LIBERTY LIFE'S

SPECTRUM SELECT® AND SPECTRUM SELECT PLUS®

VARIABLE LIFE INSURANCE

Semiannual Report

June 30, 2014

A spectrum of choices…a lifetime of protection®

Liberty Life Assurance Company of Boston

Liberty Mutual. INSURANCE

THIS REPORT MAY BE USED WITH THE PUBLIC ONLY WHEN PRECEDED OR ACCOMPANIED BY A CURRENT PROSPECTUS FOR LIBERTY LIFE'S SPECTRUM SELECT OR SPECTRUM SELECT PLUS. THE PROSPECTUSES CONTAIN COMPLETE INFORMATION CONCERNING CHARGES AND EXPENSES AND SHOULD BE READ CAREFULLY BEFORE YOU INVEST OR SEND MONEY.

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

Dear Policyholder,

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

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

Sincerely,

Elaine Dansereau

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

Semiannual Report to Shareholders June 30, 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-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/13 to 6/30/14, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	4.42%
Series II Shares	4.29
S&P 500 Index▼ (Broad Market Index)	7.14
Russell 1000 Growth Index▼ (Style-Specific Index)	6.31
Lipper VUF Large-Cap Growth Funds Index■ (Peer Group Index)	4.21

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

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

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

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

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

Average Annual Total Returns

As of 6/30/14

Series I Shares	
Inception (7/3/95)	9.28%
10 Years	7.97
5 Years	19.75
1 Year	34.21
Series II Shares	
Inception (9/18/00)	-0.20%
10 Years	7.69
5 Years	19.44
1 Year	33.86

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.

Schedule of Investments[a]

June 30, 2014
(Unaudited)

	Shares	Value
Common Stocks & Other Equity Interests-99.78%		
Aerospace & Defense-3.20%		
B/E Aerospace, Inc.[b]	51,812	$ 4,792,092
Honeywell International Inc.	115,919	10,774,671
Precision Castparts Corp.	35,880	9,056,112
		24,622,875
Agricultural Products-1.00%		
Archer-Daniels-Midland Co.	175,078	7,722,691
Apparel Retail-0.42%		
Gap, Inc. (The)	77,068	3,203,717
Apparel, Accessories & Luxury Goods-1.12%		
Michael Kors Holdings Ltd.[b]	97,167	8,613,855
Application Software-2.47%		
Salesforce.com, Inc.[b]	241,486	14,025,507
Splunk, Inc.[b]	89,936	4,976,159
		19,001,666
Asset Management & Custody Banks-0.92%		
Ameriprise Financial, Inc.	58,726	7,047,120
Biotechnology-10.48%		
Alkermes PLC[b]	210,765	10,607,803
Amgen Inc.	32,382	3,833,057
Biogen Idec Inc.[b]	42,026	13,251,218
Celgene Corp.[b]	191,052	16,407,546
Gilead Sciences, Inc.[b]	440,434	36,516,383
		80,616,007
Brewers-1.01%		
Anheuser-Busch InBev N.V.-ADR (Belgium)	67,686	7,779,829
Cable & Satellite-8.11%		
Comcast Corp.-Class A	107,695	5,781,067
DISH Network Corp.-Class A[b]	594,524	38,691,622
Time Warner Cable Inc.	121,426	17,886,050
		62,358,739
Casinos & Gaming-0.63%		
Las Vegas Sands Corp.	63,960	4,875,031
Communications Equipment-1.87%		
F5 Networks, Inc.[b]	48,454	5,399,714
QUALCOMM, Inc.	113,050	8,953,560
		14,353,274
Construction & Engineering-2.68%		
Fluor Corp.	145,882	11,218,326
Jacobs Engineering Group, Inc.[b]	165,095	8,796,262
Quanta Services, Inc.[b]	16,244	561,717
		20,576,305

	Shares	Value
Construction Materials-0.97%		
Martin Marietta Materials, Inc.[c]	56,736	$ 7,491,989
Consumer Electronics-0.98%		
Harman International Industries, Inc.	70,466	7,570,162
Data Processing & Outsourced Services-3.09%		
Alliance Data Systems Corp.[b]	22,221	6,249,656
MasterCard, Inc.-Class A	238,628	17,531,999
		23,781,655
Drug Retail-0.96%		
CVS Caremark Corp.	97,995	7,385,883
Fertilizers & Agricultural Chemicals-1.31%		
Monsanto Co.	81,029	10,107,557
General Merchandise Stores-0.64%		
Dollar General Corp.[b]	86,431	4,957,682
Health Care Facilities-1.16%		
HCA Holdings, Inc.[b]	157,695	8,890,844
Home Entertainment Software-1.00%		
Activision Blizzard, Inc.	176,924	3,945,405
Electronic Arts Inc.[b]	104,083	3,733,457
		7,678,862
Home Improvement Retail-2.48%		
Lowe's Cos., Inc.	397,500	19,076,025
Hotels, Resorts & Cruise Lines-1.29%		
Carnival Corp.	263,079	9,904,924
Household Appliances-0.97%		
Whirlpool Corp.	53,394	7,433,513
Industrial Conglomerates-0.94%		
Roper Industries, Inc.	49,377	7,209,536
Industrial Machinery-1.65%		
Flowserve Corp.	94,803	7,048,603
Ingersoll-Rand PLC	89,650	5,604,022
		12,652,625
Insurance Brokers-1.21%		
Aon PLC	102,999	9,279,180
Internet Retail-5.30%		
Amazon.com, Inc.[b]	45,568	14,799,575
Priceline Group Inc. (The)[b]	17,808	21,423,024
TripAdvisor Inc.[b]	41,592	4,519,387
		40,741,986
Internet Software & Services-13.32%		
Baidu, Inc.-ADR (China)[b]	21,672	4,048,546
Facebook Inc.-Class A[b]	632,758	42,578,286

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)	37,969	$ 22,199,335
Google Inc.-Class C(b)	37,489	21,566,672
Yelp Inc.(b)	157,424	12,071,273
		102,464,112
Investment Banking & Brokerage-0.86%		
Morgan Stanley	204,593	6,614,492
IT Consulting & Other Services-0.39%		
Cognizant Technology Solutions Corp.-Class A(b)	61,717	3,018,578
Life Sciences Tools & Services-0.98%		
Thermo Fisher Scientific, Inc.	63,961	7,547,398
Movies & Entertainment-1.31%		
Twenty-First Century Fox, Inc.-Class A	157,816	5,547,232
Walt Disney Co. (The)	53,004	4,544,563
		10,091,795
Oil & Gas Equipment & Services-3.27%		
Baker Hughes Inc.	84,047	6,257,299
Schlumberger Ltd.	160,484	18,929,088
		25,186,387
Oil & Gas Exploration & Production-2.37%		
Anadarko Petroleum Corp.	108,229	11,847,828
Pioneer Natural Resources Co.	27,696	6,364,818
		18,212,646
Pharmaceuticals-3.77%		
AbbVie Inc.	82,287	4,644,278
Actavis PLC(b)	55,021	12,272,434
Allergan, Inc.	30,612	5,180,163
Bristol-Myers Squibb Co.	63,622	3,086,303
Johnson & Johnson	36,635	3,832,754
		29,015,932
Railroads-0.89%		
Canadian Pacific Railway Ltd. (Canada)	37,649	6,819,740

Investment Abbreviations:

ADR – American Depositary Receipt
REIT – Real Estate Investment Trust

	Shares	Value
Semiconductor Equipment-0.56%		
Applied Materials, Inc.	191,695	$ 4,322,722
Semiconductors-1.41%		
NXP Semiconductors N.V. (Netherlands)(b)	163,774	10,838,563
Specialized REIT's-1.20%		
American Tower Corp.	102,600	9,231,948
Systems Software-2.93%		
ServiceNow, Inc.(b)	132,061	8,182,499
VMware, Inc.-Class A(b)	148,339	14,360,699
		22,543,198
Technology Hardware, Storage & Peripherals-4.87%		
Apple Inc.	403,095	37,459,618
Wireless Telecommunication Services-3.79%		
Sprint Corp.(b)	3,413,125	29,113,957
Total Common Stocks & Other Equity Interests (Cost $505,656,902)		767,414,618
Money Market Funds-0.42%		
Liquid Assets Portfolio-Institutional Class(d)	1,604,215	1,604,215
Premier Portfolio-Institutional Class(d)	1,604,215	1,604,215
Total Money Market Funds (Cost $3,208,430)		3,208,430
TOTAL INVESTMENTS (excluding investments purchased with cash collateral from securities on loan)-100.20% (Cost $508,865,332)		770,623,048
Investments Purchased with Cash Collateral from Securities on Loan-0.75%		
Money Market Funds-0.75%		
Liquid Assets Portfolio-Institutional Class (Cost $5,767,200)(d)(e)	5,767,200	5,767,200
TOTAL INVESTMENTS-100.95% (Cost $514,632,532)		776,390,248
OTHER ASSETS LESS LIABILITIES-(0.95)%		(7,284,714)
NET ASSETS-100.00%		$769,105,534

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 June 30, 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 June 30, 2014.

Counterparty	**Gross Amount of Securities on Loan at Value**	**Cash Collateral Received for Securities Loaned***	**Net Amount**
State Street Bank and Trust Co.	$5,641,176	$(5,641,176)	$–

* Amount does not include excess collateral received.

Portfolio Composition

By sector, based on Net Assets
as of June 30, 2014

Information Technology	31.9%
Consumer Discretionary	23.3
Health Care	16.4
Industrials	9.3
Energy	5.6
Financials	4.2
Telecommunication Services	3.8
Consumer Staples	3.0
Materials	2.3
Money Market Funds Plus Other Assets Less Liabilities	0.2

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

Statement of Assets and Liabilities

June 30, 2014
(Unaudited)

Assets:	
Investments, at value (Cost $505,656,902)*	$767,414,618
Investments in affiliated money market funds, at value and cost	8,975,630
Total investments, at value (Cost $514,632,532)	776,390,248
Cash	41,852
Foreign currencies, at value (Cost $16,785)	16,801
Receivable for:	
Investments sold	615,866
Fund shares sold	514,713
Dividends	207,259
Fund expenses absorbed	13,838
Investment for trustee deferred compensation and retirement plans	409,931
Other assets	387
Total assets	778,210,895
Liabilities:	
Payable for:	
Investments purchased	561,745
Fund shares reacquired	1,221,388
Collateral upon return of securities loaned	5,767,200
Accrued fees to affiliates	1,060,888
Accrued trustees' and officers' fees and benefits	768
Accrued other operating expenses	39,269
Trustee deferred compensation and retirement plans	454,103
Total liabilities	9,105,361
Net assets applicable to shares outstanding	$769,105,534
Net assets consist of:	
Shares of beneficial interest	$560,627,945
Undistributed net investment income (loss)	(1,027,100)
Undistributed net realized gain (loss)	(52,254,743)
Net unrealized appreciation	261,759,432
	$769,105,534
Net Assets:	
Series I	$557,329,946
Series II	$211,775,588
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	10,541,541
Series II	4,095,577
Series I:	
Net asset value per share	$ 52.87
Series II:	
Net asset value per share	$ 51.71

* At June 30, 2014, securities with an aggregate value of $5,641,176 were on loan to brokers.

Statement of Operations

For the six months ended June 30, 2014
(Unaudited)

Investment income:	
Dividends (net of foreign withholding taxes of $25,124)	$ 3,065,702
Dividends from affiliated money market funds (includes securities lending income of $18,921)	19,788
Total investment income	3,085,490
Expenses:	
Advisory fees	2,625,115
Administrative services fees	1,010,030
Custodian fees	18,875
Distribution fees — Series II	288,786
Transfer agent fees	40,081
Trustees' and officers' fees and benefits	17,575
Other	34,976
Total expenses	4,035,438
Less: Fees waived	(219,795)
Net expenses	3,815,643
Net investment income (loss)	(730,153)
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities (includes net gains (losses) from securities sold to affiliates of $(78,934))	61,277,887
Foreign currencies	(7,878)
	61,270,009
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(29,112,016)
Foreign currencies	73
	(29,111,943)
Net realized and unrealized gain	32,158,066
Net increase in net assets resulting from operations	$ 31,427,913

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

Statement of Changes in Net Assets

For the six months ended June 30, 2014 and the year ended December 31, 2013
(Unaudited)

	June 30, 2014	December 31, 2013
Operations:		
Net investment income (loss)	$ (730,153)	$ 62,847
Net realized gain	61,270,009	115,022,775
Change in net unrealized appreciation (depreciation)	(29,111,943)	143,862,178
Net increase in net assets resulting from operations	31,427,913	258,947,800
Distributions to shareholders from net investment income:		
Series I	–	(2,241,984)
Series II	–	(576,996)
Total distributions from net investment income	–	(2,818,980)
Share transactions–net:		
Series I	(46,679,697)	(92,234,602)
Series II	(54,050,804)	(46,160,962)
Net increase (decrease) in net assets resulting from share transactions	(100,730,501)	(138,395,564)
Net increase (decrease) in net assets	(69,302,588)	117,733,256
Net assets:		
Beginning of period	838,408,122	720,674,866
End of period (includes undistributed net investment income (loss) of $(1,027,100) and $(296,947), respectively)	$ 769,105,534	$ 838,408,122

Notes to Financial Statements

June 30, 2014
(Unaudited)

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 asked prices is used to value debt obligations, including corporate loans.

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

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 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.

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

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

Average Daily Net Assets	Rate
First $250 million	0.695%
Next $250 million	0.67%
Next $500 million	0.645%
Next $550 million	0.62%
Next $3.45 billion	0.60%
Next $250 million	0.595%
Next $2.25 billion	0.57%
Next $2.5 billion	0.545%
Over $10 billion	0.52%

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

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. To the extent that the annualized expense ratio does not exceed the expense limitation, the Adviser will retain its ability to be reimbursed for such fee waivers or reimbursements prior to the end of each fiscal year.

Further, the Adviser has contractually agreed, through at least June 30, 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 six months ended June 30, 2014, the Adviser waived advisory fees of $219,795.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2014, Invesco was paid $92,773 for accounting and fund administrative services and reimbursed $917,257 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 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 six months ended June 30, 2014, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the six months ended June 30, 2014, the Fund incurred $3,709 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 June 30, 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 six months ended June 30, 2014, the Fund engaged in securities purchases of $1,096,349 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—Tax Information

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

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. Capital losses generated in years beginning after December 22, 2010 can be carried forward for an unlimited period, whereas previous losses expire in 8 tax years. Capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Capital loss carryforwards with no expiration date will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund had a capital loss carryforward as of December 31, 2013, which expires as follows:

Capital Loss Carryforward*

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

* Capital loss carryforward as of the date listed above is reduced for 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 six months ended June 30, 2014 was $257,217,053 and $355,217,354, 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	$265,057,940
Aggregate unrealized (depreciation) of investment securities	(4,578,993)
Net unrealized appreciation of investment securities	$260,478,947

Cost of investments for tax purposes is $515,911,301.

NOTE 9—Share Information

Summary of Share Activity

	Six months ended June 30, 2014[a]		Year ended December 31, 2013	
	Shares	Amount	Shares	Amount
Sold:				
Series I	245,276	$ 12,435,445	372,037	$ 16,044,363
Series II	141,812	7,029,870	211,725	9,101,632
Issued as reinvestment of dividends:				
Series I	–	–	49,800	2,241,984
Series II	–	–	13,081	576,996
Reacquired:				
Series I	(1,171,715)	(59,115,142)	(2,635,529)	(110,520,949)
Series II	(1,245,830)	(61,080,674)	(1,335,787)	(55,839,590)
Net increase (decrease) in share activity	(2,030,457)	$(100,730,501)	(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 10—Financial Highlights

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

	Net asset value, beginning of period	Net investment income (loss)[a]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Return of capital distributions	Total distributions	Net asset value, end of period	Total return	Net assets, end of period (000's omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income (loss) to average net assets	Portfolio turnover[b]
Series I[c]														
Six months ended 06/30/14	$50.63	$(0.03)	$ 2.27	$ 2.24	$ –	$ –	$ –	$52.87	4.42%[d]	$557,330	0.90%[e]	0.95%[e]	(0.11)%[e]	33%
Year ended 12/31/13	36.28	0.04	14.50	14.54	(0.19)	–	(0.19)	50.63	40.13[d]	580,620	0.90	0.96	0.08	75
Year ended 12/31/12	31.90	0.19	4.19	4.38	–	–	–	36.28	13.73[d]	496,341	0.88	0.98	0.52	190
Year ended 12/31/11	34.00	(0.05)	(2.05)	(2.10)	–	–	–	31.90	(6.18)[d]	122,986	0.84	0.99	(0.15)	126
Year ended 12/31/10	28.37	0.03	5.60	5.63	–	–	–	34.00	19.84[d]	74,870	0.79	0.90	0.12	158
Year ended 12/31/09	17.10	0.04	11.26	11.30	(0.03)	(0.00)[f]	(0.03)	28.37	66.07	74,214	0.84	0.84	0.17	13
Series II[c]														
Six months ended 06/30/14	49.58	(0.09)	2.22	2.13	–	–	–	51.71	4.29[d]	211,776	1.15[e]	1.20[e]	(0.36)[e]	33
Year ended 12/31/13	35.55	(0.07)	14.20	14.13	(0.10)	–	(0.10)	49.58	39.79[d]	257,788	1.15	1.21	(0.17)	75
Year ended 12/31/12	31.35	0.10	4.10	4.20	–	–	–	35.55	13.40[d]	224,334	1.13	1.23	0.27	190
Year ended 12/31/11	33.49	(0.14)	(2.00)	(2.14)	–	–	–	31.35	(6.39)[d]	85,724	1.09	1.24	(0.40)	126
Year ended 12/31/10	28.01	(0.05)	5.53	5.48	–	–	–	33.49	19.56[d]	109,920	1.04	1.15	(0.18)	158
Year ended 12/31/09	16.91	(0.02)	11.12	11.10	–	–	–	28.01	65.64[g]	112,533	1.09	1.09	(0.07)	13

[a] Calculated using average shares outstanding.
[b] Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the year ended December 31, 2012, the portfolio turnover calculation excludes the value of securities purchased of $14,357,093 and sold of $15,173,740 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco V.I. Capital Appreciation Fund and Invesco V.I. Leisure Fund into the Fund. For the year ended December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of $81,993,574 and sold of $49,870,241 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco V.I. Large Cap Growth Fund into the Fund.
[c] On June 1, 2010, the predecessor Fund's former Class I and Class II shares were reorganized into Series I and Series II shares respectively.
[d] Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
[e] Ratios are annualized and based on average daily net assets (000's) of $558,722 and $232,943 for Series I and Series II, respectively.
[f] Amount is less than $0.01 per share.
[g] These returns include combined Rule 12b-1 fees and service fees of up to 0.25%.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2014 through June 30, 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 (01/01/14)	Ending Account Value (06/30/14)[1]	Expenses Paid During Period[2,3]	Ending Account Value (06/30/14)	Expenses Paid During Period[2,4]	Annualized Expense Ratio
Series I	$1,000.00	$1,044.20	$4.56	$1,020.33	$4.51	0.90%
Series II	1,000.00	1,042.90	5.83	1,019.09	5.76	1.15

1 The actual ending account value is based on the actual total return of the Fund for the period January 1, 2014 through June 30, 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 181/365 to reflect the most recent fiscal half year. Effective July 1, 2014, the Fund's adviser has contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual fund operating expenses of Series I and Series II shares to 2.00% and 2.25%, respectively.

3 The actual expenses paid restated as if the changes discussed above had been in effect throughout the entire most recent fiscal half year are $4.82 and $6.08 for Series I and Series II, respectively.

4 The hypothetical expenses paid restated as if the changes discussed above had been in effect throughout the entire most recent fiscal half year are $4.76 and $6.01 for Series I and Series II, respectively.

Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of Invesco V.I. American Franchise Fund's (the Fund) investment advisory agreements. During contract renewal meetings held on June 16-17, 2014, the Board as a whole, and the disinterested or "independent" Trustees, who comprise over 75% of the Board, voting separately, approved the continuance for the Fund of the Master Investment Advisory Agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers and the sub-advisory contracts) for another year, effective July 1, 2014.

In evaluating the fairness and reasonableness of compensation under the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Board determined that continuation of the Fund's investment advisory agreement and the sub-advisory contracts are in the best interest of the Fund and its shareholders and that the compensation payable to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

The Board's Fund Evaluation Process

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

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

The Trustees recognized that the advisory fee rates for the Invesco Funds are, in many cases, the result of years of review and negotiation. The Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these arrangements throughout the year and in prior years. The Trustees' review and conclusions are based on the comprehensive consideration of all information presented to them and are not the result of any single determinative factor. Moreover, one Trustee may have weighed a particular piece of information or factor differently than another Trustee.

The discussion below serves as the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory contracts. Unless otherwise stated, this information is current as of June 17, 2014, and may not reflect consideration of factors that became known to the Board after that date.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

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

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund's portfolio manager or managers, with whom the Sub-Committees met during the year. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' investment process oversight, independent credit analysis and investment risk management. The Board also considered non-advisory services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the benefits of reapproving an existing relationship and the greater uncertainty that may be associated with entering into a new relationship. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and consistent with the terms of the Fund's investment advisory agreement.

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

B. Fund Performance

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

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Lipper performance universe and against the Lipper VA Underlying Funds Large-Cap Growth Funds Index. The Board noted that performance of Series I shares of the Fund was in the first quintile of the performance universe for the one and five year periods and the fourth quintile for the three year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that performance of Series I shares of the Fund was above the performance of the Index for the one and five year periods and below the performance of the Index for the three year period. Invesco Advisers noted that the momentum driven process employed by the Fund had resulted in top performance since November 2012, but that abrupt market changes during 2011 and 2012 had created a challenging environment for the portfolio management team's process leading to relative underperformance. The Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory and Sub-Advisory Fees

The Board compared the Fund's contractual management fee rate to the contractual management fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the contractual management fee rate for Series I shares of the Fund was above the median contractual management fee rate of funds in the expense group. The Board noted that the term "contractual management fee" may include both advisory and certain administrative services fees, but that Lipper does not provide information on a fund by fund basis as to what is included. The Board noted that Invesco Advisers does not charge the Invesco Funds for the administrative services included in the term as defined by Lipper. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using each fund's contractual management fee schedule (including any applicable breakpoints) as reported in the most recent prospectus or statement of additional information for each fund in the expense group.

The Board noted that Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least June 30, 2015 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund.

The Board also compared the Fund's effective advisory fee rate (the advisory fee rate after advisory fee waivers and before other expense limitations/waivers) to the effective advisory fee rates of other mutual funds advised by Invesco Advisers and its affiliates that are managed using an investment process substantially similar to the investment process used for the Fund. The Board noted that the Fund's effective advisory fee rate was above the effective advisory fee rate of the one mutual fund advised by Invesco Advisers with a similar investment process. The Board also noted that Invesco Advisers sub-advises one other mutual fund that is managed using an investment process substantially similar to the investment process used for the Fund and that the sub-advisory effective fee rate was below the effective advisory fee rate of the Fund.

The Board also considered the fees charged by Invesco Advisers and the Affiliated Sub-Advisers to other client accounts that are managed using an investment process substantially similar to the investment process used for the Fund. The Board noted that Invesco Advisers or the Affiliated Sub-Advisers may charge lower fees to large institutional clients. Invesco Advisers reviewed with the Board the significantly greater scope of services it provides to the Invesco Funds relative to certain other client accounts. These additional services include provision of administrative services, officers and office space, oversight of service providers, preparation of annual registration statement updates and financial information and regulatory compliance under the Investment Company Act of 1940, as amended. Invesco Advisers also reviewed generally the higher frequency of shareholder purchases and redemptions in the Invesco Funds relative to the flow of assets for other client accounts. Invesco Advisers advised the Board that advance notice of redemptions is often provided to Invesco Advisers by institutional clients. The Board did note that sub-advisory fee rates charged by the Affiliated Sub-Advisers to manage the Invesco Funds and to manage other client accounts tended to be more comparable, reflecting a more comparable scope of services. The Board concluded that the aggregate services provided to the Invesco Funds were sufficiently different from those provided to institutional clients to support the difference in fees.

The Board also considered the services that may be provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the fees payable by Invesco Advisers to the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board also noted that the sub-advisory fees are not paid directly by the Fund, but rather, are payable by Invesco Advisers to the Affiliated Sub-Advisers.

D. Economies of Scale and Breakpoints

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

E. Profitability and Financial Resources

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services for the year ended December 31, 2013. The Board received information from Invesco Advisers about the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its subsidiaries provide to the Invesco Funds and the Fund. The Board did not deem the level of profits realized by Invesco Advisers and its affiliates from providing services to the Fund to be excessive given the nature, quality and extent of the services provided to the Invesco Funds. The Board received and accepted information from Invesco Advisers demonstrating that Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts.

F. Collateral Benefits to Invesco Advisers and its Affiliates

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

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

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

The Board also considered the Fund may use an affiliated broker to execute certain trades for the Fund to among other things, control information leakage, and were advised that such trades would be executed in compliance with rules under the Investment Company Act of 1940, as amended.

Invesco

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-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/13 to 6/30/14, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	2.32%
Series II Shares	2.17
Barclays U.S. Aggregate Index▼ (Broad Market Index)	3.93
Barclays U.S. Government Index▼ (Style-Specific Index)	2.66
Lipper VUF General U.S. Government Funds Index■ (Peer Group Index)	2.67

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

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

The **Barclays U.S. Government 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.

Average Annual Total Returns

As of 6/30/14

Series I Shares	
Inception (5/5/93)	4.68%
10 Years	4.10
5 Years	3.43
1 Year	1.94
Series II Shares	
Inception (9/19/01)	3.80%
10 Years	3.83
5 Years	3.16
1 Year	1.65

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.

Schedule of Investments

June 30, 2014
(Unaudited)

	Principal Amount	Value
U.S. Government Sponsored Agency Mortgage-Backed Securities–57.57%		
Collateralized Mortgage Obligations–26.15%		
Fannie Mae REMICs,		
4.00%, 07/25/18 to 07/25/40	$ 7,450,813	$ 7,889,688
5.00%, 08/25/19 to 09/25/37	4,698,069	4,846,966
4.25%, 12/25/19 to 02/25/37	4,692,035	4,933,974
4.50%, 10/25/22 to 07/25/27	1,271,315	1,300,919
3.00%, 10/25/25 to 09/25/36	5,924,250	6,063,551
2.50%, 03/25/26	2,528,516	2,585,841
7.00%, 09/18/27	588,640	663,623
6.50%, 03/25/32	1,587,705	1,772,303
5.75%, 10/25/35	1,045,086	1,170,120
0.45%, 05/25/36[a]	6,434,979	6,424,744
0.65%, 03/25/37 to 05/25/41[a]	11,727,625	11,761,180
0.55%, 06/25/38[a]	9,964,398	9,975,912
6.58%, 06/25/39[a]	6,425,477	7,408,622
0.70%, 02/25/41[a]	6,848,579	6,880,452
0.67%, 11/25/41[a]	2,717,219	2,734,266
Federal Home Loan Bank,		
5.07%, 10/20/15	792,417	829,293
5.46%, 11/27/15	11,202,328	11,866,761
5.77%, 03/23/18	1,590,278	1,761,962
Freddie Mac REMICs,		
4.00%, 12/15/17 to 06/15/39	7,400,584	7,656,622
5.00%, 02/15/18 to 09/15/31	3,014,413	3,160,371
4.50%, 07/15/18 to 10/15/36	793,175	831,617
3.00%, 10/15/18 to 04/15/26	5,899,577	6,093,224
3.75%, 10/15/18	1,546,354	1,572,730
4.25%, 01/15/19	170,279	171,386
3.50%, 12/15/27	416,860	426,999
0.55%, 04/15/28 to 06/15/37[a]	8,258,909	8,274,719
0.65%, 12/15/35 to 03/15/40[a]	9,087,981	9,129,828
0.45%, 03/15/36[a]	6,420,010	6,437,126
0.50%, 11/15/36[a]	8,770,218	8,760,861
1.01%, 11/15/39[a]	2,018,649	2,052,728
0.60%, 03/15/40 to 02/15/42[a]	21,332,195	21,348,157
Ginnie Mae REMICs,		
6.00%, 01/16/25	1,346,328	1,505,038
4.75%, 09/20/32	333,142	339,220
4.50%, 03/20/33 to 09/16/34	8,461,355	8,672,948
4.00%, 04/16/33 to 02/20/38	4,443,653	4,572,822
5.74%, 08/20/34[a]	2,232,555	2,470,311
5.00%, 08/16/35	160,904	164,381
5.86%, 01/20/39[a]	7,375,003	8,320,191
0.95%, 09/16/39[a]	2,759,891	2,815,869
4.51%, 07/20/41[a]	1,928,545	2,073,541
		197,720,866
Federal Deposit Insurance Co. (FDIC)–0.06%		
Series 2010-S1, Class 1A, Gtd. Floating Rate Notes , 0.70%, 02/25/48 (Acquired 03/05/10; Cost $442,731)[a][b]	442,731	442,986

	Principal Amount	Value
Federal Home Loan Mortgage Corp. (FHLMC)-11.55%		
Pass Through Ctfs.,		
7.00%, 07/01/14 to 12/01/37	$ 6,854,220	$ 7,778,870
8.00%, 07/01/15 to 09/01/36	7,594,089	9,094,414
6.50%, 11/01/15 to 12/01/35	5,963,973	6,741,498
6.00%, 02/01/16 to 07/01/38	2,400,821	2,621,558
5.00%, 07/01/18 to 01/01/40	3,157,274	3,500,524
10.50%, 08/01/19	770	791
4.50%, 09/01/20 to 08/01/41	18,499,441	20,167,255
8.50%, 09/01/20 to 08/01/31	699,209	801,805
10.00%, 03/01/21	29,750	33,008
9.00%, 06/01/21 to 06/01/22	195,346	212,677
7.50%, 09/01/22 to 08/01/36	2,255,423	2,552,230
5.50%, 12/01/22	1,085,769	1,162,707
3.50%, 08/01/26	1,694,298	1,796,500
3.00%, 05/01/27	2,467,868	2,570,595
7.05%, 05/20/27	194,412	216,926
6.03%, 10/20/30	1,301,481	1,504,973
Pass Through Ctfs., ARM,		
2.54%, 09/01/35[a]	9,427,096	10,078,749
2.45%, 07/01/36[a]	7,587,285	8,092,624
2.21%, 10/01/36[a]	4,412,259	4,666,615
2.53%, 10/01/36[a]	315,541	336,688
2.62%, 11/01/37[a]	3,072,477	3,302,758
2.68%, 01/01/38[a]	150,565	162,188
		87,395,953
Federal National Mortgage Association (FNMA)-15.35%		
Pass Through Ctfs.,		
8.00%, 08/01/14 to 11/01/37	6,372,804	7,436,015
7.00%, 09/01/14 to 06/01/36	9,373,299	10,303,623
6.50%, 12/01/14 to 11/01/37	6,551,457	7,276,544
7.50%, 02/01/15 to 08/01/37	8,525,212	9,814,130
6.00%, 09/01/17 to 10/01/38	5,011,485	5,625,642
5.00%, 11/01/17 to 12/01/33	767,486	828,909
8.50%, 11/01/17 to 08/01/37	2,704,583	3,159,437
4.50%, 04/01/19 to 08/01/41	14,960,935	16,217,553
5.50%, 03/01/21 to 05/01/35	3,207,804	3,603,758
6.75%, 07/01/24	664,924	756,357
6.95%, 10/01/25	23,900	25,014
3.50%, 03/01/27 to 08/01/27	16,909,135	18,096,066
3.00%, 05/01/27 to 08/01/27	8,046,498	8,371,197
Pass Through Ctfs., ARM,		
2.49%, 10/01/34[a]	3,767,066	4,059,538
2.33%, 05/01/35[a]	724,082	770,716
2.35%, 03/01/38[a]	167,504	178,421
2.85%, 02/01/42[a]	3,477,465	3,625,786
2.30%, 06/01/43[a]	4,569,493	4,578,707
2.24%, 08/01/43[a]	4,374,066	4,452,660
Pass Through Ctfs., BAL,		
3.84%, 04/01/18	6,406,958	6,896,457
		116,076,530

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

	Principal Amount	Value
Government National Mortgage Association (GNMA)-4.46%		
Pass Through Ctfs., 6.50%, 08/20/14 to 01/15/37	$ 6,434,083	$ 7,263,528
7.50%, 10/15/14 to 10/15/35	4,019,884	4,618,468
11.00%, 10/15/15	606	609
7.00%, 04/15/17 to 01/15/37	2,245,686	2,480,306
8.00%, 05/15/17 to 01/15/37	2,297,848	2,706,959
10.50%, 09/15/17	532	535
8.50%, 12/15/17 to 01/15/37	365,048	400,596
10.00%, 06/15/19	12,647	14,078
6.00%, 09/15/20 to 08/15/33	1,046,038	1,168,356
5.00%, 02/15/25	360,825	396,558
6.95%, 08/20/25 to 08/20/27	370,813	386,714
6.38%, 10/20/27 to 04/20/28	465,344	521,951
6.10%, 12/20/33	5,997,630	7,128,253
3.50%, 10/20/42	6,406,016	6,628,001
		33,714,912
Total U.S. Government Sponsored Agency Mortgage-Backed Securities (Cost $425,008,025)		435,351,247

U.S. Treasury Securities-16.18%

	Principal Amount	Value
U.S. Treasury Bills-0.24%[c][d]		
0.04%, 11/13/14	1,820,000	1,819,692
U.S. Treasury Notes-8.25%		
0.88%, 11/30/16	4,600,000	4,627,727
0.63%, 05/31/17	5,000,000	4,966,162
0.75%, 06/30/17	6,250,000	6,225,300
0.63%, 08/31/17	1,500,000	1,483,533
0.75%, 12/31/17	5,000,000	4,936,574
1.38%, 12/31/18	3,000,000	2,987,199
1.50%, 12/31/18	5,500,000	5,502,315
1.50%, 05/31/19	9,000,000	8,954,650
1.63%, 06/30/19	5,000,000	4,999,816
3.63%, 02/15/20	2,000,000	2,199,657
2.00%, 09/30/20	5,000,000	5,008,545
2.13%, 06/30/21	4,500,000	4,498,618
2.13%, 08/15/21	2,700,000	2,697,912
2.00%, 11/15/21	3,300,000	3,258,274
		62,346,282
U.S. Treasury Bonds-2.03%		
8.75%, 05/15/20	3,500,000	4,857,935
7.88%, 02/15/21	1,100,000	1,503,596
5.38%, 02/15/31	3,800,000	4,984,078
3.38%, 05/15/44	4,000,000	4,019,693
		15,365,302
U.S. Treasury Inflation-Indexed Bonds-5.66%		
2.00%, 01/15/16	9,554,560[e]	10,073,369
0.13%, 04/15/18	21,534,660[e]	22,237,702
0.63%, 01/15/24	10,159,200[e]	10,518,797
		42,829,868
Total U.S. Treasury Securities (Cost $121,220,662)		122,361,144

U.S. Government Sponsored Agency Securities-16.11%

	Principal Amount	Value
Federal Agricultural Mortgage Corp.-3.53%		
Sec. Gtd. Notes, 5.13%, 04/19/17[b]	$14,000,000	$ 15,578,145
Sr. Unsec. Medium-Term Notes, 2.00%, 07/27/16	4,000,000	4,110,117
Unsec. Medium-Term Notes, 0.85%, 08/11/14	7,000,000	7,006,081
		26,694,343
Federal Farm Credit Bank (FFCB)-1.75%		
Unsec. Bonds, 1.05%, 03/28/16	7,000,000	7,080,331
5.43%, 06/07/24	2,885,000	3,503,147
Unsec. Medium-Term Notes, 5.75%, 12/07/28	2,100,000	2,662,439
		13,245,917
Federal Home Loan Bank (FHLB)-3.88%		
Unsec. Bonds, 1.50%, 10/12/17	4,800,000	4,857,462
2.00%, 09/14/18	2,500,000	2,550,885
4.50%, 09/13/19	5,000,000	5,659,660
1.88%, 03/13/20	6,000,000	5,976,329
3.38%, 06/12/20	6,220,000	6,708,762
2.88%, 09/11/20	3,455,000	3,615,700
		29,368,798
Federal Home Loan Mortgage Corp. (FHLMC)-2.40%		
Unsec. Global Notes, 0.88%, 02/22/17	6,850,000	6,867,483
0.75%, 01/12/18	1,650,000	1,624,570
1.25%, 08/01/19	4,800,000	4,686,429
2.38%, 01/13/22	5,000,000	4,997,496
		18,175,978
Federal National Mortgage Association (FNMA)-1.85%		
Unsec. Global Notes, 1.63%, 11/27/18	5,000,000	5,022,008
1.88%, 02/19/19	8,800,000	8,915,300
		13,937,308
Financing Corp (FICO)-0.47%		
Sec. Bonds, 9.80%, 04/06/18	700,000	910,110
Series E, Sec. Bonds, 9.65%, 11/02/18	1,985,000	2,640,089
		3,550,199
Tennessee Valley Authority (TVA)-2.23%		
Sr. Unsec. Global Bonds, 4.88%, 12/15/16	13,553,000	14,932,284
Sr. Unsec. Global Notes, 1.88%, 08/15/22	2,000,000	1,890,798
		16,823,082
Total U.S. Government Sponsored Agency Securities (Cost $120,119,195)		121,795,625

Bonds-6.87%

	Principal Amount	Value
Collateralized Mortgage Obligations-5.35%		
La Hipotecaria El Salvadorian Mortgage Trust (El Savador), Series 2013-1A, Class A, Pass Through Ctfs., 3.50%, 10/25/41 (Acquired 04/22/13; Cost $12,455,109)[b]	12,033,922	12,613,055

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

	Principal Amount	Value
Collateralized Mortgage Obligations–(continued)		
La Hipotecaria Panamanian Mortgage Trust (El Salvador), Series 2010-1GA, Class A, Floating Rate Pass Through Ctfs., 2.75%, 09/08/39 (Acquired 04/22/13; Cost $21,349,797)[(a)(b)]	$20,665,260	$ 21,420,844
LSTAR Commercial Mortgage Trust, Series 2014-2, Class A2, Pass Through Ctfs., 2.77%, 01/20/41[(b)]	6,300,000	6,386,430
		40,420,329
Credit Cards–0.93%		
Citibank Credit Card Issuance Trust, Series 2014-A5, Class A5, Pass Through Ctfs., 2.68%, 06/07/23	7,000,000	7,036,512
Sovereign Debt–0.59%		
Israel Government Agency for International Development (AID) Bond (Israel), Unsec. Gtd. Global Bonds, 5.13%, 11/01/24	3,800,000	4,477,041
Total Bonds (Cost $50,855,722)		51,933,882

	Principal Amount	Value
Corporate Notes–2.22%		
Private Export Funding Corp.–2.22%		
Sec. Gtd. Notes, 2.13%, 07/15/16	$ 5,000,000	$ 5,142,206
1.38%, 02/15/17	5,000,000	5,059,674
4.30%, 12/15/21	1,540,000	1,715,839
Sr. Sec. Gtd. Notes, 1.45%, 08/15/19	5,000,000	4,900,753
Total Corporate Notes (Cost $16,537,468)		16,818,472
	Shares	
Money Market Funds–0.86%		
Government & Agency Portfolio, Institutional Class (Cost $6,467,959)[(f)]	6,467,959	6,467,959
SWAPTIONS PURCHASED–0.03% (Cost $268,125)[(g)]		230,989
TOTAL INVESTMENTS–99.84% (Cost $740,477,156)		754,959,318
OTHER ASSETS LESS LIABILITIES–0.16%		1,218,945
NET ASSETS–100.00%		$756,178,263

Investment Abbreviations:

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

Notes to Schedule of Investments:

(a) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on June 30, 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 June 30, 2014 was $56,441,460, which represented 7.46% 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 1I and Note 4.
(e) Principal amount of security and interest payments are adjusted for inflation.
(f) The money market fund and the Fund are affiliated by having the same investment adviser.
(g) The table below details swaptions purchased.

Open Over-The-Counter Swaptions Purchased

Description	Type of Contract	Counterparty	Exercise Rate	Pay/Receive Exercise Rate	Floating Rate Index	Expiration Date	Currency	Notional Value	Value
1 Year Interest Rate Swap	Put	Barclays Bank PLC	0.461%	Pay	3 Month USD BBA LIBOR	12/09/14	USD	$330,000,000	$230,989
Total Swaptions Purchased (Cost $268,125) — Interest Rate Risk									$230,989

Abbreviations:

BBA – British Banker's Association
LIBOR – London InterBank Offered Rate
USD – U.S. Dollar

Portfolio Composition

By security type, based on Net Assets
as of June 30, 2014

U.S. Government Sponsored Agency Mortgage-Backed Securities	57.6%
U.S. Treasury Securities	16.2
U.S. Government Sponsored Agency Securities	16.1
Bonds	6.9
Corporate Notes	2.2
Swaptions Purchased	0.0
Money Market Funds Plus Other Assets Less Liabilities	1.0

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

Statement of Assets and Liabilities

June 30, 2014
(Unaudited)

Assets:	
Investments, at value (Cost $734,009,197)	$748,491,359
Investments in affiliated money market funds, at value and cost	6,467,959
Total investments, at value (Cost $740,477,156)	754,959,318
Receivable for:	
Variation margin — futures contracts	350,938
Fund shares sold	72,678
Dividends and interest	2,575,338
Principal paydowns	365,933
Investment for trustee deferred compensation and retirement plans	240,441
Other assets	13,249
Total assets	758,577,895
Liabilities:	
Payable for:	
Fund shares reacquired	1,014,267
Accrued fees to affiliates	1,074,540
Accrued trustees' and officers' fees and benefits	896
Accrued other operating expenses	32,490
Trustee deferred compensation and retirement plans	277,439
Total liabilities	2,399,632
Net assets applicable to shares outstanding	$756,178,263
Net assets consist of:	
Shares of beneficial interest	$736,004,193
Undistributed net investment income	25,767,867
Undistributed net realized gain (loss)	(21,440,876)
Net unrealized appreciation	15,847,079
	$756,178,263
Net Assets:	
Series I	$535,079,575
Series II	$221,098,688
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	44,931,550
Series II	18,754,313
Series I: Net asset value per share	$ 11.91
Series II: Net asset value per share	$ 11.79

Statement of Operations

For the six months ended June 30, 2014
(Unaudited)

Investment income:	
Interest	$ 8,497,073
Dividends from affiliated money market funds	869
Total investment income	8,497,942
Expenses:	
Advisory fees	1,800,876
Administrative services fees	1,026,789
Custodian fees	33,270
Distribution fees — Series II	279,716
Transfer agent fees	25,442
Trustees' and officers' fees and benefits	17,442
Other	125,222
Total expenses	3,308,757
Less: Fees waived	(990)
Net expenses	3,307,767
Net investment income	5,190,175
Realized and unrealized gain from:	
Net realized gain from:	
Investment securities	195,145
Futures contracts	3,931,050
	4,126,195
Change in net unrealized appreciation of:	
Investment securities	6,104,000
Futures contracts	2,175,297
	8,279,297
Net realized and unrealized gain	12,405,492
Net increase in net assets resulting from operations	$17,595,667

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

Statement of Changes in Net Assets

For the six months ended June 30, 2014 and the year ended December 31, 2013
(Unaudited)

	June 30, 2014	December 31, 2013
Operations:		
Net investment income	$ 5,190,175	$ 9,968,610
Net realized gain (loss)	4,126,195	(11,506,190)
Change in net unrealized appreciation (depreciation)	8,279,297	(25,851,310)
Net increase (decrease) in net assets resulting from operations	17,595,667	(27,388,890)
Distributions to shareholders from net investment income:		
Series I	–	(22,128,544)
Series II	–	(7,761,089)
Total distributions from net investment income	–	(29,889,633)
Share transactions–net:		
Series I	(43,320,717)	(265,152,570)
Series II	(11,023,732)	(18,936,311)
Net increase (decrease) in net assets resulting from share transactions	(54,344,449)	(284,088,881)
Net increase (decrease) in net assets	(36,748,782)	(341,367,404)
Net assets:		
Beginning of period	792,927,045	1,134,294,449
End of period (includes undistributed net investment income of $25,767,867 and $20,577,692, respectively)	$756,178,263	$ 792,927,045

Notes to Financial Statements

June 30, 2014
(Unaudited)

NOTE 1—Significant Accounting Policies

Invesco V.I. Government Securities Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-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 asked prices is used to value debt obligations, including corporate loans.

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

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

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

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

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

K. 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. 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. 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.

Additionally, the Fund may enter into an option on a swap agreement, also called 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.

L. 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.

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

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

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

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

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 six months ended June 30, 2014, the Adviser waived advisory fees of $990.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2014, Invesco was paid $91,356 for accounting and fund administrative services and reimbursed $935,433 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 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 six months ended June 30, 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 June 30, 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	$6,467,959	$ –	$–	$ 6,467,959
U.S. Treasury Securities	–	122,361,144	–	122,361,144
U.S. Government Sponsored Agency Securities	–	557,146,872	–	557,146,872
Corporate Debt Securities	–	16,818,472	–	16,818,472
Bonds	–	47,456,841	–	47,456,841
Foreign Sovereign Debt Securities	–	4,477,041	–	4,477,041
Swaptions Purchased	–	230,989	–	230,989
	6,467,959	748,491,359	–	754,959,318
Futures Contracts*	1,364,918	–	–	1,364,918
Total Investments	$7,832,877	$748,491,359	$–	$756,324,236

* 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 June 30, 2014:

	Value	
Risk Exposure/Derivative Type	Assets	Liabilities
Interest rate risk		
Futures contracts[(a)]	$1,382,944	$(18,026)
Swaptions purchased[(b)]	–	(37,136)
Total	$1,382,944	$(55,162)

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

(b) Swaptions purchased at value as reported in the Schedule of Investments.

Effect of Derivative Investments for the six months ended June 30, 2014

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

	Location of Gain on Statement of Operations[(a)]
	Futures Contracts
Realized Gain	
Interest rate risk	$3,931,050
Change in Unrealized Appreciation	
Interest rate risk	2,175,297
Total	$6,106,347

(a) Swaptions purchased are included in the net realized gain from investment securities and net change in unrealized appreciation (depreciation) on investment securities.

The table below summarizes the six month average notional value of futures contracts and the one month average notional value for swaptions purchased.

	Futures Contracts	Swaptions Purchased
Average notional value	$217,300,680	$330,000,000

Open Futures Contracts at Period-End

Futures Contracts	Type of Contract	Number of Contracts	Expiration Month	Notional Value	Unrealized Appreciation (Depreciation)
U.S. Treasury 2 Year Notes	Long	140	September-2014	$ 30,743,125	$ (18,026)
U.S. Treasury 5 Year Notes	Long	164	September-2014	19,591,594	53,258
U.S. Treasury 10 Year Notes	Long	230	September-2014	28,789,531	86,930
U.S. Ultra Bonds	Long	598	September-2014	89,662,625	1,077,923
U.S. Treasury 30 Year Bonds	Short	268	September-2014	(36,766,250)	164,833
Total Futures Contracts – Interest Rate Risk					$1,364,918

Offsetting Assets and Liabilities

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

There were no derivative instruments subject to a netting agreement for which the Fund is not currently netting. The following tables present derivative instruments that are either subject to an enforceable netting agreement or offset by collateral arrangements as of June 30, 2014.

Assets:

Counterparty	Gross amounts presented in Statement of Assets & Liabilities[a]	Gross amounts offset in Statement of Assets & Liabilities	Net amounts of assets presented in Statement of Assets & Liabilities	Collateral Received		Net Amount
				Financial Instruments	Cash	
Bank of America Securities LLC	$1,382,944	$(18,026)	$1,364,918	$–	$–	$1,364,918

Liabilities:

Counterparty	Gross amounts presented in Statement of Assets & Liabilities[a]	Gross amounts offset in Statement of Assets & Liabilities	Net amounts of liabilities presented in Statement of Assets & Liabilities	Collateral Pledged		Net Amount
				Financial Instruments	Cash	
Bank of America Securities LLC	$ 18,026	$(18,026)	$ –	$–	$–	$ –

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

NOTE 5—Trustees' and Officers' Fees and Benefits

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

NOTE 6—Cash Balances

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

NOTE 7—Tax Information

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

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. Capital losses generated in years beginning after December 22, 2010 can be carried forward for an unlimited period, whereas previous losses expire in 8 tax years. Capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Capital loss carryforwards with no expiration date will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund had a capital loss carryforward as of December 31, 2013, which expires as follows:

Capital Loss Carryforward*

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

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code 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 six months ended June 30, 2014 was $92,537,814 and $89,301,864, respectively. During the same period, purchases and sales of U.S. Treasury obligations were $49,077,929 and $89,080,970, 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	$16,513,426
Aggregate unrealized (depreciation) of investment securities	(2,121,927)
Net unrealized appreciation of investment securities	$14,391,499

Cost of investments for tax purposes is $740,567,819.

NOTE 9—Share Information

Summary of Share Activity

	Six months ended June 30, 2014[a]		Year ended December 31, 2013	
	Shares	Amount	Shares	Amount
Sold:				
Series I	2,487,616	$ 29,291,996	4,151,119	$ 50,366,115
Series II	537,850	6,274,703	2,789,136	33,454,648
Issued as reinvestment of dividends:				
Series I	–	–	1,892,946	22,128,544
Series II	–	–	669,059	7,761,089
Reacquired:				
Series I	(6,157,941)	(72,612,713)	(27,869,610)	(337,647,229)
Series II	(1,480,413)	(17,298,435)	(5,008,779)	(60,152,048)
Net increase (decrease) in share activity	(4,612,888)	$(54,344,449)	(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 83% 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	Distributions from net realized gains	Total distributions	Net asset value, end of period	Total return[b]	Net assets, end of period (000's omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover[c]
Series I														
Six months ended 06/30/14	$11.64	$0.08	$ 0.19	$ 0.27	$ –	$ –	$ –	$11.91	2.32%	$ 535,080	0.78%[d]	0.78%[d]	1.42%[d]	19%
Year ended 12/31/13	12.40	0.13	(0.45)	(0.32)	(0.44)	–	(0.44)	11.64	(2.62)	565,690	0.74	0.76	1.10	139
Year ended 12/31/12	12.49	0.19	0.12	0.31	(0.40)	–	(0.40)	12.40	2.47	873,212	0.65	0.76	1.49	118
Year ended 12/31/11	12.00	0.25	0.67	0.92	(0.43)	–	(0.43)	12.49	7.91	970,029	0.63	0.75	2.03	85
Year ended 12/31/10	11.95	0.24	0.41	0.65	(0.60)	–	(0.60)	12.00	5.40	1,072,405	0.73	0.75	1.98	61
Year ended 12/31/09	13.05	0.45	(0.43)	0.02	(0.65)	(0.47)	(1.12)	11.95	(0.01)	1,192,967	0.73	0.75	3.47	55
Series II														
Six months ended 06/30/14	11.54	0.10	0.15	0.25	–	–	–	11.79	2.17	221,099	1.03[d]	1.03[d]	1.17[d]	19
Year ended 12/31/13	12.29	0.10	(0.45)	(0.35)	(0.40)	–	(0.40)	11.54	(2.85)	227,237	0.99	1.01	0.85	139
Year ended 12/31/12	12.39	0.16	0.12	0.28	(0.38)	–	(0.38)	12.29	2.22	261,083	0.90	1.01	1.24	118
Year ended 12/31/11	11.92	0.21	0.67	0.88	(0.41)	–	(0.41)	12.39	7.63	295,318	0.88	1.00	1.78	85
Year ended 12/31/10	11.88	0.22	0.40	0.62	(0.58)	–	(0.58)	11.92	5.10	24,074	0.98	1.00	1.73	61
Year ended 12/31/09	12.97	0.41	(0.43)	(0.02)	(0.60)	(0.47)	(1.07)	11.88	(0.26)	14,462	0.98	1.00	3.22	55

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable, and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the period ended December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of $309,171,077 and sold of $25,033,352 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco Van Kampen V.I. Government Fund into the Fund.
(d) Ratios are annualized and based on average daily net assets (000's omitted) of $553,617 and $225,627 for Series I and Series II shares, respectively.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2014 through June 30, 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 (01/01/14)	Ending Account Value (06/30/14)[1]	Expenses Paid During Period[2]	Ending Account Value (06/30/14)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,023.20	$3.91	$1,020.93	$3.91	0.78%
Series II	1,000.00	1,021.70	5.16	1,019.69	5.16	1.03

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2014 through June 30, 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 181/365 to reflect the most recent fiscal half year.

Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of Invesco V.I. Government Securities Fund's (the Fund) investment advisory agreements. During contract renewal meetings held on June 16-17, 2014, the Board as a whole, and the disinterested or "independent" Trustees, who comprise over 75% of the Board, voting separately, approved the continuance for the Fund of the Master Investment Advisory Agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers and the sub-advisory contracts) for another year, effective July 1, 2014.

In evaluating the fairness and reasonableness of compensation under the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Board determined that continuation of the Fund's investment advisory agreement and the sub-advisory contracts are in the best interest of the Fund and its shareholders and that the compensation payable to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

The Board's Fund Evaluation Process

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

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

The Trustees recognized that the advisory fee rates for the Invesco Funds are, in many cases, the result of years of review and negotiation. The Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these arrangements throughout the year and in prior years. The Trustees' review and conclusions are based on the comprehensive consideration of all information presented to them and are not the result of any single determinative factor. Moreover, one Trustee may have weighed a particular piece of information or factor differently than another Trustee.

The discussion below serves as the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory contracts. Unless otherwise stated, this information is current as of June 17, 2014, and may not reflect consideration of factors that became known to the Board after that date.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

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

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund's portfolio manager or managers, with whom the Sub-Committees met during the year. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' investment process oversight, independent credit analysis and investment risk management. The Board also considered non-advisory services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the benefits of reapproving an existing relationship and the greater uncertainty that may be associated with entering into a new relationship. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and consistent with the terms of the Fund's investment advisory agreement.

The Board reviewed the services that may be provided by the Affiliated Sub-Advisers under the sub-advisory contracts and the credentials and experience of the officers and employees of the Affiliated Sub-Advisers who provide these services. The Board concluded that the sub-advisory contracts benefit the Fund and its shareholders by permitting Invesco Advisers to use the resources and talents of the Affiliated Sub-Advisers in managing the Fund. The Board concluded that the nature, extent and quality of the services that may be provided by the Affiliated Sub-Advisers are appropriate and satisfactory and consistent with the terms of the Fund's sub-advisory contracts.

B. *Fund Performance*

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

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Lipper performance universe and against the Lipper VA Underlying Funds General U.S. Government Funds Index. The Board noted that performance of Series I shares of the Fund was in the third quintile of its performance universe for the one year period, the second quintile for the three year period and the fourth quintile for the five year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that performance of Series I shares of the Fund was below the performance of the Index for the one, three, and five year periods. The Board noted that unlike many peers, the Fund does not invest up to 20% of its assets in non-U.S.

government or non-government securities. The Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory and Sub-Advisory Fees

The Board compared the Fund's contractual management fee rate to the contractual management fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the contractual management fee rate for Series I shares of the Fund was below the median contractual management fee rate of funds in its expense group. The Board noted that the term "contractual management fee" may include both advisory and certain administrative services fees, but that Lipper does not provide information on a fund by fund basis as to what is included. The Board noted that Invesco Advisers does not charge the Invesco Funds for the administrative services included in the term as defined by Lipper. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using each fund's contractual management fee schedule (including any applicable breakpoints) as reported in the most recent prospectus or statement of additional information for each fund in the expense group.

The Board noted that Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least June 30, 2015 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund.

The Board noted that Invesco Advisers and the Affiliated Sub-Advisers do not manage other mutual funds or client accounts using an investment process substantially similar to the investment process used for the Fund.

The Board also considered the services that may be provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the fees payable by Invesco Advisers to the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board also noted that the sub-advisory fees are not paid directly by the Fund, but rather, are payable by Invesco Advisers to the Affiliated Sub-Advisers.

D. Economies of Scale and Breakpoints

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

E. Profitability and Financial Resources

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services for the year ended December 31, 2013. The Board received information from Invesco Advisers about the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its subsidiaries provide to the Invesco Funds and the Fund. The Board did not deem the level of profits realized by Invesco Advisers and its affiliates from providing services to the Fund to be excessive given the nature, quality and extent of the services provided to the Invesco Funds. The Board received and accepted information from Invesco Advisers demonstrating that Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts.

F. Collateral Benefits to Invesco Advisers and its Affiliates

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

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

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

Semiannual Report to Shareholders June 30, 2014

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-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/13 to 6/30/14, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	6.29%
Series II Shares	6.14
MSCI EAFE Index▼ (Broad Market Index)	4.78
Custom International Growth Index■ (Style-Specific Index)	4.77
Lipper VUF International Growth Funds Index◆ (Peer Group Index)	4.39

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

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

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

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

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

The 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.

Average Annual Total Returns

As of 6/30/14

Series I Shares	
Inception (5/5/93)	8.06%
10 Years	9.65
5 Years	13.42
1 Year	24.50
Series II Shares	
Inception (9/19/01)	8.97%
10 Years	9.37
5 Years	13.13
1 Year	24.16

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.

Schedule of Investments

June 30, 2014
(Unaudited)

	Shares	Value
Common Stocks & Other Equity Interests-93.09%		
Australia-3.22%		
Amcor Ltd.	2,826,648	$ 27,801,468
Brambles Ltd.	2,206,719	19,123,802
CSL Ltd.	186,161	11,682,841
		58,608,111
Belgium-1.52%		
Anheuser-Busch InBev N.V.	240,744	27,657,699
Brazil-3.86%		
Banco Bradesco S.A.-ADR	1,661,413	24,123,717
BM&FBovespa S.A.	5,930,400	31,215,457
BRF S.A.	613,548	14,886,765
		70,225,939
Canada-8.62%		
Agrium Inc.	157,129	14,394,901
Canadian National Railway Co.	245,365	15,959,073
Cenovus Energy Inc.	484,842	15,717,605
CGI Group Inc.-Class A[(a)]	800,212	28,363,653
Encana Corp.	906,527	21,477,978
Fairfax Financial Holdings Ltd.	36,429	17,283,120
Suncor Energy, Inc.	1,023,330	43,637,784
		156,834,114
China-3.88%		
Baidu, Inc.-ADR[(a)]	161,356	30,142,914
CNOOC Ltd.	5,232,000	9,396,862
Great Wall Motor Co. Ltd.-Class H	4,021,500	14,943,642
Industrial & Commercial Bank of China Ltd.-Class H	25,394,000	16,054,733
		70,538,151
Denmark-2.47%		
Carlsberg AS-Class B	232,258	25,016,862
Novo Nordisk AS-Class B	430,920	19,891,483
		44,908,345
France-4.95%		
Publicis Groupe S.A.	384,762	32,633,374
Schneider Electric S.E.	242,713	22,891,280
Total S.A.	478,654	34,593,116
		90,117,770
Germany-6.59%		
Adidas AG	175,778	17,804,048
Allianz S.E.	158,747	26,454,205
Deutsche Boerse AG	310,096	24,067,147
Deutsche Post AG	466,503	16,870,247
SAP S.E.	450,134	34,763,183
		119,958,830

	Shares	Value
Hong Kong-3.39%		
Galaxy Entertainment Group Ltd.	4,547,000	$ 36,374,123
Hutchison Whampoa Ltd.	1,856,000	25,383,980
		61,758,103
Ireland-2.29%		
Shire PLC	532,100	41,618,494
Israel-2.02%		
Teva Pharmaceutical Industries Ltd.-ADR	701,348	36,764,662
Japan-6.44%		
Denso Corp.	258,200	12,346,339
FANUC Corp.	104,600	18,074,885
Japan Tobacco, Inc.	605,600	22,116,082
Keyence Corp.	37,500	16,402,061
Komatsu Ltd.	752,437	17,495,976
Toyota Motor Corp.	510,400	30,701,167
		117,136,510
Mexico-1.78%		
Fomento Economico Mexicano, S.A.B. de C.V.-ADR	92,356	8,649,139
Grupo Televisa S.A.B.-ADR	692,526	23,760,567
		32,409,706
Netherlands-1.14%		
Unilever N.V.	472,091	20,656,805
Singapore-4.39%		
Avago Technologies Ltd.	398,675	28,732,508
Keppel Corp. Ltd.	2,521,661	21,821,094
United Overseas Bank Ltd.	1,619,000	29,240,420
		79,794,022
South Korea-3.03%		
Hyundai Mobis Co., Ltd.	90,465	25,391,426
Samsung Electronics Co., Ltd.	22,717	29,680,457
		55,071,883
Spain-1.05%		
Amadeus IT Holding S.A.-Class A	464,891	19,153,131
Sweden-2.21%		
Investor AB-Class B	586,305	21,976,897
Telefonaktiebolaget LM Ericsson-Class B	1,502,346	18,157,039
		40,133,936
Switzerland-7.64%		
ABB Ltd.	934,989	21,576,564
Julius Baer Group Ltd.	379,453	15,643,664
Novartis AG	222,096	20,110,858
Roche Holding AG	119,323	35,589,686

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

	Shares	Value
Switzerland-(continued)		
Syngenta AG	62,271	$ 23,265,670
UBS AG	1,245,858	22,829,222
		139,015,664
Taiwan-1.83%		
Taiwan Semiconductor Manufacturing Co. Ltd.-ADR	1,552,877	33,216,039
Thailand-1.05%		
Kasikornbank PCL-NVDR	3,051,900	19,191,973
Turkey-1.13%		
Akbank T.A.S.	5,586,130	20,539,957
United Kingdom-18.59%		
Aberdeen Asset Management PLC	2,425,764	18,844,544
British American Tobacco PLC	677,149	40,307,951
British Sky Broadcasting Group PLC	2,365,194	36,594,187
Centrica PLC	2,719,522	14,549,848
Compass Group PLC	2,424,707	42,330,152
Informa PLC	1,568,643	12,911,411
Kingfisher PLC	2,438,114	14,980,467

	Shares	Value
United Kingdom-(continued)		
Next PLC	144,586	$ 16,022,967
Reed Elsevier PLC	3,086,330	49,606,760
Royal Dutch Shell PLC-Class B	667,051	29,026,649
Smith & Nephew PLC	1,406,610	25,013,021
WPP PLC	1,746,656	38,035,582
		338,223,539
Total Common Stocks & Other Equity Interests (Cost $1,110,489,081)		1,693,533,383
Money Market Funds-7.84%		
Liquid Assets Portfolio-Institutional Class[b]	71,328,080	71,328,080
Premier Portfolio-Institutional Class[b]	71,328,080	71,328,080
Total Money Market Funds (Cost $142,656,160)		142,656,160
TOTAL INVESTMENTS-100.93% (Cost $1,253,145,241)		1,836,189,543
OTHER ASSETS LESS LIABILITIES-(0.93)%		(17,038,756)
NET ASSETS-100.00%		$1,819,150,787

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.

Portfolio Composition

By sector, based on Net Assets
as of June 30, 2014

Consumer Discretionary	22.2%
Financials	15.8
Information Technology	13.1
Health Care	10.5
Industrials	9.8
Consumer Staples	8.8
Energy	8.5
Materials	3.6
Utilities	0.8
Money Market Funds Plus Other Assets Less Liabilities	6.9

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

Statement of Assets and Liabilities

June 30, 2014
(Unaudited)

Assets:	
Investments, at value (Cost $1,110,489,081)	$1,693,533,383
Investments in affiliated money market funds, at value and cost	142,656,160
Total investments, at value (Cost $1,253,145,241)	1,836,189,543
Foreign currencies, at value (Cost $3,600,702)	3,658,590
Receivable for:	
Fund shares sold	1,803,906
Dividends	5,732,210
Investment for trustee deferred compensation and retirement plans	249,201
Other assets	191
Total assets	1,847,633,641
Liabilities:	
Payable for:	
Investments purchased	22,471,775
Fund shares reacquired	2,214,200
Accrued fees to affiliates	2,828,732
Accrued trustees' and officers' fees and benefits	948
Accrued other operating expenses	226,799
Accrued foreign taxes	452,272
Trustee deferred compensation and retirement plans	288,128
Total liabilities	28,482,854
Net assets applicable to shares outstanding	$1,819,150,787
Net assets consist of:	
Shares of beneficial interest	$1,318,608,318
Undistributed net investment income	35,288,444
Undistributed net realized gain (loss)	(117,842,153)
Net unrealized appreciation	583,096,178
	$1,819,150,787
Net Assets:	
Series I	$ 710,513,318
Series II	$1,108,637,469
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	18,928,941
Series II	29,943,941
Series I:	
Net asset value per share	$ 37.54
Series II:	
Net asset value per share	$ 37.02

Statement of Operations

For the six months ended June 30, 2014
(Unaudited)

Investment income:	
Dividends (net of foreign withholding taxes of $2,377,992)	$ 30,328,259
Dividends from affiliated money market funds	25,769
Total investment income	30,354,028
Expenses:	
Advisory fees	6,169,539
Administrative services fees	2,313,480
Custodian fees	377,567
Distribution fees — Series II	1,336,862
Transfer agent fees	55,253
Trustees' and officers' fees and benefits	24,510
Other	79,009
Total expenses	10,356,220
Less: Fees waived	(84,536)
Net expenses	10,271,684
Net investment income	20,082,344
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities (net of tax on the sale of foreign investments of $7,215)	66,776,881
Foreign currencies	(304,921)
	66,471,960
Change in net unrealized appreciation (depreciation) of:	
Investment securities (net of foreign taxes on holdings of $445,057)	21,820,452
Foreign currencies	(13,693)
	21,806,759
Net realized and unrealized gain	88,278,719
Net increase in net assets resulting from operations	$108,361,063

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

Statement of Changes in Net Assets

For the six months ended June 30, 2014 and the year ended December 31, 2013
(Unaudited)

	June 30, 2014	December 31, 2013
Operations:		
Net investment income	$ 20,082,344	$ 19,018,143
Net realized gain	66,471,960	56,339,312
Change in net unrealized appreciation	21,806,759	199,236,580
Net increase in net assets resulting from operations	108,361,063	274,594,035
Distributions to shareholders from net investment income:		
Series I	–	(7,786,744)
Series II	–	(10,137,283)
Total distributions from net investment income	–	(17,924,027)
Share transactions–net:		
Series I	(17,613,546)	(8,312,424)
Series II	(20,830,395)	82,024,719
Net increase (decrease) in net assets resulting from share transactions	(38,443,941)	73,712,295
Net increase in net assets	69,917,122	330,382,303
Net assets:		
Beginning of period	1,749,233,665	1,418,851,362
End of period (includes undistributed net investment income of $35,288,444 and $15,206,100, respectively)	$1,819,150,787	$1,749,233,665

Notes to Financial Statements

June 30, 2014
(Unaudited)

NOTE 1—Significant Accounting Policies

Invesco V.I. International Growth Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-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 asked prices is used to value debt obligations, including corporate loans.

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

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 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.

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

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

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

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

The Adviser has contractually agreed, through at least June 30, 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 six months ended June 30, 2014, the Adviser waived advisory fees of $84,536.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2014, Invesco was paid $190,289 for accounting and fund administrative services and reimbursed $2,123,191 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 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 six months ended June 30, 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 June 30, 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 six months ended June 30, 2014, there were transfers from Level 1 to Level 2 of $74,787,619 and from Level 2 to Level 1 of $566,627,006, due to foreign fair value adjustments.

	Level 1	Level 2	Level 3	Total
Australia	$ 58,608,111	$ –	$–	$ 58,608,111
Belgium	27,657,699	–	–	27,657,699
Brazil	70,225,939	–	–	70,225,939
Canada	156,834,114	–	–	156,834,114
China	70,538,151	–	–	70,538,151
Denmark	25,016,862	19,891,483	–	44,908,345
France	67,226,490	22,891,280	–	90,117,770
Germany	119,958,830	–	–	119,958,830
Hong Kong	61,758,103	–	–	61,758,103
Ireland	41,618,494	–	–	41,618,494
Israel	36,764,662	–	–	36,764,662
Japan	–	117,136,510	–	117,136,510
Mexico	32,409,706	–	–	32,409,706
Netherlands	20,656,805	–	–	20,656,805
Singapore	79,794,022	–	–	79,794,022
South Korea	55,071,883	–	–	55,071,883
Spain	–	19,153,131	–	19,153,131
Sweden	18,157,039	21,976,897	–	40,133,936
Switzerland	71,344,208	67,671,456	–	139,015,664

	Level 1	Level 2	Level 3	Total
Taiwan	$ 33,216,039	$ –	$–	$ 33,216,039
Thailand	19,191,973	–	–	19,191,973
Turkey	20,539,957	–	–	20,539,957
United Kingdom	195,339,634	142,883,905	–	338,223,539
United States	142,656,160	–	–	142,656,160
Total Investments	$1,424,584,881	$411,604,662	$–	$1,836,189,543

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—Tax Information

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

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. Capital losses generated in years beginning after December 22, 2010 can be carried forward for an unlimited period, whereas previous losses expire in 8 tax years. Capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Capital loss carryforwards with no expiration date will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund had a capital loss carryforward as of December 31, 2013, which expires as follows:

Capital Loss Carryforward*

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

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code 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 six months ended June 30, 2014 was $222,189,904 and $261,587,410, 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	$566,645,478
Aggregate unrealized (depreciation) of investment securities	(7,380,590)
Net unrealized appreciation of investment securities	$559,264,888

Cost of investments for tax purposes is $1,276,924,655.

