				
Initial Class	(1,199,414)	$(36,210,018)	(3,809,065)	$(96,021,943)
Service Class	(776,878)	(22,442,002)	(2,464,622)	(61,903,735)
	(1,976,292)	$(58,652,020)	(6,273,687)	$(157,925,678)

The fund is one of several mutual funds in which certain MFS funds may invest. The MFS 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%, 7%, 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, 2014, the fund's commitment fee and interest expense were $2,730 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	575,033	129,712,898	(127,485,562)	2,802,369

Underlying Affiliated Fund	**Realized Gain (Loss)**	**Capital Gain Distributions**	**Dividend Income**	**Ending Value**
MFS Institutional Money Market Portfolio	$—	$—	$3,842	$2,802,369

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 of MFS Variable Insurance Trust) (the "Fund") as of December 31, 2014, 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, 2014, 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 Research Series as of December 31, 2014, 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 13, 2015

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2015, 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 51)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Co-Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach [(k)] (age 53)	Trustee and President	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 72)	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
Steven E. Buller (age 63)	Trustee	February 2014	Chairman, Financial Accounting Standards Advisory Council; Standing Advisory Group, Public Company Accounting Oversight Board, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014)	N/A
Robert E. Butler (age 73)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 59)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 73)	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 70)	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 60)	Trustee	January 2009	Private investor	N/A
Maryanne L. Roepke (age 58)	Trustee	May 2014	American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014)	N/A
Laurie J. Thomsen (age 57)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 73)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
Christopher R. Bohane [(k)] (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark [(k)] (age 46)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [(k)] (age 55)	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

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)
Ethan D. Corey (k) (age 51)	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 46)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Timothy M. Fagan (k) (age 46)	Chief Compliance Officer	November 2014	Massachusetts Financial Services Company, Chief Compliance Officer; Vice President and Senior Counsel (until 2012)	N/A
Brian E. Langenfeld (k) (age 41)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 64)	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 44)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 44)	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 62)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Matthew A. Stowe (k) (age 40)	Assistant Secretary and Assistant Clerk	October 2014	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Frank L. Tarantino (age 70)	Independent Senior Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 44)	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 54)	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. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. Ms. Stelmach was appointed as President of the Funds as of October 1, 2014.

(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 a position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach, Mr. Buller and Ms. Roepke) 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 Mses. Thomsen and Roepke 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 February 1, 2015, the Trustees served as board members of 135 funds within the MFS Family of Funds.

Trustees and Officers – continued

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, 2014 ("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, 2013 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, 2013, 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 3rd quintile for the one-year period and the 1st quintile for the five-year period ended December 31, 2013 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.

Board Review of Investment Advisory Agreement – continued

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 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, 2014.

PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are 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 "Market Commentary" and "Announcements" sub sections in the "Market Outlooks" section 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 $29,565,000 as capital gain dividends paid during the fiscal year.

For corporate shareholders, 33.16% 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, 2014

MFS®

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

Dear Contract Owners:

As 2015 begins, sharply lower oil prices are reshaping the global economy, adding to deflationary pressures in the eurozone and exacerbating challenges faced by oil exporters such as Russia. The U.S. economy stands on firmer ground, having expanded steadily over the past year. The U.S. labor market has regained momentum, consumer confidence is buoyant and gasoline prices have tumbled, boosting prospects for a stronger economic rebound in 2015.

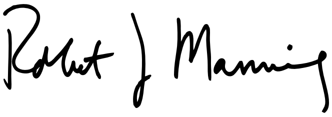
Other regions are struggling. The eurozone economy is barely expanding, and the European Central Bank (ECB) has introduced large-scale asset purchases.

Despite Japan's efforts to strengthen its economy, its sales tax increase last spring tipped the country into a recession, leading to additional monetary stimulus from the Bank of Japan. China's economy is slowing as it transitions to a more sustainable basis, and its growth rate will likely continue to decline.

As always, active risk management is integral to how we at MFS® manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global investment team uses a diversified, multidisciplined, long-term approach.

Applying proven principles, such as asset allocation and diversification, can best serve investors over the long term. We are confident that this approach can help you as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,



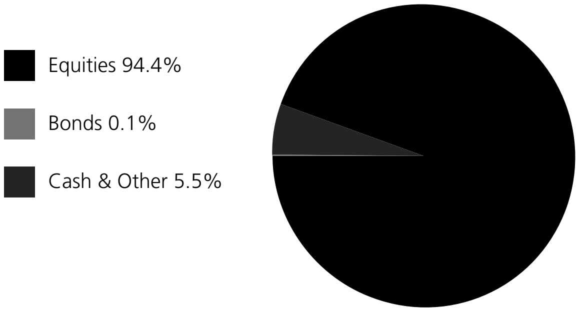
Robert J. Manning
Chairman
MFS Investment Management

February 13, 2015

The opinions expressed in this letter are subject to change and may not be relied upon for investment advice. No forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top ten holdings (i)

PPL Corp.	3.6%
NextEra Energy, Inc.	3.6%
Comcast Corp., "Special A"	3.0%
NRG Energy, Inc.	2.7%
Exelon Corp.	2.6%
Williams Cos., Inc.	2.5%
Sempra Energy	2.4%
Kinder Morgan, Inc.	2.4%
Public Service Enterprise Group, Inc.	2.2%
Calpine Corp.	2.0%

Top five industries (i)

Utilities-Electric Power	46.1%
Natural Gas-Pipeline	13.1%
Telephone Services	8.4%
Cable TV	8.4%
Telecommunications-Wireless	6.9%

Issuer country weightings (i)(x)

United States	71.0%
Portugal	3.6%
United Kingdom	3.5%
Italy	2.9%
Spain	2.7%
Brazil	2.6%
Canada	2.1%
Denmark	1.2%
France	1.1%
Other Countries	9.3%

(i) For purposes of this presentation, the components include the 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 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. For purposes of this presentation, United States includes Cash & Other.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Cash & Other can include cash, other assets less liabilities, offsets to derivative positions, and short-term securities.