NOTE 8—Share Information

	Summary of Share Activity			
	Six months ended June 30, 2014[a]		Year ended December 31, 2013	
	Shares	Amount	Shares	Amount
Sold:				
Series I	1,579,297	$ 56,192,339	3,847,472	$ 123,710,056
Series II	2,313,665	81,079,700	5,793,394	183,196,471
Issued as reinvestment of dividends:				
Series I	–	–	231,886	7,786,744
Series II	–	–	305,524	10,137,283
Reacquired:				
Series I	(2,081,415)	(73,805,885)	(4,344,114)	(139,809,224)
Series II	(2,842,320)	(101,910,095)	(3,499,681)	(111,309,035)
Net increase (decrease) in share activity	(1,030,773)	$ (38,443,941)	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 39% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 9—Financial Highlights

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

	Net asset value, beginning of period	Net investment income[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												
Six months ended 06/30/14	$35.32	$0.43	$ 1.79	$ 2.22	$ –	$37.54	6.29%	$ 710,513	1.02%[d]	1.03%[d]	2.46%[d]	14%
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
Year ended 12/31/09	19.49	0.32	6.55	6.87	(0.35)	26.01	35.24	556,883	1.02	1.04	1.47	27
Series II												
Six months ended 06/30/14	34.88	0.38	1.76	2.14	–	37.02	6.14	1,108,637	1.27[d]	1.28[d]	2.21[d]	14
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
Year ended 12/31/09	19.23	0.27	6.44	6.71	(0.31)	25.63	34.91	1,500,514	1.27	1.29	1.22	27

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the year ended December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of $23,376,285 and sold of $8,831,296 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco Van Kampen V.I. International Growth Equity Fund into the Fund.
(d) Ratios are annualized and based on average daily net assets (000's omitted) of $681,124 and $1,078,353 for Series I and Series II shares, respectively.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2014 through June 30, 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 (01/01/14)	Ending Account Value (06/30/14)[1]	Expenses Paid During Period[2]	Ending Account Value (06/30/14)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,062.90	$5.22	$1,019.74	$5.11	1.02%
Series II	1,000.00	1,061.40	6.49	1,018.50	6.36	1.27

1 The actual ending account value is based on the actual total return of the Fund for the period January 1, 2014 through June 30, 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 181/365 to reflect the most recent fiscal half year.

Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of Invesco V.I. International Growth Fund's (the Fund) investment advisory agreements. During contract renewal meetings held on June 16-17, 2014, the Board as a whole, and the disinterested or "independent" Trustees, who comprise over 75% of the Board, voting separately, approved the continuance for the Fund of the Master Investment Advisory Agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers and the sub-advisory contracts) for another year, effective July 1, 2014.

In evaluating the fairness and reasonableness of compensation under the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Board determined that the continuation of the Fund's investment advisory agreement and the sub-advisory contracts are in the best interest of the Fund and its shareholders and that the compensation payable to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

The Board's Fund Evaluation Process

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

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

The Trustees recognized that the advisory fee rates for the Invesco Funds are, in many cases, the result of years of review and negotiation. The Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these arrangements throughout the year and in prior years. The Trustees' review and conclusions are based on the comprehensive consideration of all information presented to them and are not the result of any single determinative factor. Moreover, one Trustee may have weighed a particular piece of information or factor differently than another Trustee.

The discussion below serves as the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory contracts. Unless otherwise stated, this information is current as of June 17, 2014, and may not reflect consideration of factors that became known to the Board after that date.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

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

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund's portfolio manager or managers, with whom the Sub-Committees met during the year. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' investment process oversight, independent credit analysis and investment risk management. The Board also considered non-advisory services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the benefits of reapproving an existing relationship and the greater uncertainty that may be associated with entering into a new relationship. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and consistent with the terms of the Fund's investment advisory agreement.

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

B. *Fund Performance*

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

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

C. Advisory and Sub-Advisory Fees

The Board compared the Fund's contractual management fee rate to the contractual management fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the contractual management fee rate for Series I shares of the Fund was below the median contractual management fee rate of funds in the expense group. The Board noted that the term "contractual management fee" may include both advisory and certain administrative services fees, but that Lipper does not provide information on a fund by fund basis as to what is included. The Board noted that Invesco Advisers does not charge the Invesco Funds for the administrative services included in the term as defined by Lipper. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using each fund's contractual management fee schedule (including any applicable breakpoints) as reported in the most recent prospectus or statement of additional information for each fund in the expense group.

The Board noted that Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least June 30, 2015 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund.

The Board also compared the Fund's effective advisory fee rate (the advisory fee rate after advisory fee waivers and before other expense limitations/waivers) to the effective advisory fee rates of other mutual funds advised by Invesco Advisers and its affiliates that are managed using an investment process substantially similar to the investment process used for the Fund. The Board noted that Invesco Advisers and the Affiliated Sub-Advisers do not manage other funds or client accounts using a similar investment process.

The Board also considered the services that may be provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the fees payable by Invesco Advisers to the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board also noted that the sub-advisory fees are not paid directly by the Fund, but rather, are payable by Invesco Advisers to the Affiliated Sub-Advisers.

D. Economies of Scale and Breakpoints

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

E. Profitability and Financial Resources

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services for the year ended December 31, 2013. The Board received information from Invesco Advisers about the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its subsidiaries provide to the Invesco Funds and the Fund. The Board received and accepted information from Invesco Advisers demonstrating that Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts.

F. Collateral Benefits to Invesco Advisers and its Affiliates

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

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

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

The Board also considered the Fund may use an affiliated broker to execute certain trades for the Fund to among other things, control information leakage, and were advised that such trades would be executed in compliance with rules under the Investment Company Act of 1940, as amended.

Semiannual Report to Shareholders **June 30, 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-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/13 to 6/30/14, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	6.28%
Series II Shares	6.19
S&P 500 Index▼ (Broad Market Index)	7.14
Bank of America Merrill Lynch 100 Technology Index (price only)■ (Style-Specific Index)	4.98
Lipper VUF Science & Technology Funds Classification Average◆ (Peer Group)	6.87

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

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

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

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

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

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

Average Annual Total Returns

As of 6/30/14

Series I Shares	
Inception (5/20/97)	4.90%
10 Years	6.64
5 Years	17.08
1 Year	27.27

Series II Shares	
Inception (4/30/04)	6.91%
10 Years	6.37
5 Years	16.80
1 Year	26.97

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.

Schedule of Investments[a]

June 30, 2014
(Unaudited)

	Shares	Value
Common Stocks & Other Equity Interests-98.46%		
Application Software-7.66%		
Aspen Technology, Inc.[b]	23,682	$ 1,098,845
Monitise PLC (United Kingdom)[b]	2,816,090	2,487,405
Salesforce.com, Inc.[b]	72,179	4,192,156
SS&C Technologies Holdings, Inc.[b]	11,875	525,113
		8,303,519
Biotechnology-10.54%		
Alkermes PLC[b]	35,584	1,790,943
Amgen Inc.	8,655	1,024,492
Biogen Idec Inc.[b]	5,473	1,725,692
Celgene Corp.[b]	19,842	1,704,031
Gilead Sciences, Inc.[b]	62,466	5,179,056
		11,424,214
Cable & Satellite-3.80%		
DISH Network Corp.-Class A[b]	63,347	4,122,623
Communications Equipment-9.44%		
ARRIS Group Inc.[b]	87,671	2,851,938
F5 Networks, Inc.[b]	18,051	2,011,603
Palo Alto Networks, Inc.[b]	20,368	1,707,857
QUALCOMM, Inc.	46,243	3,662,445
		10,233,843
Consumer Electronics-0.45%		
Harman International Industries, Inc.	4,596	493,748
Data Processing & Outsourced Services-9.07%		
Alliance Data Systems Corp.[b]	12,035	3,384,844
MasterCard, Inc.-Class A	56,088	4,120,785
Visa Inc.-Class A	11,041	2,326,449
		9,832,078
Electronic Manufacturing Services-0.62%		
Sanmina Corp.[b]	29,390	669,504
Health Care Technology-2.09%		
IMS Health Holdings, Inc.[b]	88,078	2,261,843
Home Entertainment Software-1.02%		
Activision Blizzard, Inc.	49,761	1,109,670
Internet Retail-4.57%		
Amazon.com, Inc.[b]	5,195	1,687,232
Priceline Group Inc. (The)[b]	2,170	2,610,510
TripAdvisor Inc.[b]	6,063	658,806
		4,956,548
Internet Software & Services-17.36%		
Facebook Inc.-Class A[b]	92,649	$ 6,234,351
Google Inc.-Class A[b]	6,702	3,918,458
Google Inc.-Class C[b]	6,702	3,855,527
Yelp Inc.[b]	62,715	4,808,986
		18,817,322
IT Consulting & Other Services-1.23%		
Cognizant Technology Solutions Corp.-Class A[b]	27,247	1,332,651
Life Sciences Tools & Services-1.44%		
Thermo Fisher Scientific, Inc.	13,263	1,565,034
Pharmaceuticals-2.16%		
Actavis PLC[b]	8,090	1,804,474
Bristol-Myers Squibb Co.	11,080	537,491
		2,341,965
Semiconductor Equipment-1.00%		
Applied Materials, Inc.	48,183	1,086,527
Semiconductors-11.44%		
Altera Corp.	19,185	666,871
ARM Holdings PLC-ADR (United Kingdom)	11,898	538,265
Atmel Corp.[b]	87,408	819,013
Avago Technologies Ltd. (Singapore)	37,147	2,677,184
Lattice Semiconductor Corp.[b]	107,731	888,781
NXP Semiconductors N.V. (Netherlands)[b]	50,531	3,344,142
Skyworks Solutions, Inc.	30,336	1,424,579
Synaptics Inc.[b]	9,853	893,076
Texas Instruments Inc.	23,970	1,145,526
		12,397,437
Systems Software-3.79%		
ServiceNow, Inc.[b]	23,933	1,482,889
VMware, Inc.-Class A[b]	27,132	2,626,649
		4,109,538
Technology Hardware, Storage & Peripherals-7.01%		
Apple Inc.	73,720	6,850,799
Cray, Inc.[b]	28,206	750,280
		7,601,079
Wireless Telecommunication Services-3.77%		
Sprint Corp.[b]	478,742	4,083,669
Total Common Stocks & Other Equity Interests (Cost $75,049,426)		106,742,812

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

	Shares	Value
Money Market Funds–1.46%		
Liquid Assets Portfolio-Institutional Class[c]	790,426	$ 790,426
Premier Portfolio-Institutional Class[c]	790,426	790,426
Total Money Market Funds (Cost $1,580,852)		1,580,852
TOTAL INVESTMENTS–99.92% (Cost $76,630,278)		108,323,664
OTHER ASSETS LESS LIABILITIES–0.08%		87,991
NET ASSETS–100.00%		$108,411,655

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

Portfolio Composition

By sector, based on Net Assets
as of June 30, 2014

Information Technology	69.7%
Health Care	16.2
Consumer Discretionary	8.8
Telecommunication Services	3.8
Money Market Funds Plus Other Assets Less Liabilities	1.5

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

Statement of Assets and Liabilities

June 30, 2014
(Unaudited)

Assets:	
Investments, at value (Cost $75,049,426)	$106,742,812
Investments in affiliated money market funds, at value and cost	1,580,852
Total investments, at value (Cost $76,630,278)	108,323,664
Foreign currencies, at value (Cost $1,242)	2,472
Receivable for:	
Investments sold	701,173
Fund shares sold	12,807
Dividends	1,818
Investment for trustee deferred compensation and retirement plans	66,790
Total assets	109,108,724
Liabilities:	
Payable for:	
Investments purchased	219,101
Fund shares reacquired	250,386
Accrued fees to affiliates	132,078
Accrued trustees' and officers' fees and benefits	527
Accrued other operating expenses	22,445
Trustee deferred compensation and retirement plans	72,532
Total liabilities	697,069
Net assets applicable to shares outstanding	$108,411,655
Net assets consist of:	
Shares of beneficial interest	$ 61,282,294
Undistributed net investment income	1,763,462
Undistributed net realized gain	13,672,397
Net unrealized appreciation	31,693,502
	$108,411,655
Net Assets:	
Series I	$104,524,191
Series II	$ 3,887,464
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	5,064,407
Series II	193,736
Series I: Net asset value per share	$ 20.64
Series II: Net asset value per share	$ 20.07

Statement of Operations

For the six months ended June 30, 2014
(Unaudited)

Investment income:	
Dividends	$ 268,125
Dividends from affiliated money market funds (includes securities lending income of $2,798)	3,336
Total investment income	271,461
Expenses:	
Advisory fees	395,522
Administrative services fees	154,343
Custodian fees	4,825
Distribution fees — Series II	4,310
Transfer agent fees	12,385
Trustees' and officers' fees and benefits	13,241
Other	27,818
Total expenses	612,444
Less: Fees waived	(1,908)
Net expenses	610,536
Net investment income (loss)	(339,075)
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities (includes net gains from securities sold to affiliates of $22,336)	4,802,995
Foreign currencies	(3,409)
	4,799,586
Change in net unrealized appreciation of:	
Investment securities	1,976,237
Foreign currencies	116
	1,976,353
Net realized and unrealized gain	6,775,939
Net increase in net assets resulting from operations	$6,436,864

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

Statement of Changes in Net Assets

For the six months ended June 30, 2014 and the year ended December 31, 2013
(Unaudited)

	June 30, 2014	December 31, 2013
Operations:		
Net investment income (loss)	$ (339,075)	$ (401,721)
Net realized gain	4,799,586	9,373,941
Change in net unrealized appreciation	1,976,353	13,198,790
Net increase in net assets resulting from operations	6,436,864	22,171,010
Distributions to shareholders from net realized gains:		
Series I	–	(7,820,860)
Series II	–	(230,772)
Total distributions from net realized gains	–	(8,051,632)
Share transactions–net:		
Series I	(4,848,928)	(5,971,175)
Series II	472,918	713,763
Net increase (decrease) in net assets resulting from share transactions	(4,376,010)	(5,257,412)
Net increase in net assets	2,060,854	8,861,966
Net assets:		
Beginning of period	106,350,801	97,488,835
End of period (includes undistributed net investment income of $1,763,462 and $2,102,537, respectively)	$108,411,655	$106,350,801

Notes to Financial Statements

June 30, 2014
(unaudited)

NOTE 1—Significant Accounting Policies

Invesco V.I. Technology Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-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 asked prices is used to value debt obligations, including corporate loans.

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

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 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.

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

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%

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

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

The Adviser has contractually agreed, through at least June 30, 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 six months ended June 30, 2014, the Adviser waived advisory fees of $1,908.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2014, Invesco was paid $24,794 for accounting and fund administrative services and reimbursed $129,549 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 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 six months ended June 30, 2014, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the six months ended June 30, 2014, the Fund incurred $877 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 June 30, 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	$105,836,259	$2,487,405	$–	$108,323,664

NOTE 4—Security Transactions with Affiliated Funds

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

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

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. Capital losses generated in years beginning after December 22, 2010 can be carried forward for an unlimited period, whereas previous losses expire in 8 tax years. Capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Capital loss carryforwards with no expiration date will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund did not have a capital loss carryforward as of December 31, 2013.

NOTE 8—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the six months ended June 30, 2014 was $52,707,892 and $57,566,094, 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	$34,652,761
Aggregate unrealized (depreciation) of investment securities	(893,106)
Net unrealized appreciation of investment securities	$33,759,655

Cost of investments for tax purposes is $74,564,009.

NOTE 9—Share Information

	Summary of Share Activity			
	Six months ended June 30, 2014[(a)]		Year ended December 31, 2013	
	Shares	Amount	Shares	Amount
Sold:				
Series I	315,629	$ 6,284,907	448,059	$ 8,062,294
Series II	46,477	887,347	51,711	908,329
Issued as reinvestment of dividends:				
Series I	–	–	434,492	7,820,860
Series II	–	–	13,157	230,772
Reacquired:				
Series I	(563,969)	(11,133,835)	(1,221,518)	(21,854,329)
Series II	(22,030)	(414,429)	(23,922)	(425,338)
Net increase (decrease) in share activity	(223,893)	$ (4,376,010)	(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 10—Financial Highlights

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

	Net asset value, beginning of period	Net investment income (loss)[(a)]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	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														
Six months ended 06/30/14	$19.42	$(0.06)	$ 1.28	$ 1.22	$ –	$ –	$ –	$20.64	6.28%	$104,524	1.15%[(d)]	1.15%[(d)]	(0.64)%[(d)]	51%
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
Year ended 12/31/09	8.38	(0.03)	4.84	4.81	–	–	–	13.19	57.40	119,369	1.18	1.19	(0.27)	42
Series II														
Six months ended 06/30/14	18.90	(0.08)	1.25	1.17	–	–	–	20.07	6.19	3,887	1.40[(d)]	1.40[(d)]	(0.89)[(d)]	51
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
Year ended 12/31/09	8.26	(0.06)	4.78	4.72	–	–	–	12.98	57.14	417	1.43	1.44	(0.52)	42

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable, and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.
(d) Ratios are annualized and based on average daily net assets (000's omitted) of $102,871 and $3,476 for Series I and Series II, respectively.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2014 through June 30, 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 (01/01/14)	Ending Account Value (06/30/14)[1]	Expenses Paid During Period[2]	Ending Account Value (06/30/14)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,062.80	$5.88	$1,019.09	$5.76	1.15%
Series II	1,000.00	1,061.90	7.16	1,017.85	7.00	1.40

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2014 through June 30, 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 181/365 to reflect the most recent fiscal half year.

Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of Invesco V.I. Technology Fund's (the Fund) investment advisory agreements. During contract renewal meetings held on June 16-17, 2014, the Board as a whole, and the disinterested or "independent" Trustees, who comprise over 75% of the Board, voting separately, approved the continuance for the Fund of the Master Investment Advisory Agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers and the sub-advisory contracts) for another year, effective July 1, 2014.

In evaluating the fairness and reasonableness of compensation under the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Board determined that the continuation of the Fund's investment advisory agreement and the sub-advisory contracts are in the best interest of the Fund and its shareholders and that the compensation payable to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

The Board's Fund Evaluation Process

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

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

The Trustees recognized that the advisory fee rates for the Invesco Funds are, in many cases, the result of years of review and negotiation. The Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these arrangements throughout the year and in prior years. The Trustees' review and conclusions are based on the comprehensive consideration of all information presented to them and are not the result of any single determinative factor. Moreover, one Trustee may have weighed a particular piece of information or factor differently than another Trustee.

The discussion below serves as the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory contracts. Unless otherwise stated, this information is current as of June 17, 2014, and may not reflect consideration of factors that became known to the Board after that date.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

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

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund's portfolio manager or managers, with whom the Sub-Committees met during the year. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' investment process oversight, independent credit analysis and investment risk management. The Board also considered non-advisory services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the benefits of reapproving an existing relationship and the greater uncertainty that may be associated with entering into a new relationship. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and consistent with the terms of the Fund's investment advisory agreement.

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

B. Fund Performance

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

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Lipper performance universe and against the Lipper VA Underlying Funds Science & Technology Funds Index. The Board noted that performance of Series I shares of the Fund was in the fourth quintile of the performance universe for the one and three year periods and in the third quintile for the five year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that performance of Series I shares of the Fund was below the performance of the Index for the one, three and five year periods. Invesco Advisers advised the Board that the portfolio management team had recently changed and that the revised portfolio will be more concentrated with a focus on upside participation rather than downside protection. The Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory and Sub-Advisory Fees

The Board compared the Fund's contractual management fee rate to the contractual management fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the contractual management fee rate for Series I shares of the Fund was below the median contractual management fee rate of funds in the expense group. The Board noted that the term "contractual management fee" may include both advisory and certain administrative services fees, but that Lipper does not provide information on a fund by fund basis as to what is included. The Board noted that Invesco Advisers does not charge the Invesco Funds for the administrative services included in the term as defined by Lipper. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using each fund's contractual management fee schedule (including any applicable breakpoints) as reported in the most recent prospectus or statement of additional information for each fund in the expense group.

The Board noted that Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least June 30, 2015 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund.

The Board also compared the Fund's effective advisory fee rate (the advisory fee rate after advisory fee waivers and before other expense limitations/waivers) to the effective advisory fee rates of other mutual funds advised by Invesco Advisers and its affiliates that are managed using an investment process substantially similar to the investment process used for the Fund. The Board noted that the Fund's effective advisory fee rate was above the effective advisory fee rate of the two mutual funds advised by Invesco Advisers with a similar investment process. The Board noted that Invesco Advisers sub-advises an off-shore fund with comparable investment strategies, which had an effective advisory fee rate higher than the Fund's rate. The Board noted that Invesco Advisers sub-advises an off-shore fund that is managed using a similar investment process and that fund has an effective advisory fee rate higher than the Fund's rate. The Board noted that Invesco Advisers and the Affiliated Sub-Advisers do not manage other client accounts using an investment process substantially similar to the investment process used for the Fund.

The Board also considered the services that may be provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the fees payable by Invesco Advisers to the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board also noted that the sub-advisory fees are not paid directly by the Fund, but rather, are payable by Invesco Advisers to the Affiliated Sub-Advisers.

D. Economies of Scale and Breakpoints

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

E. Profitability and Financial Resources

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services for the year ended December 31, 2013. The Board received information from Invesco Advisers about the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its subsidiaries provide to the Invesco Funds and the Fund. The Board did not deem the level of profits realized by Invesco Advisers and its affiliates from providing services to the Fund to be excessive given the nature, quality and extent of the services provided to the Invesco Funds. The Board received and accepted information from Invesco Advisers demonstrating that Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts.

F. Collateral Benefits to Invesco Advisers and its Affiliates

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

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

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

The Board also considered the Fund may use an affiliated broker to execute certain trades for the Fund to among other things, control information leakage, and were advised that such trades would be executed in compliance with rules under the Investment Company Act of 1940, as amended.

Semiannual Report

June 30, 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.

Not FDIC insured • No bank guarantee • May lose value

Table of Contents

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

Performance Overview

(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Asset Allocation Fund (the Fund) Class 2 shares returned 5.35% for the six-month period that ended June 30, 2014.

> The Fund underperformed its Blended Benchmark, which returned 5.90% over the same time period.

> The broad U.S. equity market, as measured by the S&P 500 Index, returned 7.14%, while the broad U.S. fixed-income market, as measured by the Barclays U.S. Aggregate Bond Index, returned 3.93% for the same six-month period.

Average Annual Total Returns (%) (for period ended June 30, 2014)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1	01/01/89	5.45	17.41	12.99	6.98
Class 2	06/01/00	5.35	17.14	12.75	6.79
Blended Benchmark		5.90	16.24	13.32	6.93
S&P 500 Index		7.14	24.61	18.83	7.78
Barclays U.S. Aggregate Bond Index		3.93	4.37	4.85	4.93

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.

Portfolio Overview
(Unaudited)

Portfolio Breakdown (%) (at June 30, 2014)	
Alternative Investment Funds	**3.0**
Equity Funds	**59.0**
International	2.0
U.S. Large Cap	51.0
U.S. Mid Cap	6.0
Fixed-Income Funds	**36.9**
Convertible	3.0
Emerging Markets	2.0
High Yield	4.5
Investment Grade	27.4
Money Market Funds	**1.1**
Total	**100.0**

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

Portfolio Management

Jeffrey Knight, CFA

Anwiti Bahuguna, Ph.D.

Melda Mergen, CFA, CAIA

Marie Schofield, CFA

Beth Vanney, CFA

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.

January 1, 2014 – June 30, 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	1,054.50	1,024.10	0.71	0.70	0.14	3.97	3.91	0.78
Class 2	1,000.00	1,000.00	1,053.50	1,022.86	1.99	1.96	0.39	5.24	5.17	1.03

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

June 30, 2014 (Unaudited)

(Percentages represent value of investments compared to net assets)

Equity Funds 59.0%

	Shares	Value ($)
International 2.0%		
Columbia Overseas Value Fund, Class I Shares[(a)]	208,170	1,929,737
U.S. Large Cap 50.9%		
Columbia Contrarian Core Fund, Class I Shares[(a)]	816,996	17,884,041
Columbia Large Core Quantitative Fund, Class I Shares[(a)]	1,976,074	17,883,474
Columbia Large Growth Quantitative Fund, Class I Shares[(a)]	407,041	3,765,134
Columbia Large Value Quantitative Fund, Class I Shares[(a)]	194,878	1,882,518
Columbia Select Large Cap Growth Fund, Class I Shares[(a)(b)]	182,930	3,294,565
Columbia Select Large-Cap Value Fund, Class I Shares[(a)]	141,305	3,288,169
Total		47,997,901
U.S. Mid Cap 6.0%		
Columbia Mid Cap Growth Fund, Class I Shares[(a)(b)]	85,549	2,823,991
Columbia Mid Cap Value Fund, Class I Shares[(a)]	154,069	2,824,079
Total		5,648,070
Total Equity Funds (Cost: $44,580,806)		**55,575,708**

Fixed-Income Funds 36.9%

	Shares	Value ($)
Convertible 3.0%		
Columbia Convertible Securities Fund, Class I Shares[(a)]	143,493	2,823,935
Emerging Markets 2.0%		
Columbia Emerging Markets Bond Fund, Class I Shares[(a)]	161,036	1,882,509

Fixed-Income Funds *(continued)*

	Shares	Value ($)
High Yield 4.5%		
Columbia Income Opportunities Fund, Class I Shares[(a)]	413,103	4,250,828
Investment Grade 27.4%		
Columbia Corporate Income Fund, Class I Shares[(a)]	825,075	8,481,775
Columbia Limited Duration Credit Fund, Class I Shares[(a)]	281,314	2,815,951
Columbia U.S. Government Mortgage Fund, Class I Shares[(a)]	1,207,523	6,605,153
Columbia U.S. Treasury Index Fund, Class I Shares[(a)]	716,286	7,936,447
Total		25,839,326
Total Fixed-Income Funds (Cost: $33,261,938)		**34,796,598**

Alternative Investment Funds 3.0%

	Shares	Value ($)
Columbia Absolute Return Multi-Strategy Fund, Class I Shares[(a)]	287,152	2,819,829
Total Alternative Investment Funds (Cost: $2,858,096)		**2,819,829**

Money Market Funds 1.1%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.095%[(a)(c)]	997,825	997,825
Total Money Market Funds (Cost: $997,825)		**997,825**
Total Investments (Cost: $81,698,665)		**94,189,960**
Other Assets & Liabilities, Net		(46,690)
Net Assets		**94,143,270**

Investments in Derivatives

Futures Contracts Outstanding at June 30, 2014

At June 30, 2014, cash totaling $47,575 was pledged as collateral to cover initial margin requirements on open futures contracts.

Contract Description	Number of Contracts Long (Short)	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
S&P500 EMINI	11	USD	1,073,820	09/2014	13,228	—

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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 period ended June 30, 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	57,730	(29,465)	(620)	2,858,096	—	—	2,819,829
Columbia Contrarian Core Fund, Class I Shares	7,150,763	8,421,136	(1,397,623)	33,249	14,207,525	—	—	17,884,041
Columbia Convertible Securities Fund, Class I Shares	2,358,696	56,892	(353,995)	59,898	2,121,491	23,423	33,301	2,823,935
Columbia Corporate Income Fund, Class I Shares	8,427,978	184,517	(547,721)	(7,134)	8,057,640	—	134,679	8,481,775
Columbia Emerging Markets Bond Fund, Class I Shares	1,934,432	51,622	(163,818)	(4,295)	1,817,941	—	45,510	1,882,509
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	109,697	(250,522)	1,969	4,005,741	—	108,137	4,250,828
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	8,473,468	(1,462,400)	34,530	13,937,232	—	—	17,883,474
Columbia Large Growth Quantitative Fund, Class I Shares	3,774,357	495	(409,720)	10,935	3,376,067	—	—	3,765,134
Columbia Large Value Quantitative Fund, Class I Shares	1,530,530	152	(221,856)	28,123	1,336,949	—	—	1,882,518
Columbia Limited Duration Credit Fund, Class I Shares	2,869,367	55,613	(113,064)	(669)	2,811,247	—	27,498	2,815,951
Columbia Mid Cap Growth Fund, Class I Shares	3,372,459	96,456	(1,836,985)	421,463	2,053,393	—	—	2,823,991
Columbia Mid Cap Value Fund, Class I Shares	3,174,079	225,968	(1,945,429)	520,530	1,975,148	217,609	8,021	2,824,079
Columbia Overseas Value Fund, Class I Shares	1,681,657	23,516	(153,586)	16,656	1,568,243	—	8,464	1,929,737
Columbia Select Large Cap Growth Fund, Class I Shares	3,311,763	424,914	(343,876)	16,820	3,409,621	274,744	—	3,294,565
Columbia Select Large-Cap Value Fund, Class I Shares	3,050,669	1,949	(359,179)	23,189	2,716,628	—	—	3,288,169
Columbia Short-Term Cash Fund	1,857,479	594,178	(1,453,832)	—	997,825	—	557	997,825
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	—	—	—	—

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

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 U.S. Government Mortgage Fund, Class I Shares	6,730,551	159,358	(299,144)	(19,119)	6,571,646	—	107,411	6,605,153
Columbia U.S. Treasury Index Fund, Class I Shares	1,403,892	6,887,857	(408,824)	(6,693)	7,876,232	—	46,884	7,936,447
Total	84,477,051	25,827,716	(31,856,431)	3,250,329	81,698,665	515,776	520,462	94,189,960

*Issuer was not an affiliate for the entire period ended June 30, 2014.

(b) Non-income producing.

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

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)*

June 30, 2014 (Unaudited)

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 June 30, 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	55,575,708	—	—	55,575,708
Fixed-Income Funds	34,796,598	—	—	34,796,598
Alternative Investment Funds	2,819,829	—	—	2,819,829
Money Market Funds	997,825	—	—	997,825
Total Mutual Funds	94,189,960	—	—	94,189,960
Investments in Securities	94,189,960	—	—	94,189,960
Derivatives				
Assets				
Futures Contracts	13,228	—	—	13,228
Total	94,203,188	—	—	94,203,188

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

June 30, 2014 (Unaudited)

Assets	
Investments, at value	
Affiliated issuers (identified cost $81,698,665)	$94,189,960
Margin deposits	47,575
Receivable for:	
Investments sold	136,257
Capital shares sold	72
Dividends	68,398
Reclaims	1,112
Variation margin	220
Expense reimbursement due from Investment Manager	377
Trustees' deferred compensation plan	40,216
Total assets	94,484,187
Liabilities	
Disbursements in excess of cash	31,256
Payable for:	
Investments purchased	68,335
Capital shares purchased	147,590
Investment management fees	46
Distribution and/or service fees	347
Transfer agent fees	465
Administration fees	155
Compensation of board members	22,730
Chief compliance officer expenses	14
Other expenses	29,763
Trustees' deferred compensation plan	40,216
Total liabilities	340,917
Net assets applicable to outstanding capital stock	**$94,143,270**
Represented by	
Paid-in capital	$73,388,200
Undistributed net investment income	2,632,201
Accumulated net realized gain	5,618,292
Unrealized appreciation (depreciation) on:	
Investments — affiliated issuers	12,491,295
Foreign currency translations	54
Futures contracts	13,228
Total — representing net assets applicable to outstanding capital stock	**$94,143,270**

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

Statement of Assets and Liabilities *(continued)*

June 30, 2014 (Unaudited)

Class 1	
Net assets	$77,280,343
Shares outstanding	4,868,151
Net asset value per share	$15.87
Class 2	
Net assets	$16,862,927
Shares outstanding	1,071,526
Net asset value per share	$15.74

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

Statement of Operations

Six Months Ended June 30, 2014 (Unaudited)

Net investment income	
Income:	
Dividends — affiliated issuers	$520,462
Interest	20
Total income	520,482
Expenses:	
Investment management fees	3,500
Distribution and/or service fees	
Class 2	21,428
Transfer agent fees	
Class 1	22,928
Class 2	5,143
Administration fees	9,357
Compensation of board members	12,729
Custodian fees	9,689
Printing and postage fees	13,345
Professional fees	9,062
Chief compliance officer expenses	26
Other	1,306
Total expenses	108,513
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(22,746)
Total net expenses	85,767
Net investment income	434,715
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments — unaffiliated issuers	236
Investments — affiliated issuers	3,250,329
Capital gain distributions from underlying affiliated funds	515,776
Futures contracts	95,534
Net realized gain	3,861,875
Net change in unrealized appreciation (depreciation) on:	
Investments — affiliated issuers	727,266
Foreign currency translations	(1)
Futures contracts	(26,730)
Net change in unrealized appreciation (depreciation)	700,535
Net realized and unrealized gain	4,562,410
Net increase in net assets resulting from operations	**$4,997,125**

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

Statement of Changes in Net Assets

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations		
Net investment income	$434,715	$1,558,689
Net realized gain	3,861,875	7,005,839
Net change in unrealized appreciation (depreciation)	700,535	7,440,832
Net increase in net assets resulting from operations	4,997,125	16,005,360
Distributions to shareholders		
Net investment income		
Class 1	—	(1,860,222)
Class 2	—	(390,306)
Total distributions to shareholders	—	(2,250,528)
Increase (decrease) in net assets from capital stock activity	(7,075,245)	(13,485,359)
Total increase (decrease) in net assets	(2,078,120)	269,473
Net assets at beginning of period	96,221,390	95,951,917
Net assets at end of period	**$94,143,270**	**$96,221,390**
Undistributed net investment income	$2,632,201	$2,197,486

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

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2014 (Unaudited)		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	47,667	730,985	62,903	892,661
Distributions reinvested	—	—	132,778	1,860,222
Redemptions	(388,351)	(5,947,218)	(963,128)	(13,534,601)
Net decrease	(340,684)	(5,216,233)	(767,447)	(10,781,718)
Class 2 shares				
Subscriptions	2,007	30,348	24,470	340,167
Distributions reinvested	—	—	28,039	390,306
Redemptions	(124,237)	(1,889,360)	(246,225)	(3,434,114)
Net decrease	(122,230)	(1,859,012)	(193,716)	(2,703,641)
Total net decrease	**(462,914)**	**(7,075,245)**	**(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.

	Six Months Ended June 30, 2014	Year Ended December 31,				
Class 1	**(Unaudited)**	**2013**	**2012**	**2011**	**2010**	**2009**
Per share data						
Net asset value, beginning of period	$15.05	$13.05	$11.81	$12.22	$11.08	$9.32
Income from investment operations:						
Net investment income	0.07	0.24	0.25	0.24	0.26	0.25
Net realized and unrealized gain (loss)	0.75	2.11	1.27	(0.33)	1.19	1.93
Total from investment operations	0.82	2.35	1.52	(0.09)	1.45	2.18
Less distributions to shareholders:						
Net investment income	—	(0.35)	(0.28)	(0.32)	(0.31)	(0.42)
Total distributions to shareholders	—	(0.35)	(0.28)	(0.32)	(0.31)	(0.42)
Net asset value, end of period	$15.87	$15.05	$13.05	$11.81	$12.22	$11.08
Total return	5.45%	18.17%	13.03%	(0.85%)	13.43%	24.00%(a)
Ratios to average net assets(b)						
Total gross expenses	0.19%(c)	0.19%	0.24%	0.40%	0.97%	1.00%
Total net expenses(d)	0.14%(c)	0.15%	0.16%	0.13%	0.68%(e)	0.80%(e)
Net investment income	0.98%(c)	1.67%	1.99%	1.93%	2.27%	2.48%
Supplemental data						
Net assets, end of period (in thousands)	$77,280	$78,390	$77,976	$81,002	$95,031	$97,435
Portfolio turnover	27%	15%	51%	89%	234%(f)	103%

Notes to Financial Highlights

(a) Total return includes a reimbursement of a loss experienced by the Fund due to a compliance violation. The reimbursement had an impact of less than 0.01% on total return.

(b) In addition to the fees and expenses 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.

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

(f) Effective October 22, 2010, the Fund transitioned to a fund-of-funds structure. If the Fund had not transitioned, portfolio turnover would have been lower.

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

Financial Highlights *(continued)*

Class 2	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per share data						
Net asset value, beginning of period	$14.94	$12.96	$11.73	$12.15	$11.02	$9.27
Income from investment operations:						
Net investment income	0.05	0.20	0.22	0.20	0.24	0.23
Net realized and unrealized gain (loss)	0.75	2.09	1.26	(0.32)	1.18	1.92
Total from investment operations	0.80	2.29	1.48	(0.12)	1.42	2.15
Less distributions to shareholders:						
Net investment income	—	(0.31)	(0.25)	(0.30)	(0.29)	(0.40)
Total distributions to shareholders	—	(0.31)	(0.25)	(0.30)	(0.29)	(0.40)
Net asset value, end of period	$15.74	$14.94	$12.96	$11.73	$12.15	$11.02
Total return	5.35%	17.88%	12.76%	(1.09%)	13.26%	23.79%[a]
Ratios to average net assets[b]						
Total gross expenses	0.44%[c]	0.44%	0.49%	0.68%	1.22%	1.25%
Total net expenses[d]	0.39%[c]	0.40%	0.41%	0.38%	0.85%[e]	0.95%[e]
Net investment income	0.72%[c]	1.42%	1.72%	1.66%	2.10%	2.34%
Supplemental data						
Net assets, end of period (in thousands)	$16,863	$17,832	$17,976	$20,036	$25,624	$27,677
Portfolio turnover	27%	15%	51%	89%	234%[f]	103%

Notes to Financial Highlights

(a) Total return includes a reimbursement of a loss experienced by the Fund due to a compliance violation. The reimbursement had an impact of less than 0.01% on total return.

(b) In addition to the fees and expenses 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.

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

(f) Effective October 22, 2010, the Fund transitioned to a fund-of-funds structure. If the Fund had not transitioned, portfolio turnover would have been lower.

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

Notes to Financial Statements

June 30, 2014 (Unaudited)

Note 1. Organization

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

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.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

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

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

Security Valuation

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

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 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 an illiquid secondary market (making it difficult for the Fund

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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

Notes to Financial Statements *(continued)*
June 30, 2014 (Unaudited)

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 at June 30, 2014:

Asset Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Equity risk	Net assets — unrealized appreciation on futures contracts	13,228*

*Includes cumulative appreciation (depreciation) as reported in the tables following the Portfolio of Investments. Only the current day's variation margin is reported in receivables or payables in the Statement of Assets and Liabilities.

The following table indicates the effect of derivative instruments in the Statement of Operations for the period ended June 30, 2014:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Equity risk	95,534

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Equity risk	(26,730)

The following table is a summary of the average outstanding volume by derivative instrument for the period ended June 30, 2014.

Derivative Instrument	Average notional amounts ($)*
Futures contracts — Long	1,049,675

*Based on ending quarterly outstanding amounts for the period ended June 30, 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.

Interest income is recorded on an accrual basis. Market premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

Expenses

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

Determination of Class Net Asset Value

All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status

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

Distributions to Subaccounts

Distributions to the subaccounts of Contracts, Qualified Plans and Qualified Investors are recorded at the close of business on the record date and are payable on the first business day following the record date. Dividends from net investment income, if any, are declared and distributed annually. Capital gains distributions, when available, will be made annually. However, an additional capital gain distribution may be made during the fiscal year in order to comply with the Internal Revenue Code, as applicable to registered investment companies. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at the 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 annualized effective investment management fee rate for the six months ended June 30, 2014 was 0.008% 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 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

Notes to Financial Statements *(continued)*
June 30, 2014 (Unaudited)

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 May 1, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.13%	0.13%
Class 2	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 June 30, 2014, the cost of investments for federal income tax purposes was approximately $81,699,000 and the aggregate gross approximate unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$12,644,000
Unrealized depreciation	(153,000)
Net unrealized appreciation	$12,491,000

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

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations and certain derivatives, aggregated to $25,233,538 and $30,848,720, respectively, for the six months ended June 30, 2014. The amount of purchase and sales 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 June 30, 2014, two unaffiliated shareholders of record owned 77.9% 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. whereby the Fund may borrow for the temporary funding of

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the six months ended June 30, 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 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

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

Board Consideration and Approval of Advisory Agreement

On June 11, 2014, the Board of Trustees (the "Board") and the Trustees who are not interested persons (as defined in the Investment Company Act of 1940) of the Trust (the "Independent Trustees") unanimously approved the continuation of the Investment Management Services Agreement (the "Advisory Agreement") with Columbia Management Investment Advisers, LLC (the "Investment Manager") with respect to Columbia Variable Portfolio—Asset Allocation Fund (the "Fund"), a series of the Trust. As detailed below, the Advisory Fees and Expenses Committee (the "Committee") and the Board met on multiple occasions to review and discuss, both among themselves and with the management team of the Investment Manager, materials provided by the Investment Manager before determining to approve the continuation of the Advisory Agreement.

In connection with their deliberations regarding the continuation of the Advisory Agreement, the Committee and the Board evaluated materials requested from the Investment Manager regarding the Fund and the Advisory Agreement, and discussed these materials with representatives of the Investment Manager at Committee meetings held on March 4, 2014, April 30, 2014 and June 10, 2014 and at Board meetings held on April 30, 2014 and June 11, 2014. In addition, the Board considers matters bearing on the Advisory Agreement at most of its other meetings throughout the year and meets regularly with senior management of the Funds and the Investment Manager. Through the Board's Investment Oversight Committees, Trustees also meet with selected Fund portfolio managers and other investment personnel at various times throughout the year. The Committee and the Board also consulted with its independent fee consultant, Fund counsel and with the Independent Trustees' independent legal counsel, who advised on various matters with respect to the Committee's and the Board's considerations and otherwise assisted the Committee and the Board in their deliberations. On June 10, 2014, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On June 11, 2014, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement for the Fund.

The Committee and the Board considered all information that they, their legal counsel, or the Investment Manager believed reasonably necessary to evaluate and to determine whether to approve the continuation of the Advisory Agreement. The information and factors considered by the Committee and the Board in recommending for approval or approving the continuation of the Advisory Agreement for the Fund included the following:

- Information on the investment performance of the Fund relative to the performance of a group of mutual funds determined to be comparable to the Fund by an independent third-party data provider, as well as performance relative to benchmarks;
- Information on the Fund's advisory fees and total expenses, including information comparing the Fund's expenses to those of a group of comparable mutual funds, as determined by the independent third-party data provider;
- The Investment Manager's voluntary agreement to limit or cap total operating expenses for the Fund so that total operating expenses (excluding certain fees and expenses, such as transaction costs and certain other investment related expenses, interest, taxes, acquired fund fees and expenses, and extraordinary expenses) would not exceed the median expenses of a group of comparable funds (as determined by the independent third-party data provider). This agreement may be terminated at any time by the Investment Manager in its sole discretion;
- The terms and conditions of the Advisory Agreement;
- The current and proposed terms and conditions of other agreements and arrangements with affiliates of the Investment Manager relating to the operations of the Fund, including the Administrative Services Agreement, the Distribution Agreement and the Transfer and Dividend Disbursing Agent Agreement;
- Descriptions of various functions performed by the Investment Manager under the Advisory Agreement, including portfolio management and portfolio trading practices;
- Information regarding the management fees and investment performance of similarly-managed portfolios of other clients of the Investment Manager, including institutional separate accounts;
- Information regarding the reputation, regulatory history and resources of the Investment Manager, including information regarding senior management, portfolio managers and other personnel;

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

- Information regarding the capabilities of the Investment Manager with respect to compliance monitoring services, including an assessment of the Investment Manager's compliance system by the Fund's Chief Compliance Officer; and
- The profitability to the Investment Manager and its affiliates from their relationships with the Fund.

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

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

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

Investment Performance

The Committee and the Board reviewed information about the performance of the Fund over various time periods, including performance information relative to benchmarks and information based on reports of the independent third-party data provider that compared the performance of the Fund to the performance of a group of comparable mutual funds, and data provided by the independent fee consultant. The Committee and the Board also reviewed a description of the third party's methodology for identifying the Fund's peer groups for purposes of performance and expense comparisons.

The Committee and the Board noted that, through December 31, 2013, the Fund's performance was in the 18th , 35th and 30th percentile (where the best performance would be in the first percentile) of its category selected by the independent third-party data provider for the purposes of performance comparisons for the one-, three- and five- year periods, respectively.

The Committee and the Board also considered the Investment Manager's performance and reputation generally, the Investment Manager's historical responsiveness to Board concerns about performance, and the Investment Manager's willingness to take steps intended to improve performance. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the performance of the Fund was sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Investment Advisory Fee Rates and Other Expenses

The Committee and the Board considered the advisory fees charged to the Fund under the Advisory Agreement as well as the total expenses incurred by the Fund. In assessing the reasonableness of the fees under the Advisory Agreement, the Committee and the Board considered, among other information, the Fund's advisory fee and its total expense ratio as a percentage of average daily net assets. The Committee and the Board also considered data provided by the independent fee consultant. The Committee and the Board noted that the Fund's actual management fee and net expense ratio are ranked in the 1st and 2nd quintiles, respectively, (where the lowest fees and expenses would be in the first quintile) against the Fund's expense universe as determined by the independent third-party data provider for purposes of expense comparison. The Committee and the Board also took into account the fee waiver and expense limitation arrangements agreed to by the Investment Manager, as noted above.

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

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

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the advisory fee rates and expenses of the Fund were sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Costs of Services Provided and Profitability

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

The Committee and the Board also considered the compensation directly or indirectly received by the Investment Manager's affiliates in connection with their relationships with the Fund. The Committee and the Board reviewed information provided by management as to the profitability of the Investment Manager and its affiliates from their relationships with the Fund, information about the allocation of expenses used to calculate profitability, and comparisons of profitability levels realized in 2013 to profitability levels realized in 2012. When reviewing profitability, the Committee and the Board also considered court cases in which adviser profitability was an issue in whole or in part, the performance of similarly managed funds, the performance of the Fund, and the expense ratio of the Fund. The Committee and the Board also considered information provided by the Investment Manager regarding the Investment Manager's financial condition and comparing its profitability to that of other asset management firms that are, or are subsidiaries of, publicly traded companies.

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

Economies of Scale

The Committee and the Board considered the potential existence of economies of scale in the provision by the Investment Manager of services to the Fund, to groups of related funds, and to the Investment Manager's investment advisory clients as a whole, and whether those economies of scale were shared with the Fund through breakpoints in investment advisory fees or other means, such as expense limitation arrangements and additional investments by the Investment Manager in investment, trading and compliance resources. The Committee and the Board noted that the investment advisory fee schedules for the Fund contained breakpoints that would reduce the fee rate on assets above specified threshold levels.

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

Other Benefits to the Investment Manager

The Committee and the Board received and considered information regarding "fall-out" or ancillary benefits received by the Investment Manager and its affiliates as a result of their relationships with the Fund, such as the engagement of the Investment Manager to provide administrative services to the Fund and the engagement of the Investment Manager's affiliates to provide distribution and transfer agency services to the Fund. In this regard, among other matters, the Committee and the Board considered that the Fund's distributor retains a portion of the distribution fees from the Fund. The Committee and the Board also considered the benefits of research made available to the Investment Manager by reason of

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

brokerage commissions generated by the Fund's securities transactions, and reviewed information about the Investment Manager's practices with respect to allocating portfolio transactions for brokerage and research services. The Committee and the Board considered the possible conflicts of interest associated with certain fall-out or other ancillary benefits and the reporting, disclosure and other processes that are in place to address such possible conflicts of interest. The Committee and the Board recognized that the Investment Manager's profitability would be somewhat lower without these benefits.

Conclusion

The Committee and the Board reviewed all of the above considerations in reaching their decisions to recommend or approve the continuation of the Advisory Agreement. In their deliberations, the Trustees did not identify any particular information that was all-important or controlling, and individual Trustees may have attributed different weights to the various factors. Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent legal counsel, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

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Important Information About This Report

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

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

ColumbiaManagement®

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

This information is for use with concurrent or prior delivery of a fund prospectus. **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.
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C-1475 E (8/14)

Semiannual Report

June 30, 2014

Columbia Variable Portfolio – Cash Management Fund

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

Not FDIC insured • No bank guarantee • May lose value

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

Performance Overview
(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Cash Management Fund (the Fund) Class 3 shares returned 0.01% for the six-month period that ended June 30, 2014.

> The Fund's annualized simple yield and annualized compound yield were both 0.01% for the seven-day period ended June 30, 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.

Average Annual Total Returns (%) (for period ended June 30, 2014)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1*	05/03/10	0.01	0.01	0.01	1.46
Class 2*	05/03/10	0.01	0.01	0.01	1.46
Class 3	10/13/81	0.01	0.01	0.01	1.47

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

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

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

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

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

Portfolio Overview
(Unaudited)

Portfolio Breakdown (%) (at June 30, 2014)	
Asset-Backed Commercial Paper	14.4
Asset-Backed Securities — Non Agency	3.7
Certificates of Deposit	18.1
Commercial Paper	31.3
Repurchase Agreements	6.7
U.S. Government & Agency Obligations	21.4
U.S. Treasury Obligations	4.4
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.

January 1, 2014 – June 30, 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	1,024.35	0.45	0.45	0.09
Class 2	1,000.00	1,000.00	1,000.10	1,024.35	0.45	0.45	0.09
Class 3	1,000.00	1,000.00	1,000.10	1,024.35	0.45	0.45	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 June 30, 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 $2.23 for Class 1, $3.47 for Class 2 and $2.88 for Class 3; and the hypothetical expenses paid would have been $2.26 for Class 1, $3.51 for Class 2 and $2.91 for Class 3.

Portfolio of Investments

June 30, 2014 (Unaudited)

(Percentages represent value of investments compared to net assets)

Asset-Backed Commercial Paper 14.5%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Fairway Finance Co. LLC[(a)]			
07/25/14	0.140%	9,000,000	8,999,160
09/02/14	0.160%	7,000,000	6,998,040
MetLife Short Term Funding LLC[(a)]			
07/23/14	0.120%	15,000,000	14,998,900
Old Line Funding LLC[(a)]			
08/18/14	0.150%	4,000,000	3,999,200
08/26/14	0.180%	10,000,000	9,997,200
Regency Markets No. 1 LLC[(a)]			
07/14/14	0.130%	6,000,000	5,999,697
07/21/14	0.140%	7,700,000	7,699,401
Thunder Bay Funding LLC[(a)]			
07/16/14	0.160%	6,000,000	5,999,575
08/20/14	0.170%	10,000,000	9,997,639
Total Asset-Backed Commercial Paper (Cost: $74,688,812)			**74,688,812**

Commercial Paper 31.4%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Banking 8.3%			
HSBC USA, Inc.			
08/04/14	0.180%	14,000,000	13,997,620
09/25/14	0.180%	2,000,000	1,999,140
State Street Corp.			
07/08/14	0.130%	9,000,000	8,999,738
08/07/14	0.150%	8,000,000	7,998,767
Wells Fargo & Co.			
07/14/14	0.130%	10,000,000	9,999,494
Total			42,994,759
Consumer Products 2.5%			
Procter & Gamble Co. (The)[(a)]			
09/02/14	0.090%	7,000,000	6,998,898
09/11/14	0.100%	6,000,000	5,998,800
Total			12,997,698
Diversified Manufacturing 3.1%			
General Electric Co.			
07/07/14	0.030%	16,000,000	15,999,893
Integrated Energy 3.1%			
Chevron Corp.[(a)]			
07/17/14	0.070%	3,000,000	2,999,907
07/21/14	0.070%	13,000,000	12,999,494
Total			15,999,401
Life Insurance 3.1%			
New York Life Capital Corp.[(a)]			
08/12/14	0.100%	6,000,000	5,999,300
08/21/14	0.100%	10,000,000	9,998,583
Total			15,997,883

Commercial Paper *(continued)*

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Pharmaceuticals 8.2%			
Johnson & Johnson[(a)]			
07/01/14	0.060%	12,000,000	12,000,000
Roche Holdings, Inc.[(a)]			
07/15/14	0.070%	7,000,000	6,999,809
07/24/14	0.060%	4,000,000	3,999,847
08/11/14	0.080%	4,000,000	3,999,636
Sanofi Aventis[(a)]			
09/12/14	0.100%	15,000,000	14,996,958
Total			41,996,250
Technology 3.1%			
International Business Machines Co.[(a)]			
07/01/14	0.070%	14,000,000	14,000,000
09/18/14	0.100%	2,000,000	1,999,561
Total			15,999,561
Total Commercial Paper (Cost: $161,985,445)			**161,985,445**

Certificates of Deposit 18.2%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Australia & New Zealand Banking Group Ltd.			
07/03/14	0.090%	16,000,000	16,000,000
Bank of Montreal			
07/01/14	0.080%	16,000,000	16,000,000
Branch Banking and Trust Co.			
09/23/14	0.110%	15,000,000	15,000,000
Canadian Imperial Bank of Commerce			
07/01/14	0.070%	15,000,000	15,000,000
Toronto Dominion Bank			
08/05/14	0.150%	17,000,000	17,000,000
US Bank			
09/02/14	0.140%	10,000,000	10,000,000
Wells Fargo Bank			
07/10/14	0.140%	5,000,000	5,000,000
Total Certificates of Deposit (Cost: $94,000,000)			**94,000,000**

U.S. Government & Agency Obligations 21.5%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Federal Home Loan Banks Discount Notes			
07/02/14	0.020%	8,000,000	7,999,990
07/17/14	0.040%	16,000,000	15,999,715
07/23/14	0.040%	2,000,000	1,999,945
07/25/14	0.040%	9,000,000	8,999,730
08/01/14	0.050%	4,000,000	3,999,811
08/06/14	0.060%	18,000,000	17,998,910
08/08/14	0.060%	15,300,000	15,299,031
08/15/14	0.060%	6,800,000	6,799,490
08/20/14	0.070%	12,000,000	11,998,750
09/10/14	0.060%	4,000,000	3,999,527
09/19/14	0.060%	3,000,000	2,999,600
10/24/14	0.070%	3,000,000	2,999,329

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

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

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Federal Home Loan Banks			
03/11/15	0.130%	2,700,000	2,699,410
05/01/15	0.130%	3,000,000	2,999,818
06/03/15	0.130%	1,500,000	1,499,906
07/17/15	0.200%	2,700,000	2,700,000
Total U.S. Government & Agency Obligations (Cost: $110,992,962)			**110,992,962**

Repurchase Agreements 6.7%

Tri-Party Barclays Bank PLC dated 06/30/14, matures 07/01/14, repurchase price $10,700,012 (collateralized by U.S. Treasury Securities Total Market Value $10,700,037)	0.040%	10,700,000	10,700,000
Tri-Party RBC Capital Markets LLC dated 06/30/14, matures 07/01/14, repurchase price $12,000,017 (collateralized by U.S. Treasury Securities Total Market Value $12,240,037)	0.050%	12,000,000	12,000,000
Tri-Party TD Securities (USA) LLC dated 06/30/14, matures 07/01/14, repurchase price $12,000,027 (collateralized by U.S. Government Agencies Total Market Value $12,240,001)	0.080%	12,000,000	12,000,000
Total Repurchase Agreements (Cost: $34,700,000)			**34,700,000**

Asset-Backed Securities — Non-Agency 3.7%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
ABS Other 1.2%			
CIT Equipment Collateral Series 2013-VT1 Class A1[(b)] 11/20/14	0.300%	273,152	273,152
CNH Equipment Trust Series 2014-A Class A1 02/17/15	0.200%	1,329,175	1,329,175
GE Equipment Transportation LLC Series 2013-2 Class A1 10/24/14	0.260%	157,046	157,046
GreatAmerica Leasing Receivables Series 2014-1 Class A1[(b)] 03/15/15	0.250%	2,037,666	2,037,666
MMAF Equipment Finance LLC Series 2014-AA Class A1[(b)] 07/02/15	0.200%	1,100,000	1,100,000

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Volvo Financial Equipment LLC Series 2014-1A Class A1[(b)] 03/16/15	0.210%	1,313,386	1,313,386
Total			6,210,425
Car Loan 2.5%			
Ally Auto Receivables Trust Series 2014-SN1 Class A1 03/20/15	0.210%	1,182,456	1,182,456
AmeriCredit Automobile Receivables Trust Series 2014-2 Class A1 06/08/15	0.210%	3,737,500	3,737,500
Enterprise Fleet Financing LLC Series 2014-1 Class A1[(b)] 02/20/15	0.250%	2,188,989	2,188,989
Honda Auto Receivables Owner Trust Series 2013-4 Class A1 11/18/14	0.240%	383,805	383,805
SMART Trust Series 2014-1US Class A1 03/14/15	0.220%	1,943,726	1,943,726
Volkswagen Auto Lease Trust Series 2014-A Class A1 02/20/15	0.200%	238,227	238,227
Westlake Automobile Receivables Trust Series 2014-1A Class A1[(b)] 06/15/15	0.350%	1,613,951	1,613,951
Wheels SPV 2 LLC Series 2014-1A Class A1[(b)] 05/20/15	0.240%	1,637,769	1,637,769
Total			12,926,423
Total Asset-Backed Securities — Non-Agency (Cost: $19,136,848)			**19,136,848**

U.S. Treasury Obligations 4.4%

U.S. Treasury[(c)]			
01/31/16	0.085%	17,000,000	16,994,538
04/30/16	0.109%	6,000,000	6,000,111
Total U.S. Treasury Obligations (Cost: $22,994,649)			**22,994,649**
Total Investments (Cost: $518,498,716)			**518,498,716**
Other Assets & Liabilities, Net			**(2,186,360)**
Net Assets			**516,312,356**

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

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 June 30, 2014, the value of these securities amounted to $177,679,605 or 34.41% 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 June 30, 2014, the value of these securities amounted to $10,164,913 or 1.97% 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

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The following table is a summary of the inputs used to value the Fund's investments at June 30, 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	—	74,688,812	—	74,688,812
Commercial Paper	—	161,985,445	—	161,985,445
Certificates of Deposit	—	94,000,000	—	94,000,000
U.S. Government & Agency Obligations	—	110,992,962	—	110,992,962
Repurchase Agreements	—	34,700,000	—	34,700,000
Total Short-Term Securities	—	476,367,219	—	476,367,219
Bonds				
Asset-Backed Securities — Non-Agency	—	19,136,848	—	19,136,848
U.S. Treasury Obligations	—	22,994,649	—	22,994,649
Total Bonds	—	42,131,497	—	42,131,497
Total	—	518,498,716	—	518,498,716

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

June 30, 2014 (Unaudited)

Assets	
Investments, at value	
(identified cost $483,798,716)	$483,798,716
Repurchase agreements (identified cost $34,700,000)	34,700,000
Total investments (identified cost $518,498,716)	518,498,716
Cash	3,064
Receivable for:	
Capital shares sold	99,086
Interest	18,429
Expense reimbursement due from Investment Manager	217,711
Trustees' deferred compensation plan	41,647
Total assets	518,878,653
Liabilities	
Payable for:	
Capital shares purchased	2,119,949
Dividend distributions to shareholders	426
Investment management fees	148,198
Distribution and/or service fees	40,972
Transfer agent fees	26,945
Administration fees	26,822
Compensation of board members	54,452
Other expenses	106,886
Trustees' deferred compensation plan	41,647
Total liabilities	2,566,297
Net assets applicable to outstanding capital stock	**$516,312,356**
Represented by	
Paid-in capital	$518,924,928
Excess of distributions over net investment income	(78,384)
Accumulated net realized loss	(2,534,188)
Total — representing net assets applicable to outstanding capital stock	**$516,312,356**
Class 1	
Net assets	$156,299,210
Shares outstanding	156,274,748
Net asset value per share	$1.00
Class 2	
Net assets	$23,550,631
Shares outstanding	23,551,704
Net asset value per share	$1.00
Class 3	
Net assets	$336,462,515
Shares outstanding	336,430,672
Net asset value per share	$1.00

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

Statement of Operations

Six Months Ended June 30, 2014 (Unaudited)

Net investment income	
Income:	
Interest	$293,891
Total income	293,891
Expenses:	
Investment management fees	991,856
Distribution and/or service fees	
Class 2	26,943
Class 3	221,088
Transfer agent fees	
Class 1	67,748
Class 2	6,466
Class 3	106,119
Administration fees	177,702
Compensation of board members	12,128
Custodian fees	7,599
Printing and postage fees	43,985
Professional fees	16,597
Other	7,049
Total expenses	1,685,280
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(1,421,501)
Total net expenses	263,779
Net investment income	30,112
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	26
Net realized gain	26
Net increase in net assets resulting from operations	**$30,138**

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

Statement of Changes in Net Assets

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations		
Net investment income	$30,112	$62,051
Net realized gain	26	373
Net increase in net assets resulting from operations	30,138	62,424
Distributions to shareholders		
Net investment income		
Class 1	(11,250)	(31,631)
Class 2	(1,079)	(1,569)
Class 3	(17,676)	(41,000)
Total distributions to shareholders	(30,005)	(74,200)
Increase (decrease) in net assets from capital stock activity	(186,692,264)	(79,282,779)
Total decrease in net assets	(186,692,131)	(79,294,555)
Net assets at beginning of period	703,004,487	782,299,042
Net assets at end of period	**$516,312,356**	**$703,004,487**
Excess of distributions over net investment income	$(78,384)	$(78,491)

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

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2014 (Unaudited)		Year Ended December 31, 2013	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	14,418,258	14,418,257	6,624,850	6,624,850
Fund merger	—	—	62,585,727	62,585,732
Distributions reinvested	11,204	11,204	31,814	31,814
Redemptions	(161,201,762)	(161,201,762)	(90,364,516)	(90,364,517)
Net decrease	(146,772,300)	(146,772,301)	(21,122,125)	(21,122,121)
Class 2 shares				
Subscriptions	11,371,429	11,371,430	36,797,961	36,797,960
Distributions reinvested	1,065	1,065	1,570	1,570
Redemptions	(8,778,272)	(8,778,272)	(24,066,343)	(24,066,343)
Net increase	2,594,222	2,594,223	12,733,188	12,733,187
Class 3 shares				
Subscriptions	13,955,320	13,955,321	51,969,701	51,969,701
Distributions reinvested	17,503	17,503	41,264	41,264
Redemptions	(56,487,010)	(56,487,010)	(122,904,810)	(122,904,810)
Net decrease	(42,514,187)	(42,514,186)	(70,893,845)	(70,893,845)
Total net decrease	**(186,692,265)**	**(186,692,264)**	**(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.

Class 1	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010[(a)]
Per share data					
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00	$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 payments 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%[(d)]	0.48%	0.47%	0.47%	0.51%[(d)]
Total net expenses[(e)]	0.09%[(d)]	0.10%	0.14%	0.15%	0.23%[(d)]
Net investment income	0.01%[(d)]	0.01%	0.01%	0.01%	0.01%[(d)]
Supplemental data					
Net assets, end of period (in thousands)	$156,299	$303,071	$324,195	$283,185	$212,830

Notes to Financial Highlights

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

(b) Rounds to zero.

(c) The Fund received a payment 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	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010[a]
Per share data					
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00	$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 payments 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%[c]	0.73%	0.72%	0.71%	0.76%[c]
Total net expenses[d]	0.09%[c]	0.10%	0.14%	0.15%	0.23%[c]
Net investment income	0.01%[c]	0.01%	0.01%	0.01%	0.00%[b][c]
Supplemental data					
Net assets, end of period (in thousands)	$23,551	$20,957	$8,224	$9,774	$3,829

Notes to Financial Highlights

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

(b) Rounds to zero.

(c) Annualized.

(d) Total net expenses include the impact of certain 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	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per share data						
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Income from investment operations:						
Net investment income	0.00[(a)]	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)]	0.00[(a)]
Increase from payments by affiliate	—	—	—	—	0.00[(a)]	0.00[(a)]
Total from investment operations	0.00[(a)]	0.00[(a)]	0.00[(a)]	0.00[(a)]	0.00[(a)]	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)]	(0.00)[(a)]
Total distributions to shareholders	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]
Proceeds from regulatory settlements	—	—	—	—	—	(0.00)[(a)]
Net asset value, end of period	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Total return	0.01%	0.01%	0.01%	0.01%	0.01%[(b)]	0.16%[(c)]
Ratios to average net assets						
Total gross expenses	0.60%[(d)]	0.61%	0.60%	0.59%	0.62%	0.64%
Total net expenses[(e)]	0.09%[(d)]	0.11%	0.14%	0.16%	0.22%	0.47%[(f)]
Net investment income	0.01%[(d)]	0.01%	0.01%	0.01%	0.01%	0.07%
Supplemental data						
Net assets, end of period (in thousands)	$336,463	$378,976	$449,880	$579,896	$621,642	$959,022

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

(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.

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

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

Notes to Financial Statements

June 30, 2014 (Unaudited)

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 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.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

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

The following is a summary of significant accounting policies 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.

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 June 30, 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] ($)
Repurchase Agreements	34,700,000	—	34,700,000	—	—	34,700,000	—

(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.

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

Security Transactions

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

Income Recognition

Interest income is recorded on an accrual basis. Market 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.

Expenses

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

Determination of Class Net Asset Value

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

Federal Income Tax Status

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

Distributions to Subaccounts

Distributions to the subaccounts of Contracts, Qualified Plans and Qualified Investors are recorded at the close of business on the record date and are payable on the first business day following the record date. Dividends from net investment income, if any, are declared daily and distributed quarterly. Capital gains distributions, when available, will be made annually. However, an additional capital gain distribution may be made during the fiscal year to seek to maintain a net asset value of $1.00 per share, unless offset by any available capital loss carryforward. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at the 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 0.33% to 0.15% as the Fund's net assets increase. The annualized effective investment management fee rate for the six months ended June 30, 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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

the Fund's net assets increase. The annualized effective administration fee rate for the six months ended June 30, 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 six months ended June 30, 2014, other expenses paid to this company were $1,114.

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

In addition to any other waiver/reimbursement arrangement, from time to time, the Investment Manager and/or its affiliates may waive fees and/or reimburse expenses of the Fund for the purpose 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 to shareholders and, accordingly, any positive net yield resulting therefrom will cease.

Note 4. Federal Tax Information

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

At June 30, 2014, the cost of investments for federal income tax purposes was approximately $518,499,000.

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

The following capital loss carryforwards, determined as of December 31, 2013 may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount ($)
2014	2,520
2016	210,492
2017	2,314,650
2018	6,554
Total	2,534,216

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

Note 5. Shareholder Concentration

At June 30, 2014, affiliated shareholders of record owned 90.7% 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. whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the six months ended June 30, 2014.

Note 7. Fund Merger

At the close of business on April 26, 2013, the Fund acquired the assets and assumed the identified liabilities of Columbia Variable Portfolio — Money Market Fund, a series of Columbia Funds Variable Insurance Trust (the acquired fund). The reorganization was completed after shareholders of the acquired fund approved the plan on February 27, 2013. The purpose of the transaction was to combine two funds managed by the Investment Manager with comparable investment objectives and strategies.

The aggregate net assets of the Fund immediately before the acquisition were $703,069,052 and the combined net assets immediately after the acquisition were $765,654,784.

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

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

	Shares
Class 1	62,585,727

For financial reporting purposes, net assets received and shares issued by the Fund were recorded at fair value; however, the acquired fund's cost of investments was carried forward.

The financial statements reflect the operations of the Fund for the period prior to the merger and the combined fund for the period subsequent to the merger. Because the combined investment portfolios have been managed as a single integrated portfolio since the merger was completed, it is not practicable to separate the amounts of revenue and earnings of the acquired fund that have been included in the combined Fund's Statement of Operations since the merger was completed.

Assuming the merger had been completed on January 1, 2013, the Fund's pro-forma net investment loss and net decrease in net assets from operations for the year ended December 31, 2013 would have been approximately $0.0.