Percentages are based on net assets as of 12/31/14.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2014, Initial Class shares of the MFS Utilities Series ("fund") provided a total return of 12.73%, while Service Class shares of the fund provided a total return of 12.47%. These compare with a return of 13.69% over the same period for the fund's benchmark, the Standard & Poor's 500 Stock Index, and a return of 28.98% for the fund's other benchmark, the Standard & Poor's 500 Utilities Index ("S&P Utilities Index").

Market Environment

Early in the period, US equities suffered what proved to be a temporary setback due to concerns over emerging markets as well what was perceived at the time to be a pause in US economic growth, partially caused by extreme weather events and a weak December 2013 labor market report. Markets soon recovered as the economic pause concluded and investors appeared to have become increasingly comfortable that newly-installed US Federal Reserve ("Fed") Chair Janet Yellen would not make any substantial changes to the trajectory of Fed monetary policy.

A generally risk-friendly, carry trade environment persisted from February 2014 until mid-year. While geopolitical tensions flared in the Middle East and Russia/Ukraine, any market setbacks were short-lived as improving economic growth in the US, coupled with prospects for easier monetary policy in regions with slowing growth, such as Japan, Europe and China, supported risk assets. For example, the European Central Bank ("ECB") cut policy interest rates into negative territory and, by the end of the period, expectations were for additional rate cuts and the announcement for non-conventional easing measures. Similarly, the Bank of Japan surprised markets late in the period with fresh stimulus measures given lackluster growth trends. The related decline in developed market government bond yields and credit spreads were also supportive for equity markets. At the end of the period, the US equity market was trading close to all-time highs and US Treasury yields were close to their lows for the period. However, credit markets did not fare as well in the second half of 2014, particularly US high yield and emerging market debt. The higher weightings of oil and gas credits in these asset classes resulted in widening spreads and increased volatility as oil prices began to decline in an accelerated fashion in the fourth quarter.

Detractors from Performance

Security selection in the *electric power* industry detracted from performance relative to the S&P Utilities Index during the reporting period. The timing of the fund's ownership in shares of utilities services provider Exelon and holdings of poor-performing power station operator Drax[(b)] (United Kingdom), held back relative performance. Shares of Drax plummeted late in the reporting period due to an unexpected change in the regulatory environment and a decline in energy prices.

The fund's exposure to the *wireless communications* industry, which is not represented in the benchmark, was another detractor from relative results. Holdings of Russian telecommunications services companies Mobile TeleSystems[(b)] and MegaFon OAO[(b)], and voice and data communications services company Vodafone Group[(b)] (United Kingdom), weighed on relative performance. Shares of Vodafone depreciated during the reporting period due to a weak pricing environment.

Elsewhere, holdings of Brazilian telecommunications company Oi SA[(b)], cable services provider Comcast[(b)], and integrated energy company EQT[(b)] dampened relative results. The timing of the fund's ownership in shares of diversified natural gas company ONEOK also held back relative returns.

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.

During the reporting period, the fund's relative currency exposure, resulting primarily from differences between the fund's and the benchmark's exposures to holdings of securities denominated in foreign currencies, detracted from relative performance. All of MFS' investment decisions are driven by the fundamentals of each individual opportunity and as such, it is common for our portfolios to have different currency exposure than the benchmark.

Contributors to Performance

Individual stocks that contributed to relative performance included the fund's holdings of Luxembourg-based telecommunications company Altice[(b)], natural gas company Cheniere Energy[(b)], German internet company Rocket Internet[(b)] and communications company CenturyLink[(b)(h)]. Shares of Cheniere Energy appreciated steadily as the stock benefited from increased growth and strong liquefied natural gas prices. Underweight positions in energy delivery company CenterPoint Energy[(h)], integrated gas and electric company Dominion and power and natural gas distributor Duke Energy (h) also supported relative performance. Not holding shares of poor-performing retail electric services provider Southern Company, power provider FirstEnergy and diversified energy company Consolidated Edison were also among the fund's top relative contributors.

Respectfully,

Claud Davis	Maura Shaughnessy
Portfolio Manager	Portfolio Manager

Note to Contract Owners: Effective April 30, 2014, Claud Davis is also a Portfolio Manager of the Fund.

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

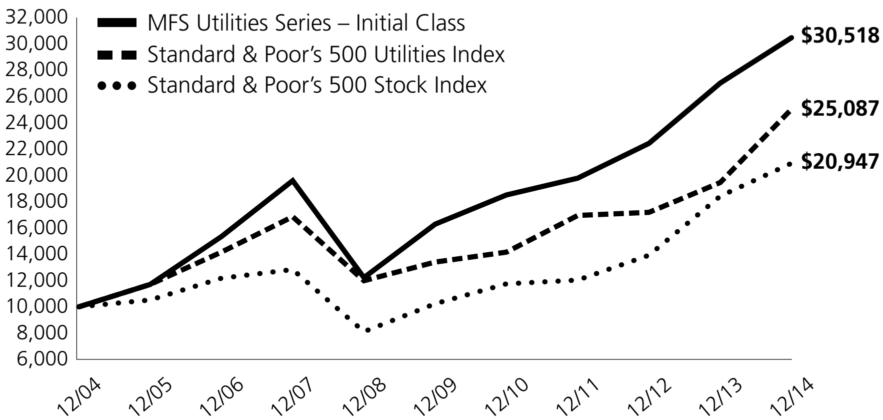
The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or 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 12/31/14

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 12/31/14

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	1/03/95	12.73%	13.38%	11.80%
Service Class	5/01/00	12.47%	13.10%	11.53%

Comparative benchmarks

	1-yr	5-yr	10-yr
Standard & Poor's 500 Stock Index (f)	13.69%	15.45%	7.67%
Standard & Poor's 500 Utilities Index (f)	28.98%	13.34%	9.63%

(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, 2014 through December 31, 2014

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, 2014 through December 31, 2014.

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 7/01/14	Ending Account Value 12/31/14	Expenses Paid During Period (p) 7/01/14-12/31/14
Initial Class	Actual	0.78%	$1,000.00	$963.00	$3.86
	Hypothetical (h)	0.78%	$1,000.00	$1,021.27	$3.97
Service Class	Actual	1.03%	$1,000.00	$962.03	$5.09
	Hypothetical (h)	1.03%	$1,000.00	$1,020.01	$5.24

(h) 5% class return per year before expenses.

(p) "Expenses Paid During Period" are equal to each class's annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 12/31/14

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 – 86.6%		
Cable TV – 8.3%		
Astro Malaysia Holdings Berhad	9,692,000	$ 8,398,902
Charter Communications, Inc., "A" (a)	120,544	20,085,041
Comcast Corp., "Special A"	1,055,761	60,774,882
Liberty Global PLC, "A" (a)	141,744	7,116,258
Liberty Global PLC, "C" (a)	828,713	40,035,125
Time Warner Cable, Inc.	205,484	31,245,897
		$ 167,656,105
Energy – Independent – 4.4%		
Access Midstream Partners LP	192,183	$ 10,416,319
Anadarko Petroleum Corp.	185,149	15,274,792
Enable Midstream Partners LP	157,096	3,046,091
Energen Corp.	220,462	14,056,657
EQT Corp.	201,421	15,247,570
Markwest Energy Partners LP	139,563	9,377,238
Noble Energy, Inc.	142,424	6,755,170
Targa Resources Corp.	33,229	3,523,935
Western Gas Equity Partners LP	189,620	11,420,813
		$ 89,118,585
Entertainment – 0.1%		
Vivendi S.A.	40,797	$ 1,017,688
Internet – 0.4%		
Rocket Internet AG (a)	125,946	$ 7,831,886
Natural Gas – Distribution – 6.8%		
AGL Energy Ltd.	470,712	$ 5,117,125
China Resources Gas Group Ltd.	5,132,000	13,275,257
Gas Natural SDG S.A.	371,486	9,345,415
GDF SUEZ	879,268	20,535,569
Infraestructura Energetica Nova, S.A. de C.V	725,294	3,628,006
NiSource, Inc.	146,819	6,228,062
NorthWestern Corp.	170,050	9,621,429
Sempra Energy	427,292	47,583,237
Snam Rete Gas S.p.A.	3,328,694	16,420,865
Spectra Energy Corp.	109,212	3,964,396
		$ 135,719,361
Natural Gas – Pipeline – 13.1%		
Antero Midstream Partners LP (a)	71,990	$ 1,979,725
APA Group	944,635	5,745,439
Cheniere Energy, Inc. (a)	122,449	8,620,410
Cone Midstream Partners LP (a)	123,560	2,980,267
Enagas S.A.	625,460	19,797,569
Enbridge, Inc.	421,254	21,660,969
Energy Transfer Equity LP	357,709	20,525,342
Enterprise Products Partners LP	28,313	1,022,666
JP Energy Partners LP (a)	280,006	3,424,473
Kinder Morgan, Inc.	1,121,034	47,430,949
ONEOK Partners LP	141,867	5,622,189
ONEOK, Inc.	306,270	15,249,183
Plains All American Pipeline LP	93,022	4,773,889