Note 8. Subsequent Events

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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

Note 9. Information Regarding Pending and Settled Legal Proceedings

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

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

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

Approval of Investment Management Services Agreement

Columbia Management Investment Advisers, LLC (Columbia Management or the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), serves as the investment manager to Columbia Variable Portfolio — Cash Management Fund (the Fund). Under an investment management services agreement (the IMS Agreement), Columbia Management provides investment advice and other services to the Fund and other funds distributed by Columbia Management Investment Distributors, Inc. (collectively, the Funds).

On an annual basis, the Fund's Board of Trustees (the Board), including the independent Board members (the Independent Trustees), considers renewal of the IMS Agreement. Columbia Management prepared detailed reports for the Board and its Contracts Committee in January, March and April 2014, including reports based on analyses of data provided by an independent organization (Lipper) and a comprehensive response to each item of information requested by independent legal counsel to the Independent Trustees (Independent Legal Counsel) in a letter to the Investment Manager, to assist the Board in making this determination. All of the materials presented in January, March and April were first supplied in draft form to designated representatives of the Independent Trustees, *i.e.*, Independent Legal Counsel, Fund Counsel, the Chair of the Board and the Chair of the Contracts Committee, and the final materials (including proposed expense caps for certain Funds) were revised to reflect discussion and subsequent requests made by the Contracts Committee. In addition, throughout the year, the Board (or its committees) regularly meets with portfolio management teams and senior management personnel, and reviews information prepared by Columbia Management addressing the services Columbia Management provides and Fund performance. The Board also accords appropriate weight to the work, deliberations and conclusions of the Contracts Committee, the Investment Review Committee and the Compliance Committee in determining whether to continue the IMS Agreement.

The Board, at its April 9-11, 2014 in-person Board meeting (the April Meeting), considered the renewal of the IMS Agreement for an additional one-year term. At the April Meeting, Independent Legal Counsel reviewed with the Independent Trustees various factors relevant to the Board's consideration of advisory agreements and the Board's legal responsibilities related to such consideration. Following an analysis and discussion of the factors identified below, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

Nature, Extent and Quality of Services Provided by Columbia Management

The Independent Trustees analyzed various reports and presentations they had received detailing the services performed by Columbia Management, as well as its expertise, resources and capabilities. The Independent Trustees specifically considered many developments during the past year concerning the services provided by Columbia Management, including, in particular, the successful implementation of a globalization initiative, which, among other things, increased worldwide analyst support for global products, the reorganization of the Informational Technology research team, the hiring of additional personnel to assist the Asset Allocation team and the global restructuring of the Senior Operational team. The Independent Trustees noted the information they received concerning Columbia Management's ability to retain its key portfolio management personnel. The Independent Trustees also recalled Columbia Management's representation that additional staff has been added to support the vigorous application of the "5P" review process, to which all internally-managed Funds are subject.

In connection with the Board's evaluation of the overall package of services provided by Columbia Management, the Board also considered the quality of administrative services provided to the Fund by Columbia Management, recalling the information it received highlighting significant achievements in 2013 in the performance of administrative services. In evaluating the quality of services provided under the IMS Agreement and the Fund's Administrative Services Agreement, the Independent Trustees also took into account the organization and strength of the Fund's and its service providers' compliance programs. In addition, the Board also reviewed the financial condition of Columbia Management (and its affiliates) and each entity's ability to carry out its responsibilities under the IMS Agreement and the Fund's other services agreements with affiliates of Ameriprise Financial, observing the financial strength of Ameriprise Financial, with its solid balance sheet. The Board also discussed the acceptability of the terms of the IMS Agreement (including the relatively broad scope of services required to be performed by Columbia Management). The Board concluded that the services being performed under the IMS Agreement were of a reasonably high quality.

Based on the foregoing, and based on other information received (both oral and written, including the information on investment performance referenced below) and other considerations, the Board concluded that Columbia Management and its affiliates were in a position to continue to provide a high quality and level of services to the Fund.

Approval of Investment Management Services Agreement *(continued)*

Investment Performance

For purposes of evaluating the nature, extent and quality of services provided under the IMS Agreement, the Board carefully reviewed the investment performance of the Fund. In this regard, the Board considered detailed reports providing the results of analyses performed by an independent organization showing, for various periods, the performance of the Fund, the percentage ranking of the Fund among its comparison group and the net assets of the Fund. The Board observed that the Fund's investment performance met expectations.

Comparative Fees, Costs of Services Provided and the Profits Realized by Columbia Management and its Affiliates from their Relationships with the Fund

The Board reviewed comparative fees and the costs of services provided under the IMS Agreement. The Board members considered detailed comparative information set forth in an annual report on fees and expenses, including, among other things, data (based on analyses conducted by an independent organization) showing a comparison of the Fund's expenses with median expenses paid by funds in its comparative peer universe, as well as data showing the Fund's contribution to Columbia Management's profitability.

The Board accorded particular weight to the notion that the level of fees should reflect a rational pricing model applied consistently across the various product lines in the Fund family, while assuring that the overall fees for each Fund (with few defined exceptions) are generally in line with the "pricing philosophy" currently in effect (*i.e.*, that the total expense ratio of the Fund is no higher than the median expense ratio of funds in the same comparison universe of the Fund). The Board took into account that the Fund's total expense ratio (after considering proposed voluntary expense caps/waivers) was below the peer universe's median expense ratio shown in the reports. It was observed that various proposals concerning the Funds' transfer agency and sub-transfer agency fee structures, and other changes impacting the Funds' pricing structure and fees, are expected to be considered at a later Board meeting which, if adopted, would alter the current pricing philosophy. Based on its review, the Board concluded that the Fund's management fee was fair and reasonable in light of the extent and quality of services that the Fund receives.

The Board also considered the expected profitability of Columbia Management and its affiliates in connection with Columbia Management providing investment management services to the Fund. In this regard, the Board referred to a detailed profitability report, discussing the profitability to Columbia Management and Ameriprise Financial from managing, operating and distributing the Funds. In this regard, the Board observed that: (i) a 2013 report provided to the Board by an independent consulting firm, Bobroff Consulting, concluded that 2012 profitability was reasonable; (ii) 2013 profitability only moderately exceeded 2012 levels; and (iii) 2013 profitability is in line with profitability levels of industry competitors. It also took into account the indirect economic benefits flowing to Columbia Management or its affiliates in connection with managing or distributing the Funds, such as the enhanced ability to offer various other financial products to Ameriprise Financial customers, soft dollar benefits and overall reputational advantages. The Board noted that the fees paid by the Funds should permit the Investment Manager to offer competitive compensation to its personnel, make necessary investments in its business and earn an appropriate profit. The Board concluded that profitability levels were reasonable.

Economies of Scale to be Realized

The Board also considered the economies of scale that might be realized by Columbia Management as the Fund grows and took note of the extent to which Fund shareholders might also benefit from such growth. In this regard, the Independent Trustees took into account that IMS fees decline as Fund assets exceed various breakpoints, all of which have not been surpassed.

Based on the foregoing, the Board, including all of the Independent Trustees, concluded that the investment management service fees were fair and reasonable in light of the extent and quality of services provided. In reaching this conclusion, no single factor was determinative. On April 11, 2014, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

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Important Information About This Report

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

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

ColumbiaManagement®

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

This information is for use with concurrent or prior delivery of a fund prospectus. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest.** The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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S-6638 E (8/14)

Semiannual Report

June 30, 2014

Columbia Management®

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.

Not FDIC insured • No bank guarantee • May lose value

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

Performance Overview

(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Dividend Opportunity Fund (the Fund) Class 3 shares returned 7.80% for the six-month period that ended June 30, 2014.

> The Fund slightly underperformed the MSCI USA High Dividend Yield Index (Net), which returned 7.82% over the same time period.

> The Fund underperformed the Russell 1000 Value Index, which returned 8.28% over the same time period.

Average Annual Total Returns (%) (for period ended June 30, 2014)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1*	05/03/10	7.93	20.84	16.87	8.17
Class 2*	05/03/10	7.79	20.52	16.58	7.96
Class 3	09/15/99	7.80	20.69	16.73	8.10
MSCI USA High Dividend Yield Index (Net)		7.82	20.35	18.92	7.98
Russell 1000 Value Index		8.28	23.81	19.23	8.03

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

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

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

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

The 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.

Portfolio Overview

(Unaudited)

Top Ten Holdings (%) (at June 30, 2014)	
Johnson & Johnson	4.5
Chevron Corp.	3.8
Merck & Co., Inc.	3.5
Altria Group, Inc.	3.3
Microsoft Corp.	3.2
Pfizer, Inc.	3.2
Cisco Systems, Inc.	3.1
Intel Corp.	2.8
Procter & Gamble Co. (The)	2.8
ConocoPhillips	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 June 30, 2014)	
Common Stocks	**89.9**
Consumer Discretionary	5.6
Consumer Staples	14.2
Energy	13.9
Financials	4.7
Health Care	16.9
Industrials	5.9
Information Technology	12.1
Materials	2.4
Telecommunication Services	7.0
Utilities	7.2
Equity-Linked Notes	**8.7**
Money Market Funds	**1.4**
Total	**100.0**

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

Portfolio Management

Steven Schroll

Paul Stocking

Dean Ramos, CFA

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.

January 1, 2014 – June 30, 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	1,079.30	1,021.37	3.56	3.46	0.69
Class 2	1,000.00	1,000.00	1,077.90	1,020.13	4.84	4.71	0.94
Class 3	1,000.00	1,000.00	1,078.00	1,020.78	4.17	4.06	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

June 30, 2014 (Unaudited)

(Percentages represent value of investments compared to net assets)

Common Stocks 89.8%

Issuer	Shares	Value ($)
Consumer Discretionary 5.6%		
Automobiles 0.8%		
Daimler AG, Registered Shares	314,430	29,449,558
Hotels, Restaurants & Leisure 1.6%		
McDonald's Corp.	535,632	53,959,568
Household Durables 0.8%		
Leggett & Platt, Inc.	825,934	28,313,017
Media 2.4%		
Gannett Co., Inc.	979,967	30,682,767
National CineMedia, Inc.	823,935	14,427,102
Pearson PLC	858,430	16,953,609
Regal Entertainment Group, Class A	983,574	20,753,411
Total		82,816,889
Total Consumer Discretionary		**194,539,032**
Consumer Staples 14.2%		
Beverages 1.0%		
Coca-Cola Co. (The)	779,764	33,030,803
Food & Staples Retailing 0.6%		
SYSCO Corp.	506,643	18,973,780
Food Products 2.1%		
ConAgra Foods, Inc.	284,887	8,455,446
Kraft Foods Group, Inc.	797,487	47,809,346
Unilever PLC	379,861	17,233,993
Total		73,498,785
Household Products 3.4%		
Kimberly-Clark Corp.	224,837	25,006,371
Procter & Gamble Co. (The)	1,200,126	94,317,903
Total		119,324,274
Tobacco 7.1%		
Altria Group, Inc.	2,670,605	112,005,174
Imperial Tobacco Group PLC	377,837	17,006,373
Lorillard, Inc.	1,260,379	76,845,308
Philip Morris International, Inc.	503,762	42,472,174
Total		248,329,029
Total Consumer Staples		**493,156,671**
Energy 13.9%		
Oil, Gas & Consumable Fuels 13.9%		
BP PLC, ADR	1,317,323	69,488,788
Chevron Corp.	1,001,677	130,768,932
ConocoPhillips	1,049,964	90,013,414
Occidental Petroleum Corp.	856,640	87,916,963
Royal Dutch Shell PLC, Class A	1,030,165	42,638,740

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Spectra Energy Corp.	642,378	27,288,218
Total SA	495,865	35,836,991
Total		483,952,046
Total Energy		**483,952,046**
Financials 4.7%		
Banks 3.1%		
Bank of Montreal	487,494	35,874,683
JPMorgan Chase & Co.	1,261,917	72,711,658
Total		108,586,341
Capital Markets 1.6%		
BlackRock, Inc.	131,918	42,160,993
New Mountain Finance Corp.	836,434	12,429,409
Total		54,590,402
Total Financials		**163,176,743**
Health Care 16.8%		
Pharmaceuticals 16.8%		
AbbVie, Inc.	1,017,620	57,434,473
Bristol-Myers Squibb Co.	377,135	18,294,819
Eli Lilly & Co.	743,318	46,212,080
Johnson & Johnson	1,473,276	154,134,135
Merck & Co., Inc.	2,061,365	119,249,965
Novartis AG, ADR	225,881	20,449,007
Pfizer, Inc.	3,726,546	110,603,885
Roche Holding AG, Genusschein Shares	145,177	43,300,988
Sanofi	163,890	17,410,087
Total		587,089,439
Total Health Care		**587,089,439**
Industrials 5.9%		
Aerospace & Defense 2.6%		
BAE Systems PLC	2,400,608	17,785,264
Lockheed Martin Corp.	444,614	71,462,808
Total		89,248,072
Commercial Services & Supplies 0.9%		
RR Donnelley & Sons Co.	1,328,454	22,530,580
West Corp.	408,096	10,936,973
Total		33,467,553
Electrical Equipment 1.0%		
Eaton Corp. PLC	464,756	35,869,868
Industrial Conglomerates 1.4%		
General Electric Co.	1,816,621	47,740,800
Total Industrials		**206,326,293**

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Information Technology 12.1%		
Communications Equipment 3.0%		
Cisco Systems, Inc.	4,259,064	105,837,740
IT Services 0.4%		
Paychex, Inc.	305,910	12,713,620
Semiconductors & Semiconductor Equipment 4.4%		
Analog Devices, Inc.	239,957	12,974,475
Intel Corp.	3,054,890	94,396,101
Microchip Technology, Inc.	942,215	45,989,514
Total		153,360,090
Software 3.2%		
Microsoft Corp.	2,660,337	110,936,053
Technology Hardware, Storage & Peripherals 1.1%		
Apple, Inc.	304,136	28,263,358
Seagate Technology PLC	170,168	9,668,946
Total		37,932,304
Total Information Technology		**420,779,807**
Materials 2.4%		
Chemicals 0.9%		
LyondellBasell Industries NV, Class A	309,250	30,198,263
Containers & Packaging 1.5%		
Packaging Corp. of America	744,841	53,248,683
Total Materials		**83,446,946**
Telecommunication Services 7.0%		
Diversified Telecommunication Services 6.5%		
AT&T, Inc.	1,456,951	51,517,787
BCE, Inc.	575,557	26,107,265
BCE, Inc.	372,799	16,909,678
CenturyLink, Inc.	1,216,943	44,053,337
Telstra Corp., Ltd.	4,426,038	21,744,092
Verizon Communications, Inc.	1,366,447	66,860,252
Total		227,192,411
Wireless Telecommunication Services 0.5%		
Vodafone Group PLC, ADR	485,763	16,219,627
Total Telecommunication Services		**243,412,038**
Utilities 7.2%		
Electric Utilities 3.5%		
American Electric Power Co., Inc.	279,671	15,597,252
Duke Energy Corp.	691,452	51,298,824
PPL Corp.	512,428	18,206,567
Terna Rete Elettrica Nazionale SpA	4,540,931	23,951,343

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Xcel Energy, Inc.	443,336	14,288,719
Total		123,342,705
Multi-Utilities 3.7%		
Ameren Corp.	429,546	17,559,840
National Grid PLC	2,062,189	29,645,531
PG&E Corp.	681,599	32,730,384
Public Service Enterprise Group, Inc.	319,735	13,041,991
SCANA Corp.	163,968	8,823,118
Sempra Energy	239,044	25,030,297
Total		126,831,161
Total Utilities		**250,173,866**
Total Common Stocks (Cost: $2,647,638,486)		**3,126,052,881**

Equity-Linked Notes 8.7%

Issuer	Coupon Rate	Shares	Value ($)
Deutsche Bank AG[(a)]			
(linked to common stock of Delta Air Lines Inc.)			
09/12/14	6.800%	264,600	10,311,197
(linked to common stock of Pioneer Natural Resources Co.)			
08/22/14	8.790%	79,080	17,222,991
(linked to common stock of United Continental Holdings, Inc.)			
09/12/14	12.630%	233,760	9,815,115
Goldman Sachs Group, Inc. (The)[(a)]			
(linked to common stock of Bank of America Corp.)			
08/18/14	4.500%	2,142,700	32,790,788
(linked to common stock of Comcast Corp.)			
07/23/14	4.000%	331,000	17,639,417
(linked to common stock of Devon Energy Corp.)			
09/18/14	4.000%	208,550	16,340,547
(linked to common stock of Dow Chemical Co. (The))			
07/23/14	7.300%	669,000	34,176,019
(linked to common stock of Suncor Energy, Inc.)			
08/22/14	4.000%	265,700	11,059,077
(linked to common stock of Walgreen Co.)			
10/22/14	10.250%	190,120	14,082,409
JPMorgan Chase Bank NA[(a)]			
(linked to common stock of Gilead Sciences, Inc.)			
08/19/14	11.150%	212,300	17,635,761
(linked to common stock of JPMorgan Chase & Co.)			
08/19/14	5.420%	159,500	16,774,615
Wells Fargo Bank NA			
(linked to common stock of Apple, Inc.)[(a)]			
07/18/14	6.270%	184,615	104,499,475
Total Equity-Linked Notes (Cost: $285,376,227)			**302,347,411**

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Money Market Funds 1.4%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.095%(b)(c)	48,004,157	48,004,157
Total Money Market Funds (Cost: $48,004,157)		**48,004,157**
Total Investments (Cost: $2,981,018,870)		**3,476,404,449**
Other Assets & Liabilities, Net		**4,497,725**
Net Assets		**3,480,902,174**

Notes to Portfolio of Investments

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2014, the value of these securities amounted to $302,347,411 or 8.69% of net assets.

(b) The rate shown is the seven-day current annualized yield at June 30, 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 period ended June 30, 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	961,788,721	(993,161,788)	48,004,157	31,899	48,004,157

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.

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.

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

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 June 30, 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	148,135,865	46,403,167	—	194,539,032
Consumer Staples	458,916,305	34,240,366	—	493,156,671
Energy	405,476,315	78,475,731	—	483,952,046
Financials	163,176,743	—	—	163,176,743
Health Care	526,378,364	60,711,075	—	587,089,439
Industrials	188,541,029	17,785,264	—	206,326,293
Information Technology	420,779,807	—	—	420,779,807
Materials	83,446,946	—	—	83,446,946
Telecommunication Services	221,667,946	21,744,092	—	243,412,038
Utilities	196,576,992	53,596,874	—	250,173,866
Total Equity Securities	2,813,096,312	312,956,569	—	3,126,052,881
Other				
Equity-Linked Notes	—	302,347,411	—	302,347,411
Total Other	—	302,347,411	—	302,347,411
Mutual Funds				
Money Market Funds	48,004,157	—	—	48,004,157
Total Mutual Funds	48,004,157	—	—	48,004,157
Total	2,861,100,469	615,303,980	—	3,476,404,449

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)*

June 30, 2014 (Unaudited)

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 take into account a security’s correlation to available market data including, but not limited to, intraday index, ADR, and ETF movements.

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

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

Statement of Assets and Liabilities

June 30, 2014 (Unaudited)

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $2,933,014,713)	$3,428,400,292
Affiliated issuers (identified cost $48,004,157)	48,004,157
Total investments (identified cost $2,981,018,870)	3,476,404,449
Cash	494,075
Receivable for:	
Investments sold	34,770,798
Capital shares sold	2,430,246
Dividends	8,083,721
Reclaims	648,849
Trustees' deferred compensation plan	32,521
Total assets	3,522,864,659
Liabilities	
Payable for:	
Investments purchased	35,278,946
Capital shares purchased	4,080,236
Investment management fees	1,643,970
Distribution and/or service fees	141,776
Transfer agent fees	176,168
Administration fees	149,298
Compensation of board members	203,117
Other expenses	256,453
Trustees' deferred compensation plan	32,521
Total liabilities	41,962,485
Net assets applicable to outstanding capital stock	**$3,480,902,174**
Represented by	
Trust capital	$3,480,902,174
Total — representing net assets applicable to outstanding capital stock	**$3,480,902,174**
Class 1	
Net assets	$2,181,394,170
Shares outstanding	111,314,497
Net asset value per share	$19.60
Class 2	
Net assets	$39,325,239
Shares outstanding	2,029,358
Net asset value per share	$19.38
Class 3	
Net assets	$1,260,182,765
Shares outstanding	64,678,516
Net asset value per share	$19.48

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

Statement of Operations

Six Months Ended June 30, 2014 (Unaudited)

Net investment income	
Income:	
Dividends — unaffiliated issuers	$73,637,248
Dividends — affiliated issuers	31,899
Interest	52,191
Foreign taxes withheld	(2,018,944)
Total income	71,702,394
Expenses:	
Investment management fees	9,382,633
Distribution and/or service fees	
Class 2	44,420
Class 3	766,650
Transfer agent fees	
Class 1	624,541
Class 2	10,661
Class 3	367,979
Administration fees	854,767
Compensation of board members	36,622
Custodian fees	24,902
Printing and postage fees	128,502
Professional fees	25,702
Other	33,343
Total expenses	12,300,722
Net investment income	59,401,672
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	310,980,372
Foreign currency translations	4,206
Net realized gain	310,984,578
Net change in unrealized appreciation (depreciation) on:	
Investments	(120,866,660)
Foreign currency translations	18,837
Net change in unrealized appreciation (depreciation)	(120,847,823)
Net realized and unrealized gain	190,136,755
Net increase in net assets resulting from operations	**$249,538,427**

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

Statement of Changes in Net Assets

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations		
Net investment income	$59,401,672	$86,364,035
Net realized gain	310,984,578	338,222,186
Net change in unrealized appreciation (depreciation)	(120,847,823)	340,384,337
Net increase in net assets resulting from operations	249,538,427	764,970,558
Increase (decrease) in net assets from capital stock activity	(263,535,820)	(227,186,026)
Total increase (decrease) in net assets	(13,997,393)	537,784,532
Net assets at beginning of period	3,494,899,567	2,957,115,035
Net assets at end of period	**$3,480,902,174**	**$3,494,899,567**

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

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2014 (Unaudited)		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	7,032,238	129,230,947	12,347,641	205,828,073
Redemptions	(16,789,896)	(300,089,822)	(17,272,816)	(283,943,884)
Net decrease	(9,757,658)	(170,858,875)	(4,925,175)	(78,115,811)
Class 2 shares				
Subscriptions	245,198	4,477,645	747,495	12,101,791
Redemptions	(92,307)	(1,705,099)	(199,168)	(3,245,751)
Net increase	152,891	2,772,546	548,327	8,856,040
Class 3 shares				
Subscriptions	42,708	775,487	80,740	1,354,141
Redemptions	(5,233,804)	(96,224,978)	(9,759,144)	(159,280,396)
Net decrease	(5,191,096)	(95,449,491)	(9,678,404)	(157,926,255)
Total net decrease	**(14,795,863)**	**(263,535,820)**	**(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.

Class 1	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 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	0.33	0.45	0.40	0.23	0.13
Net realized and unrealized gain (loss)	1.11	3.39	1.37	(0.87)	1.01
Total from investment operations	1.44	3.84	1.77	(0.64)	1.14
Net asset value, end of period	$19.60	$18.16	$14.32	$12.55	$13.19
Total return	7.93%	26.81%	14.10%	(4.85%)	9.46%
Ratios to average net assets[b]					
Total gross expenses	0.69%[c]	0.70%	0.69%	0.74%	0.78%[c]
Total net expenses[d]	0.69%[c]	0.70%	0.69%	0.74%	0.78%[c]
Net investment income	3.59%[c]	2.71%	2.89%	1.74%	1.68%[c]
Supplemental data					
Net assets, end of period (in thousands)	$2,181,394	$2,198,787	$1,803,841	$1,737,503	$1,554,975
Portfolio turnover	51%	71%	64%	41%	26%

Notes to Financial Highlights

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

(b) In addition to the fees and expenses 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	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 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	0.31	0.40	0.37	0.22	0.11
Net realized and unrealized gain (loss)	1.09	3.37	1.36	(0.89)	0.99
Total from investment operations	1.40	3.77	1.73	(0.67)	1.10
Net asset value, end of period	$19.38	$17.98	$14.21	$12.48	$13.15
Total return	7.79%	26.53%	13.86%	(5.09%)	9.13%
Ratios to average net assets[b]					
Total gross expenses	0.94%[c]	0.95%	0.94%	0.97%	1.03%[c]
Total net expenses[d]	0.94%[c]	0.95%	0.94%	0.97%	1.03%[c]
Net investment income	3.38%[c]	2.46%	2.69%	1.71%	1.37%[c]
Supplemental data					
Net assets, end of period (in thousands)	$39,325	$33,741	$18,873	$15,653	$1,191
Portfolio turnover	51%	71%	64%	41%	26%

Notes to Financial Highlights

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

(b) In addition to the fees and expenses 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	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per share data						
Net asset value, beginning of period	$18.07	$14.26	$12.51	$13.17	$11.27	$8.84
Income from investment operations:						
Net investment income	0.32	0.42	0.38	0.20	0.17	0.20
Net realized and unrealized gain (loss)	1.09	3.39	1.37	(0.86)	1.73	2.23
Total from investment operations	1.41	3.81	1.75	(0.66)	1.90	2.43
Net asset value, end of period	$19.48	$18.07	$14.26	$12.51	$13.17	$11.27
Total return	7.80%	26.72%	13.99%	(5.01%)	16.83%	27.46%
Ratios to average net assets[(a)]						
Total gross expenses	0.81%[(b)]	0.82%	0.82%	0.86%	0.90%	0.76%
Total net expenses[(c)]	0.81%[(b)]	0.82%	0.82%	0.86%	0.90%	0.76%
Net investment income	3.49%[(b)]	2.58%	2.74%	1.57%	1.42%	2.14%
Supplemental data						
Net assets, end of period (in thousands)	$1,260,183	$1,262,372	$1,134,402	$1,222,104	$1,572,800	$3,857,317
Portfolio turnover	51%	71%	64%	41%	26%	49%

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) Annualized.

(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
June 30, 2014 (Unaudited)

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.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

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

The following is a summary of significant accounting policies 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 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.

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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

Foreign Currency Transactions and 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 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 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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

distributive share of the Fund's income and loss. The components of the Fund's net assets are reported at the partner-level for federal income tax purposes, and therefore, are not presented in the Statement of Assets and Liabilities.

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

Foreign Taxes

The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries, as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Realized gains in certain countries may be subject to foreign taxes at the Fund level, based on statutory rates. The Fund accrues for such foreign taxes on realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable. The amount, if any, is disclosed as a liability on the Statement of Assets and Liabilities.

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified 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 annualized effective investment management fee rate for the six months ended June 30, 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 annualized effective administration fee rate for the six months ended June 30, 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 six months ended June 30, 2014, other expenses paid to this company were $3,272.

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.

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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	0.77%	0.77%
Class 2	1.02	1.02
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, aggregated to $1,704,059,915 and $1,876,928,596, respectively, for the six months ended June 30, 2014. The amount of purchase and sales 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 June 30, 2014, affiliated shareholders of record owned 97.8% 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. whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the six months ended June 30, 2014.

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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the Funds' Boards of Trustees.

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

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

Approval of Investment Management Services Agreement

Columbia Management Investment Advisers, LLC (Columbia Management or the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), serves as the investment manager to Columbia Variable Portfolio — Dividend Opportunity Fund (the Fund). Under an investment management services agreement (the IMS Agreement), Columbia Management provides investment advice and other services to the Fund and other funds distributed by Columbia Management Investment Distributors, Inc. (collectively, the Funds).

On an annual basis, the Fund's Board of Trustees (the Board), including the independent Board members (the Independent Trustees), considers renewal of the IMS Agreement. Columbia Management prepared detailed reports for the Board and its Contracts Committee in January, March and April 2014, including reports based on analyses of data provided by an independent organization (Lipper) and a comprehensive response to each item of information requested by independent legal counsel to the Independent Trustees (Independent Legal Counsel) in a letter to the Investment Manager, to assist the Board in making this determination. All of the materials presented in January, March and April were first supplied in draft form to designated representatives of the Independent Trustees, *i.e.*, Independent Legal Counsel, Fund Counsel, the Chair of the Board and the Chair of the Contracts Committee, and the final materials (including proposed expense caps for certain Funds) were revised to reflect discussion and subsequent requests made by the Contracts Committee. In addition, throughout the year, the Board (or its committees) regularly meets with portfolio management teams and senior management personnel, and reviews information prepared by Columbia Management addressing the services Columbia Management provides and Fund performance. The Board also accords appropriate weight to the work, deliberations and conclusions of the Contracts Committee, the Investment Review Committee and the Compliance Committee in determining whether to continue the IMS Agreement.

The Board, at its April 9-11, 2014 in-person Board meeting (the April Meeting), considered the renewal of the IMS Agreement for an additional one-year term. At the April Meeting, Independent Legal Counsel reviewed with the Independent Trustees various factors relevant to the Board's consideration of advisory agreements and the Board's legal responsibilities related to such consideration. Following an analysis and discussion of the factors identified below, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

Nature, Extent and Quality of Services Provided by Columbia Management

The Independent Trustees analyzed various reports and presentations they had received detailing the services performed by Columbia Management, as well as its expertise, resources and capabilities. The Independent Trustees specifically considered many developments during the past year concerning the services provided by Columbia Management, including, in particular, the successful implementation of a globalization initiative, which, among other things, increased worldwide analyst support for global products, the reorganization of the Informational Technology research team, the hiring of additional personnel to assist the Asset Allocation team and the global restructuring of the Senior Operational team. The Independent Trustees noted the information they received concerning Columbia Management's ability to retain its key portfolio management personnel. The Independent Trustees also recalled Columbia Management's representation that additional staff has been added to support the vigorous application of the "5P" review process, to which all internally-managed Funds are subject.

In connection with the Board's evaluation of the overall package of services provided by Columbia Management, the Board also considered the quality of administrative services provided to the Fund by Columbia Management, recalling the information it received highlighting significant achievements in 2013 in the performance of administrative services. In evaluating the quality of services provided under the IMS Agreement and the Fund's Administrative Services Agreement, the Independent Trustees also took into account the organization and strength of the Fund's and its service providers' compliance programs. In addition, the Board also reviewed the financial condition of Columbia Management (and its affiliates) and each entity's ability to carry out its responsibilities under the IMS Agreement and the Fund's other services agreements with affiliates of Ameriprise Financial, observing the financial strength of Ameriprise Financial, with its solid balance sheet. The Board also discussed the acceptability of the terms of the IMS Agreement (including the relatively broad scope of services required to be performed by Columbia Management). The Board concluded that the services being performed under the IMS Agreement were of a reasonably high quality.

Based on the foregoing, and based on other information received (both oral and written, including the information on investment performance referenced below) and other considerations, the Board concluded that Columbia Management and its affiliates were in a position to continue to provide a high quality and level of services to the Fund.

Approval of Investment Management Services Agreement *(continued)*

Investment Performance

For purposes of evaluating the nature, extent and quality of services provided under the IMS Agreement, the Board carefully reviewed the investment performance of the Fund. In this regard, the Board considered detailed reports providing the results of analyses performed by an independent organization showing, for various periods, the performance of the Fund, the performance of a benchmark index, the percentage ranking of the Fund among its comparison group and the net assets of the Fund. The Board observed the Fund's underperformance for certain periods, noting that appropriate steps (such as changes to the management team) had been taken to help improve the Fund's performance.

Comparative Fees, Costs of Services Provided and the Profits Realized by Columbia Management and its Affiliates from their Relationships with the Fund

The Board reviewed comparative fees and the costs of services provided under the IMS Agreement. The Board members considered detailed comparative information set forth in an annual report on fees and expenses, including, among other things, data (based on analyses conducted by an independent organization) showing a comparison of the Fund's expenses with median expenses paid by funds in its comparative peer universe, as well as data showing the Fund's contribution to Columbia Management's profitability. The Board reviewed the fees charged to comparable institutional or other accounts/vehicles managed by Columbia Management and discussed differences in how the products are managed and operated, noting no unreasonable differences in the levels of contractual fees.

The Board accorded particular weight to the notion that the level of fees should reflect a rational pricing model applied consistently across the various product lines in the Fund family, while assuring that the overall fees for each Fund (with few defined exceptions) are generally in line with the "pricing philosophy" currently in effect (*i.e.*, that the total expense ratio of the Fund is no higher than the median expense ratio of funds in the same comparison universe of the Fund). In this connection, the Board also considered the 2013 report provided by an independent consulting firm, Bobroff Consulting (the Independent Consultant), that concluded that the Funds' standardized investment management fee rates were within a reasonable range. The Board took into account that the Fund's total expense ratio was below the peer universe's median expense ratio shown in the reports. It was observed that various proposals concerning the Funds' transfer agency and sub-transfer agency fee structures, and other changes impacting the Funds' pricing structure and fees, are expected to be considered at a later Board meeting which, if adopted, would alter the current pricing philosophy. Based on its review, the Board concluded that the Fund's management fee was fair and reasonable in light of the extent and quality of services that the Fund receives.

The Board also considered the expected profitability of Columbia Management and its affiliates in connection with Columbia Management providing investment management services to the Fund. In this regard, the Board referred to a detailed profitability report, discussing the profitability to Columbia Management and Ameriprise Financial from managing, operating and distributing the Funds. In this regard, the Board observed that: (i) the Independent Consultant concluded that 2012 profitability was reasonable; (ii) 2013 profitability only moderately exceeded 2012 levels; and (iii) 2013 profitability is in line with profitability levels of industry competitors. It also took into account the indirect economic benefits flowing to Columbia Management or its affiliates in connection with managing or distributing the Funds, such as the enhanced ability to offer various other financial products to Ameriprise Financial customers, soft dollar benefits and overall reputational advantages. The Board noted that the fees paid by the Funds should permit the Investment Manager to offer competitive compensation to its personnel, make necessary investments in its business and earn an appropriate profit. The Board concluded that profitability levels were reasonable.

Economies of Scale to be Realized

The Board also considered the economies of scale that might be realized by Columbia Management as the Fund grows and took note of the extent to which Fund shareholders might also benefit from such growth. In this regard, the Independent Trustees took into account that IMS fees decline as Fund assets exceed various breakpoints, all of which have not been surpassed.

Based on the foregoing, the Board, including all of the Independent Trustees, concluded that the investment management service fees were fair and reasonable in light of the extent and quality of services provided. In reaching this conclusion, no single factor was determinative. On April 11, 2014, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

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Important Information About This Report

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

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

ColumbiaManagement®

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

This information is for use with concurrent or prior delivery of a fund prospectus. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest.** The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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S-6469 E (8/14)

Semiannual Report
June 30, 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.

Not FDIC insured • No bank guarantee • May lose value

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

Performance Overview

(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Income Opportunities Fund (the Fund) Class 3 shares returned 4.91% for the six-month period that ended June 30, 2014.

> The Fund underperformed its benchmark, the Bank of America Merrill Lynch (BofAML) U.S. High Yield Cash Pay BB-B Rated Constrained Index, which returned 5.54% over the same time period.

Average Annual Total Returns (%) (for period ended June 30, 2014)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1*	05/03/10	5.05	10.24	11.82	8.20
Class 2*	05/03/10	4.95	10.14	11.60	8.01
Class 3	06/01/04	4.91	10.07	11.70	8.14
BofAML U.S. High Yield Cash Pay BB-B Rated Constrained Index		5.54	11.32	12.50	8.19

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

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

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

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

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

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

Portfolio Overview

(Unaudited)

Portfolio Breakdown (%) (at June 30, 2014)	
Common Stocks	0.0[a]
Convertible Bonds	0.0[a]
Corporate Bonds & Notes	89.9
Money Market Funds	5.9
Preferred Stocks	0.0[a]
Senior Loans	4.2
Warrants	0.0[a]
Total	**100.0**

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

(a) Rounds to zero.

Quality Breakdown (%) (at June 30, 2014)	
BBB rating	1.1
BB rating	44.0
B rating	46.7
CCC rating	5.8
D rating	0.0[a]
Not rated	2.4
Total	**100.0**

(a) Rounds to zero.

Percentages indicated are based upon total fixed income securities (excluding Money Market Funds).

Bond ratings apply to the underlying holdings of the Fund and not the Fund itself and are divided into categories ranging from highest to lowest credit quality, determined by using the average rating of Moody's, S&P, and Fitch. When ratings are available from only two rating agencies, the average of the two ratings is used. When a rating is available from only one rating agency, that rating is used. When a bond is not rated by one of these agencies, 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 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.

Portfolio Management

Brian Lavin, CFA

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.

January 1, 2014 – June 30, 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	1,050.50	1,021.27	3.61	3.56	0.71
Class 2	1,000.00	1,000.00	1,049.50	1,020.63	4.27	4.21	0.84
Class 3	1,000.00	1,000.00	1,049.10	1,020.63	4.27	4.21	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.

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

Portfolio of Investments

June 30, 2014 (Unaudited)

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes 89.2%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 1.7%			
ADS Tactical, Inc. Senior Secured[a]			
04/01/18	11.000%	3,398,000	3,211,110
Bombardier, Inc.[a] Senior Unsecured			
04/15/19	4.750%	1,346,000	1,369,555
03/15/20	7.750%	1,189,000	1,343,748
10/15/22	6.000%	1,550,000	1,588,750
01/15/23	6.125%	3,366,000	3,458,565
Oshkosh Corp.			
03/01/20	8.500%	5,154,000	5,566,320
TransDigm, Inc.			
10/15/20	5.500%	369,000	375,052
TransDigm, Inc.[a]			
07/15/22	6.000%	3,125,000	3,210,937
Total			20,124,037
Airlines 0.1%			
Allegiant Travel Co.			
07/15/19	5.500%	1,024,000	1,040,640
Automotive 2.0%			
American Axle & Manufacturing, Inc.			
02/15/19	5.125%	1,691,000	1,775,550
03/15/21	6.250%	2,000,000	2,150,000
Chrysler Group LLC/Co-Issuer, Inc. Secured			
06/15/19	8.000%	2,506,000	2,722,142
06/15/21	8.250%	2,803,000	3,167,390
Collins & Aikman Products Co.[a][b][c][d]			
08/15/12	12.875%	620,000	62
General Motors Co. Senior Unsecured[a]			
10/02/23	4.875%	4,400,000	4,631,000
Jaguar Land Rover Automotive PLC[a]			
12/15/18	4.125%	1,890,000	1,946,700
Lear Corp. Escrow Bond[b][d][e]			
12/01/16	8.750%	595,000	—
Schaeffler Finance BV Senior Secured[a]			
02/15/17	7.750%	2,165,000	2,441,038
Schaeffler Holding Finance BV Senior Secured PIK[a]			
08/15/18	6.875%	4,147,000	4,369,901
Titan International, Inc. Senior Secured			
10/01/20	6.875%	983,000	997,745
Total			24,201,528

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Banking 2.5%			
Ally Financial, Inc.			
03/15/20	8.000%	13,670,000	16,609,050
09/15/20	7.500%	3,588,000	4,323,540
Popular, Inc. Senior Unsecured[f]			
07/01/19	7.000%	629,000	638,435
Royal Bank of Scotland Group PLC Subordinated Notes			
05/28/24	5.125%	2,080,000	2,112,030
Royal Bank of Scotland PLC (The) Subordinated Notes[g]			
03/16/22	9.500%	700,000	820,750
Synovus Financial Corp. Senior Unsecured			
02/15/19	7.875%	5,187,000	5,939,115
Total			30,442,920
Brokerage/Asset Managers/Exchanges 0.3%			
E*TRADE Financial Corp. Senior Unsecured			
11/15/19	6.375%	3,319,000	3,592,818
Building Materials 1.3%			
Allegion US Holding Co., Inc.[a]			
10/01/21	5.750%	2,125,000	2,236,562
American Builders & Contractors Supply Co., Inc. Senior Unsecured[a]			
04/15/21	5.625%	4,022,000	4,162,770
Building Materials Corp. of America[a] Senior Secured			
02/15/20	7.000%	440,000	466,400
Senior Unsecured			
05/01/21	6.750%	3,568,000	3,844,520
Gibraltar Industries, Inc.			
02/01/21	6.250%	892,000	927,680
Interface, Inc.			
12/01/18	7.625%	2,006,000	2,106,300
Nortek, Inc.			
04/15/21	8.500%	877,000	969,085
USG Corp.[a]			
11/01/21	5.875%	863,000	916,938
Total			15,630,255
Cable and Satellite 3.5%			
CCO Holdings LLC/Capital Corp.			
04/30/21	6.500%	1,417,000	1,509,105
09/30/22	5.250%	1,587,000	1,610,805
CSC Holdings, Inc. Senior Unsecured			
11/15/21	6.750%	5,920,000	6,541,600

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Cequel Communications Holdings I LLC/Capital Corp.			
Senior Unsecured[a]			
09/15/20	6.375%	2,927,000	3,109,937
DISH DBS Corp.			
06/01/21	6.750%	8,286,000	9,446,040
07/15/22	5.875%	4,040,000	4,383,400
DigitalGlobe, Inc.			
02/01/21	5.250%	2,578,000	2,552,220
Mediacom Broadband LLC/Corp.[a]			
04/15/21	5.500%	416,000	421,200
Numericable Group SA[a]			
Senior Secured			
05/15/19	4.875%	2,663,000	2,732,904
05/15/22	6.000%	4,922,000	5,118,880
05/15/24	6.250%	414,000	432,113
Quebecor Media, Inc.[a][b][d]			
01/15/49	9.750%	1,855,000	74,571
Videotron Ltd.			
07/15/22	5.000%	1,672,000	1,717,980
Videotron Ltd.[a]			
06/15/24	5.375%	2,323,000	2,381,075
Total			42,031,830
Chemicals 2.4%			
Axalta Coating Systems Dutch Holding B BV/U.S. Holdings, Inc.[a]			
05/01/21	7.375%	2,915,000	3,181,722
Celanese U.S. Holdings LLC			
06/15/21	5.875%	1,268,000	1,397,970
Huntsman International LLC			
11/15/20	4.875%	1,318,000	1,364,130
INEOS Group Holdings SA[a]			
02/15/19	5.875%	2,916,000	2,988,900
JM Huber Corp.			
Senior Unsecured[a]			
11/01/19	9.875%	3,775,000	4,298,781
NOVA Chemicals Corp.			
Senior Unsecured[a]			
08/01/23	5.250%	2,613,000	2,854,703
PQ Corp.			
Secured[a]			
05/01/18	8.750%	10,221,000	11,089,785
Rockwood Specialties Group, Inc.			
10/15/20	4.625%	1,535,000	1,592,563
Total			28,768,554
Construction Machinery 2.8%			
Ashtead Capital, Inc.			
Secured[a]			
07/15/22	6.500%	2,069,000	2,250,037
CNH Industrial Capital LLC			
04/15/18	3.625%	410,000	418,713

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
CNH Industrial Capital LLC[a]			
07/15/19	3.375%	2,404,000	2,385,970
Case New Holland Industrial, Inc.			
12/01/17	7.875%	13,141,000	15,309,265
Columbus McKinnon Corp.			
02/01/19	7.875%	1,288,000	1,374,940
H&E Equipment Services, Inc.			
09/01/22	7.000%	1,923,000	2,124,915
United Rentals North America, Inc.			
05/15/20	7.375%	223,000	246,415
04/15/22	7.625%	2,936,000	3,295,660
06/15/23	6.125%	2,394,000	2,567,565
11/15/24	5.750%	2,123,000	2,205,266
Secured			
07/15/18	5.750%	1,148,000	1,214,010
Total			33,392,756
Consumer Cyclical Services 1.4%			
ADT Corp. (The)			
Senior Unsecured			
07/15/22	3.500%	3,267,000	2,972,970
APX Group, Inc.			
Senior Secured			
12/01/19	6.375%	12,514,000	12,983,275
Carlson Travel Holdings, Inc.			
Senior Unsecured PIK[a][f]			
08/15/19	7.500%	1,469,000	1,498,380
Total			17,454,625
Consumer Products 0.9%			
Revlon Consumer Products Corp.			
02/15/21	5.750%	3,712,000	3,814,080
Spectrum Brands, Inc.			
03/15/20	6.750%	1,066,000	1,143,285
11/15/20	6.375%	2,660,000	2,859,500
11/15/22	6.625%	899,000	973,168
Tempur Sealy International, Inc.			
12/15/20	6.875%	1,538,000	1,684,110
Total			10,474,143
Diversified Manufacturing 0.6%			
Actuant Corp.			
06/15/22	5.625%	2,112,000	2,217,600
Amsted Industries, Inc.[a]			
03/15/22	5.000%	2,396,000	2,396,000
Entegris, Inc.[a]			
04/01/22	6.000%	1,004,000	1,034,120
Gates Global LLC/Co.			
Senior Unsecured[a]			
07/15/22	6.000%	1,613,000	1,613,000
Total			7,260,720

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Electric 1.5%			
AES Corp. (The) Senior Unsecured 07/01/21	7.375%	4,219,000	4,936,230
Calpine Corp. Senior Secured[(a)] 01/15/22	6.000%	4,252,000	4,586,845
Ipalco Enterprises, Inc. Senior Secured[(a)] 04/01/16	7.250%	2,015,000	2,193,831
NRG Energy, Inc.[(a)] 07/15/22	6.250%	6,548,000	6,924,510
Total			18,641,416
Environmental 0.2%			
Clean Harbors, Inc. 08/01/20	5.250%	1,961,000	2,022,281
Finance Companies 4.6%			
AerCap Aviation Solutions BV 05/30/17	6.375%	3,746,000	4,129,965
AerCap Ireland Capital Ltd./Global Aviation Trust[(a)] 05/15/21	4.500%	3,491,000	3,552,093
Air Lease Corp. Senior Unsecured 03/01/20	4.750%	2,786,000	3,008,880
Aircastle Ltd. Senior Unsecured 03/15/21	5.125%	1,597,000	1,652,895
CIT Group, Inc.[(a)] Senior Secured 04/01/18	6.625%	4,785,000	5,359,200
Senior Unsecured 02/15/19	5.500%	6,380,000	6,922,300
International Lease Finance Corp. Senior Unsecured 04/01/19	5.875%	509,000	559,900
12/15/20	8.250%	10,831,000	13,376,285
01/15/22	8.625%	2,381,000	2,988,155
Provident Funding Associates LP/Finance Corp. Senior Unsecured[(a)] 02/15/19	10.125%	688,000	746,480
Provident Funding Associates LP/PFG Finance Corp.[(a)] 06/15/21	6.750%	4,045,000	4,095,562
Springleaf Finance Corp. 12/15/17	6.900%	923,000	1,024,530
06/01/20	6.000%	1,923,000	1,990,305
10/01/21	7.750%	1,950,000	2,193,750
10/01/23	8.250%	1,352,000	1,541,280
iStar Financial, Inc Senior Unsecured 07/01/19	5.000%	2,777,000	2,777,000
Total			55,918,580

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Food and Beverage 1.0%			
Aramark Services, Inc. 03/15/20	5.750%	2,709,000	2,864,767
B&G Foods, Inc. 06/01/21	4.625%	1,705,000	1,709,263
Constellation Brands, Inc. Senior Unsecured 05/01/21	3.750%	1,526,000	1,516,463
Darling Ingredients, Inc.[(a)] 01/15/22	5.375%	3,431,000	3,559,662
Pinnacle Foods Finance LLC/Corp. 05/01/21	4.875%	518,000	529,655
Post Holdings, Inc.[(a)] 12/15/22	6.000%	1,912,000	1,950,240
Total			12,130,050
Gaming 4.1%			
MCE Finance Ltd.[(a)] 02/15/21	5.000%	4,996,000	5,045,960
MGM Resorts International 10/01/20	6.750%	1,044,000	1,165,365
12/15/21	6.625%	5,374,000	5,978,575
Penn National Gaming, Inc. Senior Unsecured[(a)] 11/01/21	5.875%	1,497,000	1,418,407
Pinnacle Entertainment, Inc. 08/01/21	6.375%	4,476,000	4,722,180
Seminole Tribe of Florida, Inc.[(a)] Senior Secured 10/01/20	6.535%	5,645,000	6,294,175
Senior Unsecured 10/01/20	7.804%	1,515,000	1,668,485
Seneca Gaming Corp.[(a)] 12/01/18	8.250%	2,480,000	2,635,000
Studio City Finance Ltd.[(a)] 12/01/20	8.500%	5,451,000	6,045,159
SugarHouse HSP Gaming LP/Finance Corp. Senior Secured[(a)] 06/01/21	6.375%	2,942,000	2,883,160
Tunica-Biloxi Gaming Authority Senior Unsecured[(a)] 11/15/15	9.000%	4,284,000	2,441,880
Wynn Macau Ltd. Senior Unsecured[(a)] 10/15/21	5.250%	9,014,000	9,261,885
Total			49,560,231
Health Care 6.4%			
Acadia Healthcare Co., Inc.[(a)(f)] 07/01/22	5.125%	807,000	809,018
Amsurg Corp. 11/30/20	5.625%	1,343,000	1,356,430

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Biomet, Inc.			
08/01/20	6.500%	685,000	738,088
CHS/Community Health Systems, Inc.[a]			
02/01/22	6.875%	4,575,000	4,849,500
Senior Secured			
08/01/21	5.125%	838,000	858,950
Catamaran Corp.			
03/15/21	4.750%	833,000	841,330
ConvaTec Finance International SA			
Senior Unsecured PIK[a]			
01/15/19	8.250%	1,932,000	1,975,470
ConvaTec Healthcare E SA			
Senior Unsecured[a]			
12/15/18	10.500%	4,611,000	4,991,407
DaVita HealthCare Partners, Inc.			
08/15/22	5.750%	5,000,000	5,343,750
07/15/24	5.125%	4,693,000	4,722,331
Envision Healthcare Corp.[a]			
07/01/22	5.125%	1,845,000	1,861,144
Fresenius Medical Care U.S. Finance II, Inc.[a]			
07/31/19	5.625%	289,000	315,010
01/31/22	5.875%	2,530,000	2,795,650
Fresenius Medical Care U.S. Finance, Inc.[a]			
09/15/18	6.500%	73,000	82,490
HCA Holdings, Inc.			
Senior Unsecured			
02/15/21	6.250%	3,269,000	3,510,089
HCA, Inc.			
Senior Secured			
03/15/19	3.750%	2,712,000	2,735,730
02/15/20	6.500%	9,034,000	10,163,250
05/01/23	4.750%	2,346,000	2,343,067
IMS Health, Inc.			
Senior Unsecured[a]			
11/01/20	6.000%	1,869,000	1,962,450
LifePoint Hospitals, Inc.[a]			
12/01/21	5.500%	3,224,000	3,385,200
Physio-Control International, Inc.			
Senior Secured[a]			
01/15/19	9.875%	3,157,000	3,488,485
STHI Holding Corp.			
Secured[a]			
03/15/18	8.000%	1,362,000	1,443,720
Teleflex, Inc.[a]			
06/15/24	5.250%	249,000	251,490
Tenet Healthcare Corp.			
Senior Secured			
06/01/20	4.750%	3,969,000	4,048,380
10/01/20	6.000%	1,604,000	1,740,340
04/01/21	4.500%	844,000	849,275
Senior Unsecured			
04/01/22	8.125%	6,989,000	8,089,767

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Tenet Healthcare Corp.[a]			
Senior Unsecured			
03/01/19	5.000%	1,083,000	1,097,891
Total			76,649,702
Healthcare Insurance 0.1%			
Centene Corp.			
Senior Unsecured			
05/15/22	4.750%	1,403,000	1,424,045
Home Construction 1.1%			
Brookfield Residential Properties, Inc./U.S. Corp.[a]			
07/01/22	6.125%	1,127,000	1,172,080
KB Home			
05/15/19	4.750%	569,000	573,268
Meritage Homes Corp.			
03/01/18	4.500%	1,900,000	1,952,250
04/15/20	7.150%	739,000	823,985
04/01/22	7.000%	2,046,000	2,253,157
Shea Homes LP/Funding Corp.			
Senior Secured			
05/15/19	8.625%	2,403,000	2,619,270
Taylor Morrison Communities, Inc./Monarch, Inc.[a]			
04/15/20	7.750%	717,000	783,323
04/15/20	7.750%	3,223,000	3,521,127
04/15/21	5.250%	138,000	140,070
Total			13,838,530
Independent Energy 11.1%			
Antero Resources Corp.[a]			
12/01/22	5.125%	2,189,000	2,249,198
Antero Resources Finance Corp.			
11/01/21	5.375%	1,728,000	1,792,800
Athlon Holdings LP/Finance Corp.[a]			
05/01/22	6.000%	6,636,000	6,868,260
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	2,085,000	2,197,069
Chesapeake Energy Corp.			
08/15/20	6.625%	7,933,000	9,142,782
02/15/21	6.125%	5,677,000	6,358,240
03/15/23	5.750%	3,352,000	3,724,742
Cimarex Energy Co.			
05/01/22	5.875%	1,571,000	1,735,955
06/01/24	4.375%	836,000	851,675
Comstock Resources, Inc.			
06/15/20	9.500%	4,694,000	5,351,160
Concho Resources, Inc.			
01/15/21	7.000%	1,326,000	1,455,285
01/15/22	6.500%	5,057,000	5,575,342
04/01/23	5.500%	4,140,000	4,450,500
EP Energy LLC/Everest Acquisition Finance, Inc.			
09/01/22	7.750%	645,000	727,238
Senior Secured			
05/01/19	6.875%	3,680,000	3,923,800

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
EP Energy LLC/Finance, Inc. Senior Unsecured			
05/01/20	9.375%	2,635,000	3,030,250
EXCO Resources, Inc.			
04/15/22	8.500%	2,465,000	2,662,200
Hilcorp Energy I LP/Finance Co. Senior Unsecured[(a)(f)]			
12/01/24	5.000%	1,630,000	1,630,000
Kodiak Oil & Gas Corp.			
12/01/19	8.125%	4,098,000	4,538,535
01/15/21	5.500%	4,192,000	4,370,160
02/01/22	5.500%	9,696,000	10,059,600
Laredo Petroleum, Inc.			
02/15/19	9.500%	6,990,000	7,671,525
01/15/22	5.625%	3,401,000	3,515,784
MEG Energy Corp.[(a)]			
03/31/24	7.000%	2,376,000	2,619,540
Oasis Petroleum, Inc.			
02/01/19	7.250%	2,897,000	3,070,820
11/01/21	6.500%	5,906,000	6,348,950
01/15/23	6.875%	2,617,000	2,852,530
Oasis Petroleum, Inc.[(a)]			
03/15/22	6.875%	2,345,000	2,556,050
QEP Resources, Inc. Senior Unsecured			
03/01/21	6.875%	4,499,000	5,050,127
05/01/23	5.250%	3,382,000	3,458,095
RKI Exploration & Production LLC/Finance Corp.[(a)]			
08/01/21	8.500%	914,000	991,690
Rose Rock Midstream LP/ Finance Corp.[(a)(f)]			
07/15/22	5.625%	958,000	969,975
SM Energy Co. Senior Unsecured			
11/15/21	6.500%	2,022,000	2,188,815
01/01/23	6.500%	1,533,000	1,659,473
01/15/24	5.000%	2,447,000	2,434,765
SandRidge Energy, Inc.			
10/15/22	8.125%	633,000	697,091
02/15/23	7.500%	544,000	590,240
Whiting Petroleum Corp.			
10/01/18	6.500%	243,000	253,328
03/15/21	5.750%	3,248,000	3,556,560
Total			133,180,149
Leisure 1.2%			
Activision Blizzard, Inc.[(a)]			
09/15/21	5.625%	8,298,000	8,941,095
09/15/23	6.125%	680,000	748,000
Cedar Fair LP/Canada's Wonderland Co./Magnum Management Corp.[(a)]			
06/01/24	5.375%	2,537,000	2,568,712
Speedway Motorsports, Inc.			
02/01/19	6.750%	2,076,000	2,200,560

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates[(b)(d)]			
07/01/15	9.300%	11,535	11,535
Total			14,469,902
Lodging 1.1%			
Choice Hotels International, Inc.			
07/01/22	5.750%	1,561,000	1,675,359
Hilton Worldwide Finance/Corp.[(a)]			
10/15/21	5.625%	5,619,000	5,970,187
Playa Resorts Holding BV Senior Unsecured[(a)]			
08/15/20	8.000%	4,860,000	5,235,924
Total			12,881,470
Media and Entertainment 5.7%			
AMC Networks, Inc.			
07/15/21	7.750%	6,605,000	7,389,344
12/15/22	4.750%	3,229,000	3,229,000
CBS Outdoor Americas Capital LLC/Corp.[(a)]			
02/15/22	5.250%	1,738,000	1,785,795
02/15/24	5.625%	588,000	607,110
Clear Channel Worldwide Holdings, Inc. Senior Unsecured			
11/15/22	6.500%	2,017,000	2,153,148
11/15/22	6.500%	9,624,000	10,369,860
Gannett Co., Inc.[(a)]			
10/15/19	5.125%	1,950,000	2,028,000
Hughes Satellite Systems Corp. Senior Secured			
06/15/19	6.500%	3,292,000	3,670,580
Intelsat Jackson Holdings SA Senior Unsecured			
04/01/21	7.500%	925,000	1,012,875
Intelsat Luxembourg SA			
06/01/21	7.750%	2,609,000	2,762,279
Lamar Media Corp.			
05/01/23	5.000%	1,788,000	1,799,175
Lamar Media Corp.[(a)]			
01/15/24	5.375%	1,120,000	1,159,200
MDC Partners, Inc.[(a)]			
04/01/20	6.750%	4,395,000	4,636,725
Netflix, Inc. Senior Unsecured[(a)]			
03/01/24	5.750%	953,000	995,885
Nielsen Finance Co. SARL (The)[(a)]			
10/01/21	5.500%	3,239,000	3,360,462
Nielsen Finance LLC/Co.			
10/01/20	4.500%	3,428,000	3,453,710
Nielsen Finance LLC/Co.[(a)(f)]			
04/15/22	5.000%	1,612,000	1,624,090
Starz LLC/Finance Corp.			
09/15/19	5.000%	871,000	906,929

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Univision Communications, Inc.[(a)] Senior Secured			
11/01/20	7.875%	6,701,000	7,387,852
09/15/22	6.750%	2,740,000	3,031,125
05/15/23	5.125%	4,544,000	4,810,960
Ziff Davis Media, Inc.[(b)(c)(d)]			
12/15/11	13.500%	68,749	1,794
Total			68,175,898
Metals 1.9%			
Alpha Natural Resources, Inc. Secured[(a)]			
08/01/20	7.500%	1,611,000	1,558,642
ArcelorMittal Senior Unsecured			
03/01/21	6.000%	5,142,000	5,566,215
02/25/22	6.750%	4,737,000	5,299,519
CONSOL Energy, Inc.			
03/01/21	6.375%	172,000	182,750
CONSOL Energy, Inc.[(a)]			
04/15/22	5.875%	1,663,000	1,741,992
Calcipar SA Senior Secured[(a)]			
05/01/18	6.875%	5,882,000	6,205,510
Constellium NV[(a)]			
05/15/24	5.750%	1,003,000	1,053,150
Peabody Energy Corp.			
11/15/21	6.250%	434,000	432,373
Plains Exploration & Production Co.			
02/15/23	6.875%	402,000	470,340
Total			22,510,491
Natural Gas 6.0%			
Access Midstream Partners LP/Finance Corp.			
05/15/23	4.875%	4,551,000	4,795,616
03/15/24	4.875%	2,348,000	2,480,075
Crestwood Midstream Partners LP/Corp.[(a)]			
03/01/22	6.125%	1,298,000	1,366,145
El Paso LLC			
09/15/20	6.500%	3,716,000	4,098,057
Hiland Partners LP/Finance Corp.[(a)]			
10/01/20	7.250%	9,182,000	10,008,380
05/15/22	5.500%	2,877,000	2,916,559
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	1,569,000	1,720,016
02/15/23	5.500%	4,323,000	4,603,995
07/15/23	4.500%	6,141,000	6,263,820
Northwest Pipeline LLC Senior Unsecured			
12/01/25	7.125%	150,000	186,876
Regency Energy Partners LP/Finance Corp.			
09/01/20	5.750%	2,354,000	2,536,435
07/15/21	6.500%	6,017,000	6,558,530

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Sabine Pass Liquefaction LLC Senior Secured			
02/01/21	5.625%	3,218,000	3,403,035
Sabine Pass Liquefaction LLC[(a)] Senior Secured			
05/15/24	5.750%	3,288,000	3,427,740
Sonat, Inc.			
02/01/18	7.000%	2,600,000	2,888,878
Southern Star Central Corp. Senior Unsecured			
03/01/16	6.750%	8,686,000	8,700,158
Southern Star Central Corp.[(a)] Senior Unsecured			
03/01/16	6.750%	6,490,000	6,490,000
Total			72,444,315
Oil Field Services 0.5%			
Atwood Oceanics, Inc. Senior Unsecured			
02/01/20	6.500%	1,632,000	1,740,120
Pacific Drilling SA Senior Secured[(a)]			
06/01/20	5.375%	4,301,000	4,214,980
Total			5,955,100
Other Financial Institutions 0.5%			
FTI Consulting, Inc.			
11/15/22	6.000%	1,058,000	1,088,418
Icahn Enterprises LP/Finance Corp.			
08/01/20	6.000%	1,636,000	1,752,565
02/01/22	5.875%	2,834,000	2,968,615
Total			5,809,598
Other Industry 0.1%			
TRI Pointe Homes, Inc. Senior Unsecured[(a)]			
06/15/19	4.375%	1,188,000	1,190,970
Other REIT 0.4%			
CyrusOne LP/Finance Corp.			
11/15/22	6.375%	3,163,000	3,408,133
DuPont Fabros Technology LP			
09/15/21	5.875%	1,310,000	1,368,950
Total			4,777,083
Packaging 1.2%			
Plastipak Holdings, Inc. Senior Unsecured[(a)]			
10/01/21	6.500%	4,481,000	4,727,455
Reynolds Group Issuer, Inc. LLC Senior Secured			
10/15/20	5.750%	3,465,000	3,655,575

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Reynolds Group Issuer, Inc./LLC			
Senior Secured			
08/15/19	7.875%	3,830,000	4,169,913
Sealed Air Corp.[a]			
09/15/21	8.375%	1,171,000	1,340,795
Total			13,893,738
Paper 0.1%			
Graphic Packaging International, Inc.			
04/15/21	4.750%	1,515,000	1,552,875
Pharmaceuticals 1.7%			
Grifols Worldwide Operations Ltd.			
Senior Unsecured[a]			
04/01/22	5.250%	1,429,000	1,482,588
Jaguar Holding Co. II/Merger Sub, Inc.			
Senior Unsecured[a]			
12/01/19	9.500%	2,579,000	2,817,557
Valeant Pharmaceuticals International, Inc.[a]			
08/15/18	6.750%	2,614,000	2,816,585
10/15/20	6.375%	6,228,000	6,617,250
07/15/21	7.500%	3,736,000	4,137,620
12/01/21	5.625%	2,075,000	2,132,062
Total			20,003,662
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 0.4%			
Florida East Coast Holdings Corp.			
Senior Secured[a]			
05/01/19	6.750%	4,198,000	4,434,138
Retailers 0.9%			
AutoNation, Inc.			
02/01/20	5.500%	292,000	321,930
Group 1 Automotive, Inc.[a]			
06/01/22	5.000%	1,268,000	1,268,000
L Brands, Inc.			
02/15/22	5.625%	2,798,000	3,028,835
Rite Aid Corp.			
Senior Secured			
08/15/20	8.000%	2,706,000	2,976,600
Springs Industries, Inc.			
Senior Secured			
06/01/21	6.250%	3,710,000	3,784,200
Total			11,379,565

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Technology 5.7%			
Alliance Data Systems Corp.[a]			
12/01/17	5.250%	2,604,000	2,721,180
04/01/20	6.375%	1,957,000	2,054,850
Audatex North America, Inc.[a]			
06/15/21	6.000%	1,256,000	1,340,780
11/01/23	6.125%	1,255,000	1,339,713
CDW LLC/Finance Corp.			
04/01/19	8.500%	438,000	474,135
Senior Secured			
12/15/18	8.000%	5,492,000	5,835,250
Cardtronics, Inc.			
09/01/18	8.250%	3,093,000	3,247,650
Equinix, Inc.			
Senior Unsecured			
04/01/20	4.875%	1,303,000	1,335,575
07/15/21	7.000%	1,770,000	1,958,062
04/01/23	5.375%	4,705,000	4,810,862
First Data Corp.[a]			
Secured			
01/15/21	8.250%	8,593,000	9,409,335
Senior Secured			
06/15/19	7.375%	7,632,000	8,185,320
08/15/20	8.875%	78,000	86,288
11/01/20	6.750%	3,630,000	3,938,550
Goodman Networks, Inc.			
Senior Secured			
07/01/18	12.125%	744,000	816,540
Goodman Networks, Inc.[a]			
Senior Secured			
07/01/18	12.375%	1,584,000	1,738,440
Iron Mountain, Inc.			
08/15/23	6.000%	1,865,000	2,016,531
NCR Corp.[a]			
12/15/21	5.875%	897,000	950,820
12/15/23	6.375%	2,690,000	2,918,650
NXP BV/Funding LLC[a]			
06/01/18	3.750%	4,336,000	4,346,840
Nuance Communications, Inc.[a]			
08/15/20	5.375%	6,359,000	6,581,565
VeriSign, Inc.			
05/01/23	4.625%	2,191,000	2,164,489
Total			68,271,425
Transportation Services 0.6%			
Avis Budget Car Rental LLC/Finance, Inc.			
03/15/20	9.750%	2,405,000	2,723,662
Hertz Corp. (The)			
10/15/20	5.875%	1,980,000	2,069,100
01/15/21	7.375%	417,000	452,445
10/15/22	6.250%	2,417,000	2,558,999
Total			7,804,206

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Wireless 7.0%			
Altice SA			
Senior Secured[a]			
05/15/22	7.750%	3,504,000	3,740,520
Crown Castle International Corp.			
Senior Unsecured			
04/15/22	4.875%	4,399,000	4,547,466
01/15/23	5.250%	5,744,000	5,988,120
SBA Communications Corp.			
Senior Unsecured[a][f]			
07/15/22	4.875%	3,262,000	3,221,225
SBA Telecommunications, Inc.			
07/15/20	5.750%	6,124,000	6,491,440
Sprint Communications, Inc.[a]			
11/15/18	9.000%	10,599,000	12,851,287
03/01/20	7.000%	3,217,000	3,699,550
Sprint Corp.[a]			
09/15/21	7.250%	4,800,000	5,292,000
09/15/23	7.875%	3,650,000	4,060,625
06/15/24	7.125%	1,229,000	1,302,740
T-Mobile USA, Inc.			
04/28/20	6.542%	1,034,000	1,116,720
01/15/22	6.125%	2,077,000	2,204,216
04/28/22	6.731%	4,452,000	4,802,595
04/01/23	6.625%	3,346,000	3,630,410
04/28/23	6.836%	1,230,000	1,339,163
01/15/24	6.500%	2,077,000	2,219,794
Wind Acquisition Finance SA[a]			
04/23/21	7.375%	2,894,000	3,089,345
Senior Secured			
04/30/20	6.500%	7,206,000	7,809,503
Wind Acquisition Finance SA[a][f]			
Senior Secured			
07/15/20	4.750%	6,656,000	6,705,920
Total			84,112,639
Wirelines 4.6%			
CenturyLink, Inc.			
Senior Unsecured			
04/01/20	5.625%	2,305,000	2,431,775
06/15/21	6.450%	8,546,000	9,272,410
EarthLink Holdings Corp.			
Senior Secured			
06/01/20	7.375%	2,862,000	3,051,607
Frontier Communications Corp.			
Senior Unsecured			
03/15/19	7.125%	1,100,000	1,248,500
04/15/20	8.500%	772,000	910,960
07/01/21	9.250%	6,350,000	7,604,125
Level 3 Financing, Inc.			
04/01/19	9.375%	8,328,000	9,139,980
07/01/19	8.125%	1,658,000	1,809,293
06/01/20	7.000%	2,609,000	2,847,071
Level 3 Financing, Inc.[a]			
01/15/21	6.125%	1,731,000	1,854,334
Level 3 Financing, Inc.[a][g]			
01/15/18	3.823%	884,000	899,470
Telecom Italia Capital SA			
06/18/19	7.175%	2,066,000	2,388,812
Telecom Italia SpA			
Senior Unsecured[a]			
05/30/24	5.303%	4,077,000	4,084,502
Windstream Corp.			
10/15/20	7.750%	5,637,000	6,109,099
06/01/22	7.500%	1,855,000	2,019,631
Total			55,671,569
Total Corporate Bonds & Notes			
(Cost: $1,012,632,037)			**1,073,118,792**

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 4.2%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Automotive —%			
BHM Technologies LLC			
Term Loan[b][c][d][g][h]			
11/26/13	0.000%	386,034	1,042
Chemicals 0.3%			
Axalta Coating Systems Dutch Holding B BV/U.S. Holdings, Inc.			
Tranche B Term Loan[g][h]			
02/01/20	4.000%	1,492,920	1,492,054
PQ Corp.			
Term Loan[g][h]			
08/07/17	4.000%	2,366,205	2,372,120
Total			3,864,174
Diversified Manufacturing 0.8%			
Gardner Denver, Inc.			
Term Loan[g][h]			
07/30/20	4.250%	6,819,236	6,813,644
Gates Global, Inc.			
Term Loan[g][h]			
06/04/21	4.250%	3,352,000	3,339,966
Total			10,153,610

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Health Care 0.7%			
CHS/Community Health Systems, Inc. Tranche D Term Loan(g)(h) 01/27/21	4.250%	1,124,350	1,130,354
U.S. Renal Care, Inc.(g)(h) 1st Lien Tranche B-2 Term Loan 07/03/19	4.250%	2,261,360	2,267,715
2nd Lien Tranche B-1 Term Loan 07/03/20	8.500%	1,244,975	1,258,981
United Surgical Partners International, Inc. Tranche B Term Loan(g)(h) 04/03/19	4.750%	3,851,182	3,870,438
Total			8,527,488
Lodging 0.2%			
Four Seasons Holdings, Inc. 2nd Lien Term Loan(g)(h) 12/28/20	6.250%	809,000	821,135
Playa Resorts Holdings Term Loan(g)(h) 08/09/19	4.000%	1,130,457	1,133,284
Total			1,954,419
Metals 0.6%			
Arch Coal, Inc. Term Loan(g)(h) 05/16/18	6.250%	7,791,761	7,650,574
Other Industry 0.1%			
Interline Brands, Inc. 1st Lien Term Loan(g)(h) 03/17/21	4.000%	1,123,185	1,119,445
Property & Casualty 0.6%			
Asurion LLC/Corp. 2nd Lien Term Loan(g)(h) 03/03/21	8.500%	5,283,000	5,475,830
Asurion LLC Tranche B-1 Term Loan(g)(h) 05/24/19	5.000%	1,330,133	1,337,621
Total			6,813,451
Retailers 0.2%			
Rite Aid Corp. 2nd Lien Tranche 1 Term Loan(g)(h) 08/21/20	5.750%	2,276,000	2,323,659
Technology 0.7%			
Applied Systems, Inc. 1st Lien Term Loan(g)(h) 01/25/21	4.250%	337,305	338,094

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Avago Technologies Ltd. Term Loan(g)(h) 05/06/21	3.750%	3,461,000	3,470,587
Triple Point Group Holdings, Inc. 1st Lien Term Loan(g)(h) 07/10/20	5.250%	5,084,048	4,533,293
Total			8,341,974
Total Senior Loans (Cost: $51,659,908)			**50,749,836**

Common Stocks —%

Issuer	Shares	Value ($)
Consumer Discretionary —%		
Auto Components —%		
Lear Corp.	404	36,085
Media —%		
Haights Cross Communications, Inc.(b)(d)(e)(i)	27,056	—
Loral Space & Communications, Inc.(i)	6	436
Ziff Davis Holdings, Inc.(b)(d)(i)	553	6
Total		442
Total Consumer Discretionary		**36,527**
Industrials —%		
Automobiles —%		
BHM Technologies LLC(b)(d)(i)	35,922	359
Road & Rail —%		
Quality Distribution, Inc.(i)	195	2,898
Total Industrials		**3,257**
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)		**39,784**

Preferred Stocks —%

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

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Warrants —%

Issuer	Shares	Value ($)
Consumer Discretionary —%		
Auto Components —%		
Lear Corp.[i]	45	7,975
Media —%		
ION Media Networks, Inc.[b][d][i]	123	1
Total Consumer Discretionary		**7,976**
Total Warrants (Cost: $316,604)		**7,976**

Money Market Funds 5.8%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.095%[j][k]	69,999,430	69,999,430
Total Money Market Funds (Cost: $69,999,430)		**69,999,430**
Total Investments (Cost: $1,134,918,069)		**1,193,915,852**
Other Assets & Liabilities, Net		**9,129,031**
Net Assets		**1,203,044,883**

Investments in Derivatives

Futures Contracts Outstanding at June 30, 2014

At June 30, 2014, cash totaling $161,200 was pledged as collateral to cover initial margin requirements on open futures contracts.