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Natural Gas – Pipeline – continued		
Plains GP Holdings LP	1,217,751	$ 31,271,846
SemGroup Corp., "A"	152,287	10,414,908
Williams Cos., Inc.	1,122,606	50,449,914
Williams Partners LP	260,700	11,666,325
		$ 262,636,063
Telecommunications – Wireless – 6.2%		
Advanced Info Service PLC	95,500	$ 728,587
American Tower Corp., REIT	256,072	25,312,717
Cellcom Israel Ltd. (a)	541,118	4,680,671
Idea Cellular Ltd.	870,190	2,107,756
KDDI Corp.	191,700	11,994,712
MegaFon OAO, GDR	339,892	4,661,066
Mobile TeleSystems OJSC, ADR	1,147,692	8,240,429
MTN Group Ltd.	52,524	996,737
Philippine Long Distance Telephone Co.	28,755	1,868,038
SBA Communications Corp. (a)	213,929	23,694,776
T-Mobile U.S., Inc. (a)	78,158	2,105,577
TIM Participacoes S.A., ADR	185,246	4,114,314
Turkcell Iletisim Hizmetleri A.S. (a)	1,880,409	11,483,245
Vodafone Group PLC	6,322,647	21,664,315
		$ 123,652,940
Telephone Services – 7.2%		
Altice S.A. (a)	277,696	$ 21,929,063
Bezeq – The Israel Telecommunication Corp. Ltd.	8,543,045	15,188,491
BT Group PLC	521,740	3,238,735
Com Hem Holding AB (a)	2,222,948	17,849,621
Drillisch AG	59,339	2,123,938
France Telecom S.A.	36,001	612,243
Hellenic Telecommunications Organization S.A. (a)	1,264,277	13,921,532
Numericable-SFR (a)	10,537	519,582
Oi S.A. (a)	441,535	1,492,681
PT XL Axiata Tbk	15,611,500	6,086,409
Quebecor, Inc., "B"	439,982	12,095,907
TDC A.S.	3,185,765	24,277,596
Telecom Italia S.p.A. (a)	950,833	1,008,378
Telus Corp.	237,833	8,575,335
Verizon Communications, Inc.	354,600	16,588,188
		$ 145,507,699
Utilities – Electric Power – 40.1%		
Abengoa Yield PLC	472,193	$ 12,900,313
AES Corp.	2,418,265	33,299,509
Aksa Enerji Uretim A.S. (a)	2,287,831	2,849,784
ALLETE, Inc.	273,867	15,101,026
Ameren Corp.	263,415	12,151,334
American Electric Power Co., Inc.	546,460	33,181,051
Calpine Corp. (a)	1,848,513	40,907,593
Cheung Kong Infrastructure Holdings Ltd.	1,227,000	9,042,486
China Longyuan Power Group	6,147,000	6,332,326

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Utilities – Electric Power – continued		
CMS Energy Corp.	562,552	$ 19,548,682
Companhia Paranaense de Energia, ADR (l)	227,038	2,990,090
CPFL Energia S.A.	1,309,805	8,893,322
Dominion Resources, Inc.	102,147	7,855,104
Drax Group	1,374,018	9,768,111
DTE Energy Co.	124,619	10,763,343
Dynegy, Inc. (a)	1,311,270	39,797,044
Edison International	92,267	6,041,643
EDP Renovaveis S.A.	5,652,530	36,749,140
ENEL Green Power International B.V.	1,713,378	3,559,841
Enel S.p.A.	3,984,897	17,821,836
Energias de Portugal S.A.	9,089,539	35,153,139
Energias do Brasil S.A.	3,744,059	12,542,733
Equatorial Energia S.A.	471,671	4,915,088
Exelon Corp.	1,412,095	52,360,483
Iberdrola S.A.	1,025,741	6,901,363
Infinis Energy PLC	1,130,200	3,875,368
Light S.A.	713,334	4,525,377
NextEra Energy Partners LP	83,387	2,814,311
NextEra Energy, Inc.	674,606	71,703,872
Northeast Utilities	91,221	4,882,148
NRG Energy, Inc.	2,006,890	54,085,685
NRG Yield, Inc.	138,185	6,514,041
OGE Energy Corp.	1,049,515	37,236,792
PG&E Corp.	251,729	13,402,052
Pinnacle West Capital Corp.	203,580	13,906,550
PPL Corp.	1,990,277	72,306,763
Public Service Enterprise Group, Inc.	1,067,064	44,187,120
Red Electrica de Espana	205,744	18,061,655
SSE PLC	631,339	15,849,550
		$ 804,777,668
Total Common Stocks (Identified Cost, $1,480,536,226)		**$1,737,917,995**
CONVERTIBLE PREFERRED STOCKS – 6.2%		
Telecommunications – Wireless – 0.7%		
T Mobile U.S., Inc. 5.5% (a)	278,862	$ 14,776,897
Utilities – Electric Power – 5.5%		
Dominion Resources, Inc., "A", 6.125%	194,209	$ 11,654,482
Dominion Resources, Inc., "B", 6%	232,796	13,995,696
Dominion Resources, Inc., 6.375%	239,737	12,468,721
Dynegy, Inc., 5.375% (a)	214,113	21,839,526
Exelon Corp., 6.5%	524,644	$ 27,543,810
NextEra Energy, Inc., 5.799%	86,458	4,987,762
NextEra Energy, Inc., 5.889%	258,590	17,310,015
		$ 109,800,012
Total Convertible Preferred Stocks (Identified Cost, $113,385,802)		**$ 124,576,909**
PREFERRED STOCKS – 1.6%		
Telephone Services – 1.2%		
Oi S.A. (a)	1,578,558	$ 5,048,932
Telecom Italia S.p.A.	22,589,186	18,880,830
		$ 23,929,762
Utilities – Electric Power – 0.4%		
Companhia Paranaense de Energia	649,200	$ 8,549,491
Total Preferred Stocks (Identified Cost, $41,722,887)		**$ 32,479,253**
BONDS – 0.1%		
Asset-Backed & Securitized – 0.0%		
Falcon Franchise Loan LLC, FRN, 4.206%, 1/05/23 (i)(z)	$ 92,915	$ 7,405
Utilities – Electric Power – 0.1%		
Viridian Group FundCo II, Ltd., 11.125%, 4/01/17 (n)	$ 2,170,000	$ 2,321,900
Total Bonds (Identified Cost, $2,136,621)		**$ 2,329,305**
MONEY MARKET FUNDS – 4.5%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	88,762,069	$ 88,762,069
COLLATERAL FOR SECURITIES LOANED – 0.1%		
Navigator Securities Lending Prime Portfolio, 0.16%, at Cost and Net Asset Value (j)	2,278,884	$ 2,278,884
Total Investments (Identified Cost, $1,728,822,489)		**$1,988,344,415**
OTHER ASSETS, LESS LIABILITIES – 0.9%		**18,909,439**
NET ASSETS – 100.0%		**$2,007,253,854**