Contract Description	Number of Contracts Long (Short)	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
US 10YR NOTE	(124)	USD	(15,521,313)	09/2014	60,697	—

Notes to Portfolio of Investments

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2014, the value of these securities amounted to $451,377,263 or 37.52% 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 June 30, 2014 was $89,404, which represents 0.01% of net assets. Information concerning such security holdings at June 30, 2014 is as follows:

Security Description	Acquisition Dates	Cost ($)
At Home Corp. Subordinated Notes 06/12/15 4.750%	7/26/2005	—
BHM Technologies LLC Common Stock	7/21/2006	1,940
BHM Technologies LLC Preferred Stock	7/21/2006	23
BHM Technologies LLC Term Loan 11/26/13 0.000%	06/21/2007 - 03/31/2010	951,580
Calpine Corp. Escrow Common Stock	9/29/2011	—
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	20,008
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates 07/01/15 9.300%	01/27/2003 - 04/24/2013	11,208

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Notes to Portfolio of Investments *(continued)*

Security Description	Acquisition Dates	Cost ($)
Ziff Davis Holdings, Inc. Common Stock	7/1/2008	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 June 30, 2014, the value of these securities amounted to $3,266, which represents less than 0.01% of net assets.

(d) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At June 30, 2014, the value of these securities amounted to $89,404, which represents 0.01% of net assets.

(e) Negligible market value.

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

(g) Variable rate security.

(h) Senior loans have rates of interest that float periodically based primarily on the London Interbank Offered Rate (“LIBOR”) and other short-term rates. The interest rate shown reflects the weighted average coupon as of June 30, 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.

(i) Non-income producing.

(j) The rate shown is the seven-day current annualized yield at June 30, 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 period ended June 30, 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	195,883,130	(146,715,703)	69,999,430	18,398	69,999,430

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

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

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 June 30, 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	—	24,201,466	62	24,201,528
Cable and Satellite	—	41,957,259	74,571	42,031,830
Leisure	—	14,458,367	11,535	14,469,902
Media and Entertainment	—	68,174,104	1,794	68,175,898
All other industries	—	924,239,634	—	924,239,634
Convertible Bonds	—	—	30	30
Total Bonds	—	1,073,030,830	87,992	1,073,118,822
Equity Securities				
Common Stocks				
Consumer Discretionary	36,521	—	6	36,527
Industrials	2,898	—	359	3,257
Utilities	—	—	—[(a)]	—[(a)]
Preferred Stocks				
Industrials	—	—	4	4
Warrants				
Consumer Discretionary	7,975	—	1	7,976
Total Equity Securities	47,394	—	370	47,764

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Other				
Senior Loans				
Automotive	—	—	1,042	1,042
Lodging	—	—	1,954,419	1,954,419
All other industries	—	48,794,375	—	48,794,375
Total Other	—	48,794,375	1,955,461	50,749,836
Mutual Funds				
Money Market Funds	69,999,430	—	—	69,999,430
Total Mutual Funds	69,999,430	—	—	69,999,430
Investments in Securities	70,046,824	1,121,825,205	2,043,823	1,193,915,852
Derivatives				
Assets				
Futures Contracts	60,697	—	—	60,697
Total	70,107,521	1,121,825,205	2,043,823	1,193,976,549

(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.

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, utilizing single market quotations from broker dealers, estimated earnings of the respective company, market multiples derived from a set of comparable companies, and the position of the security within the respective company’s capital structure. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement. Generally, a change in estimated earnings of the respective company may result in a change to the comparable companies and market multiples utilized.

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

Statement of Assets and Liabilities

June 30, 2014 (Unaudited)

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $1,064,918,639)	$1,123,916,422
Affiliated issuers (identified cost $69,999,430)	69,999,430
Total investments (identified cost $1,134,918,069)	1,193,915,852
Cash	629,795
Margin deposits	161,200
Receivable for:	
Investments sold	20,269,451
Capital shares sold	340,780
Dividends	4,533
Interest	16,282,737
Reclaims	12,383
Trustees' deferred compensation plan	279
Total assets	1,231,617,010
Liabilities	
Payable for:	
Investments purchased	9,617,433
Investments purchased on a delayed delivery basis	17,057,867
Capital shares purchased	869,010
Variation margin	9,688
Investment management fees	580,458
Distribution and/or service fees	51,330
Transfer agent fees	61,121
Administration fees	67,491
Compensation of board members	156,385
Other expenses	101,065
Trustees' deferred compensation plan	279
Total liabilities	28,572,127
Net assets applicable to outstanding capital stock	**$1,203,044,883**
Represented by	
Paid-in capital	$1,111,892,090
Undistributed net investment income	29,634,974
Accumulated net realized gain	2,459,339
Unrealized appreciation (depreciation) on:	
Investments	58,997,783
Futures contracts	60,697
Total — representing net assets applicable to outstanding capital stock	**$1,203,044,883**

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

Statement of Assets and Liabilities *(continued)*

June 30, 2014 (Unaudited)

Class 1	
Net assets	$858,167,897
Shares outstanding	93,812,954
Net asset value per share	$9.15
Class 2	
Net assets	$137,390,765
Shares outstanding	15,068,527
Net asset value per share	$9.12
Class 3	
Net assets	$207,486,221
Shares outstanding	22,600,725
Net asset value per share	$9.18

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

Statement of Operations

Six Months Ended June 30, 2014 (Unaudited)

Net Investment Income	
Income:	
Dividends — unaffiliated issuers	$209
Dividends — affiliated issuers	18,398
Interest	34,419,796
Total income	34,438,403
Expenses:	
Investment management fees	3,338,516
Distribution and/or service fees	
Class 2	172,256
Class 3	131,002
Transfer agent fees	
Class 1	247,132
Class 2	41,335
Class 3	62,879
Administration fees	388,542
Compensation of board members	20,038
Custodian fees	14,223
Printing and postage fees	44,770
Professional fees	21,713
Other	8,874
Total expenses	4,491,280
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(20,016)
Fees waived by Distributor — Class 2	(87,219)
Total net expenses	4,384,045
Net investment income	30,054,358
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	9,215,125
Futures contracts	(278,745)
Net realized gain	8,936,380
Net change in unrealized appreciation (depreciation) on:	
Investments	18,389,108
Futures contracts	(274,849)
Net change in unrealized appreciation (depreciation)	18,114,259
Net realized and unrealized gain	27,050,639
Net increase in net assets resulting from operations	**$57,104,997**

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

Statement of Changes in Net Assets

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations		
Net investment income	$30,054,358	$63,843,240
Net realized gain	8,936,380	24,388,098
Net change in unrealized appreciation (depreciation)	18,114,259	(35,234,039)
Net increase in net assets resulting from operations	57,104,997	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	(17,812,431)	332,179,020
Total increase in net assets	39,292,566	135,537,612
Net assets at beginning of period	1,163,752,317	1,028,214,705
Net assets at end of period	**$1,203,044,883**	**$1,163,752,317**
Undistributed (excess of distributions over) net investment income	$29,634,974	$(419,384)

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

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2014 (Unaudited)		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	10,107,461	90,638,121	19,550,098	170,915,192
Fund merger	—	—	4,655,588	44,708,536
Distributions reinvested	—	—	20,068,316	178,306,029
Redemptions	(9,066,980)	(81,120,732)	(23,401,279)	(202,041,308)
Net increase	1,040,481	9,517,389	20,872,723	191,888,449
Class 2 shares				
Subscriptions	245,667	2,198,916	786,132	7,473,359
Fund merger	—	—	14,369,493	137,245,648
Distributions reinvested	—	—	1,947,832	16,275,016
Redemptions	(1,283,886)	(11,450,301)	(1,919,987)	(16,746,500)
Net increase (decrease)	(1,038,219)	(9,251,385)	15,183,470	144,247,523
Class 3 shares				
Subscriptions	28,384	254,243	275,027	2,642,975
Distributions reinvested	—	—	6,142,479	55,057,662
Redemptions	(2,044,139)	(18,332,678)	(6,762,497)	(61,657,589)
Net decrease	(2,015,755)	(18,078,435)	(344,991)	(3,956,952)
Total net increase (decrease)	**(2,013,493)**	**(17,812,431)**	**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.

Class 1	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 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	0.23	0.52	0.64	0.70	0.51
Net realized and unrealized gain (loss)	0.21	(0.06)	0.78	(0.04)	0.23
Total from investment operations	0.44	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	$9.15	$8.71	$10.51	$10.02	$10.69
Total return	5.05%	5.09%	14.97%	6.42%	7.68%
Ratios to average net assets[b]					
Total gross expenses	0.72%[c]	0.72%	0.71%	0.72%	0.78%[c]
Total net expenses[d]	0.71%[c]	0.71%	0.71%	0.72%	0.78%[c]
Net investment income	5.17%[c]	5.59%	6.16%	6.76%	7.47%[c]
Supplemental data					
Net assets, end of period (in thousands)	$858,168	$808,379	$755,648	$983,282	$842,202
Portfolio turnover	31%	56%	68%	66%	77%

Notes to Financial Highlights

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

(b) In addition to the fees and expenses 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	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 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	0.22	0.49	0.60	0.66	0.47
Net realized and unrealized gain (loss)	0.21	(0.04)	0.79	(0.03)	0.24
Total from investment operations	0.43	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	$9.12	$8.69	$10.46	$9.98	$10.67
Total return	4.95%	5.01%	14.72%	6.17%	7.44%
Ratios to average net assets[b]					
Total gross expenses	0.96%[c]	0.97%	0.96%	0.97%	1.01%[c]
Total net expenses[d]	0.84%[c]	0.78%	0.96%	0.96%	1.01%[c]
Net investment income	5.05%[c]	5.54%	5.86%	6.54%	6.87%[c]
Supplemental data					
Net assets, end of period (in thousands)	$137,391	$139,973	$9,657	$4,704	$929
Portfolio turnover	31%	56%	68%	66%	77%

Notes to Financial Highlights

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

(b) In addition to the fees and expenses 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	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per share data						
Net asset value, beginning of period	$8.75	$10.53	$10.04	$10.71	$10.71	$7.99
Income from investment operations:						
Net investment income	0.22	0.51	0.62	0.69	0.81	0.84
Net realized and unrealized gain (loss)	0.21	(0.06)	0.79	(0.05)	0.47	2.46
Total from investment operations	0.43	0.45	1.41	0.64	1.28	3.30
Less distributions to shareholders:						
Net investment income	—	(1.35)	(0.70)	(1.01)	(1.28)	(0.58)
Net realized gains	—	(0.59)	(0.22)	(0.30)	—	—
Tax return of capital	—	(0.29)	—	—	—	—
Total distributions to shareholders	—	(2.23)	(0.92)	(1.31)	(1.28)	(0.58)
Net asset value, end of period	$9.18	$8.75	$10.53	$10.04	$10.71	$10.71
Total return	4.91%	5.02%	14.80%	6.26%	13.04%	42.41%
Ratios to average net assets[(a)]						
Total gross expenses	0.84%[(b)]	0.85%	0.84%	0.85%	0.86%	0.88%
Total net expenses[(c)]	0.84%[(b)]	0.84%	0.83%	0.85%	0.86%	0.88%
Net investment income	5.05%[(b)]	5.45%	6.01%	6.63%	7.38%	8.63%
Supplemental data						
Net assets, end of period (in thousands)	$207,486	$215,401	$262,909	$236,367	$251,747	$2,003,909
Portfolio turnover	31%	56%	68%	66%	77%	70%

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) Annualized.

(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

June 30, 2014 (Unaudited)

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.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

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

The following is a summary of significant accounting policies 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 at the average of the bids received, as provided by pricing services.

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 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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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.

Futures Contracts

Futures contracts are exchange traded and represent commitments for the future purchase or sale of an asset at a specified price on a specified date. The Fund bought and sold futures contracts to manage the duration and yield curve exposure of the Fund versus the benchmark and to manage exposure to movements in interest rates. These instruments may be used for other purposes in future periods. Upon

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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 at June 30, 2014:

	Asset Derivatives	
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Interest rate risk	Net assets — unrealized appreciation on futures contracts	60,697*

* Includes cumulative appreciation (depreciation) as reported in the tables following the Portfolio of Investments. Only the current day's variation margin is reported in receivables or payables in the Statement of Assets and Liabilities.

The following table indicates the effect of derivative instruments in the Statement of Operations for the six months ended June 30, 2014:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Interest rate risk	(278,745)

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Interest rate risk	(274,849)

The following table is a summary of the average outstanding volume by derivative instrument for the six months ended June 30, 2014:

Derivative Instrument	Average Notional Amounts ($)*
Futures contracts — Short	15,417,657

* Based on the ending quarterly outstanding amounts for the six months ended June 30, 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, 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.

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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 distributions are reinvested in additional shares of the applicable 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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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 annualized effective investment management fee rate for the six months ended June 30, 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 annualized effective administration fee rate for the six months ended June 30, 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 six months ended June 30, 2014, other expenses paid to this company were $1,529.

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 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,

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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 June 30, 2014, the cost of investments for federal income tax purposes was approximately $1,134,918,000 and the aggregate gross approximate unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$64,111,000
Unrealized depreciation	(5,113,000)
Net unrealized appreciation	$58,998,000

The following capital loss carryforwards, determined as of December 31, 2013 may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount ($)
2016	6,367,733

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

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations and certain derivatives, aggregated to $349,037,958 and $384,125,837, respectively, for the six months ended June 30, 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 June 30, 2014, affiliated shareholders of record owned 96.2% 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 8. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank N.A. whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the six months ended June 30, 2014.

Note 9. Fund Merger

At the close of business on April 26, 2013, the Fund acquired the assets and assumed the identified liabilities of Columbia Variable Portfolio — High Income Fund, a series of Columbia Funds Variable Insurance Trust I (the acquired fund). The reorganization was completed after shareholders of the acquired fund approved the plan on February 27, 2013. The purpose of the transaction was to combine two funds managed by the Investment Manager with comparable investment objectives and strategies.

The aggregate net assets of the Fund immediately before the acquisition were $1,063,840,327 and the combined net assets immediately after the acquisition were $1,245,794,511.

The merger was accomplished by a tax-free exchange of 17,853,023 shares of the acquired fund valued at $181,954,184 (including $10,151,066 of unrealized appreciation).

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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

	Shares
Class 1	4,655,588
Class 2	14,369,493

For financial reporting purposes, net assets received and shares issued by the Fund were recorded at fair value; however, the acquired fund's cost of investments was carried forward.

The financial statements reflect the operations of the Fund for the period prior to the merger and the combined fund for the period subsequent to the merger. Because the combined investment portfolios have been managed as a single integrated portfolio since the merger was completed, it is not practicable to separate the amounts of revenue and earnings of the acquired fund that have been included in the combined Fund's Statement of Operations since the merger was completed.

Assuming the merger had been completed on January 1, 2013, the Fund's pro-forma net investment income, net gain on investments, net change in unrealized depreciation and net increase in net assets from operations for the year ended December 31, 2013 would have been approximately $66.8 million, $26.5 million, $(34.1) million and $59.2 million, respectively.

Note 10. Significant Risks

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 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

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

Approval of Investment Management Services Agreement

Columbia Management Investment Advisers, LLC (Columbia Management or the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), serves as the investment manager to Columbia Variable Portfolio — Income Opportunities Fund (the Fund). Under an investment management services agreement (the IMS Agreement), Columbia Management provides investment advice and other services to the Fund and other funds distributed by Columbia Management Investment Distributors, Inc. (collectively, the Funds).

On an annual basis, the Fund's Board of Trustees (the Board), including the independent Board members (the Independent Trustees), considers renewal of the IMS Agreement. Columbia Management prepared detailed reports for the Board and its Contracts Committee in January, March and April 2014, including reports based on analyses of data provided by an independent organization (Lipper) and a comprehensive response to each item of information requested by independent legal counsel to the Independent Trustees (Independent Legal Counsel) in a letter to the Investment Manager, to assist the Board in making this determination. All of the materials presented in January, March and April were first supplied in draft form to designated representatives of the Independent Trustees, *i.e.*, Independent Legal Counsel, Fund Counsel, the Chair of the Board and the Chair of the Contracts Committee, and the final materials (including proposed expense caps for certain Funds) were revised to reflect discussion and subsequent requests made by the Contracts Committee. In addition, throughout the year, the Board (or its committees) regularly meets with portfolio management teams and senior management personnel, and reviews information prepared by Columbia Management addressing the services Columbia Management provides and Fund performance. The Board also accords appropriate weight to the work, deliberations and conclusions of the Contracts Committee, the Investment Review Committee and the Compliance Committee in determining whether to continue the IMS Agreement.

The Board, at its April 9-11, 2014 in-person Board meeting (the April Meeting), considered the renewal of the IMS Agreement for an additional one-year term. At the April Meeting, Independent Legal Counsel reviewed with the Independent Trustees various factors relevant to the Board's consideration of advisory agreements and the Board's legal responsibilities related to such consideration. Following an analysis and discussion of the factors identified below, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

Nature, Extent and Quality of Services Provided by Columbia Management

The Independent Trustees analyzed various reports and presentations they had received detailing the services performed by Columbia Management, as well as its expertise, resources and capabilities. The Independent Trustees specifically considered many developments during the past year concerning the services provided by Columbia Management, including, in particular, the successful implementation of a globalization initiative, which, among other things, increased worldwide analyst support for global products, the reorganization of the Informational Technology research team, the hiring of additional personnel to assist the Asset Allocation team and the global restructuring of the Senior Operational team. The Independent Trustees noted the information they received concerning Columbia Management's ability to retain its key portfolio management personnel. The Independent Trustees also recalled Columbia Management's representation that additional staff has been added to support the vigorous application of the "5P" review process, to which all internally-managed Funds are subject.

In connection with the Board's evaluation of the overall package of services provided by Columbia Management, the Board also considered the quality of administrative services provided to the Fund by Columbia Management, recalling the information it received highlighting significant achievements in 2013 in the performance of administrative services. In evaluating the quality of services provided under the IMS Agreement and the Fund's Administrative Services Agreement, the Independent Trustees also took into account the organization and strength of the Fund's and its service providers' compliance programs. In addition, the Board also reviewed the financial condition of Columbia Management (and its affiliates) and each entity's ability to carry out its responsibilities under the IMS Agreement and the Fund's other services agreements with affiliates of Ameriprise Financial, observing the financial strength of Ameriprise Financial, with its solid balance sheet. The Board also discussed the acceptability of the terms of the IMS Agreement (including the relatively broad scope of services required to be performed by Columbia Management). The Board concluded that the services being performed under the IMS Agreement were of a reasonably high quality.

Based on the foregoing, and based on other information received (both oral and written, including the information on investment performance referenced below) and other considerations, the Board concluded that Columbia Management and its affiliates were in a position to continue to provide a high quality and level of services to the Fund.

Investment Performance

For purposes of evaluating the nature, extent and quality of services provided under the IMS Agreement, the Board carefully reviewed the investment performance of the Fund. In this regard, the Board considered detailed reports providing the results of

Approval of Investment Management Services Agreement *(continued)*

analyses performed by an independent organization showing, for various periods, the performance of the Fund, the performance of a benchmark index, the percentage ranking of the Fund among its comparison group and the net assets of the Fund. The Board observed that the Fund's investment performance was appropriate in light of the particular management style involved and the particular market environment.

Comparative Fees, Costs of Services Provided and the Profits Realized by Columbia Management and its Affiliates from their Relationships with the Fund

The Board reviewed comparative fees and the costs of services provided under the IMS Agreement. The Board members considered detailed comparative information set forth in an annual report on fees and expenses, including, among other things, data (based on analyses conducted by an independent organization) showing a comparison of the Fund's expenses with median expenses paid by funds in its comparative peer universe, as well as data showing the Fund's contribution to Columbia Management's profitability.

The Board accorded particular weight to the notion that the level of fees should reflect a rational pricing model applied consistently across the various product lines in the Fund family, while assuring that the overall fees for each Fund (with few defined exceptions) are generally in line with the "pricing philosophy" currently in effect (*i.e.*, that the total expense ratio of the Fund is no higher than the median expense ratio of funds in the same comparison universe of the Fund). In this connection, the Board also considered the 2013 report provided by an independent consulting firm, Bobroff Consulting (the Independent Consultant), that concluded that the Funds' standardized investment management fee rates were within a reasonable range. The Board took into account that the Fund's total expense ratio (after considering proposed voluntary expense caps/waivers) approximated the peer universe's median expense ratio shown in the reports. It was observed that various proposals concerning the Funds' transfer agency and sub-transfer agency fee structures, and other changes impacting the Funds' pricing structure and fees, are expected to be considered at a later Board meeting which, if adopted, would alter the current pricing philosophy. Based on its review, the Board concluded that the Fund's management fee was fair and reasonable in light of the extent and quality of services that the Fund receives.

The Board also considered the expected profitability of Columbia Management and its affiliates in connection with Columbia Management providing investment management services to the Fund. In this regard, the Board referred to a detailed profitability report, discussing the profitability to Columbia Management and Ameriprise Financial from managing, operating and distributing the Funds. In this regard, the Board observed that: (i) the Independent Consultant concluded that 2012 profitability was reasonable; (ii) 2013 profitability only moderately exceeded 2012 levels; and (iii) 2013 profitability is in line with profitability levels of industry competitors. It also took into account the indirect economic benefits flowing to Columbia Management or its affiliates in connection with managing or distributing the Funds, such as the enhanced ability to offer various other financial products to Ameriprise Financial customers, soft dollar benefits and overall reputational advantages. The Board noted that the fees paid by the Funds should permit the Investment Manager to offer competitive compensation to its personnel, make necessary investments in its business and earn an appropriate profit. The Board concluded that profitability levels were reasonable.

Economies of Scale to be Realized

The Board also considered the economies of scale that might be realized by Columbia Management as the Fund grows and took note of the extent to which Fund shareholders might also benefit from such growth. In this regard, the Independent Trustees took into account that IMS fees decline as Fund assets exceed various breakpoints, all of which have not been surpassed.

Based on the foregoing, the Board, including all of the Independent Trustees, concluded that the investment management service fees were fair and reasonable in light of the extent and quality of services provided. In reaching this conclusion, no single factor was determinative. On April 11, 2014, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

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Important Information About This Report

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

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

ColumbiaManagement®

Columbia Variable Portfolio – Income Opportunities Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest.** The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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S-6545 E (8/14)

Semiannual Report

June 30, 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.

Not FDIC insured • No bank guarantee • May lose value

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

Performance Overview
(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Large Cap Growth Fund (the Fund) Class 3 shares returned 6.10% for the six-month period that ended June 30, 2014.

> The Fund underperformed its benchmark, the Russell 1000 Growth Index, which returned 6.31% for the same time period.

Average Annual Total Returns (%) (for period ended June 30, 2014)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1*	05/03/10	6.17	26.26	18.21	6.71
Class 2*	05/03/10	6.04	25.90	17.92	6.49
Class 3	09/15/99	6.10	25.98	18.10	6.66
Russell 1000 Growth Index		6.31	26.92	19.24	8.20

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

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

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

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

The Russell 1000 Growth Index, an unmanaged index, measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

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

Portfolio Overview

(Unaudited)

Top Ten Holdings (%) (at June 30, 2014)	
Apple, Inc.	4.9
Schlumberger Ltd.	2.7
Starwood Hotels & Resorts Worldwide, Inc.	2.5
Google, Inc., Class A	2.4
Facebook, Inc., Class A	2.3
QUALCOMM, Inc.	2.2
Lowe’s Companies, Inc.	2.2
Honeywell International, Inc.	2.1
Google, Inc., Class C	2.1
Monsanto Co.	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 June 30, 2014)	
Common Stocks	**98.8**
Consumer Discretionary	16.5
Consumer Staples	8.4
Energy	6.4
Financials	5.9
Health Care	13.7
Industrials	12.9
Information Technology	29.5
Materials	3.6
Telecommunication Services	1.9
Money Market Funds	**1.2**
Total	**100.0**

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

Portfolio Management

John Wilson, CFA

Peter Deininger, CFA, CAIA

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.

January 1, 2014 – June 30, 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	1,061.70	1,020.88	4.04	3.96	0.79
Class 2	1,000.00	1,000.00	1,060.40	1,019.64	5.31	5.21	1.04
Class 3	1,000.00	1,000.00	1,061.00	1,020.23	4.70	4.61	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

June 30, 2014 (Unaudited)

(Percentages represent value of investments compared to net assets)

Common Stocks 99.3%

Issuer	Shares	Value ($)
Consumer Discretionary 16.5%		
Auto Components 0.6%		
Delphi Automotive PLC	126,350	8,685,299
Hotels, Restaurants & Leisure 2.5%		
Starwood Hotels & Resorts Worldwide, Inc.	399,040	32,250,413
Internet & Catalog Retail 2.5%		
Amazon.com, Inc.[(a)]	73,061	23,728,751
Priceline Group, Inc. (The)[(a)]	8,062	9,698,586
Total		33,427,337
Media 4.8%		
Comcast Corp., Class A	163,330	8,767,555
DISH Network Corp., Class A[(a)]	346,479	22,548,853
Time Warner Cable, Inc.	114,310	16,837,863
Twenty-First Century Fox, Inc., Class A	418,034	14,693,895
Total		62,848,166
Specialty Retail 3.0%		
Lowe's Companies, Inc.	587,313	28,185,151
O'Reilly Automotive, Inc.[(a)]	71,753	10,806,002
Total		38,991,153
Textiles, Apparel & Luxury Goods 3.1%		
Hanesbrands, Inc.	175,893	17,314,907
VF Corp.	364,432	22,959,216
Total		40,274,123
Total Consumer Discretionary		**216,476,491**
Consumer Staples 8.4%		
Beverages 3.1%		
Anheuser-Busch InBev NV, ADR	186,287	21,411,828
Coca-Cola Enterprises, Inc.	208,757	9,974,409
PepsiCo, Inc.	108,627	9,704,736
Total		41,090,973
Food & Staples Retailing 2.3%		
Rite Aid Corp.[(a)]	673,959	4,832,286
Walgreen Co.	336,573	24,950,157
Total		29,782,443
Food Products 3.0%		
Hain Celestial Group, Inc. (The)[(a)]	76,218	6,763,585
Mead Johnson Nutrition Co.	241,240	22,476,331
WhiteWave Foods Co. (The), Class A[(a)]	316,208	10,235,653
Total		39,475,569
Total Consumer Staples		**110,348,985**

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Energy 6.4%		
Energy Equipment & Services 4.3%		
Halliburton Co.	287,675	20,427,802
Schlumberger Ltd.	300,209	35,409,651
Total		55,837,453
Oil, Gas & Consumable Fuels 2.1%		
Anadarko Petroleum Corp.	154,640	16,928,441
EOG Resources, Inc.	96,775	11,309,127
Kinder Morgan Management LLC[(a)(b)(c)]	—	1
Total		28,237,569
Total Energy		**84,075,022**
Financials 6.0%		
Banks 2.0%		
Fifth Third Bancorp	345,622	7,379,030
Wells Fargo & Co.	369,660	19,429,329
Total		26,808,359
Capital Markets 3.0%		
BlackRock, Inc.	55,746	17,816,422
Invesco Ltd.	321,830	12,149,082
TD Ameritrade Holding Corp.	282,370	8,852,300
Total		38,817,804
Real Estate Investment Trusts (REITs) 1.0%		
Simon Property Group, Inc.	75,450	12,545,826
Total Financials		**78,171,989**
Health Care 13.8%		
Biotechnology 6.1%		
Alkermes PLC[(a)]	127,360	6,410,029
Biogen Idec, Inc.[(a)]	55,740	17,575,379
Cubist Pharmaceuticals, Inc.[(a)]	166,281	11,609,740
Gilead Sciences, Inc.[(a)]	263,532	21,849,438
Pharmacyclics, Inc.[(a)]	69,930	6,273,420
Vertex Pharmaceuticals, Inc.[(a)]	165,390	15,659,125
Total		79,377,131
Health Care Equipment & Supplies 3.9%		
Covidien PLC	169,730	15,306,252
St. Jude Medical, Inc.	284,412	19,695,531
Zimmer Holdings, Inc.	159,205	16,535,031
Total		51,536,814
Health Care Providers & Services 1.1%		
McKesson Corp.	76,316	14,210,802

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Life Sciences Tools & Services 1.2%		
Thermo Fisher Scientific, Inc.	126,185	14,889,830
Pharmaceuticals 1.5%		
Actavis PLC[a]	88,845	19,816,877
Total Health Care		**179,831,454**
Industrials 12.9%		
Aerospace & Defense 4.4%		
Honeywell International, Inc.	297,517	27,654,205
Precision Castparts Corp.	49,580	12,513,992
Raytheon Co.	193,197	17,822,423
Total		57,990,620
Airlines 0.6%		
American Airlines Group, Inc.[a]	185,869	7,984,932
Commercial Services & Supplies 1.5%		
Tyco International Ltd.	436,847	19,920,223
Electrical Equipment 1.2%		
Rockwell Automation, Inc.	125,486	15,705,828
Machinery 2.7%		
Ingersoll-Rand PLC	211,790	13,238,993
Pall Corp.	151,699	12,953,577
Trinity Industries, Inc.	190,340	8,321,665
Total		34,514,235
Professional Services 1.5%		
Nielsen NV	406,301	19,669,032
Road & Rail 1.0%		
Union Pacific Corp.	134,060	13,372,485
Total Industrials		**169,157,355**
Information Technology 29.7%		
Communications Equipment 2.1%		
QUALCOMM, Inc.	356,564	28,239,869
Internet Software & Services 6.7%		
Facebook, Inc., Class A[a]	435,698	29,318,118
Google, Inc., Class A[a]	53,868	31,495,004
Google, Inc., Class C[a]	46,798	26,921,953
Total		87,735,075
IT Services 1.9%		
Visa, Inc., Class A	116,320	24,509,787
Semiconductors & Semiconductor Equipment 4.3%		
Avago Technologies Ltd.	200,610	14,457,963
Broadcom Corp., Class A	217,910	8,088,819
KLA-Tencor Corp.	297,880	21,638,003
NXP Semiconductor NV[a]	179,776	11,897,576
Total		56,082,361

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Software 8.7%		
Electronic Arts, Inc.[a]	550,700	19,753,609
Microsoft Corp.	577,611	24,086,379
Red Hat, Inc.[a]	283,960	15,694,469
Salesforce.com, Inc.[a]	429,473	24,943,792
ServiceNow, Inc.[a]	102,005	6,320,230
VMware, Inc., Class A[a]	235,600	22,808,436
Total		113,606,915
Technology Hardware, Storage & Peripherals 6.0%		
Apple, Inc.	678,394	63,043,154
EMC Corp.	571,519	15,053,811
Total		78,096,965
Total Information Technology		**388,270,972**
Materials 3.7%		
Chemicals 3.7%		
Celanese Corp., Class A	211,180	13,574,650
LyondellBasell Industries NV, Class A	84,851	8,285,700
Monsanto Co.	208,320	25,985,837
Total		47,846,187
Total Materials		**47,846,187**
Telecommunication Services 1.9%		
Diversified Telecommunication Services 1.9%		
Verizon Communications, Inc.	517,092	25,301,312
Total Telecommunication Services		**25,301,312**
Total Common Stocks (Cost: $1,100,190,262)		**1,299,479,767**

Money Market Funds 1.2%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.095%[d][e]	16,341,887	16,341,887
Total Money Market Funds (Cost: $16,341,887)		**16,341,887**
Total Investments (Cost: $1,116,532,149)		**1,315,821,654**
Other Assets & Liabilities, Net		**(6,943,965)**
Net Assets		**1,308,877,689**

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Notes to Portfolio of Investments

(a) Non-income producing.

(b) Identifies securities considered by the Investment Manager to be illiquid as to their marketability. The aggregate value of such securities at June 30, 2014 was $1, which represents less than 0.01% of net assets. Information concerning such security holdings at June 30, 2014 is as follows:

Security Description	Acquisition Dates	Cost ($)
Kinder Morgan Management LLC	12/19/03 – 01/18/05	—

(c) Represents fractional shares.

(d) The rate shown is the seven-day current annualized yield at June 30, 2014.

(e) 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 period ended June 30, 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	247,574,445	(240,074,952)	16,341,887	7,135	16,341,887

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

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

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 June 30, 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	216,476,491	—	—	216,476,491
Consumer Staples	110,348,985	—	—	110,348,985
Energy	84,075,021	1	—	84,075,022
Financials	78,171,989	—	—	78,171,989
Health Care	179,831,454	—	—	179,831,454
Industrials	169,157,355	—	—	169,157,355
Information Technology	388,270,972	—	—	388,270,972
Materials	47,846,187	—	—	47,846,187
Telecommunication Services	25,301,312	—	—	25,301,312
Total Equity Securities	1,299,479,766	1	—	1,299,479,767
Mutual Funds				
Money Market Funds	16,341,887	—	—	16,341,887
Total Mutual Funds	16,341,887	—	—	16,341,887
Total	1,315,821,653	1	—	1,315,821,654

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.

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

Statement of Assets and Liabilities

June 30, 2014 (Unaudited)

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $1,100,190,262)	$1,299,479,767
Affiliated issuers (identified cost $16,341,887)	16,341,887
Total investments (identified cost $1,116,532,149)	1,315,821,654
Cash	10,590
Receivable for:	
Investments sold	2,414,591
Capital shares sold	9,514
Dividends	674,300
Reclaims	37,213
Expense reimbursement due from Investment Manager	9,720
Trustees' deferred compensation plan	22,575
Total assets	1,319,000,157
Liabilities	
Payable for:	
Investments purchased	3,422,709
Capital shares purchased	5,686,058
Investment management fees	747,269
Distribution and/or service fees	26,851
Transfer agent fees	66,767
Administration fees	62,009
Compensation of board members	29,450
Other expenses	58,780
Trustees' deferred compensation plan	22,575
Total liabilities	10,122,468
Net assets applicable to outstanding capital stock	**$1,308,877,689**
Represented by	
Trust capital	$1,308,877,689
Total — representing net assets applicable to outstanding capital stock	**$1,308,877,689**
Class 1	
Net assets	$1,069,297,038
Shares outstanding	97,122,824
Net asset value per share	$11.01
Class 2	
Net assets	$15,990,400
Shares outstanding	1,468,067
Net asset value per share	$10.89
Class 3	
Net assets	$223,590,251
Shares outstanding	20,395,608
Net asset value per share	$10.96

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

Statement of Operations
Six Months Ended June 30, 2014 (Unaudited)

Net investment income	
Income:	
Dividends — unaffiliated issuers	$9,509,710
Dividends — affiliated issuers	7,135
Foreign taxes withheld	(110,695)
Total income	9,406,150
Expenses:	
Investment management fees	4,480,710
Distribution and/or service fees	
Class 2	18,497
Class 3	136,323
Transfer agent fees	
Class 1	331,343
Class 2	4,439
Class 3	65,433
Administration fees	371,539
Compensation of board members	14,711
Custodian fees	10,373
Printing and postage fees	26,303
Professional fees	19,965
Other	14,146
Total expenses	5,493,782
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(54,650)
Total net expenses	5,439,132
Net investment income	3,967,018
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	119,173,486
Net realized gain	119,173,486
Net change in unrealized appreciation (depreciation) on:	
Investments	(44,909,384)
Net change in unrealized appreciation (depreciation)	(44,909,384)
Net realized and unrealized gain	74,264,102
Net increase in net assets resulting from operations	**$78,231,120**

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

Statement of Changes in Net Assets

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations		
Net investment income	$3,967,018	$5,641,556
Net realized gain	119,173,486	58,594,935
Net change in unrealized appreciation (depreciation)	(44,909,384)	209,964,155
Net increase in net assets resulting from operations	78,231,120	274,200,646
Increase (decrease) in net assets from capital stock activity	(174,780,352)	880,103,735
Total increase (decrease) in net assets	(96,549,232)	1,154,304,381
Net assets at beginning of period	1,405,426,921	251,122,540
Net assets at end of period	**$1,308,877,689**	**$1,405,426,921**

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

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2014 (Unaudited)		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	6,602,748	68,577,986	113,701,326	973,275,531
Redemptions	(21,937,527)	(229,968,175)	(7,094,766)	(69,093,971)
Net increase (decrease)	(15,334,779)	(161,390,189)	106,606,560	904,181,560
Class 2 shares				
Subscriptions	198,585	2,053,534	448,005	4,063,295
Redemptions	(112,337)	(1,170,732)	(299,904)	(2,642,119)
Net increase	86,248	882,802	148,101	1,421,176
Class 3 shares				
Subscriptions	61,962	645,076	261,183	2,327,911
Redemptions	(1,432,920)	(14,918,041)	(3,062,470)	(27,826,912)
Net decrease	(1,370,958)	(14,272,965)	(2,801,287)	(25,499,001)
Total net increase (decrease)	**(16,619,489)**	**(174,780,352)**	**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.

Class 1	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 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	0.03	0.05	0.05	0.03	0.02
Net realized and unrealized gain (loss)	0.61	2.37	1.29	(0.24)	0.46
Total from investment operations	0.64	2.42	1.34	(0.21)	0.48
Net asset value, end of period	$11.01	$10.37	$7.95	$6.61	$6.82
Total return	6.17%	30.44%	20.27%	(3.08%)	7.57%
Ratios to average net assets[(b)]					
Total gross expenses	0.80%[(c)]	0.81%	0.88%	0.89%	0.83%[(c)]
Total net expenses[(d)]	0.79%[(c)]	0.79%	0.78%	0.77%	0.83%[(c)]
Net investment income	0.62%[(c)]	0.55%	0.64%	0.51%	0.60%[(c)]
Supplemental data					
Net assets, end of period (in thousands)	$1,069,297	$1,166,312	$46,512	$44,092	$5
Portfolio turnover	41%	93%	102%	104%	152%

Notes to Financial Highlights

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

(b) In addition to the fees and expenses 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	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 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	0.02	0.03	0.03	0.02	0.02
Net realized and unrealized gain (loss)	0.60	2.34	1.29	(0.25)	0.45
Total from investment operations	0.62	2.37	1.32	(0.23)	0.47
Net asset value, end of period	$10.89	$10.27	$7.90	$6.58	$6.81
Total return	6.04%	30.00%	20.06%	(3.38%)	7.41%
Ratios to average net assets[b]					
Total gross expenses	1.05%[c]	1.06%	1.13%	1.15%	1.09%[c]
Total net expenses[d]	1.04%[c]	1.04%	1.03%	1.02%	1.09%[c]
Net investment income	0.38%[c]	0.28%	0.43%	0.26%	0.50%[c]
Supplemental data					
Net assets, end of period (in thousands)	$15,990	$14,196	$9,741	$7,907	$320
Portfolio turnover	41%	93%	102%	104%	152%

Notes to Financial Highlights

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

(b) In addition to the fees and expenses 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	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per share data						
Net asset value, beginning of period	$10.33	$7.93	$6.60	$6.82	$5.82	$4.25
Income from investment operations:						
Net investment income	0.03	0.04	0.04	0.01	0.02	0.03
Net realized and unrealized gain (loss)	0.60	2.36	1.29	(0.23)	0.98	1.54
Total from investment operations	0.63	2.40	1.33	(0.22)	1.00	1.57
Net asset value, end of period	$10.96	$10.33	$7.93	$6.60	$6.82	$5.82
Total return	6.10%	30.26%	20.15%	(3.23%)	17.16%	37.00%
Ratios to average net assets[(a)]						
Total gross expenses	0.92%[(b)]	0.94%	1.00%	0.99%	0.93%	0.80%
Total net expenses[(c)]	0.92%[(b)]	0.92%	0.91%	0.92%	0.93%	0.80%
Net investment income	0.49%[(b)]	0.40%	0.52%	0.21%	0.34%	0.71%
Supplemental data						
Net assets, end of period (in thousands)	$223,590	$224,919	$194,870	$188,852	$233,165	$240,404
Portfolio turnover	41%	93%	102%	104%	152%	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) Annualized.

(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

June 30, 2014 (Unaudited)

Note 1. Organization

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

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1, Class 2 and Class 3 shares to separate accounts funding variable annuity contracts and variable life insurance policies (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.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

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

The following is a summary of significant accounting policies 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 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.

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.

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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 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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

from 0.71% to 0.54% as the Fund's net assets increase. The annualized effective investment management fee rate for the six months ended June 30, 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 annualized effective administration fee rate for the six months ended June 30, 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 six months ended June 30, 2014, other expenses paid to this company were $1,683.

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	0.790%	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, aggregated to $546,035,089 and $719,412,996, respectively, for the six months ended June 30, 2014. The amount of purchase and sales 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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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 June 30, 2014, affiliated shareholders of record owned 95.6% 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. whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the six months ended June 30, 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 Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the Funds' Boards of Trustees.

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

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Approval of Investment Management Services Agreement

Columbia Management Investment Advisers, LLC (Columbia Management or the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), serves as the investment manager to Columbia Variable Portfolio — Large Cap Growth Fund (the Fund). Under an investment management services agreement (the IMS Agreement), Columbia Management provides investment advice and other services to the Fund and other funds distributed by Columbia Management Investment Distributors, Inc. (collectively, the Funds).

On an annual basis, the Fund's Board of Trustees (the Board), including the independent Board members (the Independent Trustees), considers renewal of the IMS Agreement. Columbia Management prepared detailed reports for the Board and its Contracts Committee in January, March and April 2014, including reports based on analyses of data provided by an independent organization (Lipper) and a comprehensive response to each item of information requested by independent legal counsel to the Independent Trustees (Independent Legal Counsel) in a letter to the Investment Manager, to assist the Board in making this determination. All of the materials presented in January, March and April were first supplied in draft form to designated representatives of the Independent Trustees, *i.e.*, Independent Legal Counsel, Fund Counsel, the Chair of the Board and the Chair of the Contracts Committee, and the final materials (including proposed expense caps for certain Funds) were revised to reflect discussion and subsequent requests made by the Contracts Committee. In addition, throughout the year, the Board (or its committees) regularly meets with portfolio management teams and senior management personnel, and reviews information prepared by Columbia Management addressing the services Columbia Management provides and Fund performance. The Board also accords appropriate weight to the work, deliberations and conclusions of the Contracts Committee, the Investment Review Committee and the Compliance Committee in determining whether to continue the IMS Agreement.

The Board, at its April 9-11, 2014 in-person Board meeting (the April Meeting), considered the renewal of the IMS Agreement for an additional one-year term. At the April Meeting, Independent Legal Counsel reviewed with the Independent Trustees various factors relevant to the Board's consideration of advisory agreements and the Board's legal responsibilities related to such consideration. Following an analysis and discussion of the factors identified below, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

Nature, Extent and Quality of Services Provided by Columbia Management

The Independent Trustees analyzed various reports and presentations they had received detailing the services performed by Columbia Management, as well as its expertise, resources and capabilities. The Independent Trustees specifically considered many developments during the past year concerning the services provided by Columbia Management, including, in particular, the successful implementation of a globalization initiative, which, among other things, increased worldwide analyst support for global products, the reorganization of the Informational Technology research team, the hiring of additional personnel to assist the Asset Allocation team and the global restructuring of the Senior Operational team. The Independent Trustees noted the information they received concerning Columbia Management's ability to retain its key portfolio management personnel. The Independent Trustees also recalled Columbia Management's representation that additional staff has been added to support the vigorous application of the "5P" review process, to which all internally-managed Funds are subject.

In connection with the Board's evaluation of the overall package of services provided by Columbia Management, the Board also considered the quality of administrative services provided to the Fund by Columbia Management, recalling the information it received highlighting significant achievements in 2013 in the performance of administrative services. In evaluating the quality of services provided under the IMS Agreement and the Fund's Administrative Services Agreement, the Independent Trustees also took into account the organization and strength of the Fund's and its service providers' compliance programs. In addition, the Board also reviewed the financial condition of Columbia Management (and its affiliates) and each entity's ability to carry out its responsibilities under the IMS Agreement and the Fund's other services agreements with affiliates of Ameriprise Financial, observing the financial strength of Ameriprise Financial, with its solid balance sheet. The Board also discussed the acceptability of the terms of the IMS Agreement (including the relatively broad scope of services required to be performed by Columbia Management). The Board concluded that the services being performed under the IMS Agreement were of a reasonably high quality.

Based on the foregoing, and based on other information received (both oral and written, including the information on investment performance referenced below) and other considerations, the Board concluded that Columbia Management and its affiliates were in a position to continue to provide a high quality and level of services to the Fund.

Approval of Investment Management Services Agreement *(continued)*

Investment Performance

For purposes of evaluating the nature, extent and quality of services provided under the IMS Agreement, the Board carefully reviewed the investment performance of the Fund. In this regard, the Board considered detailed reports providing the results of analyses performed by an independent organization showing, for various periods, the performance of the Fund, the performance of a benchmark index, the percentage ranking of the Fund among its comparison group and the net assets of the Fund. The Board observed that the Fund's investment performance was appropriate in light of the particular management style involved and the particular market environment.

Comparative Fees, Costs of Services Provided and the Profits Realized by Columbia Management and its Affiliates from their Relationships with the Fund

The Board reviewed comparative fees and the costs of services provided under the IMS Agreement. The Board members considered detailed comparative information set forth in an annual report on fees and expenses, including, among other things, data (based on analyses conducted by an independent organization) showing a comparison of the Fund's expenses with median expenses paid by funds in its comparative peer universe, as well as data showing the Fund's contribution to Columbia Management's profitability. The Board reviewed the fees charged to comparable institutional or other accounts/vehicles managed by Columbia Management and discussed differences in how the products are managed and operated, noting no unreasonable differences in the levels of contractual fees.

The Board accorded particular weight to the notion that the level of fees should reflect a rational pricing model applied consistently across the various product lines in the Fund family, while assuring that the overall fees for each Fund (with few defined exceptions) are generally in line with the "pricing philosophy" currently in effect (*i.e.*, that the total expense ratio of the Fund is no higher than the median expense ratio of funds in the same comparison universe of the Fund). In this connection, the Board also considered the 2013 report provided by an independent consulting firm, Bobroff Consulting (the Independent Consultant), that concluded that the Funds' standardized investment management fee rates were within a reasonable range. The Board took into account that the Fund's total expense ratio (after considering proposed voluntary expense caps/waivers) approximated the peer universe's median expense ratio shown in the reports. It was observed that various proposals concerning the Funds' transfer agency and sub-transfer agency fee structures, and other changes impacting the Funds' pricing structure and fees, are expected to be considered at a later Board meeting which, if adopted, would alter the current pricing philosophy. Based on its review, the Board concluded that the Fund's management fee was fair and reasonable in light of the extent and quality of services that the Fund receives.

The Board also considered the expected profitability of Columbia Management and its affiliates in connection with Columbia Management providing investment management services to the Fund. In this regard, the Board referred to a detailed profitability report, discussing the profitability to Columbia Management and Ameriprise Financial from managing, operating and distributing the Funds. In this regard, the Board observed that: (i) the Independent Consultant concluded that 2012 profitability was reasonable; (ii) 2013 profitability only moderately exceeded 2012 levels; and (iii) 2013 profitability is in line with profitability levels of industry competitors. It also took into account the indirect economic benefits flowing to Columbia Management or its affiliates in connection with managing or distributing the Funds, such as the enhanced ability to offer various other financial products to Ameriprise Financial customers, soft dollar benefits and overall reputational advantages. The Board noted that the fees paid by the Funds should permit the Investment Manager to offer competitive compensation to its personnel, make necessary investments in its business and earn an appropriate profit. The Board concluded that profitability levels were reasonable.

Economies of Scale to be Realized

The Board also considered the economies of scale that might be realized by Columbia Management as the Fund grows and took note of the extent to which Fund shareholders might also benefit from such growth. In this regard, the Independent Trustees took into account that IMS fees decline as Fund assets exceed various breakpoints, all of which have not been surpassed.

Based on the foregoing, the Board, including all of the Independent Trustees, concluded that the investment management service fees were fair and reasonable in light of the extent and quality of services provided. In reaching this conclusion, no single factor was determinative. On April 11, 2014, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

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Important Information About This Report

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

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

ColumbiaManagement®

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

This information is for use with concurrent or prior delivery of a fund prospectus. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest.** The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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S-6465 E (8/14)

Semiannual Report

June 30, 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.

Not FDIC insured • No bank guarantee • May lose value

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

Performance Overview

(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Small Cap Value Fund (the Fund) Class 2 shares returned 5.74% for the six-month period that ended June 30, 2014.

> The Fund outperformed its benchmark, the Russell 2000 Value Index, which returned 4.20% for the same time period.

Average Annual Total Returns (%) (for period ended June 30, 2014)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1	05/19/98	5.82	24.14	18.55	8.94
Class 2	06/01/00	5.74	23.90	18.36	8.76
Russell 2000 Value Index		4.20	22.54	19.88	8.24

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.

Portfolio Overview
(Unaudited)

Top Ten Holdings (%) (at June 30, 2014)	
Greif, Inc., Class A	1.2
Highwoods Properties, Inc.	1.1
Esterline Technologies Corp.	1.0
Dana Holding Corp.	1.0
Stone Energy Corp.	1.0
IDACORP, Inc.	1.0
Symetra Financial Corp.	0.9
Hancock Holding Co.	0.9
Fresh Del Monte Produce, Inc.	0.9
Southwest Gas Corp.	0.9

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 June 30, 2014)	
Common Stocks	**97.4**
Consumer Discretionary	10.4
Consumer Staples	3.0
Energy	7.6
Financials	33.6
Health Care	4.3
Industrials	13.0
Information Technology	12.3
Materials	5.7
Telecommunication Services	0.6
Utilities	6.9
Exchange-Traded Funds	**0.3**
Money Market Funds	**2.3**
Total	**100.0**

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

Portfolio Management

Jeremy Javidi, CFA

John Barrett, CFA

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.

January 1, 2014 – June 30, 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	1,058.20	1,020.43	4.49	4.41	0.88
Class 2	1,000.00	1,000.00	1,057.40	1,019.54	5.41	5.31	1.06

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

June 30, 2014 (Unaudited)

(Percentages represent value of investments compared to net assets)

Common Stocks 97.8%

Issuer	Shares	Value ($)
Consumer Discretionary 10.4%		
Auto Components 2.3%		
Cooper Tire & Rubber Co.	46,830	1,404,900
Dana Holding Corp.	160,376	3,916,382
Fuel Systems Solutions, Inc.[(a)]	79,955	890,699
Gentherm, Inc.[(a)]	38,689	1,719,726
Remy International, Inc.	48,579	1,134,319
Total		9,066,026
Distributors 0.2%		
VOXX International Corp.[(a)]	83,735	787,946
Diversified Consumer Services 0.9%		
K12, Inc.[(a)]	50,757	1,221,721
Steiner Leisure Ltd.[(a)]	31,340	1,356,708
Universal Technical Institute, Inc.	71,341	866,080
Total		3,444,509
Hotels, Restaurants & Leisure 0.4%		
Life Time Fitness, Inc.[(a)]	33,730	1,644,000
Household Durables 0.7%		
Cavco Industries, Inc.[(a)]	14,577	1,243,418
Hooker Furniture Corp.	44,440	717,262
UCP Inc., Class A[(a)]	74,040	1,012,127
Total		2,972,807
Internet & Catalog Retail 0.2%		
PetMed Express, Inc.	48,428	652,810
Leisure Products 0.6%		
Malibu Boats, Inc., Class A[(a)]	52,559	1,056,436
Smith & Wesson Holding Corp.[(a)]	97,460	1,417,068
Total		2,473,504
Multiline Retail 0.3%		
Tuesday Morning Corp.[(a)]	65,874	1,173,875
Specialty Retail 2.5%		
Children's Place, Inc. (The)	34,570	1,715,709
Citi Trends, Inc.[(a)]	54,838	1,176,824
Destination Maternity Corp.	51,210	1,166,052
Finish Line, Inc., Class A (The)	78,360	2,330,426
Haverty Furniture Companies, Inc.	48,242	1,212,321
Pier 1 Imports, Inc.	143,200	2,206,712
Total		9,808,044

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Textiles, Apparel & Luxury Goods 2.3%		
Columbia Sportswear Co.	24,785	2,048,480
Deckers Outdoor Corp.[(a)]	26,550	2,292,062
G-III Apparel Group Ltd.[(a)]	23,860	1,948,408
Steven Madden Ltd.[(a)]	84,250	2,889,775
Total		9,178,725
Total Consumer Discretionary		**41,202,246**
Consumer Staples 3.0%		
Food & Staples Retailing 0.5%		
Andersons, Inc. (The)	38,535	1,987,636
Food Products 2.2%		
Chiquita Brands International, Inc.[(a)]	109,520	1,188,292
Darling Ingredients, Inc.[(a)]	155,840	3,257,056
Fresh Del Monte Produce, Inc.	111,909	3,430,011
John B. Sanfilippo & Son, Inc.	26,105	690,999
Total		8,566,358
Personal Products 0.3%		
Inter Parfums, Inc.	47,382	1,400,138
Total Consumer Staples		**11,954,132**
Energy 7.6%		
Energy Equipment & Services 2.4%		
Dawson Geophysical Co.	44,522	1,275,555
Gulf Island Fabrication, Inc.	57,035	1,227,393
Newpark Resources, Inc.[(a)]	144,671	1,802,601
Tesco Corp.	87,450	1,866,183
TGC Industries, Inc.[(a)]	62,275	339,399
Tidewater, Inc.	50,833	2,854,273
Total		9,365,404
Oil, Gas & Consumable Fuels 5.2%		
Alpha Natural Resources, Inc.[(a)]	281,720	1,045,181
Arch Coal, Inc.	266,861	974,043
Bill Barrett Corp.[(a)]	77,630	2,078,931
Comstock Resources, Inc.	84,870	2,447,651
Energy XXI Bermuda Ltd.	85,374	2,017,388
Goodrich Petroleum Corp.[(a)]	114,560	3,161,856
Rex Energy Corp.[(a)]	72,674	1,287,056
Stone Energy Corp.[(a)]	82,119	3,842,348
VAALCO Energy, Inc.[(a)]	143,977	1,040,954

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Western Refining, Inc.	39,120	1,468,956
World Fuel Services Corp.	27,270	1,342,502
Total		20,706,866
Total Energy		**30,072,270**
Financials 33.8%		
Banks 12.4%		
Ameris Bancorp[a]	96,968	2,090,630
BancFirst Corp.	31,812	1,969,163
BankUnited, Inc.	74,873	2,506,748
Banner Corp.	19,843	786,378
Bridge Bancorp, Inc.	22,940	550,331
Bryn Mawr Bank Corp.	71,421	2,079,779
Capital City Bank Group, Inc.	88,453	1,285,222
Cascade Bancorp[a]	293,008	1,526,572
Chemical Financial Corp.	66,459	1,866,169
Columbia Banking System, Inc.	81,479	2,143,712
Community Trust Bancorp, Inc.	51,587	1,765,307
First Citizens BancShares Inc., Class A	8,438	2,067,310
First Commonwealth Financial Corp.	234,908	2,165,852
First Financial Corp.	81,889	2,636,007
First NBC Bank Holding Co.[a]	33,945	1,137,497
FirstMerit Corp.	80,150	1,582,962
Glacier Bancorp, Inc.	34,910	990,746
Hancock Holding Co.	99,664	3,520,132
Heritage Financial Corp.	27,396	440,802
Hudson Valley Holding Corp.	47,532	857,953
Investors Bancorp, Inc.	260,184	2,875,033
Merchants Bancshares, Inc.	58,759	1,879,113
Northrim BanCorp, Inc.	78,270	2,001,364
Sterling Bancorp	115,060	1,380,720
Synovus Financial Corp.	67,760	1,651,989
TowneBank	53,941	847,413
Union Bankshares Corp.	60,050	1,540,282
Wintrust Financial Corp.	69,527	3,198,242
Total		49,343,428
Capital Markets 0.7%		
GFI Group, Inc.	210,237	697,987
INTL FCStone, Inc.[a]	99,935	1,990,705
Total		2,688,692

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Consumer Finance 0.6%		
Cash America International, Inc.	52,283	2,322,934
Diversified Financial Services 0.8%		
Interactive Brokers Group, Inc., Class A	76,124	1,772,928
Pico Holdings, Inc.[a]	54,879	1,303,925
Total		3,076,853
Insurance 6.7%		
American Equity Investment Life Holding Co.	120,800	2,971,680
Argo Group International Holdings Ltd.	56,353	2,880,202
Baldwin & Lyons, Inc., Class B	55,628	1,442,990
EMC Insurance Group, Inc.	43,570	1,341,085
FBL Financial Group, Inc., Class A	35,379	1,627,434
Hanover Insurance Group, Inc. (The)	44,555	2,813,648
Horace Mann Educators Corp.	73,310	2,292,404
National Western Life Insurance Co., Class A	9,402	2,344,953
Navigators Group, Inc. (The)[a]	23,980	1,607,859
Safety Insurance Group, Inc.	31,855	1,636,710
Symetra Financial Corp.	159,625	3,629,872
United Fire Group, Inc.	66,550	1,951,246
Total		26,540,083
Real Estate Investment Trusts (REITs) 10.0%		
AG Mortgage Investment Trust, Inc.	87,465	1,655,712
Apollo Residential Mortgage, Inc.	83,790	1,400,969
Associated Estates Realty Corp.	102,039	1,838,743
Brandywine Realty Trust	187,820	2,929,992
Campus Crest Communities, Inc.	159,978	1,385,409
CareTrust REIT, Inc.[a]	22,802	451,480
Chesapeake Lodging Trust	96,993	2,932,098
Cousins Properties, Inc.	238,291	2,966,723
CYS Investments, Inc.	261,210	2,356,114
Highwoods Properties, Inc.	98,770	4,143,402
LaSalle Hotel Properties	82,690	2,918,130
National Health Investors, Inc.	35,497	2,220,692
Post Properties, Inc.	37,180	1,987,643
Potlatch Corp.	61,257	2,536,040
Rexford Industrial Realty, Inc.	69,893	995,276
Sabra Health Care REIT, Inc.	70,250	2,016,878
Sunstone Hotel Investors, Inc.	176,816	2,639,863

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Terreno Realty Corp.	109,207	2,110,971
Total		39,486,135
Thrifts & Mortgage Finance 2.6%		
Bank Mutual Corp.	249,280	1,445,824
BankFinancial Corp.	125,538	1,401,004
Brookline Bancorp, Inc.	166,240	1,557,669
MGIC Investment Corp.[(a)]	124,863	1,153,734
Washington Federal, Inc.	128,895	2,891,115
Westfield Financial, Inc.	107,259	800,152
WSFS Financial Corp.	17,465	1,286,647
Total		10,536,145
Total Financials		**133,994,270**
Health Care 4.3%		
Biotechnology 0.3%		
Ariad Pharmaceuticals, Inc.[(a)]	225,520	1,436,562
Health Care Equipment & Supplies 0.5%		
Masimo Corp.[(a)]	81,684	1,927,742
Health Care Providers & Services 2.4%		
Centene Corp.[(a)]	9,440	713,759
Chemed Corp.	27,883	2,613,195
Ensign Group, Inc. (The)	22,802	708,686
Molina Healthcare, Inc.[(a)]	63,210	2,821,062
Owens & Minor, Inc.	74,100	2,517,918
Total		9,374,620
Pharmaceuticals 1.1%		
Impax Laboratories, Inc.[(a)]	105,850	3,174,442
Supernus Pharmaceuticals, Inc.[(a)]	110,432	1,209,230
Total		4,383,672
Total Health Care		**17,122,596**
Industrials 13.0%		
Aerospace & Defense 2.0%		
Esterline Technologies Corp.[(a)]	34,030	3,917,533
KEYW Holding Corp. (The)[(a)]	124,360	1,563,205
Orbital Sciences Corp.[(a)]	87,443	2,583,941
Total		8,064,679
Airlines 0.4%		
Skywest, Inc.	136,864	1,672,478

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Building Products 0.5%		
Universal Forest Products, Inc.	38,300	1,848,741
Commercial Services & Supplies 1.5%		
Ennis, Inc.	65,292	996,356
Steelcase, Inc., Class A	169,400	2,563,022
Unifirst Corp.	22,160	2,348,960
Total		5,908,338
Construction & Engineering 0.2%		
Layne Christensen Co.[(a)]	54,519	725,103
Electrical Equipment 1.2%		
General Cable Corp.	102,770	2,637,078
GrafTech International Ltd.[(a)]	204,818	2,142,397
Total		4,779,475
Machinery 5.9%		
Albany International Corp., Class A	33,985	1,290,071
Altra Industrial Motion Corp.	59,587	2,168,371
Briggs & Stratton Corp.	96,481	1,974,001
Dynamic Materials Corp.	59,068	1,307,175
EnPro Industries, Inc.[(a)]	27,876	2,039,408
FreightCar America, Inc.	45,538	1,140,271
Gorman-Rupp Co.	32,426	1,146,908
Hardinge, Inc.	46,840	592,526
Kadant, Inc.	36,286	1,395,197
LB Foster Co., Class A	45,184	2,445,358
Lydall, Inc.[(a)]	22,666	620,368
Mueller Industries, Inc.	90,968	2,675,369
Standex International Corp.	31,373	2,336,661
Titan International, Inc.	68,193	1,147,006
Twin Disc, Inc.	35,538	1,174,531
Total		23,453,221
Road & Rail 1.1%		
Heartland Express, Inc.	72,173	1,540,172
Werner Enterprises, Inc.	105,748	2,803,379
Total		4,343,551
Trading Companies & Distributors 0.2%		
Houston Wire & Cable Co.	61,370	761,602
Total Industrials		**51,557,188**

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Information Technology 12.4%		
Communications Equipment 1.2%		
Digi International, Inc.(a)	80,300	756,426
Harmonic, Inc.(a)	190,478	1,420,966
Plantronics, Inc.	24,890	1,195,964
Polycom, Inc.(a)	113,340	1,420,150
Total		4,793,506
Electronic Equipment, Instruments & Components 1.0%		
GSI Group, Inc.(a)	104,997	1,336,612
MTS Systems Corp.	17,409	1,179,634
OSI Systems, Inc.(a)	20,280	1,353,690
Total		3,869,936
Internet Software & Services 0.5%		
j2 Global, Inc.	39,936	2,031,145
IT Services 1.5%		
Global Cash Access Holdings, Inc.(a)	118,137	1,051,419
Lionbridge Technologies, Inc.(a)	161,470	959,132
MoneyGram International, Inc.(a)	109,188	1,608,339
TeleTech Holdings, Inc.(a)	73,850	2,140,912
Total		5,759,802
Semiconductors & Semiconductor Equipment 5.7%		
Audience, Inc.(a)	61,410	734,464
Entegris, Inc.(a)	204,630	2,812,639
Fairchild Semiconductor International, Inc.(a)	75,450	1,177,020
Integrated Device Technology, Inc.(a)	158,140	2,444,844
International Rectifier Corp.(a)	74,010	2,064,879
IXYS Corp.	94,216	1,160,741
M/A-COM Technology Solutions Holdings, Inc.(a)	69,554	1,563,574
Microsemi Corp.(a)	64,800	1,734,048
MKS Instruments, Inc.	58,475	1,826,759
OmniVision Technologies, Inc.(a)	93,458	2,054,207
RF Micro Devices, Inc.(a)	263,210	2,524,184
Silicon Image, Inc.(a)	233,160	1,175,126
Spansion, Inc., Class A(a)	52,100	1,097,747
Total		22,370,232
Software 2.5%		
EnerNOC, Inc.(a)	79,272	1,502,204
ePlus, Inc.(a)	15,850	922,470
Mentor Graphics Corp.	153,820	3,317,897
Netscout Systems, Inc.(a)	42,570	1,887,554
Progress Software Corp.(a)	29,440	707,738
Silver Spring Networks, Inc.(a)	53,670	715,421
Tangoe, Inc.(a)	66,360	999,382
Total		10,052,666
Total Information Technology		**48,877,287**
Materials 5.8%		
Chemicals 3.4%		
A. Schulman, Inc.	58,120	2,249,244
Kraton Performance Polymers, Inc.(a)	79,931	1,789,655
LSB Industries, Inc.(a)	43,648	1,818,812
Olin Corp.	74,677	2,010,305
OM Group, Inc.	83,153	2,696,652
Tronox Ltd., Class A	104,993	2,824,312
Total		13,388,980
Containers & Packaging 1.2%		
Greif, Inc., Class A	85,149	4,645,729
Metals & Mining 1.2%		
Hecla Mining Co.	431,910	1,490,090
Olympic Steel, Inc.	68,576	1,697,256
Stillwater Mining Co.(a)	91,290	1,602,139
Total		4,789,485
Total Materials		**22,824,194**
Telecommunication Services 0.6%		
Diversified Telecommunication Services 0.2%		
magicJack VocalTec Ltd.(a)	58,280	881,194
Wireless Telecommunication Services 0.4%		
Shenandoah Telecommunications Co.	45,244	1,378,132
Total Telecommunication Services		**2,259,326**
Utilities 6.9%		
Electric Utilities 3.3%		
Allete, Inc.	36,419	1,870,116
El Paso Electric Co.	70,640	2,840,434
IDACORP, Inc.	64,400	3,724,252
MGE Energy, Inc.	42,190	1,666,927
Portland General Electric Co.	90,045	3,121,860
Total		13,223,589

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Gas Utilities 2.1%		
Laclede Group, Inc. (The)	57,351	2,784,391
Southwest Gas Corp.	64,661	3,413,454
WGL Holdings, Inc.	49,520	2,134,312
Total		8,332,157
Multi-Utilities 1.5%		
Avista Corp.	83,170	2,787,858
Vectren Corp.	71,905	3,055,963
Total		5,843,821
Total Utilities		**27,399,567**
Total Common Stocks (Cost: $321,882,783)		**387,263,076**

Exchange-Traded Funds 0.3%

	Shares	Value ($)
iShares Russell 2000 Value ETF	11,690	1,207,109
Total Exchange-Traded Funds (Cost: $1,132,550)		**1,207,109**

Money Market Funds 2.3%

Columbia Short-Term Cash Fund, 0.095%[b][c]	9,285,263	9,285,263
Total Money Market Funds (Cost: $9,285,263)		**9,285,263**
Total Investments (Cost: $332,300,596)		**397,755,448**
Other Assets & Liabilities, Net		(1,513,549)
Net Assets		**396,241,899**

Notes to Portfolio of Investments

(a) Non-income producing.