(a) Non-income producing security.

(i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.

(j) The rate quoted is the annualized seven-day yield of the fund at period end.

(l) A portion of this security is on loan.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was $2,321,900, 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.

Portfolio of Investments – continued

(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, 4.206%, 1/05/23	1/18/02	$3,275	$7,405
% of Net assets			0.0%

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

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 12/31/14

Forward Foreign Currency Exchange Contracts at 12/31/14

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives							
SELL	EUR	Barclays Bank PLC	727,269	1/09/15	$ 907,469	$ 880,069	$ 27,400
SELL	EUR	Citibank N.A.	5,784,848	1/09/15	7,317,630	7,000,255	317,375
SELL	EUR	Credit Suisse Group	6,070,570	1/09/15	7,599,293	7,346,008	253,285
SELL	EUR	Deutsche Bank AG	89,934,812	1/09/15-3/18/15	112,921,348	108,870,314	4,051,034
SELL	EUR	Goldman Sachs International	11,612,306	1/09/15	14,722,064	14,052,072	669,992
SELL	EUR	JPMorgan Chase Bank N.A.	6,382,972	1/09/15	8,038,794	7,724,046	314,748
SELL	EUR	Merrill Lynch International	4,976,343	1/09/15	6,248,292	6,021,881	226,411
SELL	EUR	Morgan Stanley Capital Services, Inc.	1,943,521	1/09/15	2,463,412	2,351,858	111,554
SELL	EUR	UBS AG	13,860,700	1/09/15	17,526,751	16,772,858	753,893
BUY	GBP	Barclays Bank PLC	15,882	1/09/15	24,651	24,753	102
BUY	GBP	Deutsche Bank AG	1,593	1/09/15	2,482	2,483	1
SELL	GBP	Barclays Bank PLC	1,824,062	1/09/15	2,908,020	2,842,896	65,124
SELL	GBP	Credit Suisse Group	9,250,921	1/09/15	14,791,939	14,418,042	373,897
SELL	GBP	Deutsche Bank AG	394,864	1/09/15	635,005	615,416	19,589
SELL	GBP	Merrill Lynch International	9,218,705	1/09/15	14,762,955	14,367,831	395,124
SELL	GBP	Morgan Stanley Capital Services, Inc.	4,180,211	1/09/15	6,725,034	6,515,077	209,957
							$7,789,486
Liability Derivatives							
BUY	EUR	Barclays Bank PLC	354,610	1/09/15	$ 433,510	$ 429,114	$ (4,396)
BUY	EUR	Citibank N.A.	345,067	1/09/15	438,558	417,566	(20,992)
BUY	EUR	Credit Suisse Group	2,563,875	1/09/15	3,240,763	3,102,549	(138,214)
BUY	EUR	Deutsche Bank AG	1,277,333	1/09/15	1,592,334	1,545,703	(46,631)
BUY	EUR	Goldman Sachs International	2,691,789	1/09/15	3,355,789	3,257,339	(98,450)
BUY	EUR	JPMorgan Chase Bank N.A.	164,382	1/09/15	201,214	198,918	(2,296)
BUY	EUR	Merrill Lynch International	699,599	1/09/15	850,575	846,585	(3,990)
BUY	GBP	Barclays Bank PLC	944,840	1/09/15	1,480,569	1,472,582	(7,987)
BUY	GBP	Credit Suisse Group	561,745	1/09/15	900,693	875,508	(25,185)
BUY	GBP	Goldman Sachs International	5,689	1/09/15	8,890	8,866	(24)
BUY	GBP	JPMorgan Chase Bank N.A.	750,082	1/09/15	1,170,780	1,169,042	(1,738)

Forward Foreign Currency Exchange Contracts at 12/31/14 – continued

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Liability Derivatives – continued							
BUY	GBP	Merrill Lynch International	43,616	1/09/15	$ 68,684	$ 67,978	$ (706)
BUY	GBP	Morgan Stanley Capital Services, Inc.	82,158	1/09/15	128,123	128,048	(75)
							$(350,684)

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 12/31/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $1,640,060,420)	$1,899,582,346	
Underlying affiliated funds, at cost and value	88,762,069	
Total investments, at value, including $2,182,756 of securities on loan (identified cost, $1,728,822,489)	$1,988,344,415	
Cash	301,303	
Foreign currency, at value (identified cost, $4)	4	
Receivables for		
Forward foreign currency exchange contracts	7,789,486	
Investments sold	23,189,314	
Fund shares sold	880,352	
Interest and dividends	3,135,192	
Other assets	13,366	
Total assets		$2,023,653,432
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$350,684	
Investments purchased	11,730,579	
Fund shares reacquired	1,563,637	
Collateral for securities loaned, at value	2,278,884	
Payable to affiliates		
Investment adviser	89,326	
Shareholder servicing costs	735	
Distribution and/or service fees	17,430	
Payable for independent Trustees' compensation	12	
Deferred country tax expense payable	19,158	
Accrued expenses and other liabilities	349,133	
Total liabilities		$16,399,578
Net assets		$2,007,253,854
Net assets consist of		
Paid-in capital	$1,560,015,429	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies (net of $19,158 deferred country tax)	266,924,499	
Accumulated net realized gain (loss) on investments and foreign currency	118,015,109	
Undistributed net investment income	62,298,817	
Net assets		$2,007,253,854
Shares of beneficial interest outstanding		59,630,362

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$754,927,101	22,225,878	$33.97
Service Class	1,252,326,753	37,404,484	33.48

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 12/31/14

Net investment income		
Income		
Dividends	$67,808,520	
Interest	3,661	
Dividends from underlying affiliated funds	38,868	
Foreign taxes withheld	(1,858,344)	
Total investment income		$65,992,705
Expenses		
Management fee	$12,941,118	
Distribution and/or service fees	2,825,669	
Shareholder servicing costs	104,728	
Administrative services fee	253,142	
Independent Trustees' compensation	33,421	
Custodian fee	363,083	
Shareholder communications	194,537	
Audit and tax fees	58,591	
Legal fees	21,519	
Miscellaneous	38,504	
Total expenses		$16,834,312
Fees paid indirectly	(205)	
Reduction of expenses by investment adviser	(87,107)	
Net expenses		$16,747,000
Net investment income		$49,245,705
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$130,605,353	
Foreign currency	13,188,319	
Net realized gain (loss) on investments and foreign currency		$143,793,672
Change in unrealized appreciation (depreciation)		
Investments (net of $19,158 increase in deferred country tax)	$(7,641,303)	
Translation of assets and liabilities in foreign currencies	8,136,947	
Net unrealized gain (loss) on investments and foreign currency translation		$495,644
Net realized and unrealized gain (loss) on investments and foreign currency		$144,289,316
Change in net assets from operations		$193,535,021

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	2014	2013
Change in net assets		
From operations		
Net investment income	$49,245,705	$41,935,192
Net realized gain (loss) on investments and foreign currency	143,793,672	61,786,663
Net unrealized gain (loss) on investments and foreign currency translation	495,644	158,392,287
Change in net assets from operations	$193,535,021	$262,114,142
Distributions declared to shareholders		
From net investment income	$(39,350,382)	$(31,581,445)
From net realized gain on investments	(73,072,176)	(27,011,737)
Total distributions declared to shareholders	$(112,422,558)	$(58,593,182)
Change in net assets from fund share transactions	$422,023,434	$(13,283,774)
Total change in net assets	$503,135,897	$190,237,186
Net assets		
At beginning of period	1,504,117,957	1,313,880,771
At end of period (including undistributed net investment income of $62,298,817 and $39,771,266, respectively)	$2,007,253,854	$1,504,117,957

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**				
	2014	**2013**	**2012**	**2011**	**2010**
Net asset value, beginning of period	$31.88	$27.61	$26.08	$25.27	$22.92
Income (loss) from investment operations					
Net investment income (d)	$0.99	$0.94	$0.84	$0.97	$0.79
Net realized and unrealized gain (loss) on investments and foreign currency	3.13	4.64	2.57	0.70	2.29
Total from investment operations	$4.12	$5.58	$3.41	$1.67	$3.08
Less distributions declared to shareholders					
From net investment income	$(0.74)	$(0.73)	$(1.88)	$(0.86)	$(0.73)
From net realized gain on investments	(1.29)	(0.58)	—	—	—
Total distributions declared to shareholders	$(2.03)	$(1.31)	$(1.88)	$(0.86)	$(0.73)
Net asset value, end of period (x)	$33.97	$31.88	$27.61	$26.08	$25.27
Total return (%) (k)(r)(s)(x)	12.77	20.60	13.40	6.78	13.81
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.79	0.80	0.82	0.80	0.81
Expenses after expense reductions (f)	0.78	0.80	0.82	0.80	0.81
Net investment income	2.87	3.07	3.11	3.71	3.47
Portfolio turnover	53	50	51	53	56
Net assets at end of period (000 omitted)	$754,927	$525,386	$476,685	$532,447	$541,653