(b) The rate shown is the seven-day current annualized yield at June 30, 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 period ended June 30, 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	41,890,637	(43,673,690)	9,285,263	3,226	9,285,263

Abbreviation Legend

MGIC Mortgage Guaranty Insurance Corporation

Fair Value Measurements

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

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments 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.

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

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

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

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

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

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

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

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

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are or are not readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

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

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at June 30, 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	41,202,246	—	—	41,202,246
Consumer Staples	11,954,132	—	—	11,954,132
Energy	30,072,270	—	—	30,072,270
Financials	133,994,270	—	—	133,994,270
Health Care	17,122,596	—	—	17,122,596
Industrials	51,557,188	—	—	51,557,188
Information Technology	48,877,287	—	—	48,877,287
Materials	22,824,194	—	—	22,824,194
Telecommunication Services	2,259,326	—	—	2,259,326
Utilities	27,399,567	—	—	27,399,567
Exchange-Traded Funds	1,207,109	—	—	1,207,109
Total Equity Securities	388,470,185	—	—	388,470,185
Mutual Funds				
Money Market Funds	9,285,263	—	—	9,285,263
Total Mutual Funds	9,285,263	—	—	9,285,263
Investments in Securities	397,755,448	—	—	397,755,448
Total	397,755,448	—	—	397,755,448

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

June 30, 2014 (Unaudited)

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $323,015,333)	$388,470,185
Affiliated issuers (identified cost $9,285,263)	9,285,263
Total investments (identified cost $332,300,596)	397,755,448
Receivable for:	
Investments sold	220,492
Capital shares sold	227,579
Dividends	540,265
Reclaims	4,983
Expense reimbursement due from Investment Manager	21,640
Trustees' deferred compensation plan	45,879
Total assets	398,816,286
Liabilities	
Payable for:	
Investments purchased	1,798,927
Capital shares purchased	267,144
Investment management fees	262,185
Distribution and/or service fees	81,282
Transfer agent fees	19,912
Administration fees	26,551
Chief compliance officer expenses	50
Other expenses	72,457
Trustees' deferred compensation plan	45,879
Total liabilities	2,574,387
Net assets applicable to outstanding capital stock	**$396,241,899**
Represented by	
Paid-in capital	$265,270,977
Undistributed net investment income	2,945,135
Accumulated net realized gain	62,570,881
Unrealized appreciation (depreciation) on:	
Investments	65,454,852
Foreign currency translations	54
Total — representing net assets applicable to outstanding capital stock	**$396,241,899**
Class 1	
Net assets	$8,060,539
Shares outstanding	372,281
Net asset value per share	$21.65
Class 2	
Net assets	$388,181,360
Shares outstanding	18,003,743
Net asset value per share	$21.56

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

Statement of Operations
Six Months Ended June 30, 2014 (Unaudited)

Net investment income	
Income:	
Dividends — unaffiliated issuers	$3,206,100
Dividends — affiliated issuers	3,226
Total income	3,209,326
Expenses:	
Investment management fees	1,505,059
Distribution and/or service fees	
Class 2	466,631
Transfer agent fees	
Class 1	2,317
Class 2	111,989
Administration fees	152,413
Compensation of board members	15,221
Custodian fees	18,681
Printing and postage fees	38,000
Professional fees	16,477
Chief compliance officer expenses	103
Other	3,691
Total expenses	2,330,582
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(310,815)
Total net expenses	2,019,767
Net investment income	1,189,559
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	16,537,754
Net realized gain	16,537,754
Net change in unrealized appreciation (depreciation) on:	
Investments	3,929,806
Foreign currency translations	(5)
Net change in unrealized appreciation (depreciation)	3,929,801
Net realized and unrealized gain	20,467,555
Net increase in net assets resulting from operations	**$21,657,114**

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations		
Net investment income	$1,189,559	$1,825,059
Net realized gain	16,537,754	48,733,437
Net change in unrealized appreciation (depreciation)	3,929,801	52,133,320
Net increase in net assets resulting from operations	21,657,114	102,691,816
Distributions to shareholders		
Net investment income		
Class 1	—	(81,752)
Class 2	—	(3,409,393)
Total distributions to shareholders	—	(3,491,145)
Increase (decrease) in net assets from capital stock activity	(13,457,723)	(30,353,275)
Total increase in net assets	8,199,391	68,847,396
Net assets at beginning of period	388,042,508	319,195,112
Net assets at end of period	**$396,241,899**	**$388,042,508**
Undistributed net investment income	$2,945,135	$1,755,576

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

Statements of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2014 (Unaudited)		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	27,961	567,218	71,472	1,230,784
Distributions reinvested	—	—	4,395	81,752
Redemptions	(50,804)	(1,043,250)	(1,013,265)	(17,843,148)
Net decrease	(22,843)	(476,032)	(937,398)	(16,530,612)
Class 2 shares				
Subscriptions	615,084	12,540,351	1,859,711	34,089,320
Distributions reinvested	—	—	183,795	3,409,393
Redemptions	(1,244,207)	(25,522,042)	(2,852,960)	(51,321,376)
Net decrease	(629,123)	(12,981,691)	(809,454)	(13,822,663)
Total net decrease	**(651,966)**	**(13,457,723)**	**(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.

Class 1	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per share data						
Net asset value, beginning of period	$20.46	$15.41	$14.59	$17.53	$14.01	$11.35
Income from investment operations:						
Net investment income	0.08	0.11	0.16	0.12	0.13	0.12
Net realized and unrealized gain (loss)	1.11	5.14	1.44	(1.04)	3.58	2.70
Total from investment operations	1.19	5.25	1.60	(0.92)	3.71	2.82
Less distributions to shareholders:						
Net investment income	—	(0.20)	(0.07)	(0.17)	(0.19)	(0.14)
Net realized gains	—	—	(0.71)	(1.85)	—	(0.02)
Total distributions to shareholders	—	(0.20)	(0.78)	(2.02)	(0.19)	(0.16)
Net asset value, end of period	$21.65	$20.46	$15.41	$14.59	$17.53	$14.01
Total return	5.82%	34.22%	11.40%	(5.96%)	26.75%	25.16%
Ratios to average net assets[(a)]						
Total gross expenses	0.98%[(b)]	0.98%[(c)]	1.00%	0.98%[(c)]	0.93%[(c)]	0.92%
Total net expenses[(d)]	0.88%[(b)]	0.88%[(c)]	0.88%	0.90%[(c)]	0.93%[(c)(e)(f)]	0.92%[(e)]
Net investment income	0.81%[(b)]	0.63%	1.06%	0.76%	0.85%	0.99%
Supplemental data						
Net assets, end of period (in thousands)	$8,061	$8,084	$20,532	$25,058	$29,529	$23,538
Portfolio turnover	20%	58%	49%	32%	39%	43%

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) Annualized.

(c) Ratios include line of credit interest expense which is less than 0.01%.

(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.

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

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

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

Financial Highlights *(continued)*

Class 2	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per share data						
Net asset value, beginning of period	$20.39	$15.36	$14.54	$17.49	$13.98	$11.31
Income from investment operations:						
Net investment income	0.06	0.09	0.14	0.10	0.09	0.10
Net realized and unrealized gain (loss)	1.11	5.12	1.43	(1.04)	3.58	2.70
Total from investment operations	1.17	5.21	1.57	(0.94)	3.67	2.80
Less distributions to shareholders:						
Net investment income	—	(0.18)	(0.04)	(0.16)	(0.16)	(0.11)
Net realized gains	—	—	(0.71)	(1.85)	—	(0.02)
Total distributions to shareholders	—	(0.18)	(0.75)	(2.01)	(0.16)	(0.13)
Net asset value, end of period	$21.56	$20.39	$15.36	$14.54	$17.49	$13.98
Total return	5.74%	34.04%	11.25%	(6.13%)	26.46%	25.00%
Ratios to average net assets[a]						
Total gross expenses	1.23%[b]	1.23%[c]	1.25%	1.23%[c]	1.18%[c]	1.17%
Total net expenses[d]	1.06%[b]	1.03%[c]	1.03%	1.05%[c]	1.10%[c][e][f]	1.10%[f]
Net investment income	0.62%[b]	0.51%	0.93%	0.61%	0.61%	0.81%
Supplemental data						
Net assets, end of period (in thousands)	$388,181	$379,959	$298,663	$266,172	$293,600	$436,346
Portfolio turnover	20%	58%	49%	32%	39%	43%

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) Annualized.

(c) Ratios include line of credit interest expense which is less than 0.01%.

(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.

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

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

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

Notes to Financial Statements
June 30, 2014 (Unaudited)

Note 1. Organization

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

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and variable life insurance policies (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.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

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

The following is a summary of significant accounting policies 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

Notes to Financial Statements *(continued)*
June 30, 2014 (Unaudited)

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 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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

companies. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at the 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 0.79% to 0.70% as the Fund's net assets increase. The annualized effective investment management fee rate for the six months ended June 30, 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 annualized effective administration fee rate for the six months ended June 30, 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 May 1, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.88%	0.88%
Class 2	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

Notes to Financial Statements *(continued)*
June 30, 2014 (Unaudited)

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.

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 June 30, 2014, the cost of investments for federal income tax purposes was approximately $332,301,000 and the aggregate gross approximate unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$75,528,000
Unrealized depreciation	(10,074,000)
Net unrealized appreciation	$65,454,000

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

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $76,589,989 and $88,621,983, respectively, for the six months ended June 30, 2014. The amount of purchase and sales 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 June 30, 2014, three unaffiliated shareholders of record owned 93.8% 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. whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations.

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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

sector than if it were invested in a wider variety of companies in unrelated sectors.

Note 10. Subsequent Events

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

Note 11. Information Regarding Pending and Settled Legal Proceedings

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

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

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

Board Consideration and Approval of Advisory Agreement

On June 11, 2014, the Board of Trustees (the "Board") and the Trustees who are not interested persons (as defined in the Investment Company Act of 1940) of the Trust (the "Independent Trustees") unanimously approved the continuation of the Investment Management Services Agreement (the "Advisory Agreement") with Columbia Management Investment Advisers, LLC (the "Investment Manager") with respect to Columbia Variable Portfolio — Small Cap Value Fund (the "Fund"), a series of the Trust. As detailed below, the Advisory Fees and Expenses Committee (the "Committee") and the Board met on multiple occasions to review and discuss, both among themselves and with the management team of the Investment Manager, materials provided by the Investment Manager before determining to approve the continuation of the Advisory Agreement.

In connection with their deliberations regarding the continuation of the Advisory Agreement, the Committee and the Board evaluated materials requested from the Investment Manager regarding the Fund and the Advisory Agreement, and discussed these materials with representatives of the Investment Manager at Committee meetings held on March 4, 2014, April 30, 2014 and June 10, 2014 and at Board meetings held on April 30, 2014 and June 11, 2014. In addition, the Board considers matters bearing on the Advisory Agreement at most of its other meetings throughout the year and meets regularly with senior management of the Funds and the Investment Manager. Through the Board's Investment Oversight Committees, Trustees also meet with selected Fund portfolio managers and other investment personnel at various times throughout the year. The Committee and the Board also consulted with its independent fee consultant, Fund counsel and with the Independent Trustees' independent legal counsel, who advised on various matters with respect to the Committee's and the Board's considerations and otherwise assisted the Committee and the Board in their deliberations. On June 10, 2014, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On June 11, 2014, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement for the Fund.

The Committee and the Board considered all information that they, their legal counsel, or the Investment Manager believed reasonably necessary to evaluate and to determine whether to approve the continuation of the Advisory Agreement. The information and factors considered by the Committee and the Board in recommending for approval or approving the continuation of the Advisory Agreement for the Fund included the following:

- Information on the investment performance of the Fund relative to the performance of a group of mutual funds determined to be comparable to the Fund by an independent third-party data provider, as well as performance relative to benchmarks;
- Information on the Fund's advisory fees and total expenses, including information comparing the Fund's expenses to those of a group of comparable mutual funds, as determined by the independent third-party data provider;
- The Investment Manager's voluntary agreement to limit or cap total operating expenses for the Fund so that total operating expenses (excluding certain fees and expenses, such as transaction costs and certain other investment related expenses, interest, taxes, acquired fund fees and expenses, and extraordinary expenses) would not exceed the median expenses of a group of comparable funds (as determined by the independent third-party data provider). This agreement may be terminated at any time by the Investment Manager in its sole discretion.;
- The terms and conditions of the Advisory Agreement;
- The current and proposed terms and conditions of other agreements and arrangements with affiliates of the Investment Manager relating to the operations of the Fund, including the Administrative Services Agreement, the Distribution Agreement and the Transfer and Dividend Disbursing Agent Agreement;
- Descriptions of various functions performed by the Investment Manager under the Advisory Agreement, including portfolio management and portfolio trading practices;
- Information regarding the management fees and investment performance of similarly-managed portfolios of other clients of the Investment Manager, including institutional separate accounts;
- Information regarding the reputation, regulatory history and resources of the Investment Manager, including information regarding senior management, portfolio managers and other personnel;
- Information regarding the capabilities of the Investment Manager with respect to compliance monitoring services, including an assessment of the Investment Manager's compliance system by the Fund's Chief Compliance Officer; and
- The profitability to the Investment Manager and its affiliates from their relationships with the Fund.

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

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

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

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

Investment Performance

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

The Committee and the Board noted that, through December 31, 2013, the Fund's performance was in the seventy-fourth, ninety-first and eighty-sixth percentile (where the best performance would be in the first percentile) of its category selected by the independent third-party data provider for the purposes of performance comparisons for the one-, three- and five- year periods, respectively.

The Committee and the Board also considered the Investment Manager's performance and reputation generally, the Investment Manager's historical responsiveness to Board concerns about performance, and the Investment Manager's willingness to take steps intended to improve performance. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the performance of the Fund was sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Investment Advisory Fee Rates and Other Expenses

The Committee and the Board considered the advisory fees charged to the Fund under the Advisory Agreement as well as the total expenses incurred by the Fund. In assessing the reasonableness of the fees under the Advisory Agreement, the Committee and the Board considered, among other information, the Fund's advisory fee and its net expense ratio as a

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

percentage of average daily net assets. The Committee and the Board also considered data provided by the independent fee consultant. The Committee and the Board noted that the Fund's actual management fee and net expense ratio are ranked in the second and third quintiles, respectively, (where the lowest fees and expenses would be in the first quintile) against the Fund's expense universe as determined by the independent third-party data provider for purposes of expense comparison. The Committee and the Board also took into account the fee waiver and expense limitation arrangements agreed to by the Investment Manager, as noted above.

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

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the advisory fee rates and expenses of the Fund were sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Costs of Services Provided and Profitability

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

The Committee and the Board also considered the compensation directly or indirectly received by the Investment Manager's affiliates in connection with their relationships with the Fund. The Committee and the Board reviewed information provided by management as to the profitability of the Investment Manager and its affiliates from their relationships with the Fund, information about the allocation of expenses used to calculate profitability, and comparisons of profitability levels realized in 2013 to profitability levels realized in 2012. When reviewing profitability, the Committee and the Board also considered court cases in which adviser profitability was an issue in whole or in part, the performance of similarly managed funds, the performance of the Fund, and the expense ratio of the Fund. The Committee and the Board also considered information provided by the Investment Manager regarding the Investment Manager's financial condition and comparing its profitability to that of other asset management firms that are, or are subsidiaries of, publicly traded companies.

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

Economies of Scale

The Committee and the Board considered the potential existence of economies of scale in the provision by the Investment Manager of services to the Fund, to groups of related funds, and to the Investment Manager's investment advisory clients as a whole, and whether those economies of scale were shared with the Fund through breakpoints in investment advisory fees or other means, such as expense limitation arrangements and additional investments by the Investment Manager in investment, trading and compliance resources. The Committee and the Board noted that the investment advisory fee schedules for the Fund contained breakpoints that would reduce the fee rate on assets above specified threshold levels.

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

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

Other Benefits to the Investment Manager

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

Conclusion

The Committee and the Board reviewed all of the above considerations in reaching their decisions to recommend or approve the continuation of the Advisory Agreement. In their deliberations, the Trustees did not identify any particular information that was all-important or controlling, and individual Trustees may have attributed different weights to the various factors. Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent legal counsel, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

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Important Information About This Report

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

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

ColumbiaManagement®

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

This information is for use with concurrent or prior delivery of a fund prospectus. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest.** The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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C-1505 E (8/14)

Semiannual Report
June 30, 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.

Not FDIC insured • No bank guarantee • May lose value

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

Performance Overview

(Unaudited)

> Columbia Variable Portfolio — Strategic Income Fund (the Fund) Class 2 shares returned 5.38% for the six-month period that ended June 30, 2014.

> The Fund underperformed its Blended Benchmark, which returned 5.57% for the same time period.

> The Fund outperformed the Barclays U.S. Government/Credit Bond Index, which returned 3.94% for the same six-month period.

Average Annual Total Returns (%) (for period ended June 30, 2014)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1	07/05/94	5.59	8.05	9.06	7.07
Class 2	06/01/00	5.38	7.82	8.79	6.83
Blended Benchmark		5.57	8.60	8.62	7.10
Barclays U.S. Government/Credit Bond Index		3.94	4.28	5.09	4.94

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

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

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

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

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

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

Portfolio Overview
(Unaudited)

Portfolio Breakdown (%) (at June 30, 2014)	
Asset-Backed Securities — Non-Agency	**3.5**
Commercial Mortgage-Backed Securities — Non-Agency	**3.1**
Common Stocks	**0.0[a]**
Financials	0.0[a]
Corporate Bonds & Notes	**41.3**
Foreign Government Obligations	**22.4**
Inflation-Indexed Bonds	**2.6**
Money Market Funds	**2.6**
Municipal Bonds	**0.2**
Residential Mortgage-Backed Securities — Agency	**6.0**
Residential Mortgage-Backed Securities — Non-Agency	**10.5**
Senior Loans	**4.6**
U.S. Treasury Obligations	**3.2**
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 June 30, 2014)	
AAA rating	10.0
AA rating	1.2
A rating	4.1
BBB rating	16.3
BB rating	18.2
B rating	23.6
CCC rating	6.5
Not rated	20.1
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 median rating of Moody's, S&P, and Fitch, as available. 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 one of these agencies, 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 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.

Portfolio Management

Colin Lundgren, CFA

Brian Lavin, CFA

Zach Pandl

Gene Tannuzzo, CFA

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.

January 1, 2014 – June 30, 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	1,055.90	1,021.47	3.42	3.36	0.67
Class 2	1,000.00	1,000.00	1,053.80	1,020.23	4.68	4.61	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

June 30, 2014 (Unaudited)

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes[a] 42.0%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 0.7%			
ADS Tactical, Inc.			
Senior Secured[b]			
04/01/18	11.000%	1,185,000	1,119,825
Bombardier, Inc.[b]			
Senior Unsecured			
04/15/19	4.750%	486,000	494,505
03/15/20	7.750%	278,000	314,182
10/15/22	6.000%	558,000	571,950
01/15/23	6.125%	1,595,000	1,638,862
Northrop Grumman Corp.			
Senior Unsecured			
03/15/21	3.500%	3,045,000	3,167,494
TransDigm, Inc.			
10/15/20	5.500%	83,000	84,361
TransDigm, Inc.[b]			
07/15/22	6.000%	245,000	251,738
07/15/24	6.500%	1,845,000	1,921,106
Total			9,564,023
Airlines 0.1%			
Allegiant Travel Co.			
07/15/19	5.500%	761,000	773,366
Automotive 0.6%			
American Axle & Manufacturing, Inc.			
02/15/19	5.125%	647,000	679,350
03/15/21	6.250%	612,000	657,900
Chrysler Group LLC/Co-Issuer, Inc.			
Secured			
06/15/19	8.000%	1,347,000	1,463,179
06/15/21	8.250%	765,000	864,450
General Motors Co.			
Senior Unsecured[b]			
10/02/23	4.875%	2,385,000	2,510,212
Jaguar Land Rover Automotive PLC[b]			
12/15/18	4.125%	735,000	757,050
02/01/23	5.625%	867,000	921,188
Tenneco, Inc.			
08/15/18	7.750%	16,000	16,680
Titan International, Inc.			
Senior Secured			
10/01/20	6.875%	365,000	370,475
Total			8,240,484
Banking 1.3%			
Agromercantil Senior Trust[b]			
04/10/19	6.250%	725,000	757,625

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Ally Financial, Inc.			
03/15/20	8.000%	4,243,000	5,155,245
09/15/20	7.500%	791,000	953,155
Bank of America Corp.			
Senior Unsecured			
07/24/23	4.100%	1,185,000	1,229,872
Citigroup, Inc.			
Senior Unsecured			
06/16/24	3.750%	1,170,000	1,173,267
Goldman Sachs Group, Inc. (The)			
Senior Unsecured[c]			
07/08/24	3.850%	1,155,000	1,153,475
Grupo Aval Ltd.[b]			
09/26/22	4.750%	500,000	494,375
Industrial Senior Trust[b]			
11/01/22	5.500%	400,000	400,000
JPMorgan Chase & Co.			
Senior Unsecured			
05/13/24	3.625%	1,225,000	1,229,911
Morgan Stanley			
Senior Unsecured			
10/22/20	11.500% BRL	2,515,000	1,189,774
04/29/24	3.875%	750,000	759,090
Popular, Inc.			
Senior Unsecured[c]			
07/01/19	7.000%	238,000	241,570
Royal Bank of Scotland Group PLC			
Subordinated Notes			
05/28/24	5.125%	795,000	807,242
Synovus Financial Corp.			
Senior Unsecured			
02/15/19	7.875%	1,564,000	1,790,780
Total			17,335,381
Brokerage/Asset Managers/Exchanges 0.3%			
E*TRADE Financial Corp.			
Senior Unsecured			
11/15/19	6.375%	1,021,000	1,105,233
Nuveen Investments, Inc.[b]			
Senior Unsecured			
10/15/17	9.125%	720,000	780,300
10/15/20	9.500%	1,391,000	1,648,335
Total			3,533,868
Building Materials 0.7%			
Allegion US Holding Co., Inc.[b]			
10/01/21	5.750%	789,000	830,423

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
American Builders & Contractors Supply Co., Inc. Senior Unsecured[b]			
04/15/21	5.625%	1,704,000	1,763,640
Building Materials Corp. of America Senior Unsecured[b]			
05/01/21	6.750%	1,355,000	1,460,012
Gibraltar Industries, Inc.			
02/01/21	6.250%	272,000	282,880
HD Supply, Inc.			
07/15/20	7.500%	1,895,000	2,070,287
07/15/20	11.500%	500,000	601,250
Interface, Inc.			
12/01/18	7.625%	536,000	562,800
Nortek, Inc.			
04/15/21	8.500%	786,000	868,530
Turkiye Sise ve Cam Fabrikalari AS Senior Unsecured[b]			
05/09/20	4.250%	472,000	456,519
Total			8,896,341
Cable and Satellite 1.6%			
CCO Holdings LLC/Capital Corp.			
04/30/21	6.500%	505,000	537,825
09/30/22	5.250%	904,000	917,560
02/15/23	5.125%	1,440,000	1,452,600
CSC Holdings, Inc. Senior Unsecured			
11/15/21	6.750%	2,488,000	2,749,240
Cequel Communications Holdings I LLC/Capital Corp. Senior Unsecured[b]			
09/15/20	6.375%	849,000	902,063
DISH DBS Corp.			
09/01/19	7.875%	2,212,000	2,626,750
06/01/21	6.750%	1,089,000	1,241,460
07/15/22	5.875%	1,095,000	1,188,075
DigitalGlobe, Inc.			
02/01/21	5.250%	1,720,000	1,702,800
Mediacom Broadband LLC/Corp.[b]			
04/15/21	5.500%	161,000	163,013
NBCUniversal Media LLC			
04/01/21	4.375%	1,195,000	1,318,709
Numericable Group SA[b] Senior Secured			
05/15/19	4.875%	1,030,000	1,057,037
05/15/22	6.000%	1,903,000	1,979,120
05/15/24	6.250%	216,000	225,450
Time Warner Cable, Inc.			
09/15/42	4.500%	15,000	14,602

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Videotron Ltd.			
07/15/22	5.000%	2,267,000	2,329,342
Virgin Media Secured Finance PLC Senior Secured[b]			
04/15/21	5.375%	519,000	544,950
Total			20,950,596
Chemicals 1.1%			
Axalta Coating Systems Dutch Holding B BV/U.S. Holdings, Inc.[b]			
05/01/21	7.375%	880,000	960,520
Celanese U.S. Holdings LLC			
10/15/18	6.625%	8,000	8,360
06/15/21	5.875%	1,104,000	1,217,160
Huntsman International LLC			
11/15/20	4.875%	1,415,000	1,464,525
INEOS Group Holdings SA[b]			
02/15/19	5.875%	1,177,000	1,206,425
JM Huber Corp. Senior Unsecured[b]			
11/01/19	9.875%	1,175,000	1,338,031
LYB International Finance BV			
07/15/23	4.000%	590,000	619,391
NOVA Chemicals Corp. Senior Unsecured[b]			
08/01/23	5.250%	584,000	638,020
PQ Corp. Secured[b]			
05/01/18	8.750%	5,160,000	5,598,600
Rockwood Specialties Group, Inc.			
10/15/20	4.625%	429,000	445,088
Sibur Securities Ltd.[b]			
01/31/18	3.914%	750,000	721,875
Total			14,217,995
Construction Machinery 1.0%			
Ashtead Capital, Inc. Secured[b]			
07/15/22	6.500%	745,000	810,188
CNH Industrial Capital LLC[b]			
07/15/19	3.375%	889,000	882,332
Case New Holland Industrial, Inc.			
12/01/17	7.875%	4,612,000	5,372,980
Columbus McKinnon Corp.			
02/01/19	7.875%	381,000	406,718
H&E Equipment Services, Inc.			
09/01/22	7.000%	1,541,000	1,702,805

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
United Rentals North America, Inc.			
04/15/22	7.625%	1,445,000	1,622,012
06/15/23	6.125%	814,000	873,015
11/15/24	5.750%	722,000	749,978
Secured			
07/15/18	5.750%	777,000	821,677
Total			13,241,705
Consumer Cyclical Services 0.7%			
ADT Corp. (The)			
Senior Unsecured			
07/15/22	3.500%	1,367,000	1,243,970
06/15/23	4.125%	1,250,000	1,153,125
APX Group, Inc.			
12/01/20	8.750%	1,675,000	1,700,125
Senior Secured			
12/01/19	6.375%	3,655,000	3,792,062
APX Group, Inc.[b]			
Senior Unsecured			
12/01/20	8.750%	89,000	90,780
Carlson Travel Holdings, Inc.			
Senior Unsecured PIK[b][c]			
08/15/19	7.500%	557,000	568,140
Monitronics International, Inc.			
04/01/20	9.125%	946,000	1,009,855
Total			9,558,057
Consumer Products 0.5%			
Revlon Consumer Products Corp.			
02/15/21	5.750%	2,056,000	2,112,540
Serta Simmons Holdings LLC			
Senior Unsecured[b]			
10/01/20	8.125%	1,863,000	2,016,697
Spectrum Brands, Inc.			
03/15/20	6.750%	309,000	331,403
11/15/20	6.375%	829,000	891,175
11/15/22	6.625%	281,000	304,183
Tempur Sealy International, Inc.			
12/15/20	6.875%	308,000	337,260
Total			5,993,258
Diversified Manufacturing 0.6%			
Actuant Corp.			
06/15/22	5.625%	610,000	640,500
Amsted Industries, Inc.[b]			
03/15/22	5.000%	961,000	961,000
Entegris, Inc.[b]			
04/01/22	6.000%	1,007,000	1,037,210

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Gardner Denver, Inc.			
Senior Unsecured[b]			
08/15/21	6.875%	1,091,000	1,145,550
Gates Global LLC/Co.			
Senior Unsecured[b]			
07/15/22	6.000%	612,000	612,000
Hamilton Sundstrand Corp.			
Senior Unsecured[b]			
12/15/20	7.750%	2,033,000	2,175,310
Metalloinvest Finance Ltd.[b]			
07/21/16	6.500%	1,000,000	1,046,087
Total			7,617,657
Electric 1.7%			
AES Corp. (The)			
Senior Unsecured			
07/01/21	7.375%	1,441,000	1,685,970
Calpine Corp.			
Senior Secured[b]			
01/15/22	6.000%	1,543,000	1,664,511
CenterPoint Energy Houston Electric LLC			
04/01/44	4.500%	1,265,000	1,334,629
Companhia de Eletricidade do Estad			
04/27/16	11.750% BRL	1,837,000	808,546
Dominion Resources, Inc.			
Senior Unsecured			
03/15/21	4.450%	880,000	967,208
09/15/22	2.750%	820,000	800,735
Duke Energy Corp.			
Senior Unsecured			
09/15/21	3.550%	175,000	182,964
08/15/22	3.050%	3,642,000	3,627,388
NRG Energy, Inc.[b]			
07/15/22	6.250%	2,515,000	2,659,613
Oncor Electric Delivery Co. LLC			
Senior Secured			
06/01/42	5.300%	1,460,000	1,717,185
PPL Capital Funding, Inc.			
06/01/23	3.400%	2,475,000	2,478,539
Progress Energy, Inc.			
Senior Unsecured			
04/01/22	3.150%	2,230,000	2,236,639
Southern California Edison Co.			
1st Refunding Mortgage			
06/01/21	3.875%	1,330,000	1,434,342
Xcel Energy, Inc.			
Senior Unsecured			
05/15/20	4.700%	525,000	586,470
Total			22,184,739

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Environmental 0.1%			
Clean Harbors, Inc.			
08/01/20	5.250%	550,000	567,187
Corp. Azucarera del Peru SA[b]			
08/02/22	6.375%	500,000	472,571
Total			1,039,758
Finance Companies 1.3%			
AerCap Ireland Capital Ltd./Global Aviation Trust[b]			
05/15/21	4.500%	1,339,000	1,362,432
Aircastle Ltd. Senior Unsecured			
03/15/21	5.125%	608,000	629,280
CIT Group, Inc. Senior Unsecured			
05/15/20	5.375%	900,000	966,093
08/15/22	5.000%	435,000	450,225
CIT Group, Inc.[b] Senior Unsecured			
02/15/19	5.500%	1,616,000	1,753,360
International Lease Finance Corp. Senior Unsecured			
04/15/18	3.875%	377,000	386,425
04/01/19	5.875%	359,000	394,900
05/15/19	6.250%	533,000	596,960
12/15/20	8.250%	2,026,000	2,502,110
04/15/21	4.625%	945,000	975,713
01/15/22	8.625%	1,094,000	1,372,970
Provident Funding Associates LP/Finance Corp. Senior Unsecured[b]			
02/15/19	10.125%	269,000	291,865
Provident Funding Associates LP/PFG Finance Corp.[b]			
06/15/21	6.750%	1,468,000	1,486,350
Springleaf Finance Corp.			
12/15/17	6.900%	807,000	895,770
06/01/20	6.000%	568,000	587,880
10/01/21	7.750%	722,000	812,250
10/01/23	8.250%	498,000	567,720
iStar Financial, Inc Senior Unsecured			
07/01/19	5.000%	839,000	839,000
Total			16,871,303
Food and Beverage 1.0%			
Aramark Services, Inc.			
03/15/20	5.750%	1,060,000	1,120,950
B&G Foods, Inc.			
06/01/21	4.625%	1,733,000	1,737,332
ConAgra Foods, Inc. Senior Unsecured			
09/15/22	3.250%	2,025,000	1,993,943
Cosan Luxembourg SA[b]			
03/14/23	5.000%	200,000	190,539
Darling Ingredients, Inc.[b]			
01/15/22	5.375%	1,354,000	1,404,775
Diamond Foods, Inc.[b]			
03/15/19	7.000%	303,000	317,393
Heineken NV Senior Unsecured[b]			
04/01/22	3.400%	1,700,000	1,717,741
MHP SA[b]			
04/02/20	8.250%	2,100,000	1,921,500
Pinnacle Foods Finance LLC/Corp.			
05/01/21	4.875%	194,000	198,365
Post Holdings, Inc.[b]			
12/15/22	6.000%	731,000	745,620
SABMiller Holdings, Inc.[b]			
01/15/22	3.750%	1,045,000	1,082,061
Total			12,430,219
Gaming 1.4%			
MCE Finance Ltd.[b]			
02/15/21	5.000%	2,703,000	2,730,030
MGM Resorts International			
03/01/18	11.375%	901,000	1,171,300
10/01/20	6.750%	176,000	196,460
12/15/21	6.625%	2,959,000	3,291,887
Penn National Gaming, Inc. Senior Unsecured[b]			
11/01/21	5.875%	571,000	541,023
Pinnacle Entertainment, Inc.			
08/01/21	6.375%	2,427,000	2,560,485
Seminole Tribe of Florida, Inc.[b] Senior Secured			
10/01/20	6.535%	65,000	72,475
Senior Unsecured			
10/01/20	7.804%	135,000	148,677
Seneca Gaming Corp.[b]			
12/01/18	8.250%	1,340,000	1,423,750
Studio City Finance Ltd.[b]			
12/01/20	8.500%	820,000	909,380
SugarHouse HSP Gaming LP/Finance Corp. Senior Secured[b]			
06/01/21	6.375%	1,470,000	1,440,600

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Tunica-Biloxi Gaming Authority			
Senior Unsecured[b]			
11/15/15	9.000%	923,000	526,110
Wynn Macau Ltd.			
Senior Unsecured[b]			
10/15/21	5.250%	3,332,000	3,423,630
Total			18,435,807
Health Care 2.6%			
Acadia Healthcare Co., Inc.[b][c]			
07/01/22	5.125%	303,000	303,758
Amsurg Corp.			
11/30/20	5.625%	419,000	423,190
Biomet, Inc.			
08/01/20	6.500%	581,000	626,028
CHS/Community Health Systems, Inc.[b]			
02/01/22	6.875%	1,808,000	1,916,480
Senior Secured			
08/01/21	5.125%	330,000	338,250
Catamaran Corp.			
03/15/21	4.750%	321,000	324,210
ConvaTec Healthcare E SA			
Senior Unsecured[b]			
12/15/18	10.500%	2,150,000	2,327,375
DaVita HealthCare Partners, Inc.			
08/15/22	5.750%	1,848,000	1,975,050
07/15/24	5.125%	1,819,000	1,830,369
Emdeon, Inc.			
12/31/19	11.000%	1,275,000	1,466,250
Envision Healthcare Corp.[b]			
07/01/22	5.125%	703,000	709,151
Fresenius Medical Care U.S. Finance II, Inc.[b]			
07/31/19	5.625%	386,000	420,740
01/31/22	5.875%	801,000	885,105
Fresenius Medical Care U.S. Finance, Inc.[b]			
09/15/18	6.500%	163,000	184,190
HCA Holdings, Inc.			
Senior Unsecured			
02/15/21	6.250%	621,000	666,799
HCA, Inc.			
02/15/22	7.500%	900,000	1,038,375
05/01/23	5.875%	1,340,000	1,401,975
Senior Secured			
03/15/19	3.750%	540,000	544,725
02/15/20	6.500%	1,831,000	2,059,875
05/01/23	4.750%	795,000	794,006

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
IMS Health, Inc.			
Senior Unsecured[b]			
11/01/20	6.000%	586,000	615,300
Kinetic Concepts, Inc./KCI U.S.A., Inc.			
Secured			
11/01/18	10.500%	505,000	572,544
LifePoint Hospitals, Inc.[b]			
12/01/21	5.500%	1,613,000	1,693,650
MPH Acquisition Holdings LLC[b]			
04/01/22	6.625%	1,197,000	1,253,857
Physio-Control International, Inc.			
Senior Secured[b]			
01/15/19	9.875%	951,000	1,050,855
STHI Holding Corp.			
Secured[b]			
03/15/18	8.000%	403,000	427,180
Teleflex, Inc.[b]			
06/15/24	5.250%	95,000	95,950
Tenet Healthcare Corp.			
Senior Secured			
10/01/20	6.000%	1,443,000	1,565,655
04/01/21	4.500%	1,919,000	1,930,994
Senior Unsecured			
04/01/22	8.125%	2,721,000	3,149,557
Tenet Healthcare Corp.[b]			
Senior Unsecured			
03/01/19	5.000%	387,000	392,321
Total			32,983,764
Healthcare Insurance —%			
Centene Corp.			
Senior Unsecured			
05/15/22	4.750%	552,000	560,280
Home Construction 0.3%			
Brookfield Residential Properties, Inc./U.S. Corp.[b]			
07/01/22	6.125%	373,000	387,920
KB Home			
05/15/19	4.750%	220,000	221,650
Meritage Homes Corp.			
03/01/18	4.500%	575,000	590,812
04/15/20	7.150%	367,000	409,205
04/01/22	7.000%	691,000	760,964
Shea Homes LP/Funding Corp.			
Senior Secured			
05/15/19	8.625%	706,000	769,540

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Taylor Morrison Communities, Inc./Monarch, Inc.[b]			
04/15/20	7.750%	180,000	196,650
04/15/20	7.750%	706,000	771,305
04/15/21	5.250%	39,000	39,585
Total			4,147,631
Independent Energy 5.7%			
Afren PLC			
Senior Secured[b]			
12/09/20	6.625%	2,722,000	2,816,323
Antero Resources Corp.[b]			
12/01/22	5.125%	844,000	867,210
Antero Resources Finance Corp.			
11/01/21	5.375%	649,000	673,338
Athlon Holdings LP/Finance Corp.[b]			
04/15/21	7.375%	1,854,000	2,020,860
05/01/22	6.000%	1,002,000	1,037,070
Canadian Oil Sands Ltd.[b]			
04/01/22	4.500%	1,475,000	1,558,231
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	1,083,000	1,141,211
Chesapeake Energy Corp.			
08/15/20	6.625%	1,355,000	1,561,637
02/15/21	6.125%	2,851,000	3,193,120
03/15/23	5.750%	2,086,000	2,317,963
Cimarex Energy Co.			
05/01/22	5.875%	786,000	868,530
06/01/24	4.375%	303,000	308,681
Comstock Resources, Inc.			
06/15/20	9.500%	2,302,000	2,624,280
Concho Resources, Inc.			
01/15/21	7.000%	875,000	960,313
01/15/22	6.500%	1,430,000	1,576,575
04/01/23	5.500%	1,141,000	1,226,575
Continental Resources, Inc.			
09/15/22	5.000%	3,282,000	3,569,175
EP Energy LLC/Everest Acquisition Finance, Inc.			
09/01/22	7.750%	1,207,000	1,360,892
EP Energy LLC/Finance, Inc.			
Senior Unsecured			
05/01/20	9.375%	931,000	1,070,650
EXCO Resources, Inc.			
04/15/22	8.500%	1,572,000	1,697,760
Halcon Resources Corp.			
07/15/20	9.750%	414,000	451,778
05/15/21	8.875%	1,375,000	1,478,125
Hilcorp Energy I LP/Finance Co.			
Senior Unsecured[b][c]			
12/01/24	5.000%	619,000	619,000

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Kodiak Oil & Gas Corp.			
12/01/19	8.125%	1,070,000	1,185,025
01/15/21	5.500%	2,222,000	2,316,435
02/01/22	5.500%	2,752,000	2,855,200
Laredo Petroleum, Inc.			
02/15/19	9.500%	2,975,000	3,265,062
01/15/22	5.625%	1,249,000	1,291,154
05/01/22	7.375%	822,000	918,585
MEG Energy Corp.[b]			
01/30/23	6.375%	674,000	716,125
03/31/24	7.000%	905,000	997,763
Novatek Finance Ltd.			
Senior Unsecured[b]			
02/21/17	7.750% RUB	47,000,000	1,331,120
Oasis Petroleum, Inc.			
02/01/19	7.250%	1,990,000	2,109,400
11/01/21	6.500%	1,254,000	1,348,050
01/15/23	6.875%	443,000	482,870
Oasis Petroleum, Inc.[b]			
03/15/22	6.875%	1,991,000	2,170,190
Parsley Energy LLC/Finance Corp.			
Senior Unsecured[b]			
02/15/22	7.500%	2,060,000	2,199,050
QEP Resources, Inc.			
Senior Unsecured			
03/01/21	6.875%	2,073,000	2,326,942
05/01/23	5.250%	1,766,000	1,805,735
RKI Exploration & Production LLC/Finance Corp.[b]			
08/01/21	8.500%	362,000	392,770
Range Resources Corp.			
03/15/23	5.000%	1,850,000	1,970,250
Rose Rock Midstream LP/ Finance Corp.[b][c]			
07/15/22	5.625%	363,000	367,538
SM Energy Co.			
Senior Unsecured			
11/15/21	6.500%	621,000	672,233
01/01/23	6.500%	405,000	438,413
01/15/24	5.000%	806,000	801,970
SandRidge Energy, Inc.			
10/15/22	8.125%	611,000	672,864
02/15/23	7.500%	218,000	236,530
Tullow Oil PLC[b]			
04/15/22	6.250%	2,500,000	2,593,750
Whiting Petroleum Corp.			
10/01/18	6.500%	74,000	77,145
03/15/21	5.750%	1,204,000	1,318,380
Zhaikmunai LLP			
11/13/19	7.125%	1,406,000	1,529,025
Total			73,388,871

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Leisure 0.5%			
AMC Entertainment, Inc.			
12/01/20	9.750%	752,000	857,280
Activision Blizzard, Inc.[b]			
09/15/21	5.625%	3,276,000	3,529,890
09/15/23	6.125%	272,000	299,200
Cedar Fair LP/Canada's Wonderland Co./Magnum Management Corp.			
03/15/21	5.250%	1,000,000	1,030,000
Cedar Fair LP/Canada's Wonderland Co./Magnum Management Corp.[b]			
06/01/24	5.375%	414,000	419,175
Six Flags, Inc.[b][d][e][f]			
06/01/44	9.625%	95,000	—
Total			6,135,545
Lodging 0.5%			
Choice Hotels International, Inc.			
07/01/22	5.750%	431,000	462,575
Hilton Worldwide Finance/Corp.[b]			
10/15/21	5.625%	3,279,000	3,483,938
Playa Resorts Holding BV			
Senior Unsecured[b]			
08/15/20	8.000%	2,745,000	2,957,327
Total			6,903,840
Media and Entertainment 3.1%			
AMC Networks, Inc.			
07/15/21	7.750%	1,697,000	1,898,519
12/15/22	4.750%	1,577,000	1,577,000
British Sky Broadcasting Group PLC[b]			
11/26/22	3.125%	2,735,000	2,613,530
CBS Outdoor Americas Capital LLC/Corp.[b]			
02/15/22	5.250%	1,093,000	1,123,057
02/15/24	5.625%	233,000	240,573
Clear Channel Communications, Inc. PIK			
02/01/21	14.000%	1,741,000	1,793,230
Clear Channel Communications, Inc.			
Senior Secured			
03/01/21	9.000%	2,613,000	2,795,910
Clear Channel Worldwide Holdings, Inc.			
03/15/20	7.625%	2,299,000	2,480,046
Senior Unsecured			
11/15/22	6.500%	709,000	756,858
11/15/22	6.500%	2,647,000	2,852,142
Hughes Satellite Systems Corp.			
06/15/21	7.625%	605,000	692,725
Senior Secured			
06/15/19	6.500%	2,203,000	2,456,345

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Intelsat Jackson Holdings SA			
08/01/23	5.500%	833,000	828,835
Senior Unsecured			
04/01/21	7.500%	680,000	744,600
Intelsat Luxembourg SA			
06/01/21	7.750%	2,367,000	2,506,061
06/01/23	8.125%	1,235,000	1,335,344
Lamar Media Corp.			
05/01/23	5.000%	710,000	714,438
Lamar Media Corp.[b]			
01/15/24	5.375%	441,000	456,435
MDC Partners, Inc.[b]			
04/01/20	6.750%	1,959,000	2,066,745
Netflix, Inc.			
Senior Unsecured[b]			
03/01/24	5.750%	381,000	398,145
Nielsen Finance Co. SARL (The)[b]			
10/01/21	5.500%	1,175,000	1,219,062
Nielsen Finance LLC/Co.			
10/01/20	4.500%	1,447,000	1,457,852
Nielsen Finance LLC/Co.[b][c]			
04/15/22	5.000%	618,000	622,635
Starz LLC/Finance Corp.			
09/15/19	5.000%	237,000	246,776
Thomson Reuters Corp.			
Senior Unsecured			
05/23/43	4.500%	545,000	517,955
Univision Communications, Inc.[b]			
05/15/21	8.500%	825,000	914,719
Senior Secured			
11/01/20	7.875%	1,680,000	1,852,200
09/15/22	6.750%	206,000	227,888
05/15/23	5.125%	2,557,000	2,707,224
Total			40,096,849
Metals 1.4%			
Alpha Natural Resources, Inc.			
Secured[b]			
08/01/20	7.500%	632,000	611,460
ArcelorMittal			
Senior Unsecured			
03/01/21	6.000%	975,000	1,055,437
02/25/22	6.750%	3,678,000	4,114,762
Arch Coal, Inc.			
Secured[b]			
01/15/19	8.000%	2,249,000	2,226,510
CONSOL Energy, Inc.			
03/01/21	6.375%	62,000	65,875

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
CONSOL Energy, Inc.[b]			
04/15/22	5.875%	643,000	673,543
Calcipar SA Senior Secured[b]			
05/01/18	6.875%	1,709,000	1,802,995
Constellium NV[b]			
05/15/24	5.750%	391,000	410,550
Peabody Energy Corp.			
11/15/21	6.250%	1,725,000	1,718,531
Samarco Mineracao SA[b] Senior Unsecured			
11/01/22	4.125%	750,000	713,697
10/24/23	5.750%	2,800,000	2,939,160
Vale Overseas Ltd.			
01/11/22	4.375%	1,300,000	1,334,710
Total			17,667,230
Midstream 2.4%			
Access Midstream Partners LP/Finance Corp.			
05/15/23	4.875%	1,388,000	1,462,605
03/15/24	4.875%	1,202,000	1,269,612
Crestwood Midstream Partners LP/Corp.[b]			
03/01/22	6.125%	490,000	515,725
El Paso LLC			
09/15/20	6.500%	3,024,000	3,334,910
Hiland Partners LP/Finance Corp.[b]			
10/01/20	7.250%	3,445,000	3,755,050
05/15/22	5.500%	1,110,000	1,125,263
Kinder Morgan Energy Partners LP Senior Unsecured			
09/01/22	3.950%	535,000	547,196
02/15/23	3.450%	725,000	703,572
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	1,102,000	1,208,068
02/15/23	5.500%	1,174,000	1,250,310
07/15/23	4.500%	2,558,000	2,609,160
NiSource Finance Corp.			
02/15/23	3.850%	900,000	922,940
Regency Energy Partners LP/Finance Corp.			
09/01/20	5.750%	1,359,000	1,464,322
07/15/21	6.500%	1,813,000	1,976,170
Sabine Pass Liquefaction LLC Senior Secured			
02/01/21	5.625%	60,000	63,450
Sabine Pass Liquefaction LLC[b] Senior Secured			
03/15/22	6.250%	447,000	484,995
05/15/24	5.750%	1,462,000	1,524,135

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Southern Natural Gas Co. LLC Senior Unsecured[b]			
04/01/17	5.900%	4,160,000	4,676,393
Southern Star Central Corp. Senior Unsecured			
03/01/16	6.750%	1,785,000	1,787,910
TransCanada PipeLines Ltd. Senior Unsecured			
10/16/43	5.000%	360,000	393,476
Total			31,075,262
Natural Gas 0.2%			
Sempra Energy Senior Unsecured			
12/01/23	4.050%	1,590,000	1,679,693
Transcontinental Gas Pipe Line Co. LLC Senior Unsecured			
08/01/42	4.450%	1,190,000	1,193,818
Total			2,873,511
Oil Field Services 0.2%			
Atwood Oceanics, Inc. Senior Unsecured			
02/01/20	6.500%	622,000	663,208
Pacific Drilling SA Senior Secured[b]			
06/01/20	5.375%	2,053,000	2,011,940
Total			2,675,148
Other Financial Institutions 0.1%			
FTI Consulting, Inc.			
11/15/22	6.000%	328,000	337,430
Icahn Enterprises LP/Finance Corp.			
08/01/20	6.000%	647,000	693,099
02/01/22	5.875%	805,000	843,237
Total			1,873,766
Other Industry 0.1%			
Hillman Group, Inc. (The) Senior Unsecured[b]			
07/15/22	6.375%	215,000	215,000
TRI Pointe Homes, Inc. Senior Unsecured[b]			
06/15/19	4.375%	455,000	456,138
Total			671,138

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Other REIT 0.1%			
CyrusOne LP/Finance Corp.			
11/15/22	6.375%	1,085,000	1,169,088
DuPont Fabros Technology LP			
09/15/21	5.875%	480,000	501,600
Total			1,670,688
Packaging 0.7%			
Beverage Packaging Holdings (Luxembourg) II SA[b]			
12/15/16	5.625%	346,000	354,650
06/15/17	6.000%	205,000	210,125
Plastipak Holdings, Inc.			
Senior Unsecured[b]			
10/01/21	6.500%	1,780,000	1,877,900
Reynolds Group Issuer, Inc. LLC			
Senior Secured			
10/15/20	5.750%	655,000	691,025
Reynolds Group Issuer, Inc./LLC			
08/15/19	9.875%	2,358,000	2,611,485
02/15/21	8.250%	1,535,000	1,669,313
Sealed Air Corp.[b]			
09/15/21	8.375%	384,000	439,680
Signode Industrial Group Luxembourg SA/US, Inc.			
Senior Unsecured[b]			
05/01/22	6.375%	1,600,000	1,620,000
Total			9,474,178
Paper 0.2%			
Graphic Packaging International, Inc.			
04/15/21	4.750%	1,934,000	1,982,350
Pharmaceuticals 0.5%			
Grifols Worldwide Operations Ltd.			
Senior Unsecured[b]			
04/01/22	5.250%	575,000	596,562
Jaguar Holding Co. II/Merger Sub, Inc.			
Senior Unsecured[b]			
12/01/19	9.500%	435,000	475,238
Valeant Pharmaceuticals International, Inc.[b]			
08/15/18	6.750%	786,000	846,915
10/15/20	6.375%	1,657,000	1,760,562
07/15/21	7.500%	2,472,000	2,737,740
12/01/21	5.625%	529,000	543,548
Total			6,960,565

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Property & Casualty 0.7%			
HUB International Ltd.			
Senior Unsecured[b]			
10/01/21	7.875%	2,095,000	2,244,269
Liberty Mutual Group, Inc.[b]			
05/01/22	4.950%	3,310,000	3,620,336
06/15/23	4.250%	3,260,000	3,378,882
Total			9,243,487
Railroads 0.3%			
Florida East Coast Holdings Corp.[b]			
05/01/20	9.750%	1,478,000	1,561,137
Senior Secured			
05/01/19	6.750%	1,329,000	1,403,756
Panama Canal Railway Co.			
Senior Secured			
11/01/26	7.000%	327,402	326,584
Total			3,291,477
Restaurants 0.3%			
Yum! Brands, Inc.			
Senior Unsecured			
11/01/20	3.875%	575,000	604,630
11/01/21	3.750%	970,000	999,141
11/01/23	3.875%	2,420,000	2,468,117
Total			4,071,888
Retailers 0.7%			
AutoNation, Inc.			
02/01/20	5.500%	88,000	97,020
Group 1 Automotive, Inc.[b]			
06/01/22	5.000%	479,000	479,000
Jo-Ann Stores, Inc.			
Senior Unsecured[b]			
03/15/19	8.125%	94,000	96,350
L Brands, Inc.			
02/15/22	5.625%	2,686,000	2,907,595
Michaels Stores, Inc.[b]			
12/15/20	5.875%	397,000	405,932
Quiksilver Inc./QS Wholesale Inc.			
08/01/20	10.000%	269,000	270,345
Rite Aid Corp.			
06/15/21	6.750%	2,270,000	2,457,275
Senior Unsecured			
02/15/27	7.700%	359,000	401,183
Springs Industries, Inc.			
Senior Secured			
06/01/21	6.250%	1,453,000	1,482,060
Total			8,596,760

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Technology 2.0%			
Alliance Data Systems Corp.[b]			
12/01/17	5.250%	828,000	865,260
04/01/20	6.375%	602,000	632,100
Ancestry.com, Inc.			
Senior Unsecured PIK[b]			
10/15/18	9.625%	962,000	993,265
Audatex North America, Inc.[b]			
06/15/21	6.000%	474,000	505,995
11/01/23	6.125%	474,000	505,995
CDW LLC/Finance Corp.			
04/01/19	8.500%	1,217,000	1,317,402
Cardtronics, Inc.			
09/01/18	8.250%	1,143,000	1,200,150
Ceridian LLC/Comdata, Inc.[b]			
11/15/17	8.125%	645,000	648,225
Equinix, Inc.			
Senior Unsecured			
04/01/20	4.875%	398,000	407,950
07/15/21	7.000%	510,000	564,188
04/01/23	5.375%	370,000	378,325
First Data Corp.			
01/15/21	12.625%	2,147,000	2,643,494
08/15/21	11.750%	571,000	677,349
First Data Corp.[b]			
Secured			
01/15/21	8.250%	2,150,000	2,354,250
Senior Secured			
06/15/19	7.375%	1,433,000	1,536,892
11/01/20	6.750%	1,053,000	1,142,505
Goodman Networks, Inc.			
Senior Secured			
07/01/18	12.125%	252,000	276,570
Goodman Networks, Inc.[b]			
Senior Secured			
07/01/18	12.375%	506,000	555,335
Iron Mountain, Inc.			
08/15/23	6.000%	599,000	647,669
NCR Corp.			
07/15/22	5.000%	1,130,000	1,144,125
NCR Corp.[b]			
12/15/21	5.875%	229,000	242,740
12/15/23	6.375%	1,435,000	1,556,975
NXP BV/Funding LLC[b]			
06/01/18	3.750%	1,156,000	1,158,890
Nuance Communications, Inc.[b]			
08/15/20	5.375%	2,498,000	2,585,430

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
VeriSign, Inc.			
05/01/23	4.625%	676,000	667,820
Total			25,208,899
Transportation Services 0.4%			
Avis Budget Car Rental LLC/Finance, Inc.			
03/15/20	9.750%	695,000	787,087
Concesionaria Mexiquense SA de CV			
(linked to Mexican Unidad de Inversion Index)[b]			
12/15/35	5.950% MXN	16,419,552	1,284,607
ERAC U.S.A. Finance LLC[b]			
10/01/20	5.250%	305,000	347,431
Hertz Corp. (The)			
04/15/19	6.750%	800,000	848,000
10/15/20	5.875%	260,000	271,700
01/15/21	7.375%	247,000	267,995
10/15/22	6.250%	712,000	753,830
Total			4,560,650
Wireless 2.7%			
Altice SA			
Senior Secured[b]			
05/15/22	7.750%	1,355,000	1,446,463
Comcel Trust[b]			
02/06/24	6.875%	1,200,000	1,296,000
Crown Castle International Corp.			
Senior Unsecured			
04/15/22	4.875%	1,236,000	1,277,715
01/15/23	5.250%	2,790,000	2,908,575
SBA Communications Corp.			
Senior Unsecured[b][c]			
07/15/22	4.875%	1,241,000	1,225,488
SBA Telecommunications, Inc.			
07/15/20	5.750%	1,908,000	2,022,480
Sprint Communications, Inc.[b]			
11/15/18	9.000%	3,677,000	4,458,362
03/01/20	7.000%	3,140,000	3,611,000
Sprint Corp.[b]			
09/15/21	7.250%	1,660,000	1,830,150
09/15/23	7.875%	1,475,000	1,640,938
06/15/24	7.125%	587,000	622,220
T-Mobile USA, Inc.			
04/28/20	6.542%	395,000	426,600
01/15/22	6.125%	648,000	687,690
04/28/22	6.731%	1,463,000	1,578,211
04/01/23	6.625%	1,064,000	1,154,440
04/28/23	6.836%	442,000	481,228
01/15/24	6.500%	648,000	692,550

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
VimpelCom Holdings BV[b]			
02/13/18	9.000% RUB	35,700,000	1,009,567
03/01/22	7.504%	1,500,000	1,618,125
Wind Acquisition Finance SA[b]			
04/23/21	7.375%	1,623,000	1,732,552
Senior Secured			
04/30/20	6.500%	3,436,000	3,723,765
Total			35,444,119
Wirelines 1.6%			
CenturyLink, Inc.			
Senior Unsecured			
06/15/21	6.450%	705,000	764,925
03/15/22	5.800%	2,595,000	2,702,044
12/01/23	6.750%	488,000	533,140
EarthLink Holdings Corp.			
Senior Secured			
06/01/20	7.375%	1,079,000	1,150,484
Frontier Communications Corp.			
Senior Unsecured			
10/01/18	8.125%	795,000	930,150
07/01/21	9.250%	564,000	675,390
04/15/22	8.750%	449,000	520,840
04/15/24	7.625%	1,486,000	1,599,308
Level 3 Communications, Inc.			
Senior Unsecured			
02/01/19	11.875%	766,000	850,260
06/01/19	8.875%	269,000	294,219
Level 3 Financing, Inc.			
04/01/19	9.375%	623,000	683,743
07/01/19	8.125%	1,008,000	1,099,980
06/01/20	7.000%	656,000	715,860
07/15/20	8.625%	545,000	610,400
Level 3 Financing, Inc.[b]			
01/15/21	6.125%	1,654,000	1,771,847
Level 3 Financing, Inc.[b][g]			
01/15/18	3.823%	328,000	333,740
PAETEC Holding Corp.			
12/01/18	9.875%	1,845,000	1,987,987
Telecom Italia Capital SA			
06/18/19	7.175%	1,782,000	2,060,437
Telecom Italia SpA			
Senior Unsecured[b]			
05/30/24	5.303%	342,000	342,629
Windstream Corp.			
09/01/18	8.125%	50,000	52,500
08/01/23	6.375%	267,000	270,671

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Zayo Group LLC/Capital, Inc.			
07/01/20	10.125%	788,000	912,110
Total			20,862,664
Total Corporate Bonds & Notes (Cost: $515,467,544)			**543,305,117**

Residential Mortgage-Backed Securities — Agency 6.1%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.[g][h]			
CMO IO Series 4174 Class SB			
05/15/39	6.048%	12,340,309	2,460,349
Federal Home Loan Mortgage Corp.[g][h][i]			
CMO IO Series 2957 Class SW			
04/15/35	5.848%	2,795,202	490,553
CMO IO Series 3122 Class IS			
03/15/36	6.548%	2,861,588	540,891
CMO IO Series 318 Class S1			
11/15/43	5.798%	9,863,064	2,228,804
CMO IO Series 3761 Class KS			
06/15/40	5.848%	4,153,961	610,509
Federal Home Loan Mortgage Corp.[h]			
10/01/26	8.000%	44,624	47,857
Federal Home Loan Mortgage Corp.[h][i]			
CMO IO Series 304 Class C69			
12/15/42	4.000%	7,364,488	1,592,145
CMO IO Series 4098 Class AI			
05/15/39	3.500%	9,596,537	1,671,324
CMO IO Series 4120 Class AI			
11/15/39	3.500%	6,077,768	869,523
CMO IO Series 4121 Class IA			
01/15/41	3.500%	5,440,666	1,138,210
CMO IO Series 4121 Class MI			
10/15/42	4.000%	6,824,570	1,776,350
CMO IO Series 4147 Class CI			
01/15/41	3.500%	10,890,038	1,975,790
CMO IO Series 4213 Class DI			
06/15/38	3.500%	15,050,748	2,224,082
Federal National Mortgage Association[c][h]			
07/17/29	3.000%	15,000,000	15,581,250
07/17/29 - 07/14/44	3.500%	15,500,000	16,336,172
Federal National Mortgage Association[g][h][i]			
CMO IO Series 2006-5 Class N1			
08/25/34	1.986%	9,019,541	423,601
CMO IO Series 2006-5 Class N2			
02/25/35	2.004%	13,430,859	867,590
CMO IO Series 2010-135 Class MS			
12/25/40	5.798%	3,184,676	597,468
CMO IO Series 2013-124 Class SB			
12/25/43	5.798%	9,785,200	2,121,678

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Federal National Mortgage Association[h]			
05/01/41	4.000%	461,377	491,096
04/01/38 - 05/01/40	5.000%	1,279,857	1,427,551
Federal National Mortgage Association[h][i]			
CMO IO STRIPS Series 417 Class C5			
02/25/43	3.500%	7,800,329	1,781,888
CMO IO Series 2012-118 Class BI			
12/25/39	3.500%	9,576,772	1,666,535
CMO IO Series 2012-121 Class GI			
08/25/39	3.500%	10,613,178	1,724,639
CMO IO Series 2012-129 Class IC			
01/25/41	3.500%	8,155,347	1,345,635
CMO IO Series 2012-131 Class MI			
01/25/40	3.500%	12,374,822	2,305,552
CMO IO Series 2012-133 Class EI			
07/25/31	3.500%	3,633,215	605,546
CMO IO Series 2012-139 Class IL			
04/25/40	3.500%	5,375,247	925,716
CMO IO Series 2012-96 Class CI			
04/25/39	3.500%	8,113,640	1,343,306
CMO IO Series 2013-1 Class AI			
02/25/43	3.500%	3,286,275	710,064
CMO IO Series 2013-6 Class MI			
02/25/40	3.500%	8,167,018	1,283,817
Federal National Mortgage Association[h][j]			
06/01/27	3.000%	9,089,455	9,454,808
Total Residential Mortgage-Backed Securities — Agency			
(Cost: $78,171,960)			**78,620,299**

Residential Mortgage-Backed Securities — Non-Agency 10.7%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Apollo Residential Mortgage Securitization Trust			
CMO Series 2013-1 Class A[b][h]			
05/25/47	4.000%	2,409,520	2,493,913
BCAP LLC Trust[b][g][h]			
CMO Series 2010-RR7 Class 17A7			
03/26/36	5.017%	780,000	739,601
CMO Series 2012-RR11 Class 9A2			
07/26/37	4.000%	4,250,486	4,312,994
CMO Series 2013-RR3 Class 6A5			
03/26/36	2.473%	2,710,855	2,659,967
CMO Series 2013-RR5 Class 4A1			
09/26/36	3.000%	2,105,478	2,094,705
Series 2013-RR1 Class 10A1			
10/26/36	3.000%	1,211,260	1,218,956
BCAP LLC Trust[b][h]			
CMO Series 2010-RR7 Class 8A6			
05/26/35	5.500%	653,832	652,959

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Bayview Opportunity Master Fund Trust IIB LP			
CMO Series 2012-6NPL Class A[b][g][h]			
01/28/33	2.981%	1,164,434	1,164,667
CAM Mortgage Trust[b][g][h]			
CMO Series 2014-1 Class A			
12/15/53	3.352%	2,934,375	2,938,248
CMO Series 2014-2 Class A			
05/15/48	2.600%	11,160,000	11,160,000
Citigroup Mortgage Loan Trust, Inc.[b][g][h]			
CMO Series 2009-4 Class 9A2			
03/25/36	2.616%	1,365,000	1,169,576
CMO Series 2010-2 Class 5A2A			
12/25/35	5.502%	2,000,000	2,046,354
CMO Series 2010-6 Class 2A2			
09/25/35	2.652%	515,000	469,384
CMO Series 2010-6 Class 3A2			
07/25/36	2.612%	2,215,000	2,122,495
CMO Series 2012-3 Class 2A3			
04/25/37	2.658%	1,898,736	1,837,553
CMO Series 2013-12 Class 2A3			
09/25/35	4.750%	3,209,917	3,222,015
CMO Series 2013-2 Class 1A1			
11/25/37	6.118%	1,654,155	1,694,855
Series 2013-11 Class 3A3			
09/25/34	2.629%	3,137,999	3,029,728
Series 2014-A Class B1			
01/25/35	5.439%	1,465,647	1,552,552
Citigroup Mortgage Loan Trust, Inc.[b][h]			
CMO Series 2011-12 Class 3A3			
09/25/47	5.593%	2,833,000	2,743,018
CMO Series 2012-A Class A			
06/25/51	2.500%	2,125,611	2,060,766
Credit Suisse Mortgage Capital Certificates[b][g][h]			
CMO Series 2011-4R Class 4A7			
08/27/37	4.000%	3,880,000	3,856,464
CMO Series 2011-5R Class 3A1			
09/27/47	4.850%	1,909,606	1,837,932
CMO Series 2011-7R Class A1			
08/28/47	1.401%	46,356	46,335
Series 2008-4R Class 3A4			
01/26/38	2.781%	3,250,000	3,013,829
Series 2012-11 Class 3A2			
06/29/47	1.150%	3,058,112	2,896,494
Series 2014-2R Class 18A1			
01/27/37	3.000%	9,865,713	9,775,215
Series 2014-2R Class 19A1			
05/27/36	3.000%	6,119,439	6,109,684
Series 2014-2R Class 30A1			
04/27/37	3.000%	4,254,345	4,211,759

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Credit Suisse Mortgage Capital Certificates[b][h]			
CMO Series 2010-9R Class 10A5			
04/27/37	4.000%	4,000,000	4,019,328
CMO Series 2010-9R Class 7A5			
05/27/37	4.000%	3,000,000	3,010,674
Series 2010-9R Class 1A5			
08/27/37	4.000%	5,200,000	4,838,345
Credit Suisse Securities (USA) LLC[b][h]			
CMO Series 2014-5R Class 8A1			
11/27/37	2.625%	4,931,246	4,774,062
Credit Suisse Securities (USA) LLC[f][g][h]			
05/30/34	3.250%	12,665,369	12,665,369
Credit Suisse Securities (USA) LLC[f][h]			
05/30/34	3.958%	1,250,000	1,250,000
Deutsche Mortgage Securities, Inc. Mortgage Loan Trust			
CMO Series 2003-1 Class 1A7[h]			
04/25/33	5.500%	645,968	650,392
GCAT			
Series 2013-RP1 Class A1[b][g][h]			
06/25/18	3.500%	10,184,729	10,236,805
GS Mortgage Securities Corp. Resecuritization Trust			
CMO Series 2013-1R Class A[b][g][h]			
11/26/36	0.312%	4,734,352	4,336,701
JPMorgan Resecuritization Trust			
CMO Series 2010-5 Class 1A6[b][g][h]			
04/26/37	4.500%	615,000	616,893
Nomura Resecuritization Trust			
CMO Series 2011-2RA Class 2A13[b][g][h]			
07/26/35	2.504%	2,500,000	2,429,118
PennyMac Loan Trust			
Series 2012-NPL1 Class A[b][g][h]			
05/28/52	3.422%	352,670	351,815
Residential Mortgage Asset Trust			
Series 2012-1A Class A1[b][g][h]			
08/26/52	2.734%	819,997	823,570
Springleaf Mortgage Loan Trust			
CMO Series 2012-3A Class B1[b][g][h]			
12/25/59	6.000%	1,500,000	1,559,491
US Residential Opportunity Fund Trust			
Series 2014-1A Class NOTE[b][g][h]			
03/25/34	3.466%	3,297,508	3,324,053
Total Residential Mortgage-Backed Securities — Non-Agency (Cost: $136,962,545)			**138,018,634**