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2014	**2013**	**2012**	**2011**	**2010**
Net asset value, beginning of period	$31.47	$27.27	$25.73	$24.95	$22.65
Income (loss) from investment operations					
Net investment income (d)	$0.92	$0.85	$0.71	$0.89	$0.73
Net realized and unrealized gain (loss) on investments and foreign currency	3.05	4.58	2.59	0.70	2.25
Total from investment operations	$3.97	$5.43	$3.30	$1.59	$2.98
Less distributions declared to shareholders					
From net investment income	$(0.67)	$(0.65)	$(1.76)	$(0.81)	$(0.68)
From net realized gain on investments	(1.29)	(0.58)	—	—	—
Total distributions declared to shareholders	$(1.96)	$(1.23)	$(1.76)	$(0.81)	$(0.68)
Net asset value, end of period (x)	$33.48	$31.47	$27.27	$25.73	$24.95
Total return (%) (k)(r)(s)(x)	12.47	20.30	13.13	6.51	13.51
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.04	1.05	1.07	1.05	1.06
Expenses after expense reductions (f)	1.03	1.05	1.07	1.05	1.06
Net investment income	2.71	2.82	2.66	3.45	3.23
Portfolio turnover	53	50	51	53	56
Net assets at end of period (000 omitted)	$1,252,327	$978,732	$837,196	$1,458,257	$1,335,305

(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 diversified 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.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(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. 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 June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures ("ASU 2014-11"). ASU 2014-11 changes the accounting for repurchase-to-maturity transactions (i.e., repurchase agreements that settle at the same time as the maturity of the transferred financial asset) and enhances the required disclosures for repurchase agreements and other similar transactions. Although still evaluating the potential impacts of ASU 2014-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures which would first be effective for interim reporting periods beginning after March 15, 2015.

Balance Sheet Offsetting – 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 International Swaps and Derivatives Association (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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, 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.

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, 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 may be 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, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$1,315,529,311	$—	$—	$1,315,529,311
Portugal	—	71,902,278	—	71,902,278
United Kingdom	16,775,681	50,520,711	—	67,296,392
Italy	17,821,836	39,869,915	—	57,691,751
Spain	—	54,106,002	—	54,106,002
Brazil	12,019,492	41,052,535	—	53,072,027
Canada	42,332,212	—	—	42,332,212
Denmark	—	24,277,596	—	24,277,596
France	—	22,685,082	—	22,685,082
Other Countries	78,367,904	107,713,602	—	186,081,506
Commercial Mortgage-Backed Securities	—	7,405	—	7,405
Foreign Bonds	—	2,321,900		2,321,900
Mutual Funds	91,040,953	—	—	91,040,953
Total Investments	$1,573,887,389	$414,457,026	$—	$1,988,344,415
Other Financial Instruments				
Forward Foreign Currency Exchange Contracts	$—	$7,438,802	$—	$7,438,802

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $345,543,467 would have been considered level 1 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments.

Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were 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, 2014 as reported in the Statement of Assets and Liabilities:

		Fair Value	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Foreign Exchange	Forward Foreign Currency Exchange	$7,789,486	$(350,684)

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, 2014 as reported in the Statement of Operations:

Risk	Foreign Currency
Foreign Exchange	$13,790,150

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, 2014 as reported in the Statement of Operations:

Risk	Translation of Assets and Liabilities in Foreign Currencies
Foreign Exchange	$8,179,497

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 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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific ISDA counterparty is subject.

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.

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. On loans collateralized by cash, the cash collateral is invested in a money market fund. 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. At period end, the fund had investment securities on loan with a fair value of $2,182,756 and a related liability of $2,278,884 for cash collateral received on securities loaned, both of which are presented gross in the Statement of Assets and Liabilities. The collateral received on securities loaned exceeded the value of securities on loan at period end. The liability for cash collateral for securities loaned is carried at fair value, which is categorized as level 2 within the fair value hierarchy. 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.

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, 2014, 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 years is as follows:

	12/31/14	12/31/13
Ordinary income (including any short-term capital gains)	$69,599,950	$31,581,445
Long-term capital gains	42,822,608	27,011,737
Total distributions	$112,422,558	$58,593,182

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/14	
Cost of investments	$1,738,341,520
Gross appreciation	346,445,575
Gross depreciation	(96,442,680)
Net unrealized appreciation (depreciation)	$250,002,895
Undistributed ordinary income	100,470,131
Undistributed long-term capital gain	98,328,222
Other temporary differences	(1,562,823)

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 12/31/14	Year ended 12/31/13	Year ended 12/31/14	Year ended 12/31/13
Initial Class	$15,974,531	$11,928,524	$28,015,023	$9,523,396
Service Class	23,375,851	19,652,921	45,057,153	17,488,341
Total	$39,350,382	$31,581,445	$73,072,176	$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%

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 year ended December 31, 2014, this management fee reduction amounted to $84,173, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2014 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, 2014, the fee was $101,688 which equated to 0.0057% 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, 2014, these costs amounted to $3,040.

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, 2014 was equivalent to an annual effective rate of 0.0142% 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 – Effective November 1, 2014, this fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. Prior to November 1, 2014, the funds had entered into services agreements (the Compliance Officer Agreements) which provided 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. Prior to November 1, 2014, Frank L. Tarantino served as the ICCO. Effective October 31, 2014, Mr. Tarantino resigned as ICCO and the Compliance Officer Agreement between the funds and Tarantino LLC was terminated. Prior to June 1, 2014, Robyn L. Griffin served as the Assistant ICCO and was an officer of the funds. Ms. Griffin is the sole member of Griffin Compliance LLC. Effective May 31, 2014, Ms. Griffin resigned as Assistant ICCO and the Compliance Officer Agreement between the funds and Griffin Compliance LLC was terminated. For the year ended December 31, 2014, the aggregate fees paid by the fund under these agreements were $7,217 and are included in "Miscellaneous" expense in the Statement of Operations. MFS had agreed to reimburse the fund for a portion of the payments made by the fund for the services under the Compliance Officer Agreements in the amount of $2,934, which is included in the 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, Assistant ICCO, and ISO.