Commercial Mortgage-Backed Securities — Non-Agency 3.2%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aventura Mall Trust			
Series 2013-AVM Class E[b][g][h]			
12/05/32	3.867%	5,000,000	4,850,515
Banc of America Merrill Lynch Commercial Mortgage Securities Trust			
Series 2013-DSNY Class F[b][g][h]			
09/15/26	3.652%	3,984,000	4,013,102
Commercial Mortgage Trust			
Series 2013-RIA4 Class A2[b][g][h]			
11/27/28	6.000%	3,350,000	3,289,084
GS Mortgage Securities Trust			
Series 2007-GG10 Class AM[g][h]			
08/10/45	5.997%	9,000,000	9,478,053
JPMorgan Chase Commercial Mortgage Securities Trust			
Series 2006-LDP9 Class AM[h]			
05/15/47	5.372%	1,900,000	2,005,028
Morgan Stanley Capital I Trust			
Series 2005-IQ10 Class A4A[g][h]			
09/15/42	5.230%	424,555	439,026
ORES NPL LLC[b][h]			
Series 2013-LV2 Class A			
09/25/25	3.081%	5,914,923	5,915,225
Series 2014-LV3 Class B			
03/27/24	6.000%	3,500,000	3,495,415
Rialto Real Estate Fund LP[b][h]			
Series 2013-LT2 Class A			
05/22/28	2.833%	1,165,432	1,166,184
Series 2014-LT5 Class A			
05/15/24	2.850%	6,624,720	6,625,270
Total Commercial Mortgage-Backed Securities — Non-Agency (Cost: $40,779,083)			**41,276,902**

Asset-Backed Securities — Non-Agency 3.6%

A Voce CLO Ltd.			
Series 2014-1A Class C[b][c][g]			
07/15/26	1.231%	4,500,000	4,307,279
American Credit Acceptance Receivables Trust			
Series 2012-3 Class A[b]			
11/15/16	1.640%	419,691	421,170
Apidos CDO			
Series 2014-17A Class B[b][g]			
04/17/26	3.060%	4,000,000	3,895,908
GMAC Mortgage Home Equity Loan Trust			
Series 2004-HE5 Class A5 (FGIC)[g]			
09/25/34	5.865%	176,141	180,717
Oak Hill Credit Partners X Ltd.			
Series 2014-10A Class C[b][f][g]			
07/20/26	3.251%	5,100,000	5,100,000

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Selene Non-Performing Loans LLC Series 2014-1A Class A[b][g]			
05/25/54	2.981%	3,500,000	3,500,175
SpringCastle America Funding LLC Series 2013-1A Class A[b]			
04/03/21	3.750%	16,175,421	16,315,437
Symphony CLO Ltd. Series 2014-14A Class D2[b][g]			
07/14/26	3.600%	3,000,000	2,907,582
Vericrest Opportunity Loan Transferee Series 2014-NPL4 Class A1[b][g]			
04/27/54	2.875%	3,750,000	3,769,125
Vericrest Opportunity Loan Transferee CMO Series 2013-NPL4 Class A1[b][g][h]			
11/25/53	3.960%	5,764,684	5,804,233
Total Asset-Backed Securities — Non-Agency (Cost: $46,200,451)			**46,201,626**

Inflation-Indexed Bonds[a] 2.7%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
United States 2.0%			
U.S. Treasury Inflation-Indexed Bond			
01/15/23	0.125%	8,319,348	8,290,746
01/15/24	0.625%	10,275,111	10,647,584
02/15/43	0.625%	7,920,882	7,190,672
Total			26,129,002
Uruguay 0.7%			
Uruguay Government International Bond			
04/05/27	4.250% UYU	91,334,544	4,320,299
Senior Unsecured			
09/14/18	5.000% UYU	24,805,620	1,171,835
12/15/28	4.375% UYU	61,219,347	2,964,281
Total			8,456,415
Total Inflation-Indexed Bonds (Cost: $34,477,576)			**34,585,417**

U.S. Treasury Obligations 3.3%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
U.S. Treasury			
02/28/15	0.250%	13,202,000	13,215,928
05/31/17	0.625%	800,000	794,687
05/15/23	1.750%	485,000	459,386
02/15/24	2.750%	805,500	823,812
02/15/43	3.125%	1,475,000	1,419,918
05/15/43	2.875%	6,265,000	5,724,644
U.S. Treasury[j]			
11/15/43	3.750%	18,622,000	20,111,760
Total U.S. Treasury Obligations (Cost: $40,030,284)			**42,550,135**

Foreign Government Obligations[a][k] 22.8%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Argentina 0.4%			
Argentina Boden Bonds			
10/03/15	7.000%	995,000	962,165
Argentina Bonar Bonds			
04/17/17	7.000%	797,010	744,407
Provincia de Buenos Aires Senior Unsecured			
01/26/21	10.875%	500,000	486,250
Provincia de Buenos Aires[b] Senior Unsecured			
01/26/21	10.875%	2,010,000	1,954,725
Provincia de Cordoba Senior Unsecured[b]			
08/17/17	12.375%	880,000	847,000
Total			4,994,547
Australia 1.0%			
Treasury Corp. of Victoria Local Government Guaranteed			
11/15/16	5.750% AUD	6,950,000	6,999,184
06/15/20	6.000% AUD	5,000,000	5,385,464
Total			12,384,648
Austria 0.2%			
Austria Government Bond Senior Unsecured[b]			
10/19/18	1.150% EUR	2,000,000	2,829,604
Belgium 0.1%			
Belgium Government Bond[b]			
06/22/24	2.600% EUR	970,000	1,437,175
Brazil 0.9%			
Brazil Notas do Tesouro Nacional Senior Notes			
01/01/17	10.000% BRL	4,100,000	1,793,991
Brazilian Government International Bond Senior Unsecured			
01/05/24	8.500% BRL	3,250,000	1,423,116
01/20/34	8.250%	2,285,000	3,164,725
Petrobras Global Finance BV			
05/20/23	4.375%	500,000	481,525
Petrobras International Finance Co.			
03/15/19	7.875%	1,535,000	1,789,565
01/27/21	5.375%	2,600,000	2,701,172
Total			11,354,094

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Foreign Government Obligations[a][k] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Canada 0.4%			
Canadian Government Bond			
03/01/19	1.750% CAD	5,840,000	5,526,122
Colombia 1.1%			
Colombia Government International Bond			
Senior Unsecured			
06/28/27	9.850% COP	1,850,000,000	1,290,024
01/18/41	6.125%	2,070,000	2,479,399
Ecopetrol SA			
Senior Unsecured			
07/23/19	7.625%	900,000	1,099,125
05/28/45	5.875%	1,000,000	1,034,280
Emgesa SA ESP			
Senior Unsecured			
01/25/21	8.750% COP	1,700,000,000	976,211
Empresa de Energia de Bogota SA ESP			
Senior Unsecured[b]			
11/10/21	6.125%	1,279,000	1,400,639
Empresas Publicas de Medellin ESP			
Senior Unsecured[b]			
02/01/21	8.375% COP	6,854,000,000	3,866,934
Oleoducto Central SA			
Senior Unsecured[b]			
05/07/21	4.000%	1,300,000	1,300,000
Transportadora de Gas Internacional SA ESP			
Senior Unsecured[b]			
03/20/22	5.700%	1,119,000	1,208,291
Total			14,654,903
Croatia 0.2%			
Croatia Government International Bond			
Senior Unsecured[b]			
01/26/24	6.000%	2,849,000	3,055,553
Dominican Republic 0.9%			
Banco de Reservas de La Republica Dominicana			
Subordinated Notes[b]			
02/01/23	7.000%	1,400,000	1,456,000
Dominican Republic International Bond			
02/22/19	12.000% DOP	38,000,000	896,020
Dominican Republic International Bond[b]			
07/05/19	15.000% DOP	58,000,000	1,511,042
01/08/21	14.000% DOP	44,702,000	1,131,176
Senior Unsecured			
05/06/21	7.500%	778,000	882,860
04/20/27	8.625%	2,850,000	3,534,000
04/30/44	7.450%	2,200,000	2,355,536
Total			11,766,634

Foreign Government Obligations[a][k] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
El Salvador 0.1%			
El Salvador Government International Bond			
Senior Unsecured[b]			
02/01/41	7.625%	600,000	630,000
France 0.5%			
France Government Bond OAT			
04/25/17	3.750% EUR	1,230,000	1,853,155
10/25/18	4.250% EUR	730,000	1,164,422
04/25/19	4.250% EUR	2,250,000	3,631,228
Total			6,648,805
Georgia 0.2%			
Georgian Railway JSC			
Senior Unsecured[b]			
07/11/22	7.750%	2,642,000	2,959,040
Guatemala 0.3%			
Guatemala Government Bond[b]			
Senior Unsecured			
06/06/22	5.750%	2,160,000	2,324,160
02/13/28	4.875%	1,690,000	1,651,975
Total			3,976,135
Hungary 0.8%			
Hungary Government International Bond			
Senior Unsecured			
02/03/15	4.750%	80,000	81,640
02/19/18	4.125%	1,000,000	1,043,750
11/22/23	5.750%	2,792,000	3,078,180
03/25/24	5.375%	1,944,000	2,087,370
MFB Magyar Fejlesztesi Bank Zrt.[b]			
10/21/20	6.250%	1,151,000	1,268,809
Magyar Export-Import Bank Zrt.[b]			
02/12/18	5.500%	2,500,000	2,687,550
Total			10,247,299
Indonesia 2.2%			
Indonesia Government International Bond[b]			
Senior Unsecured			
03/13/20	5.875%	5,630,000	6,256,337
05/05/21	4.875%	1,000,000	1,052,500
04/25/22	3.750%	1,400,000	1,359,750
Indonesia Treasury Bond			
Senior Unsecured			
06/15/15	9.500% IDR	6,476,000,000	559,924
07/15/17	10.000% IDR	4,979,000,000	447,291
09/15/19	11.500% IDR	30,600,000,000	2,968,368
07/15/22	10.250% IDR	10,680,000,000	1,004,488
09/15/24	10.000% IDR	4,500,000,000	419,823
05/15/27	7.000% IDR	39,480,000,000	2,930,611

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Foreign Government Obligations(a)(k) *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Majapahit Holding BV(b)			
08/07/19	8.000%	1,000,000	1,180,000
06/29/37	7.875%	540,000	626,400
PT Pertamina Persero(b)			
Senior Unsecured			
05/03/22	4.875%	1,400,000	1,389,500
05/20/23	4.300%	2,212,000	2,087,575
PT Perusahaan Listrik Negara(b)			
Senior Unsecured			
11/22/21	5.500%	6,177,000	6,478,125
10/24/42	5.250%	250,000	213,750
Total			28,974,442
Ireland 0.1%			
Vnesheconombank Via VEB Finance PLC			
Senior Unsecured(b)			
11/21/23	5.942%	1,300,000	1,304,810
Italy 0.7%			
Italy Buoni Poliennali Del Tesoro			
09/01/22	5.500% EUR	700,000	1,176,571
Senior Unsecured			
05/01/21	3.750% EUR	4,020,000	6,104,752
Republic of Italy			
11/15/16	2.750% EUR	1,300,000	1,862,954
Total			9,144,277
Kazakhstan 0.4%			
KazMunayGas National Co. JSC(b)			
Senior Unsecured			
07/02/18	9.125%	1,875,000	2,259,375
04/30/23	4.400%	2,950,000	2,891,504
Total			5,150,879
Malaysia —%			
Petronas Capital Ltd.			
08/12/19	5.250%	75,000	85,204
Mexico 2.3%			
Comision Federal de Electricidad(b)			
Senior Unsecured			
01/15/24	4.875%	1,700,000	1,814,750
02/14/42	5.750%	300,000	318,750
Mexican Bonos			
06/16/16	6.250% MXN	14,640,000	1,189,792
12/15/16	7.250% MXN	5,000,000	417,720
12/13/18	8.500% MXN	44,135,000	3,937,015
06/11/20	8.000% MXN	28,940,000	2,564,633
06/10/21	6.500% MXN	5,250,000	433,501
06/09/22	6.500% MXN	95,500,000	7,834,646
06/03/27	7.500% MXN	14,720,000	1,287,107

Foreign Government Obligations(a)(k) *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Mexico Government International Bond			
Senior Unsecured			
01/11/40	6.050%	1,430,000	1,733,160
Pemex Finance Ltd.			
Senior Unsecured			
11/15/18	9.150%	310,000	352,789
Senior Unsecured (NPFGC)			
08/15/17	10.610%	174,687	196,857
Pemex Project Funding Master Trust			
01/21/21	5.500%	1,000,000	1,122,500
Petroleos Mexicanos			
03/01/18	5.750%	2,420,000	2,728,550
06/02/41	6.500%	700,000	813,750
Petroleos Mexicanos(b)			
01/23/45	6.375%	2,000,000	2,322,500
Total			29,068,020
Morocco 0.1%			
Morocco Government International Bond			
Senior Unsecured(b)			
12/11/22	4.250%	1,045,000	1,047,613
Netherlands 0.1%			
Petrobras Global Finance BV			
03/17/24	6.250%	755,000	803,622
Republic of Angola Via Northern Lights III BV			
Senior Unsecured			
08/16/19	7.000%	520,000	566,904
Total			1,370,526
New Zealand 0.5%			
New Zealand Government Bond			
Senior Unsecured			
03/15/19	5.000% NZD	2,800,000	2,545,018
05/15/21	6.000% NZD	3,555,000	3,427,387
Total			5,972,405
Panama 0.1%			
Ena Norte Trust			
Pass-Through Certificates(b)			
04/25/23	4.950%	1,440,475	1,480,513
Peru 0.5%			
Corporacion Financiera de Desarrollo SA			
Senior Unsecured(b)			
02/08/22	4.750%	2,300,000	2,396,891
Fondo MIVIVIENDA SA			
Senior Unsecured(b)			
01/31/23	3.500%	1,500,000	1,425,000

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Foreign Government Obligations[(a)(k)] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Peruvian Government International Bond			
Senior Unsecured			
05/03/16	8.375%	510,000	575,280
08/12/26	8.200% PEN	4,000,000	1,745,821
Peruvian Government International Bond[(b)]			
Senior Unsecured			
08/12/20	7.840% PEN	1,500,000	615,603
Total			6,758,595
Philippines 0.2%			
Philippine Government International Bond			
Senior Unsecured			
01/15/21	4.950% PHP	35,000,000	846,102
Power Sector Assets & Liabilities Management Corp.[(b)]			
Government Guaranteed			
05/27/19	7.250%	720,000	864,900
12/02/24	7.390%	610,000	784,613
Total			2,495,615
Poland 0.5%			
Poland Government Bond			
10/24/15	6.250% PLN	4,680,000	1,616,402
10/25/19	5.500% PLN	7,090,000	2,613,838
Poland Government International Bond			
Senior Unsecured			
03/23/22	5.000%	2,250,000	2,500,875
Total			6,731,115
Qatar 0.1%			
Nakilat, Inc.			
Senior Secured[(b)]			
12/31/33	6.067%	180,000	197,308
Qatar Government International Bond			
Senior Unsecured[(b)]			
01/20/22	4.500%	600,000	659,280
Total			856,588
Republic of Namibia 0.2%			
Namibia International Bonds			
Senior Unsecured[(b)]			
11/03/21	5.500%	2,800,000	2,999,444
Republic of the Congo —%			
Republic of Congo			
Senior Unsecured[(g)]			
06/30/29	3.500%	593,108	538,625

Foreign Government Obligations[(a)(k)] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Romania 0.4%			
Romanian Government International Bond[(b)]			
Senior Unsecured			
02/07/22	6.750%	1,600,000	1,906,000
08/22/23	4.375%	2,238,000	2,288,355
01/22/24	4.875%	572,000	607,035
Total			4,801,390
Russian Federation 1.4%			
Eurasian Development Bank			
Senior Unsecured			
10/05/17	8.000% RUB	73,100,000	2,034,063
Gazprom Neft OAO Via GPN Capital SA			
Senior Unsecured[(b)]			
09/19/22	4.375%	2,200,000	2,041,754
Gazprom OAO Via Gaz Capital SA[(b)]			
Senior Unsecured			
04/11/18	8.146%	1,437,000	1,650,754
03/07/22	6.510%	3,147,000	3,409,774
Russian Agricultural Bank OJSC Via RSHB Capital SA			
Senior Unsecured[(b)]			
07/25/18	5.100%	1,000,000	1,005,000
Russian Foreign Bond — Eurobond[(b)]			
Senior Unsecured			
04/04/22	4.500%	1,500,000	1,533,750
04/04/42	5.625%	600,000	624,750
Russian Foreign Bond — Eurobond[(b)(g)]			
Senior Unsecured			
03/31/30	7.500%	3,147,575	3,645,332
Vnesheconombank Via VEB Finance PLC			
Senior Unsecured[(b)]			
11/22/25	6.800%	2,190,000	2,310,450
Total			18,255,627
Serbia 0.2%			
Republic of Serbia[(b)]			
12/03/18	5.875%	1,916,000	2,035,750
South Africa 0.1%			
South Africa Government International Bond			
Senior Unsecured			
03/09/20	5.500%	430,000	470,527
Transnet SOC Ltd.			
Senior Unsecured[(b)]			
07/26/22	4.000%	700,000	655,249
Total			1,125,776

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

Foreign Government Obligations(a)(k) *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
South Korea 0.2%			
Export-Import Bank of Korea			
Senior Unsecured			
04/11/22	5.000%	1,800,000	2,036,163
Export-Import Bank of Korea(b)			
02/15/15	5.000% IDR	2,500,000,000	207,314
Total			2,243,477
Spain 0.3%			
Spain Government Bond			
Senior Unsecured			
04/30/20	4.000% EUR	750,000	1,165,255
04/30/21	5.500% EUR	1,370,000	2,309,565
Spain Government Bond(b)			
Senior Unsecured			
10/31/23	4.400% EUR	400,000	628,964
Total			4,103,784
Trinidad and Tobago 0.5%			
Petroleum Co. of Trinidad & Tobago Ltd.			
Senior Unsecured(b)			
08/14/19	9.750%	4,990,000	6,274,925
Turkey 1.6%			
Export Credit Bank of Turkey			
Senior Unsecured(b)			
04/24/19	5.875%	2,350,000	2,498,050
Turkey Government International Bond			
01/14/41	6.000%	1,700,000	1,816,875
Senior Unsecured			
03/30/21	5.625%	3,050,000	3,324,500
09/26/22	6.250%	1,550,000	1,746,540
03/23/23	3.250%	1,200,000	1,104,372
02/05/25	7.375%	7,290,000	8,857,350
02/17/45	6.625%	1,250,000	1,446,875
Total			20,794,562
United Arab Emirates 0.3%			
Abu Dhabi National Energy Co.(b)			
Senior Unsecured			
12/13/21	5.875%	700,000	821,235
01/12/23	3.625%	1,400,000	1,382,500
05/06/24	3.875%	1,065,000	1,054,908
Dolphin Energy Ltd.			
Senior Secured(b)			
12/15/21	5.500%	377,000	428,021
Total			3,686,664

Foreign Government Obligations(a)(k) *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
United Kingdom 0.7%			
United Kingdom Gilt			
09/07/21	3.750% GBP	620,000	1,159,526
09/07/23	2.250% GBP	2,780,000	4,595,264
03/07/25	5.000% GBP	1,750,000	3,604,542
Total			9,359,332
Uruguay 0.1%			
Uruguay Government International Bond			
Senior Unsecured PIK			
01/15/33	7.875%	935,000	1,271,600
Venezuela 1.7%			
Petroleos de Venezuela SA			
04/12/17	5.250%	8,385,000	7,081,132
11/02/17	8.500%	7,225,900	6,758,384
11/17/21	9.000%	1,504,303	1,278,507
Senior Unsecured			
10/28/15	5.000%	755,556	711,356
Venezuela Government International Bond			
Senior Unsecured			
05/07/23	9.000%	7,268,700	6,214,739
Total			22,044,118
Zambia 0.2%			
Zambia Government International Bond			
Senior Unsecured(b)			
04/14/24	8.500%	2,506,000	2,775,520
Total Foreign Government Obligations (Cost: $280,553,780)			**295,215,755**

Municipal Bonds 0.2%

Issue Description	Coupon Rate	Principal Amount ($)	Value ($)
California —%			
Cabazon Band Mission Indians			
Revenue Bonds			
Series 2004(b)(d)(l)(m)			
10/01/13	13.000%	350,000	178,462
Puerto Rico 0.2%			
Commonwealth of Puerto Rico			
Unlimited General Obligation Bonds			
Series 2014A(m)			
07/01/35	8.000%	2,950,000	2,596,029
Total Municipal Bonds (Cost: $3,093,901)			**2,774,491**

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

Senior Loans 4.7%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Aerospace & Defense 0.1%			
Doncasters U.S. Finance LLC			
Tranche B Term Loan(g)(n)			
04/09/20	4.500%	395,002	396,238
TASC, Inc.			
1st Lien Term Loan(g)(n)			
05/22/20	6.500%	325,000	318,094
Total			714,332
Automotive —%			
Navistar, Inc.			
Tranche B Term Loan(g)(n)			
08/17/17	5.750%	139,500	142,116
Brokerage/Asset Managers/Exchanges 0.1%			
Nuveen Investments, Inc.(g)(n)			
1st Lien Tranche B Term Loan			
05/13/17	4.150%	450,000	450,563
2nd Lien Tranche B Term Loan			
02/28/19	6.500%	600,000	605,034
USI, Inc.			
Term Loan(g)(n)			
12/27/19	4.250%	295,517	295,703
Total			1,351,300
Building Materials —%			
Contech Engineered Solutions LLC			
Term Loan(g)(n)			
04/29/19	6.250%	148,500	149,985
Roofing Supply Group LLC			
Term Loan(g)(n)			
05/31/19	5.000%	220,203	220,110
Total			370,095
Cable and Satellite 0.1%			
Encompass Digital Media, Inc.			
1st Lien Tranche B Term Loan(g)(n)			
06/06/21	6.750%	441,042	442,696
MCC Iowa LLC			
Tranche G Term Loan(g)(n)			
01/20/20	4.000%	196,500	196,091
Mediacom Illinois LLC			
Tranche E Term Loan(g)(n)			
10/23/17	3.130%	482,412	481,809
TWCC Holding Corp.			
2nd Lien Term Loan(g)(n)			
06/26/20	7.000%	250,000	247,578
Total			1,368,174

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Chemicals 0.5%			
Allnex U.S.A., Inc.			
2nd Lien Term Loan(g)(n)			
04/03/20	8.250%	69,036	70,675
Ascend Performance Materials Operations LLC			
Tranche B Term Loan(g)(n)			
04/10/18	6.750%	294,723	291,962
Axalta Coating Systems Dutch Holding B BV/U.S. Holdings, Inc.			
Tranche B Term Loan(g)(n)			
02/01/20	4.000%	767,250	766,805
HII Holding Corp.			
2nd Lien Term Loan(g)(n)			
12/21/20	9.500%	500,000	510,940
Kronos Worldwide, Inc.			
Term Loan(g)(n)			
02/18/20	4.750%	997,500	1,006,857
Nexeo Solutions LLC			
Term Loan(g)(n)			
09/08/17	5.000%	368,283	368,283
Oxea Finance & Cy SCA			
2nd Lien Term Loan(g)(n)			
07/15/20	8.250%	175,000	176,458
Polymer Group, Inc.			
Term Loan(g)(n)			
12/19/19	5.250%	997,494	1,007,469
Ravago Holdings America, Inc.			
Term Loan(g)(n)			
12/20/20	5.500%	997,500	1,004,981
Univar, Inc.			
Tranche B Term Loan(g)(n)			
06/30/17	5.000%	752,505	755,327
Total			5,959,757
Construction Machinery —%			
Douglas Dynamics LLC			
Term Loan(g)(n)			
04/18/18	5.750%	289,088	288,365
Consumer Cyclical Services 0.3%			
Acosta, Inc.			
Tranche B Term Loan(g)(n)			
03/02/18	4.250%	315,633	316,896
IG Investments Holdings LLC			
1st Lien Tranche B Term Loan(g)(n)			
10/31/19	5.250%	197,000	197,656
Monitronics International, Inc.			
Tranche B Term Loan(g)(n)			
03/23/18	4.250%	393,994	394,608

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Pre-Paid Legal Services, Inc. Term Loan[g][n] 07/01/19	6.250%	146,774	148,242
Quikrete Holdings, Inc. 1st Lien Term Loan[g][n] 09/28/20	4.000%	982,525	982,830
Sabre, Inc. Tranche B Term Loan[g][n] 02/19/19	4.250%	310,702	311,348
ServiceMaster Co. (The) Term Loan[c][g][n] 06/16/21	4.250%	1,000,000	998,130
Weight Watchers International, Inc. Tranche B-2 Term Loan[g][n] 04/02/20	4.000%	543,125	430,041
Total			3,779,751
Consumer Products 0.1%			
Fender Musical Instruments Corp. Term Loan[g][n] 04/03/19	5.750%	133,500	134,501
Herff Jones, Inc. Term Loan[g][n] 06/25/19	5.500%	531,352	534,503
Party City Holdings, Inc. Term Loan[g][n] 07/27/19	4.000%	540,423	536,791
Total			1,205,795
Diversified Manufacturing 0.3%			
Accudyne Industries LLC Term Loan[g][n] 12/13/19	4.000%	526,707	525,016
Allflex Holdings III, Inc. 1st Lien Term Loan[g][n] 07/17/20	4.250%	421,812	421,901
Apex Tool Group LLC Term Loan[g][n] 01/31/20	4.500%	1,017,175	1,004,145
Filtration Group Corp. 1st Lien Term Loan[g][n] 11/20/20	4.500%	997,494	1,003,977
Gates Global, Inc. Term Loan[c][g][n] 06/04/21	4.250%	325,000	323,833
IMG Worldwide, Inc.[g][n] 1st Lien Term Loan 05/06/21	5.250%	125,000	125,750

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
2nd Lien Term Loan 05/06/22	8.250%	150,000	152,438
Ranpak Corp. 2nd Lien Term Loan[g][n] 04/23/20	8.500%	100,000	101,875
Total			3,658,935
Electric 0.3%			
Calpine Corp.[g][n] Term Loan 04/01/18	4.000%	266,547	267,296
04/01/18	4.000%	145,500	145,909
10/09/19	4.000%	159,176	159,507
EquiPower Resources Holdings LLC[g][n] 1st Lien Tranche B Term Loan 12/21/18	4.250%	121,834	122,520
1st Lien Tranche C Term Loan 12/31/19	4.250%	346,501	348,452
Essential Power LLC Term Loan[g][n] 08/08/19	4.750%	189,452	190,873
FREIF North American Power I LLC[g][n] Tranche B-1 Term Loan 03/29/19	4.750%	312,733	315,861
Tranche C-1 Term Loan 03/29/19	4.750%	51,277	51,790
NRG Energy, Inc. Term Loan[g][n] 07/01/18	2.750%	291,066	290,312
TPF Generation Holdings LLC Term Loan[g][n] 12/31/17	4.750%	1,590,219	1,539,538
TPF II LC LLC Term Loan[g][n] 08/21/19	6.500%	293,130	297,527
Texas Competitive Electric Holdings Co. LLC Term Loan[g][l][n] 10/10/14	4.646%	624,903	514,376
Windsor Financing LLC Tranche B Term Loan[g][n] 12/05/17	6.250%	115,487	118,374
Total			4,362,335
Environmental 0.1%			
ADS Waste Holdings, Inc. Tranche B-2 Term Loan[g][n] 10/09/19	3.750%	344,750	342,871

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Waste Industries U.S.A., Inc. Tranche B Term Loan[g][n] 03/17/17	4.250%	246,250	246,046
Total			588,917
Food and Beverage 0.2%			
AdvancePierre Foods, Inc. 1st Lien Term Loan[g][n] 07/10/17	5.750%	738,750	738,440
Arysta LifeScience SPC LLC[g][n] 1st Lien Term Loan 05/29/20	4.500%	74,623	74,716
2nd Lien Term Loan 11/30/20	8.250%	175,000	177,625
Big Heart Pet Brands Term Loan[g][n] 03/09/20	3.500%	501,719	497,173
Performance Food Group, Inc. 2nd Lien Term Loan[g][n] 11/14/19	6.250%	445,500	449,679
Total			1,937,633
Gaming 0.2%			
Affinity Gaming LLC Term Loan[g][n] 11/09/17	4.250%	91,373	91,220
Caesars Entertainment Operating Co., Inc. Tranche B-6 Term Loan[g][n] 01/28/18	5.531%	219,557	204,765
Cannery Casino Resorts LLC 2nd Lien Term Loan[g][n] 10/02/19	10.000%	100,000	101,950
Peppermill Casinos, Inc. Tranche B Term Loan[g][n] 11/09/18	7.250%	393,993	402,858
ROC Finance LLC Tranche B Term Loan[g][n] 06/20/19	5.000%	421,812	414,431
Scientific Games International, Inc. Term Loan[g][n] 10/18/20	4.250%	373,125	368,868
Stockbridge/SBE Holdings Tranche B Term Loan[g][n] 05/02/17	13.000%	62,500	69,687
Twin River Management Group, Inc. Term Loan[g][n] 11/10/18	5.250%	219,444	218,141
Total			1,871,920

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Health Care 0.3%			
Alere, Inc. Tranche B Term Loan[g][n] 06/30/17	4.250%	483,995	484,905
Alliance HealthCare Services, Inc. Term Loan[g][n] 06/03/19	4.250%	222,751	222,472
CHS/Community Health Systems, Inc.[g][n] Tranche D Term Loan 01/27/21	4.250%	596,918	600,106
Tranche E Term Loan 01/25/17	3.478%	223,957	224,422
DaVita HealthCare Partners, Inc. Tranche B Term Loan[g][n] 06/24/21	3.500%	350,000	351,431
IASIS Healthcare LLC Tranche B-2 Term Loan[g][n] 05/03/18	4.500%	630,143	632,191
InVentiv Health, Inc. Term Loan[g][n] 08/04/16	7.500%	106,379	106,645
Onex Carestream Finance LP 1st Lien Term Loan[g][n] 06/07/19	5.000%	321,177	321,338
Quintiles Transnational Corp. Term B-3 Term Loan[g][n] 06/08/18	3.750%	460,499	460,039
Total			3,403,549
Independent Energy —%			
Samson Investment Co. 2nd Lien Tranche 1 Term Loan[g][n] 09/25/18	5.000%	530,000	529,072
Leisure 0.1%			
24 Hour Fitness Worldwide, Inc. Term Loan[g][n] 05/28/21	4.750%	275,000	276,375
Zuffa LLC Term Loan[g][n] 02/25/20	3.750%	664,877	664,671
Total			941,046
Media and Entertainment 0.4%			
Clear Channel Communications, Inc. Tranche D Term Loan[g][n] 01/30/19	6.900%	417,100	414,789

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Getty Images, Inc. Term Loan(g)(n) 10/18/19	4.750%	738,750	713,308
Granite Broadcasting 1st Lien Tranche B Term Loan(g)(n) 05/23/18	6.750%	104,603	104,342
Ion Media Networks, Inc. Term Loan(g)(n) 12/18/20	5.000%	995,000	998,731
Learfield Communications, Inc. 1st Lien Term Loan(g)(n) 10/09/20	4.500%	895,500	902,216
Radio One, Inc. Term Loan(g)(n) 03/31/16	7.500%	382,901	390,241
RentPath, Inc. Tranche B Term Loan(g)(n) 05/29/20	6.250%	941,741	946,449
Salem Communications Corp. Term Loan(g)(n) 03/13/20	4.500%	457,583	459,299
Univision Communications, Inc. Term Loan(g)(n) 03/01/20	4.000%	444,375	444,069
Van Wagner Communications LLC Term Loan(g)(n) 08/03/18	6.250%	145,330	146,844
Total			5,520,288
Metals 0.1%			
Essar Steel Algoma, Inc. Term Loan(g)(n) 09/19/14	9.250%	122,812	122,874
FMG Resources August 2006 Proprietary Ltd. Term Loan(g)(n) 06/28/19	3.750%	732,848	733,126
Noranda Aluminum Acquisition Corp. Tranche B Term Loan(g)(n) 02/28/19	5.750%	98,737	94,953
Total			950,953
Midstream —%			
Philadelphia Energy Solutions Refining and Marketing LLC Term Loan(g)(n) 04/04/18	6.250%	147,190	136,029

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Other Financial Institutions —%			
AlixPartners LLP 1st Lien Tranche B-2 Term Loan(g)(n) 07/10/20	4.000%	162,190	161,825
Other Industry 0.1%			
Harland Clarke Holdings Corp. Tranche B-3 Term Loan(g)(n) 05/22/18	7.000%	170,625	173,292
Sensus U.S.A., Inc.(g)(n) 1st Lien Term Loan 05/09/17	4.750%	992,328	995,633
2nd Lien Term Loan 05/09/18	8.500%	350,000	350,875
WireCo WorldGroup, Inc. Term Loan(g)(n) 02/15/17	6.000%	243,300	244,516
Total			1,764,316
Packaging —%			
BWAY Holding Co. Term Loan(g)(n) 08/06/17	4.500%	559,480	560,879
Paper —%			
Caraustar Industries, Inc. Term Loan(g)(n) 05/01/19	7.500%	355,253	359,029
Pharmaceuticals 0.1%			
Par Pharmaceutical Companies, Inc. Tranche B-2 Term Loan(g)(n) 09/30/19	4.000%	492,528	491,563
Valeant Pharmaceuticals International, Inc.(g)(n) Tranche B-C2 Term Loan 12/11/19	3.750%	270,187	269,736
Tranche B-D2 Term Loan 02/13/19	3.750%	146,761	146,761
Total			908,060
Property & Casualty 0.1%			
Alliant Holdings I LLC Term Loan(g)(n) 12/20/19	4.250%	584,262	583,824
Asurion LLC Tranche B-1 Term Loan(g)(n) 05/24/19	5.000%	411,587	413,904
Total			997,728

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Retailers 0.7%			
Academy Ltd. Term Loan[g][n] 08/03/18	4.500%	659,119	660,859
BJ's Wholesale Club, Inc. 1st Lien Term Loan[g][n] 09/26/19	4.500%	965,408	965,910
David's Bridal, Inc. Term Loan[g][n] 10/11/19	5.000%	1,251,755	1,209,195
Hudson's Bay Co. 1st Lien Term Loan[g][n] 11/04/20	4.750%	1,000,000	1,012,140
J. Crew Group, Inc. Term Loan[g][n] 03/05/21	4.000%	584,981	576,663
Jo-Ann Stores, Inc. Tranche B Term Loan[g][n] 03/16/18	4.000%	403,698	400,840
Leslie's Poolmart, Inc. Tranche B Term Loan[g][n] 10/16/19	4.250%	997,462	997,462
Neiman Marcus Group, Inc. (The) Term Loan[g][n] 10/25/20	4.250%	972,001	969,387
PetCo Animal Supplies, Inc. Term Loan[g][n] 11/24/17	4.000%	518,287	519,261
Pilot Travel Centers LLC Tranche B Term Loan[g][n] 08/07/19	4.250%	398,949	399,946
Rite Aid Corp.[g][n] 2nd Lien Tranche 1 Term Loan 08/21/20	5.750%	300,000	306,282
Tranche 2 Term Loan 06/21/21	4.875%	125,000	126,367
Tranche 7 Term Loan 02/21/20	3.500%	148,503	148,255
Sports Authority, Inc. (The) Tranche B Term Loan[g][n] 11/16/17	7.500%	948,449	948,743
Total			9,241,310
Supermarkets 0.1%			
Albertson's LLC Tranche B-2 Term Loan[g][n] 03/21/19	4.750%	994,259	998,604
Sprouts Farmers Markets Holdings LLC Term Loan[g][n] 04/23/20	4.000%	201,215	201,550
Total			1,200,154
Technology 0.4%			
Aeroflex, Inc. Tranche B-1 Term Loan[g][n] 11/09/19	4.500%	881,299	882,401
Alcatel-Lucent U.S.A., Inc. Term Loan[g][n] 01/30/19	4.500%	541,750	541,837
Avago Technologies Ltd. Term Loan[g][n] 05/06/21	3.750%	325,000	325,900
Blue Coat Systems, Inc.[g][n] 2nd Lien Term Loan 06/26/20	9.500%	943,000	954,788
Term Loan 05/31/19	4.000%	347,375	347,229
Greeneden U.S. Holdings II LLC Term Loan[g][n] 02/08/20	4.000%	141,071	140,307
Infogroup, Inc. Tranche B Term Loan[g][n] 05/26/18	7.500%	247,500	232,187
RP Crown Parent LLC 1st Lien Term Loan[g][n] 12/21/18	6.000%	1,044,382	1,043,943
TransUnion LLC Term Loan[g][n] 04/09/21	4.000%	199,500	199,428
Triple Point Group Holdings, Inc. 1st Lien Term Loan[g][n] 07/10/20	5.250%	844,981	753,444
Verint Systems, Inc. Tranche B Term Loan[g][n] 09/06/19	3.500%	41,415	41,373
Total			5,462,837
Transportation Services —%			
Commercial Barge Line Co. 1st Lien Term Loan[g][n] 09/22/19	7.500%	172,813	173,461
Hertz Corp. (The) Letter of Credit[g][n] 03/11/18	3.750%	250,000	247,500
Total			420,961

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Wirelines —%			
Alaska Communications Systems Holdings, Inc. Term Loan[(g)(n)] 10/21/16	6.250%	318,920	321,711
Total Senior Loans (Cost: $60,674,540)			**60,479,172**

Common Stocks —%

Issuer	Shares	Value ($)
Financials —%		
Diversified Financial Services —%		
Fairlane Management Corp.[(e)(f)(o)]	2,000	—
Total Financials		**—**
Total Common Stocks (Cost: $—)		**—**

Money Market Funds 2.6%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.095%[(p)(q)]	33,716,571	33,716,571
Total Money Market Funds (Cost: $33,716,571)		**33,716,571**
Total Investments (Cost: $1,270,128,235)		**1,316,744,119**
Other Assets & Liabilities, Net		(24,160,031)
Net Assets		**1,292,584,088**

Investments in Derivatives

Forward Foreign Currency Exchange Contracts Open at June 30, 2014

Counterparty	Exchange Date	Currency to be Delivered	Currency to be Received	Unrealized Appreciation ($)	Unrealized Depreciation ($)
Citigroup Global Markets Inc.	7/2/14	3,763,631,000 COP	2,000,665 USD	—	(3,932)
Citigroup Global Markets Inc.	7/2/14	1,992,664 USD	3,763,631,000 COP	11,932	—
Citigroup Global Markets Inc.	8/4/14	148,675,000 RUB	4,374,467 USD	31,927	—
Citigroup Global Markets Inc.	8/14/14	13,440,000 AUD	12,590,726 USD	—	(40,973)
J.P. Morgan Securities, Inc.	7/11/14	10,000,000 PLN	3,262,323 USD	—	(28,398)
J.P. Morgan Securities, Inc.	7/29/14	254,000 SGD	203,280 USD	—	(427)
Standard Chartered Bank	7/25/14	5,430,000 GBP	9,218,511 USD	—	(72,561)
UBS Securities	7/15/14	7,148,000 NZD	6,024,477 USD	—	(225,840)
UBS Securities	7/16/14	5,850,000 CAD	5,344,418 USD	—	(135,878)
UBS Securities	7/31/14	17,940,000 EUR	24,295,066 USD	—	(273,142)
Total				43,859	(781,151)

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

Futures Contracts Outstanding at June 30, 2014

At June 30, 2014, securities totaling $3,214,224 were pledged as collateral to cover initial margin requirements on open futures contracts.

Contract Description	Number of Contracts Long (Short)	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
US 2YR NOTE	300	USD	65,878,125	09/2014	—	(33,263)
US 5YR NOTE	(3,245)	USD	(387,650,750)	09/2014	1,362,564	—
US 10YR NOTE	(558)	USD	(69,845,909)	09/2014	273,138	—
US LONG BOND	172	USD	23,596,250	09/2014	96,492	—
US ULTRA T-BOND	234	USD	35,085,375	09/2014	198,939	—
Total					1,931,133	(33,263)

Credit Default Swap Contracts Outstanding at June 30, 2014

At June 30, 2014, securities totaling $2,169,734 were pledged as collateral to cover open centrally cleared credit default swap contracts.

Buy Protection

Counterparty	Reference Entity	Expiration Date	Pay Fixed Rate (%)	Notional Amount ($)	Market Value ($)	Unamortized Premium (Paid) Received ($)	Periodic Payments Receivable (Payable) ($)	Unrealized Appreciation ($)	Unrealized Depreciation ($)
Morgan Stanley*	CDX North America High Yield 22-V1	6/20/19	5.000	28,264,500	(140,504)	—	(43,182)	—	(183,686)

*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 June 30, 2014, the value of these securities amounted to $548,371,782 or 42.42% of net assets.

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

(d) Identifies securities considered by the Investment Manager to be illiquid as to their marketability. The aggregate value of such securities at June 30, 2014 was $178,462, which represents 0.01% of net assets. Information concerning such security holdings at June 30, 2014 is as follows:

Security Description	Acquisition Dates	Cost ($)
Cabazon Band Mission Indians Revenue Bonds Series 2004 10/01/13 13.000%	10/04/2004	350,000
Six Flags, Inc. 06/01/44 9.625%	05/07/2010	—

(e) Negligible market value.

(f) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At June 30, 2014, the value of these securities amounted to $19,015,369, which represents 1.47% of net assets.

(g) Variable rate security.

(h) The maturity dates shown represent the original maturity of the underlying obligation. Actual maturity may vary based upon prepayment activity on these obligations. Unless otherwise noted, the coupon rates presented are fixed rates.

(i) Interest Only (IO) security. The actual effective yield of this security is different than the stated coupon rate.

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Notes to Portfolio of Investments *(continued)*

(j) This security, or a portion of this security, has been pledged as collateral in connection with open futures contracts and swap contracts. These values are denoted within the Investments in Derivatives section of the Portfolio of Investments.

(k) Principal and interest may not be guaranteed by the government.

(l) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At June 30, 2014, the value of these securities amounted to $692,838, which represents 0.05% of net assets.

(m) Municipal obligations include debt obligations issued by or on behalf of territories, possessions, or sovereign nations within the territorial boundaries of the United States. At June 30, 2014, the value of these securities amounted to $2,774,491 or 0.21% of net assets.

(n) Senior loans have rates of interest that float periodically based primarily on the London Interbank Offered Rate ("LIBOR") and other short-term rates. The interest rate shown reflects the weighted average coupon as of June 30, 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 June 30, 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 period ended June 30, 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	200,971,531	(257,708,978)	33,716,571	23,031	33,716,571

Abbreviation Legend

CMO	Collateralized Mortgage Obligation
FGIC	Financial Guaranty Insurance Company
NPFGC	National Public Finance Guarantee Corporation
PIK	Payment-in-Kind
STRIPS	Separate Trading of Registered Interest and Principal Securities

Currency Legend

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
COP	Colombian Peso
DOP	Dominican Republic Peso
EUR	Euro
GBP	British Pound
IDR	Indonesian Rupiah
MXN	Mexican Peso
NZD	New Zealand Dollar
PEN	Peru Nuevos Soles
PHP	Philippine Peso
PLN	Polish Zloty
RUB	Russian Rouble
SGD	Singapore Dollar

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Currency Legend *(continued)*

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 members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

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

Portfolio of Investments *(continued)*

June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

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

The following table is a summary of the inputs used to value the Fund's investments at June 30, 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				
Transportation Services	—	3,276,043	1,284,607	4,560,650
All Other Industries	—	538,744,467	—	538,744,467
Residential Mortgage-Backed Securities — Agency	—	78,620,299	—	78,620,299
Residential Mortgage-Backed Securities — Non-Agency	—	98,290,076	39,728,558	138,018,634
Commercial Mortgage-Backed Securities — Non-Agency	—	41,276,902	—	41,276,902
Asset-Backed Securities — Non-Agency	—	33,025,222	13,176,404	46,201,626
Inflation-Indexed Bonds	—	34,585,417	—	34,585,417
U.S. Treasury Obligations	42,550,135	—	—	42,550,135
Foreign Government Obligations	—	291,677,517	3,538,238	295,215,755
Municipal Bonds	—	2,774,491	—	2,774,491
Total Bonds	42,550,135	1,122,270,434	57,727,807	1,222,548,376
Senior Loans				
Building Materials	—	220,110	149,985	370,095
Cable and Satellite	—	886,365	481,809	1,368,174
Chemicals	—	5,448,817	510,940	5,959,757
Consumer Products	—	1,071,294	134,501	1,205,795
Diversified Manufacturing	—	3,557,060	101,875	3,658,935
Electric	—	3,506,285	856,050	4,362,335
Food and Beverage	—	1,760,008	177,625	1,937,633
Gaming	—	1,399,375	472,545	1,871,920
Media and Entertainment	—	4,573,839	946,449	5,520,288
Other Industry	—	1,519,800	244,516	1,764,316
Transportation Services	—	—	420,961	420,961
Wirelines	—	—	321,711	321,711
All Other Industries	—	31,717,252	—	31,717,252
Total Senior Loans	—	55,660,205	4,818,967	60,479,172

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

Portfolio of Investments *(continued)*
June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Equity Securities				
Common Stocks				
Financials	—	—	0[a]	0[a]
Total Equity Securities	—	—	0[a]	0[a]
Mutual Funds				
Money Market Funds	33,716,571	—	—	33,716,571
Total Mutual Funds	33,716,571	—	—	33,716,571
Investments in Securities	76,266,706	1,177,930,639	62,546,774	1,316,744,119
Derivatives				
Assets				
Forward Foreign Currency Exchange Contracts	—	43,859	—	43,859
Futures Contracts	1,931,133	—	—	1,931,133
Liabilities				
Forward Foreign Currency Exchange Contracts	—	(781,151)	—	(781,151)
Futures Contracts	(33,263)	—	—	(33,263)
Swap Contracts	—	(183,686)	—	(183,686)
Total	78,164,576	1,177,009,661	62,546,774	1,317,721,011

(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)*

June 30, 2014 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a reconciliation of Level 3 assets for which significant observable and/or unobservable inputs were used to determine fair value.

	Corporate Bonds & Notes ($)	Residential Mortgage-Backed Securities — Agency ($)	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	1,423	—	(2,563)	—	(6,540)	(16,705)	—	(24,385)
Realized gain (loss)	—	—	2,235	—	—	(121,816)	—	(119,581)
Change in unrealized appreciation (depreciation)[(b)]	80,542	—	109,616	24,501	147,308	81,519	—	443,486
Sales	—	—	(2,105,064)	—	—	(605,121)	—	(2,710,185)
Purchases	—	—	33,496,759	13,151,903	1,930,491	—	—	48,579,153
Transfers into Level 3	—	—	—	—	—	4,055,742	—	4,055,742
Transfers out of Level 3	—	(2,290,489)	(8,467,600)	—	—	(584,243)	—	(11,342,332)
Balance as of June 30, 2014	1,284,607	—	39,728,558	13,176,404	3,538,238	4,818,967	0[(a)]	62,546,774

(a) Rounds to zero.

(b) Change in unrealized appreciation (depreciation) relating to securities held at June 30, 2014 was $404,329, which is comprised of Corporate Bonds & Notes of $80,542, Residential Mortgage-Backed Securities — Non-Agency of $109,616, Asset-Backed Securities — Non-Agency of $24,501, Foreign Government Obligations of $147,308, and Senior Loans of $42,362.

The Fund's assets assigned to the Level 3 category are valued utilizing the valuation technique deemed the most appropriate in the circumstances. The securities 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.

Financial Assets were transferred from Level 3 to Level 2 as observable market inputs were utilized and managememt's determination that there was sufficient, reliable and observable market data to value these assets as of period end.

Financial assets were transferred from Level 2 to Level 3 due to utilizing a single market qauotation from a broker dealer. As a result, as of the period end, management determined to value the security(s) under consistently applied procedures established by and under the general supervision of the Board of Trustees.

Transfers in and/or out of Level 3 are determined based on the fair value at the beginning of the period for security positions held throughout the period.

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

Statement of Assets and Liabilities

June 30, 2014 (Unaudited)

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $1,236,411,664)	$1,283,027,548
Affiliated issuers (identified cost $33,716,571)	33,716,571
Total investments (identified cost $1,270,128,235)	1,316,744,119
Cash	908,350
Foreign currency (identified cost $2,549,719)	2,541,606
Unrealized appreciation on forward foreign currency exchange contracts	43,859
Receivable for:	
Investments sold	5,207,687
Capital shares sold	1,762,198
Dividends	3,957
Interest	14,102,955
Reclaims	201,483
Variation margin	227,287
Expense reimbursement due from Investment Manager	731
Trustees' deferred compensation plan	44,466
Total assets	1,341,788,698
Liabilities	
Unrealized depreciation on forward foreign currency exchange contracts	781,151
Payable for:	
Investments purchased	3,263,293
Investments purchased on a delayed delivery basis	42,505,705
Capital shares purchased	1,556,747
Variation margin	271,752
Investment management fees	574,127
Distribution and/or service fees	7,243
Transfer agent fees	65,650
Administration fees	72,021
Compensation of board members	107
Chief compliance officer expenses	158
Other expenses	62,190
Trustees' deferred compensation plan	44,466
Total liabilities	49,204,610
Net assets applicable to outstanding capital stock	**$1,292,584,088**

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

Statement of Assets and Liabilities *(continued)*

June 30, 2014 (Unaudited)

Represented by	
Paid-in capital	$1,163,388,036
Undistributed net investment income	66,083,916
Accumulated net realized gain	15,504,765
Unrealized appreciation (depreciation) on:	
Investments	46,615,884
Foreign currency translations	14,595
Forward foreign currency exchange contracts	(737,292)
Futures contracts	1,897,870
Swap contracts	(183,686)
Total — representing net assets applicable to outstanding capital stock	**$1,292,584,088**
Class 1	
Net assets	$1,257,825,989
Shares outstanding	135,801,842
Net asset value per share	$9.26
Class 2	
Net assets	$34,758,099
Shares outstanding	3,777,290
Net asset value per share	$9.20

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

Statement of Operations

Six Months Ended June 30, 2014 (Unaudited)

Net investment income	
Income:	
Dividends — affiliated issuers	$23,031
Interest	31,739,682
Foreign taxes withheld	(55,074)
Total income	31,707,639
Expenses:	
Investment management fees	3,231,932
Distribution and/or service fees	
Class 2	43,081
Transfer agent fees	
Class 1	358,967
Class 2	10,339
Administration fees	406,502
Compensation of board members	25,584
Custodian fees	31,492
Printing and postage fees	17,049
Professional fees	37,030
Chief compliance officer expenses	323
Other	15,290
Total expenses	4,177,589
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(1,045)
Total net expenses	4,176,544
Net investment income	27,531,095
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	5,322,234
Foreign currency translations	(5,588)
Forward foreign currency exchange contracts	(1,558,862)
Futures contracts	1,301,045
Swap contracts	11,481
Net realized gain	5,070,310
Net change in unrealized appreciation (depreciation) on:	
Investments	34,694,235
Foreign currency translations	12,275
Forward foreign currency exchange contracts	(270,110)
Futures contracts	327,413
Swap contracts	(183,686)
Net change in unrealized appreciation (depreciation)	34,580,127
Net realized and unrealized gain	39,650,437
Net increase in net assets resulting from operations	**$67,181,532**

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

Statement of Changes in Net Assets

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations		
Net investment income	$27,531,095	$48,657,440
Net realized gain	5,070,310	11,408,468
Net change in unrealized appreciation (depreciation)	34,580,127	(56,513,509)
Net increase in net assets resulting from operations	67,181,532	3,552,399
Distributions to shareholders		
Net investment income		
Class 1	—	(47,080,549)
Class 2	—	(1,588,973)
Net realized gains		
Class 1	—	(26,703,402)
Class 2	—	(955,952)
Total distributions to shareholders	—	(76,328,876)
Increase (decrease) in net assets from capital stock activity	42,962,585	206,645,363
Total increase in net assets	110,144,117	133,868,886
Net assets at beginning of period	1,182,439,971	1,048,571,085
Net assets at end of period	**$1,292,584,088**	**$1,182,439,971**
Undistributed net investment income	$66,083,916	$38,552,821

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

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2014 (Unaudited)		Year Ended December 31, 2013	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	9,978,178	89,818,450	23,847,328	219,933,975
Distributions reinvested	—	—	8,510,260	73,783,951
Redemptions	(4,929,749)	(44,556,690)	(9,462,681)	(87,334,222)
Net increase	5,048,429	45,261,760	22,894,907	206,383,704
Class 2 shares				
Subscriptions	186,494	1,690,358	803,339	7,438,696
Distributions reinvested	—	—	294,893	2,544,925
Redemptions	(444,401)	(3,989,533)	(1,085,197)	(9,721,962)
Net increase (decrease)	(257,907)	(2,299,175)	13,035	261,659
Total net increase	**4,790,522**	**42,962,585**	**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.

Class 1	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per share data						
Net asset value, beginning of period	$8.77	$9.37	$8.73	$8.83	$8.60	$8.01
Income from investment operations:						
Net investment income	0.20	0.40	0.42	0.45	0.47	0.51
Net realized and unrealized gain (loss)	0.29	(0.37)	0.63	0.13[a]	0.40	1.04
Total from investment operations	0.49	0.03	1.05	0.58	0.87	1.55
Less distributions to shareholders:						
Net investment income	—	(0.40)	(0.41)	(0.68)	(0.64)	(0.96)
Net realized gains	—	(0.23)	—	—	—	—
Total distributions to shareholders	—	(0.63)	(0.41)	(0.68)	(0.64)	(0.96)
Net asset value, end of period	$9.26	$8.77	$9.37	$8.73	$8.83	$8.60
Total return	5.59%	0.37%	12.25%	6.80%	10.43%	20.40%
Ratios to average net assets[b]						
Total gross expenses	0.67%[c]	0.67%	0.67%	0.68%	0.98%	0.90%
Total net expenses[d]	0.67%[c]	0.67%	0.65%	0.58%[e]	0.65%[e]	0.65%[e]
Net investment income	4.48%[c]	4.37%	4.63%	5.22%	5.34%	6.11%
Supplemental data						
Net assets, end of period (in thousands)	$1,257,826	$1,147,222	$1,011,055	$1,044,575	$37,602	$39,774
Portfolio turnover	51%[f]	116%[f]	112%[f]	95%[f]	78%	50%[g]

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) 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.

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

(f) Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 33% for the six months ended June 30, 2014 and 73%, 74%, and 82% for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, respectively.

(g) Excludes mortgage dollar rolls.

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

Financial Highlights *(continued)*

Class 2	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per share data						
Net asset value, beginning of period	$8.73	$9.33	$8.69	$8.79	$8.56	$7.98
Income from investment operations:						
Net investment income	0.19	0.37	0.40	0.43	0.44	0.49
Net realized and unrealized gain (loss)	0.28	(0.37)	0.62	0.13[a]	0.41	1.03
Total from investment operations	0.47	—	1.02	0.56	0.85	1.52
Less distributions to shareholders:						
Net investment income	—	(0.37)	(0.38)	(0.66)	(0.62)	(0.94)
Net realized gains	—	(0.23)	—	—	—	—
Total distributions to shareholders	—	(0.60)	(0.38)	(0.66)	(0.62)	(0.94)
Net asset value, end of period	$9.20	$8.73	$9.33	$8.69	$8.79	$8.56
Total return	5.38%	0.12%	11.96%	6.56%	10.21%	20.14%
Ratios to average net assets[b]						
Total gross expenses	0.92%[c]	0.92%	0.93%	1.08%	1.23%	1.15%
Total net expenses[d]	0.92%[c]	0.92%	0.90%	0.91%[e]	0.90%[e]	0.90%[e]
Net investment income	4.23%[c]	4.11%	4.36%	5.01%	5.09%	5.87%
Supplemental data						
Net assets, end of period (in thousands)	$34,758	$35,218	$37,516	$30,869	$27,747	$30,755
Portfolio turnover	51%[f]	116%[f]	112%[f]	95%[f]	78%	50%[g]

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) 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.

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

(f) Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 33% for the six months ended June 30, 2014 and 73%, 74%, and 82% for the years ended December 31, 2013, December 31, 2012, and December 31, 2011, respectively.

(g) Excludes mortgage dollar rolls.

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

Notes to Financial Statements
June 30, 2014 (Unaudited)

Note 1. Organization

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

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and variable life insurance policies (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.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

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

The following is a summary of significant accounting policies 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.

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.

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)*

June 30, 2014 (Unaudited)

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 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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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, to shift foreign currency exposure back to U.S. dollars, and to shift investment exposure from one currency to another. These instruments may be used for other purposes in future periods.

The values of forward foreign currency exchange contracts fluctuate 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 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

Notes to Financial Statements *(continued)*

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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 Statements of Assets and Liabilities.

Credit Default Swap Contracts

The Fund entered into credit default swap contracts to increase or decrease its credit exposure to 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).

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.

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 June 30, 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 ($)	Gross Amounts Not Offset in the Statement of Assets and Liabilities			
				Financial Instruments ($)[a]	Cash Collateral Received ($)	Securities Collateral Received ($)	Net Amount ($)[b]
Centrally Cleared Swap Contracts[c]	15,975	—	15,975	—	—	—	15,975

(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.

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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

Portfolio of Investments present additional information regarding derivative instruments outstanding at the end of the period, if any.

The following table is a summary of the fair value of derivative instruments at June 30, 2014:

Asset Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Foreign exchange risk	Unrealized appreciation on forward foreign currency exchange contracts	43,859
Interest rate risk	Net assets — unrealized appreciation on futures contracts	1,931,133*
Total		1,974,992

Liability Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Credit risk	Net assets — unrealized depreciation on swap contracts	183,686*
Foreign exchange risk	Unrealized depreciation on forward foreign currency exchange contracts	781,151
Interest rate risk	Net assets — unrealized depreciation on futures contracts	33,263*
Total		998,100

*Includes cumulative appreciation (depreciation) as reported in the tables following the Portfolio of Investments. Only the current day's variation margin is reported in receivables or payables in the Statement of Assets and Liabilities.

The following table indicates the effect of derivative instruments in the Statement of Operations for the six months ended June 30, 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	—	—	11,481	11,481
Foreign exchange risk	(1,558,862)	—	—	(1,558,862)
Interest rate risk	—	1,301,045	—	1,301,045
Total	(1,558,862)	1,301,045	11,481	(246,336)

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	—	—	(183,686)	(183,686)
Foreign exchange risk	(270,110)	—	—	(270,110)
Interest rate risk	—	327,413	—	327,413
Total	(270,110)	327,413	(183,686)	(126,383)

The following table is a summary of the average outstanding volume by derivative instrument for the period ended June 30, 2014:

Derivative Instrument	Average Notional Amounts ($)*
Futures contracts — Long	294,143,641
Futures contracts — Short	294,527,361
Credit default Swap Contracts — buy protection	14,132,250

Derivative Instrument	Average Unrealized Appreciation ($)*	Average Unrealized Depreciation ($)*
Forward foreign currency exchange contracts	224,981	(641,487)

*Based on the ending quarterly outstanding amounts for the period ended June 30, 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

Notes to Financial Statements *(continued)*
June 30, 2014 (Unaudited)

purchase and sale of each forward roll as a realized gain or loss. Unless any realized gains exceed the income, capital appreciation, and gain or loss due to mortgage prepayments that would have been realized on the securities sold as part of the mortgage dollar roll, the use of this technique will diminish the investment performance of the Fund compared to what the performance would have been without the use of mortgage dollar rolls. All cash proceeds will be invested in instruments that are permissible investments for the Fund. The Fund identifies cash or liquid securities in an amount equal to the forward purchase price.

For financial reporting and tax purposes, the Fund treats “to be announced” mortgage dollar rolls as two separate transactions, one involving the purchase of a security and a separate transaction involving a sale. These transactions may increase the Fund’s portfolio turnover rate. The Fund does not currently enter into mortgage dollar rolls that are accounted for as financing transactions.

Mortgage dollar rolls involve the risk that the market value of the securities the Fund is obligated to repurchase may decline below the repurchase price, or that the counterparty may default on its obligations.

Treasury Inflation Protected Securities

The Fund may invest in treasury inflation protected securities (TIPS). The principal amount of TIPS is adjusted periodically and is increased for inflation or decreased for deflation based on a monthly published index. 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

Notes to Financial Statements *(continued)*

June 30, 2014 (Unaudited)

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.

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 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 annualized effective investment management fee rate for the six months ended June 30, 2014 was 0.53% of the Fund's average daily net assets.

The Investment Manager has entered into a personnel-sharing arrangement with its affiliate, Threadneedle Investments (Threadneedle). Threadneedle, like the Investment Manager, is a wholly-owned subsidiary of Ameriprise Financial and is an SEC-registered investment adviser. Pursuant to this

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arrangement, certain employees of Threadneedle serve as "associated persons" of the Investment Manager and, in this capacity, subject to the oversight and supervision of the Investment Manager and consistent with the investment objectives, policies and limitations set forth in the Fund's prospectus and Statement of Additional Information (SAI), may provide research and related services, and discretionary investment management services (including acting as portfolio managers) to the Fund on behalf of the Investment Manager.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.07% to 0.04% as the Fund's net assets increase. The annualized effective administration fee rate for the six months ended June 30, 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 May 1, 2014	Contractual Expense Cap Prior to May 1, 2014
Class 1	0.67%	0.72%
Class 2	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 June 30, 2014, the cost of investments for federal income tax purposes was approximately $1,270,128,000 and the aggregate gross approximate unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$55,086,000
Unrealized depreciation	(8,470,000)
Net unrealized appreciation	$46,616,000

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The following capital loss carryforwards, determined as of December 31, 2013 may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount ($)
2017	968,916

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

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations and certain derivatives, aggregated to $750,892,082 and $622,234,328, respectively, for the six months ended June 30, 2014, of which $536,358,313 and $434,792,837 respectively, were U.S. government securities. The amount of purchase and sales 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 June 30, 2014, affiliated shareholders of record owned 96.8% 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. whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the six months ended June 30, 2014.

Note 9. Significant Risks

Asset-Backed Securities Risk

The value of asset-backed securities may be affected by, among other factors, changes in interest rates, the market's assessment of the quality of underlying assets, the creditworthiness of the servicer for the underlying assets, factors concerning the interests in and structure of the issuer or the originator of the underlying assets, or the creditworthiness or rating of the entities that provide any supporting letters of credit, surety bonds, derivative instruments, or other credit enhancement. The value of asset-backed securities also will be affected by the exhaustion, termination or expiration of any credit enhancement. Most asset-backed securities are subject to prepayment risk, which is the possibility that the underlying debt may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the Fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of asset-backed securities may be difficult to predict and may result in greater volatility.

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.

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

Notes to Financial Statements *(continued)*

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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 detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the Funds’ Boards of Trustees.

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

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

Board Consideration and Approval of Advisory Agreement

On June 11, 2014, the Board of Trustees (the "Board") and the Trustees who are not interested persons (as defined in the Investment Company Act of 1940) of the Trust (the "Independent Trustees") unanimously approved the continuation of the Investment Management Services Agreement (the "Advisory Agreement") with Columbia Management Investment Advisers, LLC (the "Investment Manager") with respect to Columbia Variable Portfolio — Strategic Income Fund (the "Fund"), a series of the Trust. As detailed below, the Advisory Fees and Expenses Committee (the "Committee") and the Board met on multiple occasions to review and discuss, both among themselves and with the management team of the Investment Manager, materials provided by the Investment Manager before determining to approve the continuation of the Advisory Agreement.

In connection with their deliberations regarding the continuation of the Advisory Agreement, the Committee and the Board evaluated materials requested from the Investment Manager regarding the Fund and the Advisory Agreement, and discussed these materials with representatives of the Investment Manager at Committee meetings held on March 4, 2014, April 30, 2014 and June 10, 2014 and at Board meetings held on April 30, 2014 and June 11, 2014. In addition, the Board considers matters bearing on the Advisory Agreement at most of its other meetings throughout the year and meets regularly with senior management of the Funds and the Investment Manager. Through the Board's Investment Oversight Committees, Trustees also meet with selected Fund portfolio managers and other investment personnel at various times throughout the year. The Committee and the Board also consulted with its independent fee consultant, Fund counsel and with the Independent Trustees' independent legal counsel, who advised on various matters with respect to the Committee's and the Board's considerations and otherwise assisted the Committee and the Board in their deliberations. On June 10, 2014, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On June 11, 2014, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement for the Fund.

The Committee and the Board considered all information that they, their legal counsel, or the Investment Manager believed reasonably necessary to evaluate and to determine whether to approve the continuation of the Advisory Agreement. The information and factors considered by the Committee and the Board in recommending for approval or approving the continuation of the Advisory Agreement for the Fund included the following:

- Information on the investment performance of the Fund relative to the performance of a group of mutual funds determined to be comparable to the Fund by an independent third-party data provider, as well as performance relative to benchmarks;
- Information on the Fund's advisory fees and total expenses, including information comparing the Fund's expenses to those of a group of comparable mutual funds, as determined by the independent third-party data provider;
- The Investment Manager's voluntary agreement to limit or cap total operating expenses for the Fund so that total operating expenses (excluding certain fees and expenses, such as transaction costs and certain other investment related expenses, interest, taxes, acquired fund fees and expenses, and extraordinary expenses) would not exceed the median expenses of a group of comparable funds (as determined by the independent third-party data provider). This agreement may be terminated at any time by the Investment Manager in its sole discretion.;
- The terms and conditions of the Advisory Agreement;
- The current and proposed terms and conditions of other agreements and arrangements with affiliates of the Investment Manager relating to the operations of the Fund, including the Administrative Services Agreement, the Distribution Agreement and the Transfer and Dividend Disbursing Agent Agreement;
- Descriptions of various functions performed by the Investment Manager under the Advisory Agreement, including portfolio management and portfolio trading practices;
- Information regarding the management fees and investment performance of similarly-managed portfolios of other clients of the Investment Manager, including institutional separate accounts;
- Information regarding the reputation, regulatory history and resources of the Investment Manager, including information regarding senior management, portfolio managers and other personnel;
- Information regarding the capabilities of the Investment Manager with respect to compliance monitoring services, including an assessment of the Investment Manager's compliance system by the Fund's Chief Compliance Officer; and
- The profitability to the Investment Manager and its affiliates from their relationships with the Fund.

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

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

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

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

Investment Performance

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

The Committee and the Board noted that, through December 31, 2013, the Fund's performance was in the sixtieth, twenty-fifth and sixty-seventh percentile (where the best performance would be in the first percentile) of its category selected by the independent third-party data provider for the purposes of performance comparisons for the one-, three- and five- year periods, respectively.

The Committee and the Board also considered the Investment Manager's performance and reputation generally, the Investment Manager's historical responsiveness to Board concerns about performance, and the Investment Manager's willingness to take steps intended to improve performance. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the performance of the Fund was sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Investment Advisory Fee Rates and Other Expenses

The Committee and the Board considered the advisory fees charged to the Fund under the Advisory Agreement as well as the total expenses incurred by the Fund. In assessing the reasonableness of the fees under the Advisory Agreement, the Committee and the Board considered, among other information, the Fund's advisory fee and its total expense ratio as a

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

percentage of average daily net assets. The Committee and the Board also considered data provided by the independent fee consultant. The Committee and the Board noted that the Fund's actual management fee and net expense ratio are ranked in the fourth and third quintiles, respectively, (where the lowest fees and expenses would be in the first quintile) against the Fund's expense universe as determined by the independent third-party data provider for purposes of expense comparison. The Committee and the Board also took into account the fee waiver and expense limitation arrangements agreed to by the Investment Manager, as noted above.

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

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the advisory fee rates and expenses of the Fund were sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Costs of Services Provided and Profitability

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

The Committee and the Board also considered the compensation directly or indirectly received by the Investment Manager's affiliates in connection with their relationships with the Fund. The Committee and the Board reviewed information provided by management as to the profitability of the Investment Manager and its affiliates from their relationships with the Fund, information about the allocation of expenses used to calculate profitability, and comparisons of profitability levels realized in 2013 to profitability levels realized in 2012. When reviewing profitability, the Committee and the Board also considered court cases in which adviser profitability was an issue in whole or in part, the performance of similarly managed funds, the performance of the Fund, and the expense ratio of the Fund. The Committee and the Board also considered information provided by the Investment Manager regarding the Investment Manager's financial condition and comparing its profitability to that of other asset management firms that are, or are subsidiaries of, publicly traded companies.

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

Economies of Scale

The Committee and the Board considered the potential existence of economies of scale in the provision by the Investment Manager of services to the Fund, to groups of related funds, and to the Investment Manager's investment advisory clients as a whole, and whether those economies of scale were shared with the Fund through breakpoints in investment advisory fees or other means, such as expense limitation arrangements and additional investments by the Investment Manager in investment, trading and compliance resources. The Committee and the Board noted that the investment advisory fee schedules for the Fund contained breakpoints that would reduce the fee rate on assets above specified threshold levels.

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

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

Other Benefits to the Investment Manager

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

Conclusion

The Committee and the Board reviewed all of the above considerations in reaching their decisions to recommend or approve the continuation of the Advisory Agreement. In their deliberations, the Trustees did not identify any particular information that was all-important or controlling, and individual Trustees may have attributed different weights to the various factors. Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent legal counsel, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

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Important Information About This Report

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

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

ColumbiaManagement®

Columbia Variable Portfolio — Strategic Income Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest.** The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Adviser, LLC.
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C-1525 E (8/14)

Dreyfus Variable Investment Fund, Appreciation Portfolio

SEMIANNUAL REPORT June 30, 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.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

THE FUND

FOR MORE INFORMATION

Dreyfus Variable Investment Fund,
Appreciation Portfolio

The Fund

A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Variable Investment Fund, Appreciation Portfolio, covering the six-month period from January 1, 2014, through June 30, 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.

U.S. equities defied many analysts' expectations over the first half of 2014 when some broad measures of stock market performance continued to achieve new record highs in the wake of very robust performance in 2013. Strong corporate earnings and rising business and consumer confidence more than offset concerns regarding geopolitical tensions in overseas markets and a weather-related domestic economic contraction during the first quarter of the year.

We believe we already have seen signs that the economy's winter contraction will likely prove temporary, including stronger labor markets, greater manufacturing activity, rebounding housing starts, and rising household wealth. While these developments portend well for corporate earnings over the remainder of the year, our portfolio managers are aware that some stocks and industry groups have reached richer valuations, which suggests that selectivity and a long-term perspective could become more important determinants of potential investment success. As always, we encourage you to talk with your financial advisor about our observations and their implications for your investments.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
July 15, 2014

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2014, through June 30, 2014, as provided by Fayez Sarofim, Portfolio Manager of Fayez Sarofim & Co., Sub-Investment Adviser

Fund and Market Performance Overview

For the six-month period ended June 30, 2014, Dreyfus Variable Investment Fund, Appreciation Portfolio's Initial shares produced a total return of 6.25%, and its Service shares produced a total return of 6.12%.[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 7.12% for the same period.[2]

Despite an economic contraction over the first quarter of 2014, improved U.S. economic conditions generally helped support stock market gains over the first six months of the year. The fund produced lower returns than its benchmark, primarily due to overweighted exposure to the consumer staples sector and a lack of positions among utilities.

The Fund's Investment Approach

The fund seeks long-term capital growth consistent with the preservation of capital. Its secondary goal is current income. To pursue these goals, the fund normally invests at least 80% of its assets in common stocks. The fund focuses on blue-chip companies with total market capitalizations of more than $5 billion at the time of purchase, including multinational companies. These are established companies that have demonstrated sustained patterns of profitability, strong balance sheets, an expanding global presence, and the potential to achieve predictable, above-average earnings growth.

In choosing stocks, the fund first identifies economic sectors it believes will expand over the next three to five years or longer. Using fundamental analysis, the fund then seeks companies within these sectors that have proven track records and dominant positions in their industries. The fund employs a "buy-and-hold" investment strategy, which generally has resulted in an annual portfolio turnover of below 15%. A low portfolio turnover rate helps reduce the fund's trading costs and minimizes tax liability by limiting the distribution of capital gains.[3]

Recovering Economy Fueled Market's Gains

The S&P 500 Index recovered over the first half of 2014 after a steep sell-off in January in the face of severe winter weather, surprisingly weak economic data, the tapering of the Federal Reserve Board's quantitative easing program, and concerns regarding economic and political instability in the emerging markets. However, U.S. stocks subsequently rebounded, climbing to a series of new highs through the end of June as investors responded positively to better domestic economic data in the spring, including robust jobs statistics and higher levels of manufacturing activity.

The steady advance of the S&P 500 Index, however, masked shifts in investors' attitude toward risk over the reporting period. Market sentiment during the renewed rally shifted away from the smaller, more speculative companies that had led the 2013 rally. Instead, investors began to favor well-established, large-cap stocks with generous dividend yields.

Consumer Staples Stocks Weighed on Relative Results

Although our emphasis on large, high-quality, globally dominant companies positioned the fund well for the first-half rally, its relative performance was constrained by a substantially overweighted allocation to and disappointing stock selections within the lagging consumer staples sector. Lack of exposure to the utilities sector also impeded the fund's relative results. While an overweighted position in the relatively strong energy sector contributed positively to absolute performance, the fund's focus on major integrated oil companies undermined results. Individual positions that detracted from performance during the reporting period included Whole Foods Market, Target, Philip Morris International, Wal-Mart Stores, Freeport-McMoRan Copper & Gold, and Procter & Gamble.

On a more positive note, the fund's security selection strategy in the consumer discretionary sector added value, as did an emphasis on stocks such as The Walt Disney Company and Time Warner Cable. Avoidance of specialty and apparel retailers also bolstered relative results in the sector. The fund's already limited exposure to the industrials sector was reduced further during the period, and both an underweighted allocation and strong stock selections contributed to above-average results. In the health care sector, the fund's focus on pharmaceutical developers, one of the sector's better performing segments, also proved constructive. Individual stocks making the greatest absolute contributions to returns included Apple, Novo Nordisk, Johnson & Johnson, ConocoPhillips, Walgreen, Altria Group, and Canadian Pacific Railway.

Positioned for a Quality-Led Rally

Recent economic data suggest that the U.S. recovery is back on track. The combination of low interest rates, low inflation, slow but persistent growth, and lack of attractive investment alternatives has provided a favorable environment for stocks and, potentially, support for additional equity gains. This backdrop, however, may be increasingly vulnerable to shifts in interest rate and inflation expectations or further flare-ups in geopolitical conflicts. At this stage in the cycle, when economic uncertainty persists and stocks are more richly valued, we expect investors to favor the kinds of companies in which the fund invests: those with current earnings visibility, ample financial resources, and proven records of increasing shareholder value.

July 15, 2014

Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of Dreyfus 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) funds can be expected to be less tax efficient than during periods of more stable market conditions and asset flows.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Variable Investment Fund, Appreciation Portfolio from January 1, 2014 to June 30, 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 June 30, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.09	$ 5.37
Ending value (after expenses)	$1,062.50	$1,061.20

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 June 30, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.01	$ 5.26
Ending value (after expenses)	$1,020.83	$1,019.59

† *Expenses are equal to the fund's annualized expense ratio of .80% for Initial shares and 1.05% for Service shares, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2014 (Unaudited)

Common Stocks–99.1%	Shares	Value ($)
Banks–1.0%		
Wells Fargo & Co.	120,000	**6,307,200**
Capital Goods–1.3%		
United Technologies	67,000	**7,735,150**
Consumer Durables & Apparel–1.8%		
Christian Dior	56,100	**11,161,618**
Consumer Services–2.6%		
McDonald's	158,200	**15,937,068**
Diversified Financials–6.3%		
BlackRock	31,000	9,907,600
Franklin Resources	183,000	10,584,720
JPMorgan Chase & Co.	267,300	15,401,826
State Street	40,000	2,690,400
		38,584,546
Energy–17.7%		
Chevron	195,900	25,574,745
ConocoPhillips	165,100	14,154,023
EOG Resources	40,000	4,674,400
Exxon Mobil	308,364	31,046,087
Imperial Oil	100,000 [a]	5,263,000
Occidental Petroleum	163,100	16,738,953
Phillips 66	92,550	7,443,797
Total, ADR	52,900	3,819,380
		108,714,385
Food & Staples Retailing–2.1%		
Walgreen	124,300	9,214,359
Whole Foods Market	90,200	3,484,426
		12,698,785
Food, Beverage & Tobacco–21.1%		
Altria Group	373,100	15,647,814
Coca-Cola	801,200	33,938,832
Diageo, ADR	25,000	3,181,750
Kraft Foods Group	36,666	2,198,127
Mondelez International, Cl. A	160,000	6,017,600

Common Stocks (continued)	Shares	Value ($)
Food, Beverage & Tobacco (continued)		
Nestle, ADR	234,400	18,205,848
PepsiCo	132,900	11,873,286
Philip Morris International	392,100	33,057,951
SABMiller	100,000	5,798,193
		129,919,401
Health Care Equipment & Services—1.3%		
Abbott Laboratories	191,800	**7,844,620**
Household & Personal Products—4.3%		
Estee Lauder, Cl. A	133,400	9,906,284
Procter & Gamble	212,500	16,700,375
		26,606,659
Insurance—.8%		
ACE	45,000	**4,666,500**
Materials—3.0%		
Air Products & Chemicals	5,000	643,100
Freeport-McMoRan Copper & Gold	159,000	5,803,500
Praxair	92,500	12,287,700
		18,734,300
Media—6.5%		
Comcast, Cl. A	140,000	7,515,200
McGraw-Hill Financial	71,600	5,944,948
News Corp., Cl. A	51,784 [b]	929,005
Time Warner Cable	35,000	5,155,500
Twenty-First Century Fox, Cl. A	283,136	9,952,230
Walt Disney	120,000	10,288,800
		39,785,683
Pharmaceuticals, Biotech & Life Sciences—10.8%		
AbbVie	191,800	10,825,192
Gilead Sciences	13,000 [b]	1,077,830
Johnson & Johnson	192,900	20,181,198
Novartis, ADR	85,000	7,695,050
Novo Nordisk, ADR	281,500	13,002,485

Common Stocks (continued)	Shares	Value ($)
Pharmaceuticals, Biotech & Life Sciences (continued)		
Roche Holding, ADR	371,400	13,853,220
		66,634,975
Retailing—2.4%		
Target	77,500	4,491,125
Wal-Mart Stores	134,100	10,066,887
		14,558,012
Semiconductors & Semiconductor Equipment—3.0%		
Intel	239,500	7,400,550
Texas Instruments	218,300	10,432,557
Xilinx	20,000	946,200
		18,779,307
Software & Services—4.9%		
Automatic Data Processing	100,400	7,959,712
International Business Machines	77,000	13,957,790
Oracle	200,000	8,106,000
		30,023,502
Technology Hardware & Equipment—6.7%		
Apple	371,700	34,542,081
QUALCOMM	82,800	6,557,760
		41,099,841
Transportation—1.5%		
Canadian Pacific Railway	50,000	**9,057,000**
Total Common Stocks (cost $277,101,606)		**608,848,552**

Other Investment—.9%		
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $5,740,102)	5,740,102 [c]	**5,740,102**

Investment of Cash Collateral for Securities Loaned–.0%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $145,800)	145,800 [c]	**145,800**
Total Investments (cost $282,987,508)	**100.0%**	**614,734,454**
Liabilities, Less Cash and Receivables	**(.0%)**	**(189,164)**
Net Assets	**100.0%**	**614,545,290**

ADR—American Depository Receipts

[a] *Security, or portion thereof, on loan. At June 30, 2014, the value of the fund's security on loan was $142,101 and the value of the collateral held by the fund was $145,800.*

[b] *Non-income producing security.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Food, Beverage & Tobacco	21.1	Consumer Services	2.6
Energy	17.7	Retailing	2.4
Pharmaceuticals, Biotech & Life Sciences	10.8	Food & Staples Retailing	2.1
Technology Hardware & Equipment	6.7	Consumer Durables & Apparel	1.8
Media	6.5	Transportation	1.5
Diversified Financials	6.3	Capital Goods	1.3
Software & Services	4.9	Health Care Equipment & Services	1.3
Household & Personal Products	4.3	Banks	1.0
Materials	3.0	Money Market Investments	.9
Semiconductors & Semiconductor Equipment	3.0	Insurance	.8
			100.0

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2014 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $142,101)—Note 1(b):		
Unaffiliated issuers	277,101,606	608,848,552
Affiliated issuers	5,885,902	5,885,902
Cash		253,971
Dividends and securities lending income receivable		1,324,899
Prepaid expenses		3,905
		616,317,229
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		339,353
Due to Fayez Sarofim & Co.		109,375
Payable for shares of Beneficial Interest redeemed		1,124,469
Liability for securities on loan—Note 1(b)		145,800
Accrued expenses		52,942
		1,771,939
Net Assets ($)		**614,545,290**
Composition of Net Assets ($):		
Paid-in capital		273,259,496
Accumulated undistributed investment income—net		116,192
Accumulated net realized gain (loss) on investments		9,422,656
Accumulated net unrealized appreciation (depreciation) on investments		331,746,946
Net Assets ($)		**614,545,290**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	350,523,843	264,021,447
Shares Outstanding	7,139,934	5,408,773
Net Asset Value Per Share ($)	**49.09**	**48.81**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2014 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $419,889 foreign taxes withheld at source):	
Unaffiliated issuers	8,162,430
Affiliated issuers	785
Income from securities lending—Note 1(b)	5,696
Total Income	**8,168,911**
Expenses:	
Investment advisory fee—Note 3(a)	1,569,105
Sub-investment advisory fee—Note 3(a)	640,902
Distribution fees—Note 3(b)	310,892
Professional fees	60,999
Custodian fees—Note 3(b)	22,289
Prospectus and shareholders' reports	17,168
Trustees' fees and expenses—Note 3(c)	12,106
Loan commitment fees—Note 2	1,357
Shareholder servicing costs—Note 3(b)	1,006
Interest expense—Note 2	531
Miscellaneous	25,239
Total Expenses	**2,661,594**
Less—reduction in fees due to earnings credits—Note 3(b)	(5)
Net Expenses	**2,661,589**
Investment Income—Net	**5,507,322**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	10,166,823
Net unrealized appreciation (depreciation) on investments	19,771,797
Net Realized and Unrealized Gain (Loss) on Investments	**29,938,620**
Net Increase in Net Assets Resulting from Operations	**35,445,942**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations ($):		
Investment income—net	5,507,322	11,040,818
Net realized gain (loss) on investments	10,166,823	16,061,416
Net unrealized appreciation (depreciation) on investments	19,771,797	86,090,036
Net Increase (Decrease) in Net Assets Resulting from Operations	**35,445,942**	**113,192,270**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(3,343,554)	(6,893,926)
Service Shares	(2,189,472)	(4,166,702)
Net realized gain on investments:		
Initial Shares	(9,146,788)	(845,058)
Service Shares	(6,764,797)	(570,306)
Total Dividends	**(21,444,611)**	**(12,475,992)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	9,839,382	21,784,228
Service Shares	19,780,384	49,511,523
Dividends reinvested:		
Initial Shares	12,490,342	7,738,984
Service Shares	8,954,269	4,737,008
Cost of shares redeemed:		
Initial Shares	(39,832,085)	(75,550,847)
Service Shares	(25,812,836)	(60,366,124)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(14,580,544)**	**(52,145,228)**
Total Increase (Decrease) in Net Assets	**(579,213)**	**48,571,050**
Net Assets ($):		
Beginning of Period	615,124,503	566,553,453
End of Period	**614,545,290**	**615,124,503**
Undistributed investment income—net	116,192	141,958

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Capital Share Transactions:		
Initial Shares		
Shares sold	207,528	495,214
Shares issued for dividends reinvested	267,331	175,615
Shares redeemed	(846,477)	(1,708,837)
Net Increase (Decrease) in Shares Outstanding	**(371,618)**	**(1,038,008)**
Service Shares		
Shares sold	419,784	1,130,343
Shares issued for dividends reinvested	192,882	108,119
Shares redeemed	(549,393)	(1,372,296)
Net Increase (Decrease) in Shares Outstanding	**63,273**	**(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.

Initial Shares	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):						
Net asset value, beginning of period	47.95	40.47	37.99	35.44	31.40	28.88
Investment Operations:						
Investment income—net[a]	.46	.86	.82	.73	.64	.63
Net realized and unrealized gain (loss) on investments	2.44	7.59	3.14	2.42	4.09	4.95
Total from Investment Operations	2.90	8.45	3.96	3.15	4.73	5.58
Distributions:						
Dividends from investment income—net	(.47)	(.87)	(1.48)	(.60)	(.69)	(.78)
Dividends from net realized gain on investments	(1.29)	(.10)	–	–	–	(2.28)
Total Distributions	(1.76)	(.97)	(1.48)	(.60)	(.69)	(3.06)
Net asset value, end of period	49.09	47.95	40.47	37.99	35.44	31.40
Total Return (%)	6.25[b]	21.11	10.44	9.01	15.32	22.56
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.80[c]	.81	.81	.80	.81	.80
Ratio of net expenses to average net assets	.80[c]	.81	.81	.80	.81	.80
Ratio of net investment income to average net assets	1.97[c]	1.95	2.02	1.99	2.01	2.31
Portfolio Turnover Rate	.17[b]	7.71	3.05	4.24	11.90	1.49
Net Assets, end of period ($ x 1,000)	350,524	360,197	345,985	326,445	310,385	290,073

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):						
Net asset value, beginning of period	47.69	40.25	37.74	35.23	31.21	28.70
Investment Operations:						
Investment income—net[a]	.40	.75	.72	.63	.58	.59
Net realized and unrealized gain (loss) on investments	2.42	7.55	3.10	2.42	4.05	4.89
Total from Investment Operations	2.82	8.30	3.82	3.05	4.63	5.48
Distributions:						
Dividends from investment income—net	(.41)	(.76)	(1.31)	(.54)	(.61)	(.69)
Dividends from net realized gain on investments	(1.29)	(.10)	–	–	–	(2.28)
Total Distributions	(1.70)	(.86)	(1.31)	(.54)	(.61)	(2.97)
Net asset value, end of period	48.81	47.69	40.25	37.74	35.23	31.21
Total Return (%)	6.12[b]	20.83	10.14	8.74	15.04	22.23
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.05[c]	1.06	1.06	1.05	1.06	1.05
Ratio of net expenses to average net assets	1.05[c]	1.06	1.06	1.05	1.06	1.05
Ratio of net investment income to average net assets	1.73[c]	1.70	1.79	1.75	1.74	2.15
Portfolio Turnover Rate	.17[b]	7.71	3.05	4.24	11.90	1.49
Net Assets, end of period ($ x 1,000)	264,021	254,928	220,568	174,160	125,296	71,893

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Variable Investment Fund (the "Company") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company, operating as a series company currently offering seven series, including the Appreciation Portfolio (the "fund"). The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The fund is a diversified series. The fund's investment objective is to seek long-term capital growth consistent with the preservation of capital. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser. Fayez Sarofim & Co. ("Sarofim & Co.") serves as the fund's sub-investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of Dreyfus, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the Distribution Plan and the expenses borne by each class, the allocation of certain transfer agency costs, and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Company accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The Company enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All of the preceding securities are generally categorized within Level 1 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADRs and financial futures. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Company's Board of Trustees (the "Board").

Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized within Level 2 or 3 of the fair value hierarchy depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are generally categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of June 30, 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†	517,811,008	–	–	**517,811,008**
Equity Securities– Foreign Common Stocks†	91,037,544	–	–	**91,037,544**
Mutual Funds	5,885,902	–	–	**5,885,902**

† *See Statement of Investments for additional detailed categorizations.*

At June 30, 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 June 30, 2014, The Bank of New York Mellon earned $1,644 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 June 30, 2014 were as follows:

Affiliated Investment Company	Value 12/31/2013 ($)	Purchases ($)	Sales ($)	Value 6/30/2014 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	745,413	28,640,711	23,646,022	5,740,102	.9
Dreyfus Institutional Cash Advantage Fund	2,088,930	18,841,908	20,785,038	145,800	.0
Total	**2,834,343**	**47,482,619**	**44,431,060**	**5,885,902**	**.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 June 30, 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 June 30, 2014, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended December 31, 2013 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2013 was as follows: ordinary income $11,060,628 and long-term capital gains $1,415,364. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $265 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing.

The average amount of borrowings outstanding under the Facilities during the period ended June 30, 2014 was approximately $98,300 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 June 30, 2014, Service shares were charged $310,892 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 June 30, 2014, the fund was charged $939 for transfer agency services and $62 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 $5.

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 June 30, 2014, the fund was charged $22,289 pursuant to the custody agreement.

During the period ended June 30, 2014, the fund was charged $4,593 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 $267,780, Distribution Plan fees $53,723, custodian fees $15,214, Chief Compliance Officer fees $2,209 and transfer agency fees $427.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2014, amounted to $1,033,504 and $34,843,249, respectively.

At June 30, 2014, accumulated net unrealized appreciation on investments was $331,746,946, consisting of $333,386,254 gross unrealized appreciation and $1,639,308 gross unrealized depreciation.

At June 30, 2014, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

INFORMATION ABOUT THE RENEWAL OF THE FUND'S INVESTMENT ADVISORY AND SUB-INVESTMENT ADVISORY AGREEMENTS (Unaudited)

At a meeting of the fund's Board of Trustees held on March 4-5, 2014, the Board considered the renewal of the fund's Investment Advisory Agreement, pursuant to which Dreyfus provides the fund with investment advisory and administrative services (the "Agreement"), and the Sub-Investment Advisory Agreement (together, the "Agreements"), pursuant to which Fayez Sarofim & Co. (the "Sub-Adviser") provides day-to-day management of the fund's investments. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of Dreyfus and the Sub-Adviser. In considering the renewal of the Agreements, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

<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, as well as Dreyfus' supervisory activities over the Sub-Adviser. The Board also considered portfolio management's brokerage policies and practices (including policies and practices regarding soft dollars) and the standards applied in seeking best execution.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board reviewed reports prepared by Lipper, Inc. ("Lipper"), an independent provider of investment company data, which included information comparing (1) the fund's performance with the performance of a group of comparable funds (the "Performance Group") and with a broader group of funds (the "Performance Universe"), all for various periods ended December 31, 2013, and (2) the fund's actual and contractual management fees and total expenses with those of a group of comparable funds (the "Expense Group") and with a broader group of funds (the "Expense Universe"), the information for which was derived in part from fund financial statements available to Lipper as of the date of its analysis. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Group and Performance Universe and the Expense Group and Expense Universe.

Dreyfus representatives stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations that may be applicable to the fund and comparison funds. They also noted that performance generally should be considered over longer periods of time, although it is possible that long-term performance can be adversely affected by even one period of significant underperformance so that a single investment decision or theme has the ability to affect disproportionately long-term performance. The Board discussed the results of the comparisons and noted that the fund's total return performance was below the Performance Group and Performance Universe medians for all periods (ranking last in the Performance Group in most periods), except for the ten-year period when the fund's performance was above the Performance Universe median. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's benchmark index, and noted that the fund's performance was above the return of the index for five of the ten periods.

The Board discussed with representatives of Dreyfus and the Sub-Adviser the investment strategy employed in the management of the fund's assets and how that strategy affected the fund's relative performance. The Board members noted that the Sub-Adviser is an experienced manager with a long-term "buy-and-hold" investment approach to investing in high quality, "mega-cap" companies. The Sub-Adviser's considerable reputation, based on following this investment approach, was noted. A representative of the Sub-Adviser reminded the Board members that high quality, mega-cap stocks have been out of favor, which has affected the fund's relative performance.

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 above the Expense Group median and the fund's actual management fee and total expenses were above 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 Sub-Adviser or its affiliates for advising any separate accounts and/or other types of client portfolios that are considered to have similar investment strategies and policies as the fund (the "Similar Clients"), and explained the nature of the Similar Clients. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board considered the relevance of the fee information provided for the Similar Clients to evaluate the appropriateness and reasonableness of the fund's management fee.

The Board considered the fee to the Sub-Adviser in relation to the fee paid to Dreyfus by the fund and the respective services provided by the Sub-Adviser and Dreyfus.

Analysis of Profitability and Economies of Scale. Dreyfus representatives reviewed the expenses allocated and profit received by Dreyfus and the resulting profitability percentage for managing the fund and the aggregate profitability percentage to Dreyfus of managing the funds in the Dreyfus fund complex, and the method used to determine the expenses and profit. The Board concluded that the profitability results were not unreasonable, given the services rendered and service levels provided by Dreyfus. The Board also had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board considered on the advice of its counsel the profitability analysis (1) as part of its evaluation of whether the fees under the Agreements bear a reasonable relationship to the mix of services provided by Dreyfus and the Sub-Adviser, including the nature, extent and quality of such services, and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. Dreyfus representatives also noted that, as a result of shared and allocated costs among funds in the Dreyfus fund complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is disproportionate to, or even in the opposite direction from, changes in the fund's asset level. The Board also considered potential benefits to Dreyfus and the Sub-Adviser from acting as investment adviser and sub-investment adviser, respectively, and noted the soft dollar arrangements in effect for trading the fund's investments.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to the renewal of the Agreements. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent and quality of the services provided by Dreyfus and the Sub-Adviser are adequate and appropriate.
- The Board noted the considerations described above and agreed to closely monitor performance.
- The Board concluded that the fees paid to Dreyfus and the Sub-Adviser were reasonable in light of the considerations described above.
- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Agreement and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

In evaluating the Agreements, 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 and the Sub-Adviser, of the fund and the services provided to the fund by Dreyfus and the Sub-Adviser. 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 Agreements, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. In addition, the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board determined that renewal of the Agreements in the best interests of the fund and its shareholders.

For More Information

Dreyfus Variable Investment Fund, Appreciation Portfolio
200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Sub-Investment Adviser

Fayez Sarofim & Co.
Two Houston Center
Suite 2907
Houston, TX 77010

Custodian

The Bank of New York Mellon
One Wall Street
New York, NY 10286

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144 Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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The Dreyfus Socially Responsible Growth Fund, Inc.

SEMIANNUAL REPORT June 30, 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.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

THE FUND

FOR MORE INFORMATION

A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this semiannual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the six-month period from January 1, 2014, through June 30, 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.

U.S. equities defied many analysts' expectations over the first half of 2014 when some broad measures of stock market performance continued to achieve new record highs in the wake of very robust performance in 2013. Strong corporate earnings and rising business and consumer confidence more than offset concerns regarding geopolitical tensions in overseas markets and a weather-related domestic economic contraction during the first quarter of the year.

We believe we already have seen signs that the economy's winter contraction will likely prove temporary, including stronger labor markets, greater manufacturing activity, rebounding housing starts, and rising household wealth. While these developments portend well for corporate earnings over the remainder of the year, our portfolio managers are aware that some stocks and industry groups have reached richer valuations, which suggests that selectivity and a long-term perspective could become more important determinants of potential investment success. As always, we encourage you to talk with your financial advisor about our observations and their implications for your investments.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
July 15, 2014

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2014, through June 30, 2014, as provided by Warren Chiang, C. Wesley Boggs, and Ronald Gala, Portfolio Managers

Fund and Market Performance Overview

For the six-month period ended June 30, 2014, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of 8.56%, and the fund's Service shares returned 8.42%.[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 7.12% for the same period.[2]

Stocks continued to rally over the reporting period as the U.S. economic recovery regained momentum. The fund produced higher returns than its benchmark, mainly due to the success of our disciplined investment process in the consumer discretionary and energy 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 Economic Uncertainty

U.S. stocks generally recovered over the first half of 2014 after a steep sell-off in January stemming from the tapering of the Federal Reserve Board's quantitative easing program and concerns regarding economic instability in the emerging markets. In addition, the U.S. Department of Commerce reported that U.S. GDP contracted at an annualized rate of 2.9% over the first quarter of 2014 due to the dampening effects of severe winter weather on corporate spending and housing market activity, as well as by reduced export activity and slowing inventory accumulation by businesses.

However, stocks subsequently rebounded, 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 the Fed would keep short-term interest rates low. Policymakers reiterated their intention to maintain an accommodative monetary policy even as labor markets, manufacturing activity, and other economic indicators improved markedly in the spring.

While the market's 2014 gains can be seen as an extension of the 2013 rally, market sentiment shifted over the first half of the year when investors turned their attention toward well-established, large-cap stocks. This change was motivated, in part, by rising demand for large, dividend-paying stocks after yields of longer term U.S. Treasury securities moderated during the economic soft patch.

Security Selections Buoyed Fund Performance

The fund participated more than fully in the market's gains over the reporting period, supported by favorable security selections in the consumer discretionary sector. Most notably, the fund's position in lodging provider Marriott International, Class A advanced strongly when the company reported higher occupancy rates and better-than-expected revenues and earnings. In the energy sector, overweighted exposure to ConocoPhillips bolstered relative results when oil prices moved higher amid intensifying global energy demand and geopolitical turmoil in the Middle East. In addition, the fund did not hold ExxonMobil, which did not meet our social criteria and lagged sector averages. Among industrial companies, Southwest Airlines fared well in an improving business climate characterized by rising demand for limited passenger capacity. Southwest Airlines also is known as an industry leader in promoting socially responsible environmental and employee relations policies.

Disappointments during the reporting period included organic grocery chain Whole Foods Market, which lost value when management reduced its earnings forecast due to intensifying competitive pressures and weaker-than-expected same-store sales growth. The fund also suffered shortfalls in the utilities sector.

From a social responsibility standpoint, it is worth noting that the fund eliminated its position in financial holding company BB&T when employee dissatisfaction and turnover increased following a recent acquisition and restructuring.

Maintaining a Disciplined Investment Approach

While our investment process considers potential investments one company at a time, we nonetheless have been encouraged by the shift in market leadership toward companies with strong revenue growth, good earnings quality, sound business fundamentals, and attractive valuations. We have identified an ample number of companies meeting our investment and social criteria in the information technology sector. We also have found more energy companies with attractive valuations and environmentally sensitive operations, leading us to increase the fund's energy holdings.

July 16, 2014

Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.
The fund's socially responsible investment criteria may limit the number of investment opportunities available to the fund, and as a result, at times, the fund may produce more modest gains than funds that are not subject to such special investment considerations.
The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of The Dreyfus Socially Responsible Growth Fund, Inc. made available through insurance products may be similar to other funds managed by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500® Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. from January 1, 2014 to June 30, 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 June 30, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.45	$ 5.74
Ending value (after expenses)	$1,085.60	$1,084.20

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 June 30, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.31	$ 5.56
Ending value (after expenses)	$1,020.53	$1,019.29

† *Expenses are equal to the fund's annualized expense ratio of .86% for Initial shares and 1.11% for Service shares, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2014 (Unaudited)

Common Stocks—99.3%	Shares		Value ($)
Banks—2.3%			
Comerica	95,700		4,800,312
KeyCorp	76,050		1,089,796
Regions Financial	50,100		532,062
			6,422,170
Capital Goods—9.0%			
3M	17,150		2,456,566
Caterpillar	13,300		1,445,311
Fluor	40,650		3,125,985
General Electric	76,250		2,003,850
Ingersoll-Rand	21,600		1,350,216
Jacobs Engineering Group	21,250	a	1,132,200
Lockheed Martin	16,850		2,708,301
Masco	116,950		2,596,290
NOW	8,762	a	317,272
Parker Hannifin	29,600		3,721,608
Precision Castparts	5,350		1,350,340
Snap-on	27,950		3,312,634
			25,520,573
Consumer Durables & Apparel—.8%			
Hasbro	18,250		968,163
Michael Kors Holdings	15,900	a	1,409,535
			2,377,698
Consumer Services—2.3%			
Marriott International, Cl. A	103,550		**6,637,555**
Diversified Financials—4.3%			
American Express	60,250		5,715,918
State Street	18,100		1,217,406
T. Rowe Price Group	30,850		2,604,049
Waddell & Reed Financial, Cl. A	43,000		2,691,370
			12,228,743

Common Stocks (continued)	Shares	Value ($)
Energy—13.2%		
Baker Hughes	41,700	3,104,565
ConocoPhillips	68,750	5,893,937
Denbury Resources	186,050	3,434,483
Devon Energy	44,800	3,557,120
EOG Resources	13,850	1,618,511
EQT	15,400	1,646,260
Hess	37,650	3,723,209
Marathon Petroleum	32,450	2,533,371
National Oilwell Varco	35,050	2,886,367
Phillips 66	20,350	1,636,750
Pioneer Natural Resources	7,290	1,675,315
Schlumberger	13,600	1,604,120
Spectra Energy	94,450	4,012,236
		37,326,244
Food & Staples Retailing—1.2%		
Kroger	15,050	743,922
Whole Foods Market	65,200	2,518,676
		3,262,598
Food, Beverage & Tobacco—4.1%		
Coca-Cola Enterprises	79,050	3,777,009
Hershey	42,150	4,104,145
Mondelez International, Cl. A	39,200	1,474,312
PepsiCo	24,400	2,179,896
		11,535,362
Health Care Equipment & Services—3.7%		
AmerisourceBergen	46,700	3,393,222
Becton Dickinson & Co.	26,925	3,185,227
Cigna	15,500	1,425,535
Patterson	59,400	2,346,894
		10,350,878
Household & Personal Products—.8%		
Clorox	14,750	1,348,150
Procter & Gamble	12,125	952,904
		2,301,054

Common Stocks (continued)	Shares		Value ($)
Insurance—1.9%			
Marsh & McLennan	45,400		2,352,628
Principal Financial Group	30,000		1,514,400
Travelers	15,900		1,495,713
			5,362,741
Materials—7.2%			
Alcoa	122,250		1,820,302
Avery Dennison	55,550		2,846,937
Ball	79,750		4,998,730
Dow Chemical	27,500		1,415,150
Ecolab	12,350		1,375,049
International Flavors & Fragrances	46,000		4,796,880
Sigma-Aldrich	29,450		2,988,586
			20,241,634
Media—3.8%			
Discovery Communications, Cl. A	14,800	a	1,099,344
Scripps Networks Interactive, Cl. A	51,600		4,186,824
Time	2,437	a	59,024
Time Warner	19,500		1,369,875
Time Warner Cable	17,550		2,585,115
Walt Disney	16,500		1,414,710
			10,714,892
Pharmaceuticals, Biotech & Life Sciences—9.0%			
Agilent Technologies	84,750		4,868,040
Allergan	11,350		1,920,647
AstraZeneca, ADR	27,950		2,076,964
Biogen Idec	9,450	a	2,979,680
Bristol-Myers Squibb	14,400		698,544
Eli Lilly & Co.	42,800		2,660,876
Gilead Sciences	36,350	a	3,013,779
Merck & Co.	53,300		3,083,405
Novartis, ADR	6,450		583,918
Waters	34,750	a	3,629,290
			25,515,143

Common Stocks (continued)	Shares		Value ($)
Retailing—3.0%			
Bed Bath & Beyond	11,850	a	679,953
Gap	126,800		5,271,076
O'Reilly Automotive	1,900	a	286,140
PetSmart	17,300	b	1,034,540
The TJX Companies	23,100		1,227,765
			8,499,474
Semiconductors & Semiconductor Equipment—3.8%			
Applied Materials	291,700		6,577,835
Intel	75,500		2,332,950
Lam Research	25,000		1,689,500
			10,600,285
Software & Services—12.0%			
Accenture, Cl. A	18,450		1,491,498
CA	111,550		3,205,947
Google, Cl. A	1,240	a	724,991
Google, Cl. C	1,240	a	713,347
International Business Machines	27,825		5,043,838
Intuit	47,650		3,837,255
Microsoft	185,850		7,749,945
Oracle	113,325		4,593,062
Symantec	104,550		2,394,195
Teradata	33,600	a	1,350,720
Xerox	234,000		2,910,960
			34,015,758
Technology Hardware & Equipment—12.4%			
Apple	100,800		9,367,344
Cisco Systems	192,775		4,790,459

Common Stocks (continued)	Shares		Value ($)
Technology Hardware & Equipment (continued)			
EMC	148,825		3,920,051
Hewlett-Packard	100,100		3,371,368
Jabil Circuit	177,450		3,708,705
Motorola Solutions	54,300		3,614,751
QUALCOMM	35,550		2,815,560
Seagate Technology	30,000		1,704,600
TE Connectivity	26,150		1,617,116
			34,909,954
Telecommunication Services—1.4%			
AT&T	34,350		1,214,616
Verizon Communications	55,900		2,735,187
			3,949,803
Transportation—2.7%			
Norfolk Southern	17,450		1,797,873
Southwest Airlines	159,600		4,286,856
Union Pacific	16,200		1,615,950
			7,700,679
Utilities—.4%			
Pinnacle West Capital	19,050		**1,101,852**
Total Common Stocks (cost $203,106,937)			**280,575,090**

Other Investment—.7%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $2,066,161)	2,066,161	c	**2,066,161**

Investment of Cash Collateral for Securities Loaned–.4%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $1,066,156)	1,066,156 [c]	**1,066,156**
Total Investments (cost $206,239,254)	**100.4%**	**283,707,407**
Liabilities, Less Cash and Receivables	**(.4%)**	**(1,186,787)**
Net Assets	**100.0%**	**282,520,620**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At June 30, 2014, the value of the fund's securities on loan was $1,024,195 and the value of the collateral held by the fund was $1,066,156.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Energy	13.2	Retailing	3.0
Technology Hardware & Equipment	12.4	Transportation	2.7
Software & Services	12.0	Banks	2.3
Capital Goods	9.0	Consumer Services	2.3
Pharmaceuticals, Biotech & Life Sciences	9.0	Insurance	1.9
Materials	7.2	Telecommunication Services	1.4
Diversified Financials	4.3	Food & Staples Retailing	1.2
Food, Beverage & Tobacco	4.1	Money Market Investments	1.1
Media	3.8	Consumer Durables & Apparel	.8
Semiconductors & Semiconductor Equipment	3.8	Household & Personal Products	.8
Health Care Equipment & Services	3.7	Utilities	.4
			100.4

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2014 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $1,024,195)—Note 1(b):		
Unaffiliated issuers	203,106,937	280,575,090
Affiliated issuers	3,132,317	3,132,317
Cash		52,519
Dividends and securities lending income receivable		216,654
Prepaid expenses		2,858
		283,979,438
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		187,002
Liability for securities on loan—Note 1(b)		1,066,156
Payable for shares of Common Stock redeemed		143,905
Accrued expenses		61,755
		1,458,818
Net Assets ($)		**282,520,620**
Composition of Net Assets ($):		
Paid-in capital		187,843,946
Accumulated undistributed investment income—net		1,417,064
Accumulated net realized gain (loss) on investments		15,791,457
Accumulated net unrealized appreciation (depreciation) on investments		77,468,153
Net Assets ($)		**282,520,620**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	272,575,872	9,944,748
Shares Outstanding	6,196,808	227,691
Net Asset Value Per Share ($)	**43.99**	**43.68**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2014 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $9,563 foreign taxes withheld at source):	
Unaffiliated issuers	2,591,592
Affiliated issuers	792
Income from securities lending—Note 1(b)	1,068
Total Income	**2,593,452**
Expenses:	
Management fee—Note 3(a)	1,013,288
Professional fees	57,582
Directors' fees and expenses—Note 3(d)	45,699
Prospectus and shareholders' reports	26,317
Custodian fees—Note 3(c)	14,591
Distribution fees—Note 3(b)	11,378
Loan commitment fees—Note 2	788
Shareholder servicing costs—Note 3(c)	621
Miscellaneous	4,825
Total Expenses	**1,175,089**
Less—reduction in fees due to earnings credits—Note 3(c)	(4)
Net Expenses	**1,175,085**
Investment Income—Net	**1,418,367**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	15,815,126
Net unrealized appreciation (depreciation) on investments	5,237,320
Net Realized and Unrealized Gain (Loss) on Investments	**21,052,446**
Net Increase in Net Assets Resulting from Operations	**22,470,813**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations ($):		
Investment income—net	1,418,367	2,904,763
Net realized gain (loss) on investments	15,815,126	24,857,613
Net unrealized appreciation (depreciation) on investments	5,237,320	43,580,868
Net Increase (Decrease) in Net Assets Resulting from Operations	**22,470,813**	**71,343,244**
Dividends to Shareholders from ($):		
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 ($):		
Net proceeds from shares sold:		
Initial Shares	8,844,022	23,366,293
Service Shares	830,221	1,246,467
Dividends reinvested:		
Initial Shares	21,298,366	2,903,989
Service Shares	726,867	77,437
Cost of shares redeemed:		
Initial Shares	(22,691,706)	(35,165,859)
Service Shares	(412,739)	(1,245,153)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**8,595,031**	**(8,816,826)**
Total Increase (Decrease) in Net Assets	**9,040,611**	**59,544,992**
Net Assets ($):		
Beginning of Period	273,480,009	213,935,017
End of Period	**282,520,620**	**273,480,009**
Undistributed investment income—net	1,417,064	2,902,952

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Capital Share Transactions:		
Initial Shares		
Shares sold	206,015	593,292
Shares issued for dividends reinvested	514,577	79,846
Shares redeemed	(528,105)	(906,877)
Net Increase (Decrease) in Shares Outstanding	**192,487**	**(233,739)**
Service Shares		
Shares sold	19,409	31,743
Shares issued for dividends reinvested	17,672	2,140
Shares redeemed	(9,721)	(32,040)
Net Increase (Decrease) in Shares Outstanding	**27,360**	**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.

Initial Shares	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):						
Net asset value, beginning of period	44.09	33.24	29.91	29.90	26.26	19.86
Investment Operations:						
Investment income—net[a]	.23	.46	.44	.24	.25	.21
Net realized and unrealized gain (loss) on investments	3.31	10.87	3.15	.04	3.62	6.40
Total from Investment Operations	3.54	11.33	3.59	.28	3.87	6.61
Distributions:						
Dividends from investment income—net	(.48)	(.48)	(.26)	(.27)	(.23)	(.21)
Dividends from net realized gain on investments	(3.16)	–	–	–	–	–
Total Distributions	(3.64)	(.48)	(.26)	(.27)	(.23)	(.21)
Net asset value, end of period	43.99	44.09	33.24	29.91	29.90	26.26
Total Return (%)	8.56[b]	34.34	11.98	.90	14.82	33.75
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.86[c]	.86	.85	.85	.89	.89
Ratio of net expenses to average net assets	.86[c]	.86	.85	.85	.89	.89
Ratio of net investment income to average net assets	1.06[c]	1.19	1.34	.80	.93	.97
Portfolio Turnover Rate	15.10[b]	38.81	48.84	67.88	32.75	34.00
Net Assets, end of period ($ x 1,000)	272,576	264,713	207,383	208,013	227,893	222,600

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):						
Net asset value, beginning of period	43.76	33.01	29.70	29.71	26.10	19.71
Investment Operations:						
Investment income—net[a]	.17	.36	.36	.17	.18	.16
Net realized and unrealized gain (loss) on investments	3.30	10.78	3.13	.02	3.60	6.37
Total from Investment Operations	3.47	11.14	3.49	.19	3.78	6.53
Distributions:						
Dividends from investment income—net	(.39)	(.39)	(.18)	(.20)	(.17)	(.14)
Dividends from net realized gain on investments	(3.16)	–	–	–	–	–
Total Distributions	(3.55)	(.39)	(.18)	(.20)	(.17)	(.14)
Net asset value, end of period	43.68	43.76	33.01	29.70	29.71	26.10
Total Return (%)	8.42[b]	33.99	11.70	.65	14.54	33.44
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.11[c]	1.11	1.10	1.10	1.14	1.14
Ratio of net expenses to average net assets	1.11[c]	1.11	1.10	1.10	1.14	1.14
Ratio of net investment income to average net assets	.80[c]	.93	1.09	.55	.68	.72
Portfolio Turnover Rate	15.10[b]	38.81	48.84	67.88	32.75	34.00
Net Assets, end of period ($ x 1,000)	9,945	8,767	6,552	6,167	6,494	6,070

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

The Dreyfus Socially Responsible Growth Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified open-end management investment company. The fund's investment objective seeks to provide capital growth. The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue 150 million shares of $.001 par value Common Stock in each of the following classes of shares: Initial and Service. Initial shares are subject to a Shareholder Services Plan fee and Service shares are subject to a Distribution Plan fee. Each class of shares has identical rights and privileges, except with respect to the Distribution Plan, Shareholder Services Plan and the expenses borne by each class, the allocation of certain transfer agency costs, and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All of the preceding securities are generally categorized within Level 1 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADRs and financial futures. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the fund's Board of Directors (the "Board"). Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized within Level 2 or 3 of the fair value hierarchy depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are generally categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of June 30, 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†	276,504,673	–	–	**276,504,673**
Equity Securities– Foreign Common Stocks†	4,070,417	–	–	**4,070,417**
Mutual Funds	3,132,317	–	–	**3,132,317**

† *See Statement of Investments for additional detailed categorizations.*

At June 30, 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 June 30, 2014, The Bank of New York Mellon earned $329 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 June 30, 2014, were as follows:

Affiliated Investment Company	Value 12/31/2013 ($)	Purchases ($)	Sales ($)	Value 6/30/2014 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	2,281,098	17,700,307	17,915,244	2,066,161	.7
Dreyfus Institutional Cash Advantage Fund	–	6,139,887	5,073,731	1,066,156	.4
Total	**2,281,098**	**23,840,194**	**22,988,975**	**3,132,317**	**1.1**

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 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 June 30, 2014, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended December 31, 2013 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2013 was as follows: ordinary income $2,981,426.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $265 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York

Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended June 30, 2014, the fund did not borrow under the Facilities.

NOTE 3—Management Fee and Other Transactions with Affiliates:

(a) Pursuant to a management agreement with the Manager, the management fee is computed at the annual rate of .75% of the value of the fund's average daily net assets and is payable monthly.

(b) Under the Distribution Plan adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares. The Distribution Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Distribution Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2014, Service shares were charged $11,378 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 June 30, 2014, the fund was charged $490 for transfer agency services and $52 for cash management services. These fees are included in Shareholder servicing costs in the Statement of Operations. Cash management fees were partially offset by earnings credits of $4.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. These fees are determined based on net assets, geographic region and transaction activity. During the period ended June 30, 2014, the fund was charged $14,591 pursuant to the custody agreement.

During the period ended June 30, 2014, the fund was charged $4,593 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $173,525, Distribution Plan fees $2,021, Shareholder Services Plan fees $907, custodian fees $8,000, Chief Compliance Officer fees $2,209 and transfer agency fees $340.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2014, amounted to $41,016,773 and $52,764,189, respectively.

At June 30, 2014, accumulated net unrealized appreciation on investments was $77,468,153, consisting of $78,010,420 gross unrealized appreciation and $542,267 gross unrealized depreciation.

At June 30, 2014, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

For More Information

The Dreyfus Socially Responsible Growth Fund, Inc.
200 Park Avenue
New York, NY 10166

Manager

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

The Bank of New York Mellon
One Wall Street
New York, NY 10286

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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Dreyfus Stock Index Fund, Inc.

SEMIANNUAL REPORT June 30, 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.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

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 semiannual report for Dreyfus Stock Index Fund, Inc., covering the six-month period from January 1, 2014, through June 30, 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.

U.S. equities defied many analysts' expectations over the first half of 2014 when some broad measures of stock market performance continued to achieve new record highs in the wake of very robust performance in 2013. Strong corporate earnings and rising business and consumer confidence more than offset concerns regarding geopolitical tensions in overseas markets and a weather-related domestic economic contraction during the first quarter of the year.

We believe we already have seen signs that the economy's winter contraction will likely prove temporary, including stronger labor markets, greater manufacturing activity, rebounding housing starts, and rising household wealth. While these developments portend well for corporate earnings over the remainder of the year, our portfolio managers are aware that some stocks and industry groups have reached richer valuations, which suggests that selectivity and a long-term perspective could become more important determinants of potential investment success. As always, we encourage you to talk with your financial advisor about our observations and their implications for your investments.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
July 15, 2014

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2014, through June 30, 2014, as provided by Thomas J. Durante, CFA, Karen Q. Wong, and Richard A. Brown, Portfolio Managers

Fund and Market Performance Overview

For the six-month period ended June 30, 2014, Dreyfus Stock Index Fund's Initial shares produced a total return of 7.00%, and its Service shares produced a total return of 6.84%.[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 7.12% for the same period.[2,3]

Despite anemic growth in the midst of harsh weather over the opening months of 2014, sustained improvement in U.S. economic conditions generally helped support stock market gains for the reporting period overall. The difference in return 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 Economic Uncertainty

The S&P 500 Index recovered over the first half of 2014 after a steep sell-off in January stemming from the tapering of the Federal Reserve Board's quantitative easing program and concerns regarding economic and political instability in the emerging markets. In addition, the U.S. Department of Commerce reported that U.S. GDP contracted at a surprising annualized rate of 2.9% over the first quarter of 2014 due to the dampening effects of severe winter weather on corporate spending and housing market activity, as well as by reduced export activity and slowing inventory accumulation by businesses.

However, U.S. stocks subsequently rebounded strongly, climbing to a series of new highs through the end of June as investors responded positively to expectations that the Fed would keep short-term interest rates low. Policymakers reiterated their intention to maintain an accommodative monetary policy even as labor markets, manufacturing activity, and other economic indicators improved in the spring.

While the market's 2014 gains can be seen as an extension of the 2013 rally, equity market sentiment shifted over the first half of the year when investors turned their attention away from smaller, more speculative companies and toward well-established, large-cap stocks. This change was motivated, in part, by rising demand for dividend-paying stocks after yields of longer term U.S. Treasury securities moderated during the economic soft patch.

Energy and Technology Stocks Led Market's Advance

All 10 of the economic segments represented in the S&P 500 Index posted positive absolute returns over the first half of 2014. Results were especially robust in the health care sector, where large pharmaceutical developers experienced strong sales growth in the emerging markets, and research-and-development efforts led to a number of new products. Moreover, the health care sector benefited from elevated levels of mergers-and-acquisitions activity and investors' preference for high-quality, dividend-paying stocks.

In the energy sector, relative weakness among large, integrated oil-and-gas producers was more than offset by better results from companies offering equipment and services that make production more efficient. Indeed, new drilling technologies have fueled a new energy production boom in North America, enabling the United States to rank as the world's largest oil producer.

The information technology sector also delivered above-average results, in large part due to sharp gains by consumer electronics giant Apple. Other technology producers with new products also fared well, particularly those offering upgraded smartphones and tablet computers. Some technology companies have established or raised their dividends, attracting income-oriented investors who historically have found relatively few opportunities in the information technology sector. Finally, lower long-term interest rates and intensifying demand from income-oriented investors bolstered the stock prices of utilities and real estate investment trusts with high dividend yields.

The consumer discretionary sector generally lagged market averages over the reporting period when retailers struggled with weak store traffic during the winter. Sellers of housewares and electronics were especially hard hit. However, media companies fared considerably better, enabling the consumer discretionary sector to post positive absolute returns.

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 be back on track. As always, we have continued to monitor the factors considered by the fund's investment model in light of current market conditions.

July 15, 2014

Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of Dreyfus Stock Index Fund, Inc. made available through insurance products may be similar to other funds managed by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends daily and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index.*

3 *"Standard & Poor's®," "S&P®," "Standard & Poor's 500™, "and "S&P 500®" are trademarks of Standard & Poor's Financial Services LLC ("Standard & Poor's") and have been licensed for use by the fund. The fund is not sponsored, endorsed, sold, or promoted by Standard & Poor's and Standard & Poor's does not make any representation regarding the advisability of investing in the fund.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Stock Index Fund, Inc. from January 1, 2014 to June 30, 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 June 30, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.44	$ 2.72
Ending value (after expenses)	$1,070.00	$1,068.40

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.40	$ 2.66
Ending value (after expenses)	$1,023.41	$1,022.17

† *Expenses are equal to the fund's annualized expense ratio of .28% for Initial Shares and .53% for Service Shares, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2014 (Unaudited)

Common Stocks—99.7%	Shares	Value ($)
Automobiles & Components—1.2%		
BorgWarner	26,964	1,757,783
Delphi Automotive	33,311	2,289,798
Ford Motor	477,423	8,230,773
General Motors	158,037	5,736,743
Goodyear Tire & Rubber	33,266	924,129
Harley-Davidson	26,210	1,830,769
Johnson Controls	80,388	4,013,773
		24,783,768
Banks—6.0%		
Bank of America	1,268,324	19,494,140
BB&T	85,112	3,355,966
Citigroup	366,791	17,275,856
Comerica	21,468	1,076,835
Fifth Third Bancorp	100,891	2,154,023
Hudson City Bancorp	55,868	549,182
Huntington Bancshares	101,038	963,903
JPMorgan Chase & Co.	456,991	26,331,821
KeyCorp	104,692	1,500,236
M&T Bank	15,605	1,935,800
People's United Financial	37,482	568,602
PNC Financial Services Group	64,483	5,742,211
Regions Financial	171,031	1,816,349
SunTrust Banks	64,753	2,594,005
U.S. Bancorp	218,336	9,458,316
Wells Fargo & Co.	578,726	30,417,839
Zions Bancorporation	22,310	657,476
		125,892,560
Capital Goods—7.8%		
3M	75,463	10,809,320
Allegion	11,033	625,350
AMETEK	30,241	1,580,999
Boeing	81,084	10,316,317
Caterpillar	75,497	8,204,259
Cummins	20,793	3,208,152
Danaher	72,671	5,721,388
Deere & Co.	44,769	4,053,833

Common Stocks (continued)	Shares	Value ($)
Capital Goods (continued)		
Dover	20,864	1,897,581
Eaton	56,760	4,380,737
Emerson Electric	84,903	5,634,163
Fastenal	33,080	1,637,129
Flowserve	16,704	1,241,942
Fluor	18,875	1,451,488
General Dynamics	39,383	4,590,089
General Electric	1,210,825	31,820,481
Honeywell International	93,933	8,731,072
Illinois Tool Works	45,947	4,023,119
Ingersoll-Rand	30,415	1,901,242
Jacobs Engineering Group	15,586 [a]	830,422
Joy Global	11,523	709,586
L-3 Communications Holdings	10,057	1,214,383
Lockheed Martin	32,600	5,239,798
Masco	43,787	972,071
Northrop Grumman	25,803	3,086,813
PACCAR	42,858	2,692,768
Pall	13,234	1,130,051
Parker Hannifin	17,949	2,256,728
Pentair	24,339	1,755,329
Precision Castparts	17,380	4,386,712
Quanta Services	25,620 [a]	885,940
Raytheon	37,497	3,459,098
Rockwell Automation	16,474	2,061,886
Rockwell Collins	15,980	1,248,677
Roper Industries	12,120	1,769,641
Snap-on	7,385	875,270
Stanley Black & Decker	19,156	1,682,280
Textron	33,304	1,275,210
United Technologies	101,373	11,703,513
W.W. Grainger	7,413	1,884,904
Xylem	22,600	883,208
		163,832,949

Common Stocks (continued)	Shares		Value ($)
Commercial & Professional Services—.7%			
ADT	21,233	b	741,881
Cintas	12,433		789,993
Dun & Bradstreet	4,906		540,641
Equifax	14,390		1,043,851
Iron Mountain	20,420		723,889
Nielsen Holdings	36,556		1,769,676
Pitney Bowes	23,747		655,892
Republic Services	31,735		1,204,978
Robert Half International	16,902		806,901
Stericycle	10,429	a	1,235,002
Tyco International	56,000		2,553,600
Waste Management	52,782		2,360,939
			14,427,243
Consumer Durables & Apparel—1.3%			
Coach	33,615		1,149,297
D.R. Horton	35,504		872,688
Fossil Group	5,696	a	595,346
Garmin	14,662	b	892,916
Harman International Industries	8,150		875,555
Hasbro	14,686		779,092
Leggett & Platt	16,779		575,184
Lennar, Cl. A	20,220		848,836
Mattel	41,761		1,627,426
Michael Kors Holdings	21,326	a	1,890,550
Mohawk Industries	7,451	a	1,030,771
Newell Rubbermaid	34,851		1,080,032
NIKE, Cl. B	89,594		6,948,015
PulteGroup	40,213		810,694
PVH	9,607		1,120,176
Ralph Lauren	7,369		1,184,125
Under Armour, Cl. A	19,436	a	1,156,248
VF	42,664		2,687,832
Whirlpool	9,263		1,289,595
			27,414,378

Common Stocks (continued)	Shares		Value ($)
Consumer Services—1.7%			
Carnival	53,508		2,014,576
Chipotle Mexican Grill	3,776	a	2,237,318
Darden Restaurants	15,205		703,535
Graham Holdings, Cl. B	514		369,109
H&R Block	32,266		1,081,556
Marriott International, Cl. A	26,920		1,725,572
McDonald's	119,347		12,023,017
Starbucks	91,276		7,062,937
Starwood Hotels & Resorts Worldwide	22,823	c	1,844,555
Wyndham Worldwide	16,099		1,219,016
Wynn Resorts	9,611		1,994,859
Yum! Brands	53,848		4,372,458
			36,648,508
Diversified Financials—5.0%			
Affiliated Managers Group	6,669	a	1,369,813
American Express	109,503		10,388,550
Ameriprise Financial	22,673		2,720,760
Bank of New York Mellon	137,408		5,150,052
Berkshire Hathaway, Cl. B	217,402	a	27,514,397
BlackRock	15,205		4,859,518
Capital One Financial	69,482		5,739,213
Charles Schwab	140,934		3,795,353
CME Group	38,335		2,719,868
Discover Financial Services	56,072		3,475,343
E*TRADE Financial	34,616	a	735,936
Franklin Resources	48,674		2,815,304
Goldman Sachs Group	50,271		8,417,376
IntercontinentalExchange Group	13,978		2,640,444
Invesco	52,583		1,985,008
Legg Mason	12,995		666,773
Leucadia National	39,171		1,027,064
McGraw-Hill Financial	32,605		2,707,193
Moody's	22,451		1,968,055
Morgan Stanley	169,276		5,472,693
NASDAQ OMX Group	14,054		542,765
Navient	51,777		916,971

Common Stocks (continued)	Shares		Value ($)
Diversified Financials (continued)			
Northern Trust	26,878		1,725,836
State Street	51,416		3,458,240
T. Rowe Price Group	31,430		2,653,006
			105,465,531
Energy—10.8%			
Anadarko Petroleum	60,950		6,672,197
Apache	47,105		4,739,705
Baker Hughes	52,129		3,881,004
Cabot Oil & Gas	51,819		1,769,101
Cameron International	24,775	a	1,677,515
Chesapeake Energy	60,844		1,891,032
Chevron	229,870		30,009,529
Cimarex Energy	10,300		1,477,638
ConocoPhillips	148,232		12,707,929
CONSOL Energy	27,986		1,289,315
Denbury Resources	43,163		796,789
Devon Energy	45,759		3,633,265
Diamond Offshore Drilling	8,837	b	438,580
Ensco, Cl. A	27,626		1,535,177
EOG Resources	65,984		7,710,890
EQT	17,884		1,911,800
Exxon Mobil	519,151		52,268,123
FMC Technologies	28,060	a	1,713,624
Halliburton	102,754		7,296,562
Helmerich & Payne	12,634		1,466,934
Hess	31,958		3,160,327
Kinder Morgan	81,622		2,959,614
Marathon Oil	83,074		3,316,314
Marathon Petroleum	34,931		2,727,063
Murphy Oil	20,936		1,391,825
Nabors Industries	30,637		899,809
National Oilwell Varco	52,044		4,285,823
Newfield Exploration	15,358	a	678,824
Noble	30,749		1,031,936
Noble Energy	43,567		3,374,700
Occidental Petroleum	95,220		9,772,429

Common Stocks (continued)	Shares		Value ($)
Energy (continued)			
ONEOK	25,144		1,711,804
Peabody Energy	32,748		535,430
Phillips 66	68,524		5,511,385
Pioneer Natural Resources	17,118		3,933,888
QEP Resources	21,261		733,505
Range Resources	20,347		1,769,172
Rowan, Cl. A	14,228		454,300
Schlumberger	156,854		18,500,929
Southwestern Energy	41,783	a	1,900,709
Spectra Energy	81,199		3,449,334
Tesoro	15,481		908,270
Transocean	40,186	b	1,809,576
Valero Energy	63,488		3,180,749
Williams	89,151		5,189,480
			228,073,904
Food & Staples Retailing—2.3%			
Costco Wholesale	53,085		6,113,269
CVS Caremark	141,738		10,682,793
Kroger	62,641		3,096,345
Safeway	26,803		920,415
Sysco	70,040		2,622,998
Wal-Mart Stores	194,094		14,570,637
Walgreen	105,553		7,824,644
Whole Foods Market	45,081		1,741,479
			47,572,580
Food, Beverage & Tobacco—5.2%			
Altria Group	238,801		10,015,314
Archer-Daniels-Midland	79,894		3,524,124
Brown-Forman, Cl. B	19,359		1,823,037
Campbell Soup	21,164		969,523
Coca-Cola	456,353		19,331,113
Coca-Cola Enterprises	28,512		1,362,303
ConAgra Foods	51,603		1,531,577
Constellation Brands, Cl. A	19,733	a	1,739,069
Dr. Pepper Snapple Group	23,698		1,388,229
General Mills	74,509		3,914,703

Common Stocks (continued)	Shares		Value ($)
Food, Beverage & Tobacco (continued)			
Hershey	17,946		1,747,402
Hormel Foods	16,575		817,976
J.M. Smucker	12,391		1,320,509
Kellogg	30,669		2,014,953
Keurig Green Mountain	15,315		1,908,402
Kraft Foods Group	72,420		4,341,579
Lorillard	44,271		2,699,203
McCormick & Co.	15,346		1,098,620
Mead Johnson Nutrition	24,249		2,259,279
Molson Coors Brewing, Cl. B	19,076		1,414,676
Mondelez International, Cl. A	203,676		7,660,254
Monster Beverage	15,998	a	1,136,338
PepsiCo	182,663		16,319,112
Philip Morris International	190,200		16,035,762
Reynolds American	37,196		2,244,779
Tyson Foods, Cl. A	32,227		1,209,802
			109,827,638
Health Care Equipment & Services—4.2%			
Abbott Laboratories	181,656		7,429,730
Aetna	43,191		3,501,926
AmerisourceBergen	27,601		2,005,489
Baxter International	64,939		4,695,090
Becton Dickinson & Co.	23,502		2,780,287
Boston Scientific	161,081	a	2,057,004
C.R. Bard	9,324		1,333,425
Cardinal Health	41,379		2,836,944
CareFusion	25,911	a	1,149,153
Cerner	35,112	a	1,811,077
Cigna	33,160		3,049,725
Covidien	53,760		4,848,077
DaVita HealthCare Partners	21,732	a	1,571,658
DENTSPLY International	17,849		845,150
Edwards Lifesciences	12,530	a	1,075,575
Express Scripts Holding	94,016	a	6,518,129
Humana	18,262		2,332,423
Intuitive Surgical	4,659	a	1,918,576

Common Stocks (continued)	Shares		Value ($)
Health Care Equipment & Services (continued)			
Laboratory Corporation of America Holdings	10,389	a	1,063,834
McKesson	27,680		5,154,293
Medtronic	120,855		7,705,715
Patterson	9,719		383,998
Quest Diagnostics	17,021		998,962
St. Jude Medical	33,642		2,329,709
Stryker	35,210		2,968,907
Tenet Healthcare	11,442	a	537,087
UnitedHealth Group	118,520		9,689,010
Varian Medical Systems	13,048	a	1,084,811
WellPoint	34,250		3,685,643
Zimmer Holdings	20,306		2,108,981
			89,470,388
Household & Personal Products—2.0%			
Avon Products	51,516		752,649
Clorox	15,496		1,416,334
Colgate-Palmolive	105,362		7,183,581
Estee Lauder, Cl. A	30,966		2,299,535
Kimberly-Clark	45,335		5,042,159
Procter & Gamble	326,746		25,678,968
			42,373,226
Insurance—2.9%			
ACE	40,200		4,168,740
Aflac	54,309		3,380,735
Allstate	52,538		3,085,031
American International Group	175,406		9,573,659
Aon	36,121		3,254,141
Assurant	8,347		547,146
Chubb	29,200		2,691,364
Cincinnati Financial	17,995		864,480
Genworth Financial, Cl. A	59,781	a	1,040,189
Hartford Financial Services Group	53,057		1,899,971
Lincoln National	32,256		1,659,249
Loews	36,853		1,621,901
Marsh & McLennan	66,592		3,450,797
MetLife	135,677		7,538,214

Common Stocks (continued)	Shares		Value ($)
Insurance (continued)			
Principal Financial Group	33,718		1,702,085
Progressive	66,527		1,687,125
Prudential Financial	55,416		4,919,278
Torchmark	10,710		877,363
Travelers	42,020		3,952,821
Unum Group	32,321		1,123,478
XL Group	32,239		1,055,182
			60,092,949
Materials—3.5%			
Air Products & Chemicals	25,208		3,242,253
Airgas	8,359		910,379
Alcoa	141,326		2,104,344
Allegheny Technologies	13,887		626,304
Avery Dennison	11,844		607,005
Ball	17,464		1,094,644
Bemis	12,383		503,493
CF Industries Holdings	6,544		1,574,028
Dow Chemical	146,820		7,555,357
E.I. du Pont de Nemours & Co.	111,054		7,267,374
Eastman Chemical	18,216		1,591,168
Ecolab	32,381		3,605,301
FMC	15,840		1,127,650
Freeport-McMoRan Copper & Gold	125,668		4,586,882
International Flavors & Fragrances	9,527		993,476
International Paper	53,435		2,696,864
LyondellBasell Industries, Cl. A	50,442		4,925,661
MeadWestvaco	20,867		923,573
Monsanto	63,482		7,918,745
Mosaic	39,193		1,938,094
Newmont Mining	58,824		1,496,483
Nucor	38,186		1,880,661
Owens-Illinois	19,489	a	675,099
PPG Industries	16,498		3,467,055
Praxair	35,639		4,734,285
Sealed Air	23,167		791,616
Sherwin-Williams	10,283		2,127,656

Common Stocks (continued)	Shares		Value ($)
Materials (continued)			
Sigma-Aldrich	14,655		1,487,189
United States Steel	16,995	b	442,550
Vulcan Materials	15,901		1,013,689
			73,908,878
Media—3.6%			
Cablevision Systems (NY Group), Cl. A	26,917	b	475,085
CBS, Cl. B	64,029		3,978,762
Comcast, Cl. A	312,742		16,787,991
DIRECTV	57,336	a	4,874,133
Discovery Communications, Cl. A	26,845	a	1,994,047
Gannett	26,519		830,310
Interpublic Group of Cos.	49,303		961,902
News Corp., Cl. A	58,467	a	1,048,898
Omnicom Group	31,493		2,242,931
Scripps Networks Interactive, Cl. A	13,652		1,107,723
Time Warner	106,622		7,490,196
Time Warner Cable	33,635		4,954,436
Twenty-First Century Fox, Cl. A	232,358		8,167,384
Viacom, Cl. B	47,539		4,123,057
Walt Disney	194,627		16,687,319
			75,724,174
Pharmaceuticals, Biotech & Life Sciences—9.0%			
AbbVie	191,982		10,835,464
Actavis	21,132	a	4,713,493
Agilent Technologies	40,001		2,297,657
Alexion Pharmaceuticals	23,787	a	3,716,719
Allergan	35,765		6,052,153
Amgen	91,187		10,793,805
Biogen Idec	28,544	a	9,000,209
Bristol-Myers Squibb	200,070		9,705,396
Celgene	96,814	a	8,314,386
Eli Lilly & Co.	118,873		7,390,334
Forest Laboratories	28,268	a	2,798,532
Gilead Sciences	185,430	a	15,374,001
Hospira	19,501	a	1,001,766