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

For the year ended December 31, 2014, purchases and sales of investments, other than short-term obligations, aggregated $906,967,377 and $894,565,810, respectively. Purchases exclude the value of securities acquired in connection with the MFS Utilities Portfolio 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 12/31/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	1,464,376	$50,703,687	1,196,740	$36,397,677
Service Class	5,940,410	201,152,012	4,758,466	143,245,859
	7,404,786	$251,855,699	5,955,206	$179,643,536
Shares issued in connection with acquisition of MFS Utilities Portfolio				
Initial Class	5,353,453	$189,030,408		
Service Class	3,363,246	117,040,963		
	8,716,699	$306,071,371		
Shares issued to shareholders in reinvestment of distributions				
Initial Class	1,262,979	$43,989,554	731,399	$21,451,920
Service Class	1,991,648	68,433,004	1,281,617	37,141,262
	3,254,627	$112,422,558	2,013,016	$58,593,182

	Year ended 12/31/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares reacquired				
Initial Class	(2,336,474)	$(79,950,659)	(2,710,242)	$(82,329,568)
Service Class	(4,994,588)	(168,375,535)	(5,635,990)	(169,190,924)
	(7,331,062)	$(248,326,194)	(8,346,232)	$(251,520,492)
Net change				
Initial Class	5,744,334	$203,772,990	(782,103)	$(24,479,971)
Service Class	6,300,716	218,250,444	404,093	11,196,197
	12,045,050	$422,023,434	(378,010)	$(13,283,774)

(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, 2014, the fund's commitment fee and interest expense were $6,785 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	$43,687,395	$440,213,591	$(395,138,917)	88,762,069

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$38,868	$88,762,069

(8) Acquisitions

At close of business on August 8, 2014, the fund with net assets of approximately $1,675,061,220, acquired all of the assets and liabilities of MFS Utilities Portfolio, a series of MFS Variable Insurance Trust II. The purpose of the transaction was to provide shareholders of MFS Utilities 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 8,716,699 shares of the fund (valued at approximately $306,071,371) for all of the assets and liabilities of MFS Utilities Portfolio. MFS Utilities Portfolio then distributed the shares of the fund that MFS Utilities Portfolio received from the fund to its shareholders. MFS Utilities Portfolio's investments on that date were valued at approximately $295,873,296 with a cost basis of approximately $242,380,563. 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 Utilities 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. 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 Utilities Portfolio that have been included in the fund's Statement of Operations since August 8, 2014.

Assuming the acquisition had been completed on January 1, 2014, the fund's pro forma results of operations for the year ended December 31, 2014 are as follows:

Net investment income	$56,865,630
Net realized and unrealized gain (loss) on investments and foreign currency	169,043,953
Change in net assets from operations	$225,909,583

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 of MFS Variable Insurance Trust) (the "Fund") as of December 31, 2014, 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, 2014, 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, 2014, 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 13, 2015

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2015, 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 51)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Co-Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach [k] (age 53)	Trustee and President	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 72)	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
Steven E. Buller (age 63)	Trustee	February 2014	Chairman, Financial Accounting Standards Advisory Council; Standing Advisory Group, Public Company Accounting Oversight Board, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014)	N/A
Robert E. Butler (age 73)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 59)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 73)	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 70)	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 60)	Trustee	January 2009	Private investor	N/A
Maryanne L. Roepke (age 58)	Trustee	May 2014	American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014)	N/A
Laurie J. Thomsen (age 57)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 73)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
Christopher R. Bohane [k] (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark [k] (age 46)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [k] (age 55)	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

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)
Ethan D. Corey (k) (age 51)	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 46)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Timothy M. Fagan (k) (age 46)	Chief Compliance Officer	November 2014	Massachusetts Financial Services Company, Chief Compliance Officer; Vice President and Senior Counsel (until 2012)	N/A
Brian E. Langenfeld (k) (age 41)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 64)	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 44)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 44)	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 62)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Matthew A. Stowe (k) (age 40)	Assistant Secretary and Assistant Clerk	October 2014	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Frank L. Tarantino (age 70)	Independent Senior Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 44)	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 54)	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. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. Ms. Stelmach was appointed as President of the Funds as of October 1, 2014.

(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 a position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach, Mr. Buller and Ms. Roepke) 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 Mses. Thomsen and Roepke 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 February 1, 2015, the Trustees served as board members of 135 funds within the MFS Family of Funds.

Trustees and Officers – continued

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
Claud Davis
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, 2014 ("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, 2013 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, 2013, 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, 2013 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 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, 2014.

PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are 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 "Market Commentary" and "Announcements" sub sections in the "Market Outlooks" section 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 $47,105,000 as capital gain dividends paid during the fiscal year.

For corporate shareholders, 36.99% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

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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