Common Stocks (continued)	Shares		Value ($)
Pharmaceuticals, Biotech & Life Sciences (continued)			
Johnson & Johnson	341,602		35,738,401
Merck & Co.	352,943		20,417,753
Mylan	45,060	a	2,323,294
PerkinElmer	13,073		612,339
Perrigo Company	15,851		2,310,442
Pfizer	770,208		22,859,773
Regeneron Pharmaceuticals	9,543	a	2,695,611
Thermo Fisher Scientific	48,162		5,683,116
Vertex Pharmaceuticals	27,824	a	2,634,376
Waters	10,309	a	1,076,672
Zoetis	60,341		1,947,204
			190,292,896
Real Estate—2.2%			
American Tower	47,473	c	4,271,621
Apartment Investment & Management, Cl. A	16,786	c	541,684
AvalonBay Communities	14,656	c	2,083,937
Boston Properties	18,165	c	2,146,740
CBRE Group, Cl. A	33,194	a	1,063,536
Crown Castle International	40,076		2,976,044
Equity Residential	40,278	c	2,537,514
Essex Property Trust	7,439	c	1,375,545
General Growth Properties	64,439	c	1,518,183
HCP	54,540	c	2,256,865
Health Care	36,851	c	2,309,452
Host Hotels & Resorts	89,696	c	1,974,209
Kimco Realty	50,677	c	1,164,557
Macerich	16,615	c	1,109,051
Plum Creek Timber	20,903	c	942,725
Prologis	60,289	c	2,477,275
Public Storage	17,508	c	2,999,996
Simon Property Group	37,925	c	6,306,169
Ventas	35,162	c	2,253,884
Vornado Realty Trust	21,120	c	2,254,138
Weyerhaeuser	70,443	b,c	2,330,959
			46,894,084

Common Stocks (continued)	Shares		Value ($)
Retailing—4.0%			
Amazon.com	45,003	a	14,616,074
AutoNation	8,010	a	478,037
AutoZone	4,048	a	2,170,700
Bed Bath & Beyond	25,717	a	1,475,641
Best Buy	32,803		1,017,221
CarMax	26,759	a	1,391,736
Dollar General	36,595	a	2,099,089
Dollar Tree	25,468	a	1,386,987
Expedia	12,194		960,399
Family Dollar Stores	11,720		775,161
GameStop, Cl. A	14,004	b	566,742
Gap	32,695		1,359,131
Genuine Parts	18,346		1,610,779
Home Depot	165,467		13,396,208
Kohl's	24,841		1,308,624
L Brands	29,794		1,747,716
Lowe's	120,777		5,796,088
Macy's	44,570		2,585,951
Netflix	7,129	a	3,141,037
Nordstrom	16,778		1,139,730
O'Reilly Automotive	12,748	a	1,919,849
PetSmart	12,078		722,264
Priceline Group	6,295	a	7,572,885
Ross Stores	25,388		1,678,908
Staples	79,077		857,195
Target	76,525		4,434,624
The TJX Companies	85,162		4,526,360
Tiffany & Co.	12,967		1,299,942
Tractor Supply	16,997		1,026,619
TripAdvisor	13,071	a	1,420,295
Urban Outfitters	13,780	a	466,591
			84,948,583
Semiconductors & Semiconductor Equipment—2.3%			
Altera	37,238		1,294,393
Analog Devices	37,516		2,028,490

Common Stocks (continued)	Shares		Value ($)
Semiconductors & Semiconductor Equipment (continued)			
Applied Materials	145,039		3,270,629
Avago Technologies	30,156		2,173,343
Broadcom, Cl. A	66,537		2,469,853
First Solar	8,565	a	608,629
Intel	601,047		18,572,352
KLA-Tencor	20,165		1,464,786
Lam Research	19,918		1,346,058
Linear Technology	28,337		1,333,823
Microchip Technology	23,926	b	1,167,828
Micron Technology	129,216	a	4,257,667
NVIDIA	68,614		1,272,104
Texas Instruments	129,667		6,196,786
Xilinx	32,510		1,538,048
			48,994,789
Software & Services—10.0%			
Accenture, Cl. A	76,714		6,201,560
Adobe Systems	56,155	a	4,063,376
Akamai Technologies	21,323	a	1,301,982
Alliance Data Systems	6,396	a	1,798,875
Autodesk	27,611	a	1,556,708
Automatic Data Processing	58,282		4,620,597
CA	38,926		1,118,733
Citrix Systems	19,943	a	1,247,435
Cognizant Technology Solutions, Cl. A	73,486	a	3,594,200
Computer Sciences	18,152		1,147,206
eBay	137,881	a	6,902,323
Electronic Arts	36,670	a	1,315,353
Facebook, Cl. A	207,605	a	13,969,740
Fidelity National Information Services	35,107		1,921,757
Fiserv	30,101	a	1,815,692
Google, Cl. A	34,203	a	19,997,468
Google, Cl. C	34,203	a	19,676,302
International Business Machines	115,080		20,860,552
Intuit	33,946		2,733,671
MasterCard, Cl. A	122,253		8,981,928

Common Stocks (continued)	Shares		Value ($)
Software & Services (continued)			
Microsoft	907,237		37,831,783
Oracle	415,542		16,841,917
Paychex	38,492		1,599,728
Red Hat	22,580	a	1,247,997
salesforce.com	67,393	a	3,914,185
Symantec	82,522		1,889,754
Teradata	19,863	a	798,493
Total System Services	20,172		633,603
VeriSign	15,902	a	776,177
Visa, Cl. A	60,739		12,798,315
Western Union	65,960		1,143,746
Xerox	131,338		1,633,845
Yahoo!	112,848	a	3,964,350
			209,899,351
Technology Hardware & Equipment—6.5%			
Amphenol, Cl. A	19,057		1,835,951
Apple	729,269		67,770,968
Cisco Systems	617,900		15,354,815
Corning	157,315		3,453,064
EMC	247,131		6,509,431
F5 Networks	9,118	a	1,016,110
FLIR Systems	16,352		567,905
Harris	12,868		974,751
Hewlett-Packard	226,872		7,641,049
Jabil Circuit	24,327		508,434
Juniper Networks	55,674	a	1,366,240
Motorola Solutions	27,312		1,818,160
NetApp	38,924		1,421,504
QUALCOMM	203,807		16,141,514
SanDisk	27,670		2,889,578
Seagate Technology	39,790		2,260,868
TE Connectivity	49,500		3,061,080
Western Digital	25,042		2,311,377
			136,902,799

Common Stocks (continued)	Shares	Value ($)
Telecommunication Services—2.4%		
AT&T	625,056	22,101,980
CenturyLink	68,602	2,483,392
Frontier Communications	117,263 [b]	684,816
Verizon Communications	500,024	24,466,174
Windstream Holdings	71,566 [b]	712,797
		50,449,159
Transportation—2.0%		
C.H. Robinson Worldwide	17,326	1,105,226
CSX	122,477	3,773,516
Delta Air Lines	103,284	3,999,156
Expeditors International of Washington	25,090	1,107,974
FedEx	33,586	5,084,249
Kansas City Southern	13,175	1,416,444
Norfolk Southern	37,507	3,864,346
Ryder System	6,897	607,557
Southwest Airlines	83,804	2,250,975
Union Pacific	109,082	10,880,930
United Parcel Service, Cl. B	85,118	8,738,214
		42,828,587
Utilities—3.1%		
AES	76,718	1,192,965
AGL Resources	14,294	786,599
Ameren	29,373	1,200,768
American Electric Power	59,049	3,293,163
CenterPoint Energy	53,164	1,357,809
CMS Energy	32,486	1,011,939
Consolidated Edison	35,126	2,028,175
Dominion Resources	69,491	4,969,996
DTE Energy	21,484	1,672,959
Duke Energy	85,571	6,348,512
Edison International	39,047	2,269,021
Entergy	21,056	1,728,487
Exelon	103,865	3,788,995
FirstEnergy	49,703	1,725,688

Common Stocks (continued)	Shares		Value ($)
Utilities (continued)			
Integrys Energy Group	9,923		705,823
NextEra Energy	52,128		5,342,077
NiSource	38,636		1,519,940
Northeast Utilities	37,338		1,764,967
NRG Energy	40,112		1,492,166
Pepco Holdings	31,659		869,989
PG&E	54,802		2,631,592
Pinnacle West Capital	13,412		775,750
PPL	76,206		2,707,599
Public Service Enterprise Group	60,679		2,475,096
SCANA	16,390	b	881,946
Sempra Energy	27,366		2,865,494
Southern	106,699		4,842,001
TECO Energy	27,160	b	501,917
Wisconsin Energy	27,057		1,269,514
Xcel Energy	59,925		1,931,383
			65,952,330
Total Common Stocks (cost $953,011,477)			**2,102,671,252**

Short-Term Investments—.0%	Principal Amount ($)		Value ($)
U.S. Treasury Bills;			
0.01%, 9/11/14 (cost $744,979)	745,000	d	**744,978**

Other Investment—.5%	Shares		Value ($)
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $10,835,514)	10,835,514	e	**10,835,514**

Investment of Cash Collateral for Securities Loaned–.4%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $8,198,483)	8,198,483 [e]	**8,198,483**
Total Investments (cost $972,790,453)	**100.6%**	**2,122,450,227**
Liabilities, Less Cash and Receivables	**(.6%)**	**(12,424,369)**
Net Assets	**100.0%**	**2,110,025,858**

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At June 30, 2014, the value of the fund's securities on loan was $9,041,183 and the value of the collateral held by the fund was $9,263,716, consisting of cash collateral of $8,198,483 and U.S. Government & Agency securities valued at $1,065,233.*

[c] *Investment in real estate investment trust.*

[d] *Held by or on behalf of a counterparty for open financial futures contracts.*

[e] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Energy	10.8	Insurance	2.9
Software & Services	10.0	Telecommunication Services	2.4
Pharmaceuticals, Biotech & Life Sciences	9.0	Food & Staples Retailing	2.3
Capital Goods	7.8	Semiconductors & Semiconductor Equipment	2.3
Technology Hardware & Equipment	6.5	Real Estate	2.2
Banks	6.0	Household & Personal Products	2.0
Food, Beverage & Tobacco	5.2	Transportation	2.0
Diversified Financials	5.0	Consumer Services	1.7
Health Care Equipment & Services	4.2	Consumer Durables & Apparel	1.3
Retailing	4.0	Automobiles & Components	1.2
Media	3.6	Short-Term/Money Market Investments	.9
Materials	3.5	Commercial & Professional Services	.7
Utilities	3.1		**100.6**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF FINANCIAL FUTURES

June 30, 2014 (Unaudited)

	Contracts	Market Value Covered by Contracts ($)	Expiration	Unrealized Appreciation at 6/30/2014 ($)
Financial Futures Long				
Standard & Poor's 500 E-mini	130	12,690,600	September 2014	**77,397**

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2014 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $9,041,183)—Note 1(b):		
Unaffiliated issuers	953,756,456	2,103,416,230
Affiliated issuers	19,033,997	19,033,997
Cash		128,438
Dividends, interest and securities lending income receivable		2,228,165
Receivable for futures variation margin—Note 4		3,976
Prepaid expenses		10,378
		2,124,821,184
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		478,168
Liability for securities on loan—Note 1(b)		8,198,483
Payable for shares of Common Stock redeemed		4,221,897
Payable for investment securities purchased		1,735,588
Accrued expenses		161,190
		14,795,326
Net Assets ($)		**2,110,025,858**
Composition of Net Assets ($):		
Paid-in capital		974,473,459
Accumulated undistributed investment income—net		95,541
Accumulated net realized gain (loss) on investments		(14,280,313)
Accumulated net unrealized appreciation (depreciation) on investments (including $77,397 net unrealized appreciation on financial futures)		1,149,737,171
Net Assets ($)		**2,110,025,858**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	1,869,804,637	240,221,221
Shares Outstanding	43,666,838	5,604,248
Net Asset Value Per Share ($)	**42.82**	**42.86**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2014 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $2,215 foreign taxes withheld at source):	
Unaffiliated issuers	20,402,998
Affiliated issuers	4,932
Income from securities lending—Note 1(b)	27,458
Interest	314
Total Income	**20,435,702**
Expenses:	
Management fee—Note 3(a)	2,467,718
Distribution fees—Note 3(b)	290,147
Prospectus and shareholders' reports	113,472
Directors' fees and expenses—Note 3(d)	73,834
Professional fees	56,816
Loan commitment fees—Note 2	11,154
Shareholder servicing costs—Note 3(c)	1,206
Miscellaneous	53,595
Net Expenses	**3,067,942**
Less—reduction in expenses due to earnings credits—Note 3(c)	(4)
Total Expenses	**3,067,938**
Investment Income—Net	**17,367,764**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	26,487,359
Net realized gain (loss) on financial futures	1,331,612
Net Realized Gain (Loss)	**27,818,971**
Net unrealized appreciation (depreciation) on investments	93,369,787
Net unrealized appreciation (depreciation) on financial futures	(191,138)
Net Unrealized Appreciation (Depreciation)	**93,178,649**
Net Realized and Unrealized Gain (Loss) on Investments	**120,997,620**
Net Increase in Net Assets Resulting from Operations	**138,365,384**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations ($):		
Investment income—net	17,367,764	33,748,993
Net realized gain (loss) on investments	27,818,971	39,130,528
Net unrealized appreciation (depreciation) on investments	93,178,649	452,015,601
Net Increase (Decrease) in Net Assets Resulting from Operations	**138,365,384**	**542,895,122**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(15,562,850)	(30,524,057)
Service Shares	(1,718,110)	(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	**(41,202,691)**	**(54,931,611)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	67,171,593	158,642,208
Service Shares	5,992,311	28,775,193
Dividends reinvested:		
Initial Shares	36,736,923	49,172,604
Service Shares	4,465,768	5,759,007
Cost of shares redeemed:		
Initial Shares	(118,767,304)	(367,864,031)
Service Shares	(21,015,786)	(32,872,847)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(25,416,495)**	**(158,387,866)**
Total Increase (Decrease) in Net Assets	**71,746,198**	**311,575,645**
Net Assets ($):		
Beginning of Period	2,038,279,660	1,726,704,015
End of Period	**2,110,025,858**	**2,038,279,660**
Undistributed investment income—net	95,541	8,737

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Capital Share Transactions:		
Initial Shares		
Shares sold	1,639,940	4,363,041
Shares issued for dividends reinvested	889,281	1,363,714
Shares redeemed	(2,897,104)	(10,077,013)
Net Increase (Decrease) in Shares Outstanding	**(367,883)**	**(4,350,258)**
Service Shares		
Shares sold	145,515	803,289
Shares issued for dividends reinvested	108,096	159,629
Shares redeemed	(513,020)	(903,281)
Net Increase (Decrease) in Shares Outstanding	**(259,409)**	**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.

Initial Shares	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):						
Net asset value, beginning of period	40.84	31.86	29.48	29.67	26.31	22.98
Investment Operations:						
Investment income—net[a]	.36	.66	.63	.54	.48	.48
Net realized and unrealized gain (loss) on investments	2.47	9.39	3.95	.02	3.37	4.85
Total from Investment Operations	2.83	10.05	4.58	.56	3.85	5.33
Distributions:						
Dividends from investment income—net	(.36)	(.68)	(.64)	(.55)	(.49)	(.48)
Dividends from net realized gain on investments	(.49)	(.39)	(1.56)	(.20)	–	(1.52)
Total Distributions	(.85)	(1.07)	(2.20)	(.75)	(.49)	(2.00)
Net asset value, end of period	42.82	40.84	31.86	29.48	29.67	26.31
Total Return (%)	7.00[b]	32.02	15.74	1.88	14.84	26.33
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.28[c]	.29	.28	.27	.27	.29
Ratio of net expenses to average net assets	.28[c]	.29	.28	.27	.27	.29
Ratio of net investment income to average net assets	1.75[c]	1.82	2.02	1.81	1.78	2.12
Portfolio Turnover Rate	1.39[b]	3.76	3.13	3.27	4.46	5.42
Net Assets, end of period ($ x 1,000)	1,869,805	1,798,538	1,541,577	1,487,417	1,635,095	1,593,165

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):						
Net asset value, beginning of period	40.89	31.90	29.51	29.70	26.34	23.00
Investment Operations:						
Investment income—net[a]	.31	.57	.56	.47	.41	.43
Net realized and unrealized gain (loss) on investments	2.46	9.40	3.96	.02	3.38	4.85
Total from Investment Operations	2.77	9.97	4.52	.49	3.79	5.28
Distributions:						
Dividends from investment income—net	(.31)	(.59)	(.57)	(.48)	(.43)	(.42)
Dividends from net realized gain on investments	(.49)	(.39)	(1.56)	(.20)	–	(1.52)
Total Distributions	(.80)	(.98)	(2.13)	(.68)	(.43)	(1.94)
Net asset value, end of period	42.86	40.89	31.90	29.51	29.70	26.34
Total Return (%)	6.84[b]	31.71	15.47	1.62	14.54	26.05
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.53[c]	.54	.53	.52	.52	.54
Ratio of net expenses to average net assets	.53[c]	.54	.53	.52	.52	.54
Ratio of net investment income to average net assets	1.50[c]	1.57	1.78	1.56	1.53	1.86
Portfolio Turnover Rate	1.39[b]	3.76	3.13	3.27	4.46	5.42
Net Assets, end of period ($ x 1,000)	240,221	239,742	185,127	168,177	168,782	150,369

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Stock Index Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a non-diversified open-end management investment company, that is intended to be a funding vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of life insurance companies. The fund's investment objective is to match the total return of the Standard & Poor's 500® Composite Stock Price Index. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser. Mellon Capital Management Corporation ("Mellon Capital"), an indirect wholly-owned subsidiary of BNY Mellon, serves as the fund's index manager.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of Dreyfus, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue 400 million shares of $.001 par value Common Stock in each of the following classes of shares: Initial shares (250 million shares authorized) and Service shares (150 million shares authorized). Initial shares are subject to a Shareholder Services Plan fee and Service shares are subject to a Distribution Plan fee. Each class of shares has identical rights and privileges, except with respect to the Distribution Plan, Shareholder Services Plan, and the expenses borne by each class, the allocation of certain transfer agency costs, and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All of the preceding securities are generally categorized within Level 1 of the fair value hierarchy.

U.S. Treasury Bills are valued at the mean price between quoted bid prices and asked prices by an independent pricing service (the "Service") approved by the fund's Board of Directors (the "Board"). These securities are generally categorized within Level 2 of the fair value hierarchy.

The Service's procedures are reviewed by Dreyfus under the general supervision of the Board.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant American Depository Receipts and financial futures. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized within Level 2 or 3 of the fair value hierarchy depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are 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 June 30, 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†	2,097,072,182	–	–	**2,097,072,182**
Equity Securities— Foreign Common Stocks†	5,599,070	–	–	**5,599,070**

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($) (continued)				
Investments in Securities (continued):				
Mutual Funds	19,033,997	–	–	**19,033,997**
U.S. Treasury	–	744,978	–	**744,978**
Other Financial Instruments:				
Financial Futures††	77,397	–	–	**77,397**

† *See Statement of Investments for additional detailed categorizations.*
†† *Amount shown represents unrealized appreciation at period end.*

At June 30, 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 June 30, 2014, The Bank of New York Mellon earned $8,137 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 June 30, 2014 were as follows:

Affiliated Investment Company	Value 12/31/2013 ($)	Purchases ($)	Sales ($)	Value 6/30/2014 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	16,746,890	65,384,857	71,296,233	10,835,514	.5
Dreyfus Institutional Cash Advantage Fund	6,133,305	43,006,873	40,941,695	8,198,483	.4
Total	**22,880,195**	**108,391,730**	**112,237,928**	**19,033,997**	**.9**

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid on a quarterly basis. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 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 June 30, 2014, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended December 31, 2013 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2013 was as follows: ordinary income $37,754,271 and long-term capital gains $17,177,340. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $265 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended June 30, 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 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 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 June 30, 2014, Service shares were charged $290,147 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 June 30, 2014, Initial shares were charged $442 pursuant to the Shareholders Services Plan.

The fund has arrangements with the transfer agent and the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing transfer agency and cash management services for the fund. The majority of transfer agency fees are comprised of amounts paid on a per account basis, while cash management fees are related to fund subscriptions and redemptions. During the period ended June 30, 2014, the fund was charged $692 for transfer agency services and $50 for cash management services. These fees are included in Shareholder servicing costs in the Statement of Operations. Cash management fees were partially offset by earnings credits of $4.

During the period ended June 30, 2014, the fund was charged $4,593 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 $423,542, Distribution Plan fees $49,110, Shareholder Services Plan fees $3,000, Chief Compliance Officer fees $2,209 and transfer agency fees $307.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities and financial futures, during the period ended June 30, 2014, amounted to $28,134,801 and $64,133,886, 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 June 30, 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 June 30, 2014 are set forth in the Statement of Financial Futures.

The following summarizes the average market value of derivatives outstanding during the period ended June 30, 2014:

	Average Market Value ($)
Equity financial futures	18,583,368

At June 30, 2014, accumulated net unrealized appreciation on investments was $1,149,659,774, consisting of $1,183,604,456 gross unrealized appreciation and $33,944,682 gross unrealized depreciation.

At June 30, 2014, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

NOTE 5—Pending Legal Matters:

The fund and 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 ("Step One") and in a go-private merger in December 2007 ("Step Two"). 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 is scheduled for 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. Plaintiff's reponse 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 July 31, 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.

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Directors held on March 4-5, 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"), and the Index Management Agreement (together, the "Agreements"), pursuant to which Mellon Capital Management Corporation (the "Index Manager"), provides day-to-day management of the fund's investments. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of Dreyfus and the Index Manager. In considering the renewal of the Agreements, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board considered information 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, as well as Dreyfus' supervisory activities over the Index Manager. The Board also considered portfolio management's brokerage policies and practices (including policies and practices regarding soft dollars) and the standards applied in seeking best execution.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board reviewed reports prepared by Lipper, Inc. ("Lipper"), an independent provider of investment company data, which included information comparing (1) the fund's performance with the performance of a group of comparable funds (the "Performance Group") and with a broader group of funds (the "Performance Universe"), all for various periods ended December 31, 2013, and (2) the fund's actual and contractual management fees and total expenses with those of a group of comparable funds (the "Expense Group") and with a broader group of funds (the "Expense Universe"), the information for which was derived in part from fund financial statements available to Lipper as of the date of its analysis. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Group and Performance Universe and the Expense Group and Expense Universe.

Dreyfus representatives stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations that may be applicable to the fund and comparison funds. The Board discussed the results of the comparisons and noted that the fund's total return performance was above the Performance Group and Performance Universe medians and ranked in the first quartile of the Performance Universe for all periods. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's benchmark index.

The Board also reviewed the range of actual and contractual management fees and total expenses of the Expense Group and Expense Universe funds and discussed the results of the comparisons. The Board noted that the fund's contractual management fee was above the Expense Group median and the fund's actual management fee and total expenses were above the Expense Group medians and below the Expense Universe medians.

Dreyfus representatives reviewed with the Board the management or investment advisory fees (1) paid by funds advised or administered by Dreyfus that are in the same Lipper category as the fund and (2) paid to Dreyfus or the Index Manager or its affiliates for advising any separate accounts and/or other types of client portfolios that are considered to have similar investment strategies and policies as the fund (the "Similar Clients"), and explained the nature of the Similar Clients. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board considered the relevance of the fee information provided for the Similar Clients to evaluate the appropriateness and reasonableness of the fund's management fee.

The Board considered the fee to the Index Manager in relation to the fee paid to Dreyfus by the fund and the respective services provided by the Index Manager and Dreyfus. The Board also noted the Index Manager's fee is paid by Dreyfus (out of its fee from the fund) and not the fund.

<u>Analysis of Profitability and Economies of Scale.</u> Dreyfus representatives reviewed the expenses allocated and profit received by Dreyfus and the resulting profitability percentage for managing the fund and the aggregate profitability percentage to Dreyfus of managing the funds in the Dreyfus fund complex, and the method used to determine the expenses and profit. The Board concluded that the profitability results were not unreasonable, given the services rendered and service levels provided by Dreyfus. The Board also had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board considered on the advice of its counsel the profitability analysis (1) as part of its evaluation of whether the fees under the Agreements bear a reasonable relationship to the mix of services provided by Dreyfus and the Index Manager, including the nature, extent and quality of such services, and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. Since Dreyfus, and not the fund, pays the Index Manager pursuant to the Index Management Agreement the Board did not consider the Index Manager's profitability to be relevant to its deliberations. Dreyfus representatives also noted that, as a result of shared and allocated costs among funds in the Dreyfus fund complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is disproportionate to, or even in the opposite direction from, changes in the fund's asset level. The Board also considered potential benefits to Dreyfus and the Index Manager from acting as investment adviser and index manager, respectively, and noted that there were no soft dollar arrangements in effect for trading the fund's investments.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to the renewal of the Agreements. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent and quality of the services provided by Dreyfus and the Index Manager are adequate and appropriate.
- The Board was satisfied with the fund's performance.
- The Board concluded that the fees paid to Dreyfus and the Index Manager were reasonable in light of the considerations described above.

- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Agreement and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

In evaluating the Agreements, 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 and the Index Manager, of the fund and the services provided to the fund by Dreyfus and the Index Manager. 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 Agreements, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. In addition, the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board determined that renewal of the Agreements was in the best interests of the fund and its shareholders.

For More Information

Dreyfus Stock Index Fund, Inc.
200 Park Avenue
New York, NY 10166

Manager

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Index Fund Manager

Mellon Capital Management Corporation
500 Grant Street
Pittsburgh, PA 15258

Custodian

The Bank of New York Mellon
One Wall Street
New York, NY 10286

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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Dreyfus Investment Portfolios, Technology Growth Portfolio

SEMIANNUAL REPORT June 30, 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.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

THE FUND

FOR MORE INFORMATION

The Fund

A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Investment Portfolios, Technology Growth Portfolio, covering the six-month period from January 1, 2014, through June 30, 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.

U.S. equities defied many analysts' expectations over the first half of 2014 when some broad measures of stock market performance continued to achieve new record highs in the wake of very robust performance in 2013. Strong corporate earnings and rising business and consumer confidence more than offset concerns regarding geopolitical tensions in overseas markets and a weather-related domestic economic contraction during the first quarter of the year.

We believe we already have seen signs that the economy's winter contraction will likely prove temporary, including stronger labor markets, greater manufacturing activity, rebounding housing starts, and rising household wealth. While these developments portend well for corporate earnings over the remainder of the year, our portfolio managers are aware that some stocks and industry groups have reached richer valuations, which suggests that selectivity and a long-term perspective could become more important determinants of potential investment success. As always, we encourage you to talk with your financial advisor about our observations and their implications for your investments.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
July 15, 2014

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2014, through June 30, 2014, as provided by Barry K. Mills, CFA, Portfolio Manager

Fund and Market Performance Overview

For the six-month period ended June 30, 2014, Dreyfus Investment Portfolios, Technology Growth Portfolio's Initial shares produced a total return of 3.27%, and its Service shares produced a total return of 3.15%.[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 7.02% and 7.12%, respectively, over the same period.[2,3]

U.S. stocks rose during the first half of 2014 in an environment of continued domestic economic growth and strong corporate earnings. Led by robust returns from semiconductor manufacturers, technology stocks produced mildly higher returns than broader market averages. However, the fund lagged its benchmarks, primarily due to weakness in certain growth-oriented holdings.

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.

Equities Climbed in the Face of Headwinds

After posting robust gains in 2013, U.S. equities faltered during January and early February 2014 amid worries about the effects of the Federal Reserve Board's plan to taper its asset purchasing program and severe winter weather that slowed economic activity. Investor confidence was further undermined by increasing geopolitical tensions in Ukraine and concerns regarding economic slowdowns in China and other emerging markets. Although U.S. stocks recovered in March, buoyed by improving jobs data and increasing levels of manufacturing activity, the market's renewed advance was led by more defensive, value-oriented issues as income-oriented investors sought competitive yields from dividend-paying stocks in a falling interest rate environment.

Stronger employment data and solid corporate earnings reports further encouraged investors during the final months of the reporting period, as did improving global economic prospects. As a result, U.S. stocks continued to rise, sending some broad market indices into new record territory. Technology stock prices increased at a slightly faster-than-average rate as confidence returned and investors once again began to favor shares in fast growing industry leaders.

Fund Gains Limited by the Shift Toward Value

Although the fund participated in the equity market's rise during the reporting period, its relative performance was hurt by the mid-period shift in favor of value-oriented stocks. Some of the fund's best performers in 2013 underperformed in 2014 despite an absence of negative fundamental news. For example, social media service provider Facebook dipped roughly 25% in March and April before recovering strongly in May and June. In other cases, negative corporate developments caused an even sharper selloff and less robust recovery. Most notably, another social media company, *Twitter*, proved to be the fund's weakest holding, losing substantial ground after the company reported decelerating user growth. Networking hardware maker Ciena also lost value after posting disappointing quarterly revenues, but the stock rallied in June when second quarter earnings proved better than expected. The fund also missed a steep rise in digital storage device maker SanDisk after temporarily eliminating the position over concerns about excess flash memory supply.

On the other hand, some of the fund's holdings delivered relatively good performance. Internet services provider Akamai Technologies rose sharply on the strength of better-than-expected first quarter earnings, an encouraging 2014 outlook, and diminishing pricing concerns. In the semiconductor industry, which led the technology sector's advance, the fund's investment in Micron Technology appreciated strongly, outpacing many of its peers.

Positioned for an Improving Technology Landscape

We were heartened by the fund's relatively strong performance during the final two months of the reporting period as investors once more rewarded positive company fundamentals. We believe the fund is positioned for further growth as the U.S. economic recovery regains traction and Europe continues to emerge from recession. Although summer has historically been a seasonally choppy time for technology stocks, recent data on computer sales and enterprise spending seem healthy, and several long-term technology trends remain intact. We have positioned the fund to benefit from these trends through investments in providers of popular social computing platforms, cloud computing applications and infrastructure, and technology-assisted transaction processing and payment related services.

July 15, 2014

Please note, the position in any security highlighted with italicized typeface was sold during the reporting period.

The technology sector has been among the most volatile sectors of the stock market. Technology companies involve greater risk because their revenue and/or earnings tend to be less predictable and some companies may be experiencing significant losses.

Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: BLOOMBERG L.P. -- Reflects reinvestment of net dividends and, where applicable, capital gain distributions. The Morgan Stanley High Technology 35 Index is an unmanaged, equal dollar-weighted index of 35 stocks from the electronics-based subsectors. Investors cannot invest directly in any index.*

3 *SOURCE: LIPPER INC. — Reflects monthly reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500® Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Investment Portfolios, Technology Growth Portfolio from January 1, 2014 to June 30, 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 June 30, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.23	$ 5.49
Ending value (after expenses)	$1,032.70	$1,031.50

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2014

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.21	$ 5.46
Ending value (after expenses)	$1,020.63	$1,019.39

† *Expenses are equal to the fund's annualized expense ratio of .84% for Initial shares and 1.09% for Service shares, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2014 (Unaudited)

Common Stocks—95.4%	Shares		Value ($)
Application Software—10.8%			
Adobe Systems	151,450	a	10,958,922
Concur Technologies	94,320	a	8,803,829
salesforce.com	197,790	a	11,487,643
			31,250,394
Communications Equipment—13.2%			
Ciena	376,320	a	8,151,091
Cisco Systems	454,280		11,288,858
JDS Uniphase	490,410	a	6,115,413
Juniper Networks	517,670	a	12,703,622
			38,258,984
Computer Storage & Peripherals—13.5%			
Apple	133,070		12,366,195
EMC	400,700		10,554,438
SanDisk	99,730		10,414,804
Western Digital	63,920		5,899,816
			39,235,253
Data Processing & Outsourced Services—4.5%			
Visa, Cl. A	61,720		**13,005,021**
Electronic Components—2.7%			
Amphenol, Cl. A	81,250		**7,827,625**
Internet Retail—8.7%			
Amazon.com	17,940	a	5,826,553
Netflix	20,580	a	9,067,548
Priceline Group	8,540	a	10,273,620
			25,167,721

Common Stocks (continued)	Shares	Value ($)
Internet Software & Services–13.5%		
Akamai Technologies	171,740 [a]	10,486,445
Facebook, Cl. A	186,970 [a]	12,581,211
Google, Cl. A	10,590 [a]	6,191,655
Google, Cl. C	10,590 [a]	6,092,215
LinkedIn, Cl. A	22,030 [a]	3,777,484
		39,129,010
IT Consulting & Other Services–3.0%		
Cognizant Technology Solutions, Cl. A	181,210 [a]	**8,862,981**
Semiconductor Equipment–4.5%		
Applied Materials	574,930	**12,964,672**
Semiconductors–8.5%		
Micron Technology	197,300 [a]	6,501,035
Texas Instruments	226,760	10,836,860
Xilinx	154,850	7,325,954
		24,663,849
Systems Software–12.5%		
Microsoft	298,680	12,454,956
ServiceNow	98,720 [a]	6,116,691
Symantec	394,560	9,035,424
VMware, Cl. A	90,300 [a]	8,741,943
		36,349,014
Total Common Stocks (cost $208,281,127)		**276,714,524**

Other Investment—3.1%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $8,980,492)	8,980,492 [b]	**8,980,492**
Total Investments (cost $217,261,619)	**98.5%**	**285,695,016**
Cash and Receivables (Net)	**1.5%**	**4,350,862**
Net Assets	**100.0%**	**290,045,878**

[a] *Non-income producing security.*

[b] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Computer Storage & Peripherals	13.5	Data Processing & Outsourced Services	4.5
Internet Software & Services	13.5	Semiconductor Equipment	4.5
Communications Equipment	13.2	Money Market Investment	3.1
Systems Software	12.5	IT Consulting & Other Services	3.0
Application Software	10.8	Electronic Components	2.7
Internet Retail	8.7		
Semiconductors	8.5		**98.5**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2014 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments:		
Unaffiliated issuers	208,281,127	276,714,524
Affiliated issuers	8,980,492	8,980,492
Cash		190,013
Receivable for investment securities sold		10,248,000
Dividends and securities lending income receivable		88,535
Prepaid expenses		762
		296,222,326
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		224,249
Payable for investment securities purchased		5,801,083
Payable for shares of Beneficial Interest redeemed		102,760
Accrued expenses		48,356
		6,176,448
Net Assets ($)		**290,045,878**
Composition of Net Assets ($):		
Paid-in capital		207,490,850
Accumulated investment (loss)—net		(376,435)
Accumulated net realized gain (loss) on investments		14,498,066
Accumulated net unrealized appreciation (depreciation) on investments		68,433,397
Net Assets ($)		**290,045,878**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	96,361,200	193,684,678
Shares Outstanding	5,344,463	11,111,046
Net Asset Value Per Share ($)	**18.03**	**17.43**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2014 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends:	
Unaffiliated issuers	982,705
Affiliated issuers	7,030
Income from securities lending—Note 1(b)	62,666
Total Income	**1,052,401**
Expenses:	
Management fee—Note 3(a)	1,068,879
Distribution fees—Note 3(b)	236,898
Trustees' fees and expenses—Note 3(c)	54,289
Professional fees	41,820
Custodian fees—Note 3(b)	10,763
Prospectus and shareholders' reports	5,238
Loan commitment fees—Note 2	732
Shareholder servicing costs—Note 3(b)	529
Miscellaneous	9,690
Total Expenses	**1,428,838**
Less—reduction in fees due to earnings credits—Note 3(b)	(2)
Net Expenses	**1,428,836**
Investment (Loss)—Net	**(376,435)**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	15,149,631
Net unrealized appreciation (depreciation) on investments	(5,924,198)
Net Realized and Unrealized Gain (Loss) on Investments	**9,225,433**
Net Increase in Net Assets Resulting from Operations	**8,848,998**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Operations ($):		
Investment (loss)—net	(376,435)	(531,973)
Net realized gain (loss) on investments	15,149,631	31,352,021
Net unrealized appreciation (depreciation) on investments	(5,924,198)	39,829,496
Net Increase (Decrease) in Net Assets Resulting from Operations	**8,848,998**	**70,649,544**
Dividends to Shareholders from ($):		
Net realized gain on investments:		
Initial Shares	(5,129,350)	–
Service Shares	(10,634,942)	–
Total Dividends	**(15,764,292)**	**–**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	4,144,831	7,096,023
Service Shares	20,910,884	16,536,945
Dividends reinvested:		
Initial Shares	5,129,350	–
Service Shares	10,634,942	–
Cost of shares redeemed:		
Initial Shares	(7,553,936)	(14,213,627)
Service Shares	(17,584,131)	(38,550,987)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**15,681,940**	**(29,131,646)**
Total Increase (Decrease) in Net Assets	**8,766,646**	**41,517,898**
Net Assets ($):		
Beginning of Period	281,279,232	239,761,334
End of Period	**290,045,878**	**281,279,232**
Accumulated investment (loss)—net	(376,435)	–

	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013
Capital Share Transactions:		
Initial Shares		
Shares sold	228,667	468,302
Shares issued for dividends reinvested	277,562	–
Shares redeemed	(427,718)	(936,124)
Net Increase (Decrease) in Shares Outstanding	**78,511**	**(467,822)**
Service Shares		
Shares sold	1,180,879	1,077,685
Shares issued for dividends reinvested	594,795	–
Shares redeemed	(1,016,892)	(2,649,027)
Net Increase (Decrease) in Shares Outstanding	**758,782**	**(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.

Initial Shares	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):						
Net asset value, beginning of period	18.38	13.84	11.97	12.98	9.99	6.37
Investment Operations:						
Investment income (loss)—net[a]	(.01)	(.01)	.00[b]	(.03)	(.03)	(.01)
Net realized and unrealized gain (loss) on investments	.64	4.55	1.87	(.98)	3.02	3.67
Total from Investment Operations	.63	4.54	1.87	(1.01)	2.99	3.66
Distributions:						
Dividends from investment income—net	–	–	–	–	–	(.04)
Dividends from net realized gain on investments	(.98)	–	–	–	–	–
Total Distributions	(.98)	–	–	–	–	(.04)
Net asset value, end of period	18.03	18.38	13.84	11.97	12.98	9.99
Total Return (%)	3.27[c]	32.80	15.62	(7.78)	29.93	57.67
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.84[d]	.85	.83	.83	.81	.86
Ratio of net expenses to average net assets	.84[d]	.85	.83	.83	.81	.75
Ratio of net investment income (loss) to average net assets	(.10)[d]	(.05)	.03	(.25)	(.33)	(.15)
Portfolio Turnover Rate	37.34[c]	68.73	52.00	79.60	103.90	141.37
Net Assets, end of period ($ x 1,000)	96,361	96,786	79,353	74,929	91,806	73,422

[a] *Based on average shares outstanding at each month end.*
[b] *Amount represents less than $.01 per share.*
[c] *Not annualized.*
[d] *Annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2014 (Unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):						
Net asset value, beginning of period	17.82	13.45	11.66	12.68	9.78	6.24
Investment Operations:						
Investment (loss)—net[a]	(.03)	(.04)	(.03)	(.06)	(.06)	(.03)
Net realized and unrealized gain (loss) on investments	.62	4.41	1.82	(.96)	2.96	3.58
Total from Investment Operations	.59	4.37	1.79	(1.02)	2.90	3.55
Distributions:						
Dividends from investment income—net	–	–	–	–	–	(.01)
Dividends from net realized gain on investments	(.98)	–	–	–	–	–
Total Distributions	(.98)	–	–	–	–	(.01)
Net asset value, end of period	17.43	17.82	13.45	11.66	12.68	9.78
Total Return (%)	3.15[b]	32.49	15.35	(8.05)	29.65	57.07
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.09[c]	1.10	1.08	1.08	1.06	1.11
Ratio of net expenses to average net assets	1.09[c]	1.10	1.08	1.08	1.06	1.00
Ratio of net investment (loss) to average net assets	(.35)[c]	(.30)	(.22)	(.50)	(.58)	(.42)
Portfolio Turnover Rate	37.34[b]	68.73	52.00	79.60	103.90	141.37
Net Assets, end of period ($ x 1,000)	193,685	184,493	160,409	125,006	145,238	107,123

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Investment Portfolios (the "Company") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company, operating as a series company, currently offering four series, including the Technology Growth Portfolio (the "fund"). The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The fund is a diversified series. The fund's investment objective is to seek capital appreciation. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the Distribution Plan and the expenses borne by each class, the allocation of certain transfer agency costs, and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Company accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The Company enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All of the preceding securities are generally categorized within Level 1 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant 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 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 June 30, 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†	276,714,524	–	–	**276,714,524**
Mutual Funds	8,980,492	–	–	**8,980,492**

† *See Statement of Investments for additional detailed categorizations.*

At June 30, 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 June 30, 2014, The Bank of New York Mellon earned $20,795 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 June 30, 2014 were as follows:

Affiliated Investment Company	Value 12/31/2013 ($)	Purchases ($)	Sales ($)	Value 6/30/2014 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	10,787,463	50,931,817	52,738,788	8,980,492	3.1
Dreyfus Institutional Cash Advantage Fund	6,647,451	12,138,951	18,786,402	–	–
Total	**17,434,914**	**63,070,768**	**71,525,190**	**8,980,492**	**3.1**

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 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 June 30, 2014, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended December 31, 2013 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $265 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended June 30, 2014, the fund did not borrow under the Facilities.

NOTE 3—Management Fee and Other Transactions with Affiliates:

(a) Pursuant to a management agreement with the Manager, the management fee is computed at the annual rate of .75% of the value of the fund's average daily net assets and is payable monthly.

(b) Under the Distribution Plan adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares. The Distribution Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Distribution Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2014, Service shares were charged $236,898 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 June 30, 2014, the fund was charged $336 for transfer agency services and $27 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 $2.

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 June 30, 2014, the fund was charged $10,763 pursuant to the custody agreement.

During the period ended June 30, 2014, the fund was charged $4,593 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 $176,286, Distribution Plan fees $39,179, custodian fees $6,340, Chief Compliance Officer fees $2,209 and transfer agency fees $235.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2014, amounted to $100,909,729 and $104,020,162, respectively.

At June 30, 2014, accumulated net unrealized appreciation on investments was $68,433,397, consisting of $71,863,709 gross unrealized appreciation and $3,430,312 gross unrealized depreciation.

At June 30, 2014, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

For More Information

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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

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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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FRANKLIN TEMPLETON
INVESTMENTS

Semiannual Report
June 30, 2014

Franklin Templeton Variable Insurance Products Trust

Franklin Templeton Variable Insurance Products Trust Semiannual Report

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Not FDIC Insured | May Lose Value | No Bank Guarantee

LIBERTY LIFE S 08/14

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.

Franklin Growth and Income VIP Fund

(Formerly, Franklin Growth and Income Securities Fund)

This semiannual report for Franklin Growth and Income VIP Fund covers the period ended June 30, 2014.

Class 2 Performance Summary as of June 30, 2014

Franklin Growth and Income VIP Fund – Class 2 delivered a +5.88% total return for the six-month period ended June 30, 2014.

*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.

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.

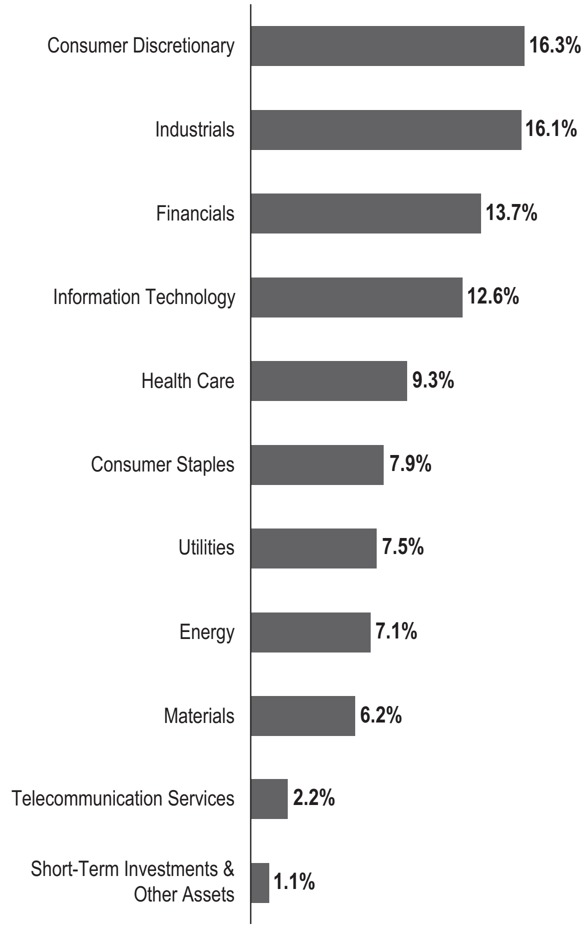
Fund Risks: All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Convertible securities are subject to the risks of 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 six-month total return in the Performance Summary. In comparison, the Fund's benchmark, the Standard & Poor's® 500 Index (S&P 500®), produced a +7.14% total return.[1] The Fund's peers as measured by the Lipper VIP Equity Income Funds Classification Average, posted a +6.87% return for the same period.[2]

Portfolio Breakdown

Based on Total Net Assets as of 6/30/14



Economic and Market Overview

The U.S. economy showed some signs of recovery during the six-month period ended June 30, 2014, despite a first-quarter contraction in gross domestic product. Manufacturing activity expanded, and the unemployment rate declined to 6.1% in June 2014 from 6.7% in December 2013.[3] Except for a sharp increase in March, retail sales rose at a modest pace that missed consensus expectations. The housing market had some weather-related weakness early in 2014, but home sales picked up in the spring and home prices were higher than a year ago.

The Federal Reserve Board (Fed) began reducing bond purchases by $10 billion a month in January 2014, based on earlier largely positive economic and employment data. Although economic data in early 2014 were soft, Fed Chair Janet Yellen kept the pace of asset-purchase tapering intact while adopting a more qualitative approach to rate-hike guidance. However, the Fed pledged to keep interest rates low for a considerable time after the asset-purchase program ends, depending on inflation and employment trends. In June, the Fed lowered projections for near- and long-term economic growth even as it maintained the pace of tapering.

Investors' confidence grew as corporate profits rose and generally favorable economic data indicated continued recovery despite brief sell-offs when many investors reacted to the Fed's statements, political instability in certain emerging markets and

1. © 2014 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.

China's slowing economy. U.S. stocks continued to gain for the six 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 six 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 utilities, information technology (IT) and health care. The telecommunication services sector was the sole detractor.

Among utilities, top contributors included natural gas and electric utilities company PG&E's stock and clean energy company NextEra Energy's convertible preferred stock. PG&E's share price rose after the company reported better-than-expected first-quarter 2014 revenue. The stock also benefited from the market's positive outlook on the company's portfolio of regulated utility assets and pipeline of electricity transmission and distribution projects. Leading IT performers included semiconductor products manufacturers Maxim Integrated Products and Intel. Maxim reported quarterly earnings that beat expectations, driven by growth in the automotive, industrial and communication businesses. In health care, pharmaceutical company Eli Lilly & Co. and medical devices, pharmaceutical and consumer packaged goods company Johnson & Johnson were among the top performers. Shares of Eli Lilly gained after the company reported positive phase III trial results for two cancer drugs. The company agreed to acquire the animal health division of Novartis to strengthen its global animal health division.

In contrast, our investments in the telecommunication services sector hindered the Fund's results. U.K.-based telecommunication services provider Vodafone Group's share price fell after the company's fiscal year 2014 revenue declined because of stiff competition and regulatory headwinds in Europe. The company also provided sluggish revenue guidance for fiscal year 2015. Other key individual detractors included software solutions company CA, discount retailer Target, payroll processor Paychex and insurer Aflac. CA detracted from relative returns after it reported lower revenues in the fiscal 2014 fourth quarter. A credit card data breach announced in December 2013 and problems with a Canadian expansion continued to weigh on Target's stock, although fourth-quarter 2013 earnings still beat estimates. The stock was also affected by concerns over management changes.

Top 10 Holdings
6/30/14

Company ***Sector/Industry***	**% of Total Net Assets**
Republic Services Inc. *Industrials*	2.3%
Microsoft Corp. *Information Technology*	2.2%
Maxim Integrated Products Inc. *Information Technology*	2.1%
Ford Motor Co. *Consumer Discretionary*	2.1%
Royal Dutch Shell PLC, A *Energy*	2.1%
The Dow Chemical Co. *Materials*	2.1%
Cisco Systems Inc. *Information Technology*	2.1%
Roche Holding AG *Health Care*	2.1%
BlackRock Inc. *Financials*	2.0%
Starwood Hotels & Resorts Worldwide Inc. *Consumer Discretionary*	2.0%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

4. Please see Index Descriptions following the Fund Summaries.

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 June 30, 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, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The “Ending Account Value” is derived from the Fund’s actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration*:

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading “Fund-Level Expenses Incurred During Period.”
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 × $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical “Ending Account Value” is based on the Fund’s actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund’s actual return. The figure under the heading “Fund-Level Expenses Incurred During Period” shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Fund-Level Expenses Incurred During Period* 1/1/14–6/30/14
Actual	$1,000	$1,058.80	$4.24
Hypothetical (5% return before expenses)	$1,000	$1,020.68	$4.16

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund’s Class 2 shares (0.83%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Financial Highlights

Franklin Growth and Income VIP Fund

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31,				
		2013	2012	2011	2010	2009
Class 1						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$15.97	$12.64	$11.60	$11.76	$10.47	$ 8.72
Income from investment operations[a]:						
Net investment income[b]	0.32[c]	0.33	0.35	0.33	0.38	0.31
Net realized and unrealized gains (losses)	0.64	3.40	1.08	(0.03)	1.32	1.92
Total from investment operations	0.96	3.73	1.43	0.30	1.70	2.23
Less distributions from net investment income	(0.43)	(0.40)	(0.39)	(0.46)	(0.41)	(0.48)
Net asset value, end of period	$16.50	$15.97	$12.64	$11.60	$11.76	$10.47
Total return[d]	6.05%	29.96%	12.53%	2.64%	16.93%	26.82%
Ratios to average net assets[e]						
Expenses	0.58%[f]	0.58%[f]	0.60%	0.59%	0.59%	0.60%[f]
Net investment income	4.06%[c]	2.29%	2.86%	2.80%	3.62%	3.46%
Supplemental data						
Net assets, end of period (000's)	$174,280	$175,860	$154,463	$156,830	$176,590	$174,403
Portfolio turnover rate	9.12%	35.16%	30.00%	32.93%	26.83%	51.05%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 a special dividend paid in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.60%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Benefit of expense reduction rounds to less than 0.01%.

Franklin Growth and Income VIP Fund (continued)

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31, 2013	2012	2011	2010	2009
Class 2						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$15.73	$12.46	$11.44	$11.60	$10.33	$ 8.59
Income from investment operations[a]:						
Net investment income[b]	0.30[c]	0.29	0.32	0.29	0.35	0.28
Net realized and unrealized gains (losses)	0.62	3.35	1.05	(0.02)	1.31	1.90
Total from investment operations	0.92	3.64	1.37	0.27	1.66	2.18
Less distributions from net investment income	(0.39)	(0.37)	(0.35)	(0.43)	(0.39)	(0.44)
Net asset value, end of period	$16.26	$15.73	$12.46	$11.44	$11.60	$10.33
Total return[d]	5.88%	29.60%	12.23%	2.41%	16.68%	26.55%
Ratios to average net assets[e]						
Expenses	0.83%[f]	0.83%[f]	0.85%	0.84%	0.84%	0.85%[f]
Net investment income	3.81%[c]	2.04%	2.61%	2.55%	3.37%	3.21%
Supplemental data						
Net assets, end of period (000's)	$145,062	$150,966	$131,400	$129,309	$151,481	$152,077
Portfolio turnover rate	9.12%	35.16%	30.00%	32.93%	26.83%	51.05%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 a special dividend paid in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.35%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Benefit of expense reduction rounds to less than 0.01%.

Statement of Investments, June 30, 2014 (unaudited)

Franklin Growth and Income VIP Fund

	Country	Shares	Value
Common Stocks 92.4%			
Consumer Discretionary 16.3%			
[a] Amazon.com Inc.	United States	15,000	$ 4,871,700
Ford Motor Co.	United States	384,000	6,620,160
General Motors Co.	United States	34,388	1,248,284
L Brands Inc.	United States	97,800	5,736,948
Lowe's Cos. Inc.	United States	93,600	4,491,864
McDonald's Corp.	United States	62,700	6,316,398
NIKE Inc., B	United States	71,900	5,575,845
Starwood Hotels & Resorts Worldwide Inc.	United States	80,000	6,465,600
Target Corp.	United States	89,400	5,180,730
Wynn Resorts Ltd.	United States	27,500	5,707,900
			52,215,429
Consumer Staples 7.9%			
Diageo PLC, ADR	United Kingdom	45,300	5,765,331
Mead Johnson Nutrition Co., A	United States	66,300	6,177,171
Nestle SA	Switzerland	52,800	4,090,162
PepsiCo Inc.	United States	70,900	6,334,206
The Procter & Gamble Co.	United States	36,500	2,868,535
			25,235,405
Energy 6.0%			
BP PLC, ADR	United Kingdom	59,900	3,159,725
Chevron Corp.	United States	26,800	3,498,740
Exxon Mobil Corp.	United States	57,644	5,803,598
Royal Dutch Shell PLC, A, ADR	United Kingdom	80,200	6,606,074
			19,068,137
Financials 12.0%			
Aflac Inc.	United States	84,200	5,241,450
Bank of America Corp.	United States	149,000	2,290,130
BlackRock Inc.	United States	20,300	6,487,880
JPMorgan Chase & Co.	United States	111,170	6,405,615
Marsh & McLennan Cos. Inc.	United States	77,300	4,005,686
MetLife Inc.	United States	60,723	3,373,770
T. Rowe Price Group Inc.	United States	54,000	4,558,140
Wells Fargo & Co.	United States	113,200	5,949,792
			38,312,463
Health Care 9.3%			
Bristol-Myers Squibb Co.	United States	45,400	2,202,354
Eli Lilly & Co.	United States	88,700	5,514,479
Johnson & Johnson	United States	51,800	5,419,316
Pfizer Inc.	United States	152,600	4,529,168
Roche Holding AG	Switzerland	21,800	6,501,776
Sanofi, ADR	France	102,900	5,471,193
			29,638,286
Industrials 14.1%			
The Boeing Co.	United States	33,900	4,313,097
Cummins Inc.	United States	35,000	5,400,150
Emerson Electric Co.	United States	89,100	5,912,676
General Electric Co.	United States	190,600	5,008,968
Honeywell International Inc.	United States	61,700	5,735,015

Franklin Growth and Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Industrials (continued)			
Lockheed Martin Corp.	United States	40,000	$ 6,429,200
Republic Services Inc.	United States	191,300	7,263,661
United Parcel Service Inc., B	United States	47,700	4,896,882
			44,959,649
Information Technology 12.6%			
CA Inc.	United States	179,400	5,155,956
Cisco Systems Inc.	United States	261,808	6,505,929
Intel Corp.	United States	187,400	5,790,660
Maxim Integrated Products Inc.	United States	196,400	6,640,284
Microsoft Corp.	United States	165,700	6,909,690
Paychex Inc.	United States	98,300	4,085,348
Seagate Technology PLC	United States	90,600	5,147,892
			40,235,759
Materials 6.2%			
BHP Billiton PLC	United Kingdom	130,800	4,229,173
The Dow Chemical Co.	United States	128,200	6,597,172
Freeport-McMoRan Copper & Gold Inc., B	United States	103,288	3,770,012
Potash Corp. of Saskatchewan Inc.	Canada	134,400	5,101,824
			19,698,181
Telecommunication Services 2.2%			
AT&T Inc.	United States	98,297	3,475,782
Verizon Communications Inc.	United States	29,601	1,448,377
Vodafone Group PLC, ADR	United Kingdom	65,172	2,176,093
			7,100,252
Utilities 5.8%			
Dominion Resources Inc.	United States	60,700	4,341,264
Duke Energy Corp.	United States	65,603	4,867,086
PG&E Corp.	United States	126,800	6,088,936
Xcel Energy Inc.	United States	103,400	3,332,582
			18,629,868
Total Common Stocks (Cost $213,583,961)			295,093,429
Convertible Preferred Stocks 6.5%			
Energy 1.1%			
[b] Chesapeake Energy Corp., 5.75%, cvt. pfd., 144A	United States	2,700	3,427,313
Financials 1.7%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	3,100	3,617,700
MetLife Inc., 5.00%, cvt. pfd.	United States	55,100	1,760,996
			5,378,696
Industrials 2.0%			
Genesee & Wyoming Inc., 5.00%, cvt. pfd.	United States	9,200	1,245,634
Stanley Black & Decker Inc., 6.25%, cvt., pfd.	United States	45,300	5,165,559
			6,411,193

Franklin Growth and Income VIP Fund (continued)

	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Utilities 1.7%			
NextEra Energy Inc., 5.799%, cvt. pfd.	United States	62,000	$ 3,538,340
NextEra Energy Inc., 5.889%, cvt. pfd.	United States	28,100	1,826,219
			5,364,559
Total Convertible Preferred Stock (Cost $16,011,683)			20,581,761
Total Investments before Short Term Investments (Cost $229,595,644)			315,675,190
		Principal Amount	
Short Term Investments (Cost $3,751,836) 1.1%			
Repurchase Agreements 1.1%			
[c] Joint Repurchase Agreement, 0.064%, 7/01/14 (Maturity Value $3,751,842) BNP Paribas Securities Corp. (Maturity Value $757,797) Credit Suisse Securities (USA) LLC (Maturity Value $378,899) Deutsche Bank Securities Inc. (Maturity Value $284,877) HSBC Securities (USA) Inc. (Maturity Value $1,591,419) Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $738,850) Collateralized by U.S. Government Agency Securities, 0.00% - 6.21%, 1/16/15 - 5/04/37; [d]U.S. Government Agency Discount Notes, 12/24/14 - 1/30/15; U.S. Government Agency Securities, Strips, 5/15/30; U.S. Treasury Bonds, 7.50% - 8.875%, 11/15/16 - 2/15/19; U.S. Treasury Notes, 0.25% - 4.50%, 7/15/15 - 4/30/18; and U.S. Treasury Notes, Index Linked, 1.375%, 7/15/18 (valued at $3,827,512)	United States	$ 3,751,836	3,751,836
Total Investments (Cost $233,347,480) 100.0%			319,427,026
Other Assets, less Liabilities (0.0)%†			(85,113)
Net Assets 100.0%			$ 319,341,913

See Abbreviations on page FGI-20.

†Rounds to less than 0.1% of net assets.

[a]Non-income producing.

[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. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2014, the value of this security was $3,427,313, representing 1.07% of net assets.

[c]See Note 1(c) regarding joint repurchase agreement.

[d]The security is traded on a discount basis with no stated coupon rate.

Financial Statements

Statement of Assets and Liabilities
June 30, 2014 (unaudited)

	Franklin Growth and Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$229,595,644
Cost - Repurchase agreements	3,751,836
Total cost of investments	$233,347,480
Value - Unaffiliated issuers	$315,675,190
Value - Repurchase agreements	3,751,836
Total value of investments	319,427,026
Receivables:	
Capital shares sold	15,562
Dividends	526,979
Other assets	144
Total assets	319,969,711
Liabilities:	
Payables:	
Capital shares redeemed	311,927
Management fees	138,090
Distribution fees	60,338
Reports to shareholders	89,338
Accrued expenses and other liabilities	28,105
Total liabilities	627,798
Net assets, at value	$319,341,913
Net assets consist of:	
Paid-in capital	$230,358,844
Undistributed net investment income	6,281,244
Net unrealized appreciation (depreciation)	86,082,029
Accumulated net realized gain (loss)	(3,380,204)
Net assets, at value	$319,341,913
Class 1:	
Net assets, at value	$174,280,047
Shares outstanding	10,565,021
Net asset value and maximum offering price per share	$ 16.50
Class 2:	
Net assets, at value	$145,061,866
Shares outstanding	8,920,216
Net asset value and maximum offering price per share	$ 16.26

Statement of Operations
for the six months ended June 30, 2014 (unaudited)

	Franklin Growth and Income VIP Fund
Investment income:	
Dividends	$ 7,294,083
Interest	807
Total investment income	7,294,890
Expenses:	
Management fees (Note 3a)	831,662
Distribution fees - Class 2 (Note 3c)	179,810
Custodian fees (Note 4)	1,927
Reports to shareholders	47,537
Professional fees	21,839
Trustees' fees and expenses	636
Other	6,081
Total expenses	1,089,492
Expense reductions (Note 4)	(6)
Net expenses	1,089,486
Net investment income	6,205,404
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	13,782,924
Foreign currency transactions	25,363
Net realized gain (loss)	13,808,287
Net change in unrealized appreciation (depreciation) on:	
Investments	(1,896,516)
Translation of other assets and liabilities denominated in foreign currencies	(24)
Net change in unrealized appreciation (depreciation)	(1,896,540)
Net realized and unrealized gain (loss)	11,911,747
Net increase (decrease) in net assets resulting from operations	$18,117,151

Statements of Changes in Net Assets

	Franklin Growth and Income VIP Fund	
	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31, 2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 6,205,404	$ 6,736,411
Net realized gain (loss) from investments and foreign currency transactions	13,808,287	28,487,148
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	(1,896,540)	45,062,156
Net increase (decrease) in net assets resulting from operations	18,117,151	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	(7,107,978)	(17,413,301)
Class 2	(10,630,861)	(13,615,221)
Total capital share transactions	(17,738,839)	(31,028,522)
Net increase (decrease) in net assets	(7,484,388)	40,962,706
Net assets:		
Beginning of period	326,826,301	285,863,595
End of period	$319,341,913	$326,826,301
Undistributed net investment income included in net assets:		
End of period	$ 6,281,244	$ 7,938,540

Notes to Financial Statements (unaudited)

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 twenty separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). The 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 June 30, 2014, 79.43% 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, the Franklin Growth and Income Securities Fund was renamed the 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 (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. 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

Franklin Growth and Income VIP Fund (continued)

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. 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 period end, as indicated in the Statement of Investments, had been entered into on June 30, 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.

Franklin Growth and Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Income and Deferred Taxes *(continued)*

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 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 that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

f. Accounting Estimates

The preparation of financial statements in accordance with 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 Growth and Income VIP Fund (continued)

2. Shares of Beneficial Interest

At June 30, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2014		Year Ended December 31, 2013	
	Shares	**Amount**	**Shares**	**Amount**
Class 1 Shares:				
Shares sold	1,448	$ 23,814	37,520	$ 537,654
Shares issued in reinvestment of distributions	273,329	4,441,593	326,675	4,583,247
Shares redeemed	(718,652)	(11,573,385)	(1,571,602)	(22,534,202)
Net increase (decrease)	(443,875)	$ (7,107,978)	(1,207,407)	$(17,413,301)
Class 2 Shares:				
Shares sold	90,325	$ 1,443,178	905,864	$ 12,758,976
Shares issued in reinvestment of distributions	213,552	3,421,107	268,347	3,711,240
Shares redeemed	(978,621)	(15,495,146)	(2,124,043)	(30,085,437)
Net increase (decrease)	(674,744)	$(10,630,861)	(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

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.

Franklin Growth and Income VIP Fund (continued)

3. Transactions With Affiliates (continued)

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 period ended June 30, 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.

At December 31, 2013, the Fund had capital loss carryforwards of $17,127,212, expiring in 2017.

At June 30, 2014, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$233,418,700
Unrealized appreciation	$ 87,286,289
Unrealized depreciation	(1,277,963)
Net unrealized appreciation (depreciation)	$ 86,008,326

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of bond discounts and premiums, corporate actions, and equity-linked securities.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2014, aggregated $28,683,148 and $52,033,049, 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 matures 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.

Franklin Growth and Income VIP Fund (continued)

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 period ended June 30, 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 June 30, 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	$ 19,068,137	$3,427,313	$ —	$ 22,495,450
All Other Equity Investments[b]	293,179,740	—	—	293,179,740
Short Term Investments	—	3,751,836	—	3,751,836
Total Investments in Securities	$312,247,877	$7,179,149	$ —	$319,427,026

[a]Includes common and convertible preferred stocks.
[b]For detailed categories, see the accompanying Statement of Investments.

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 is currently evaluating the impact, if any, of applying this provision.

Franklin Growth and Income VIP Fund (continued)

10. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

Abbreviations

Selected Portfolio	
ADR	American Depositary Receipt

Franklin Large Cap Growth VIP Fund

(Formerly, Franklin Large Cap Growth Securities Fund)

We are pleased to bring you Franklin Large Cap Growth VIP Fund's semiannual report for the period ended June 30, 2014.

Class 2 Performance Summary as of June 30, 2014

Franklin Large Cap Growth VIP Fund – Class 2 delivered a total return of +8.20% for the six-month period ended June 30, 2014.

*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.

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

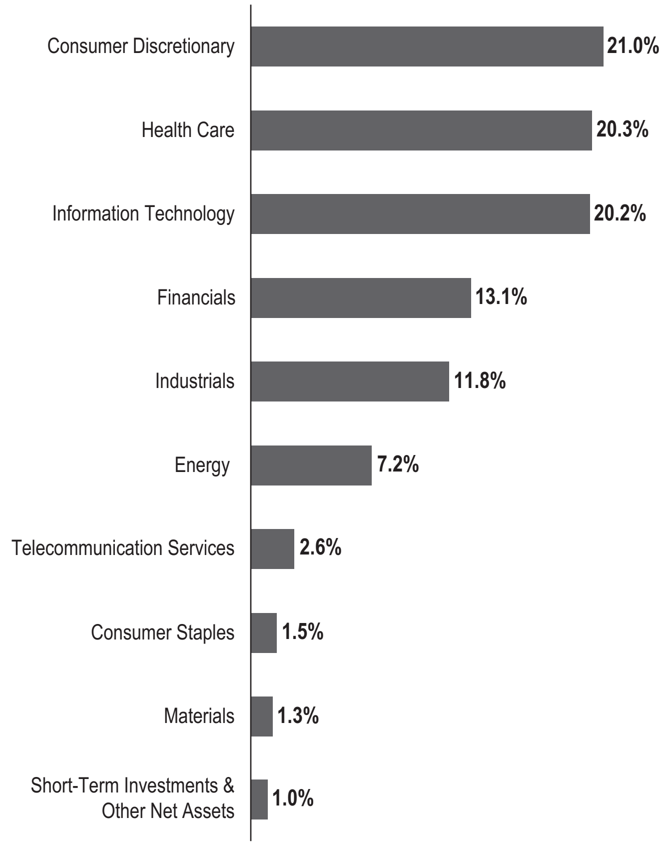
You can find the Fund's six-month total return in the Performance Summary. In comparison, the Fund's benchmark, the Standard & Poor's® 500 Index (S&P 500®), posted a +7.14% total return.[2]

Economic and Market Overview

The U.S. economy showed some signs of recovery during the six-month period ended June 30, 2014, despite a first-quarter contraction in gross domestic product. Manufacturing activity expanded, and the unemployment rate declined to 6.1% in June 2014 from 6.7% in December 2013.[2] Except for a sharp increase in March, retail sales rose at a modest pace that missed consensus expectations. The housing market had some weather-related weakness early in 2014, but home sales picked up in the spring and home prices were higher than a year ago.

Portfolio Breakdown

Based on Total Net Assets as of 6/30/14



The Federal Reserve Board (Fed) began reducing bond purchases by $10 billion a month in January 2014, based on earlier largely positive economic and employment data. Although economic data in early 2014 were soft, Fed Chair Janet Yellen kept the pace of asset-purchase tapering intact while adopting a more qualitative approach to rate-hike guidance. However, the Fed pledged to keep interest rates low for a considerable time after the asset-purchase program ends, depending on inflation and employment trends. In June, the Fed lowered projections for near- and long-term economic growth even as it maintained the pace of tapering.

Investors' confidence grew as corporate profits rose and generally favorable economic data indicated continued recovery despite brief sell-offs when many investors reacted to the Fed's

1. Please see Index Descriptions following the Fund Summaries.

2. © 2014 Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

3. Source: Bureau of Labor Statistics.

statements, political instability in certain emerging markets and China's slowing economy. U.S. stocks continued to gain for the six-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 six 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.

From a sector perspective, our stock selection in energy, health care and consumer discretionary helped the Fund's performance relative to the S&P 500. Major energy contributors included oil companies Anadarko Petroleum, Oasis Petroleum,[4] a new holding, and Devon Energy as well as oil-field services provider Halliburton. Anadarko Petroleum's share price advanced after the company settled a long-running pollution case and hit a new high after news that the company could be acquired. Investor sentiment toward oil exploration and production companies improved as crude oil prices rose following geopolitical tension in Ukraine and Iraq.

In health care, global prescription drug maker Actavis, clinical-stage pharmaceutical company Karyopharm Therapeutics,[4] a new holding, and health care benefit provider Aetna aided relative returns. Actavis's shares rallied after the company announced it would acquire Forest Laboratories to strengthen its specialty pharmaceuticals portfolio. Actavis also reported stronger-than-expected quarterly earnings, boosted by its acquisition of specialty drug maker Warner Chilcott in 2013. Aetna's stock price gained after the company reported better-than-expected first-quarter results, driven by growth in new customers, and raised its 2014 guidance. The stock also benefited as investors' concerns abated over the impact of the Affordable Care Act. Within consumer discretionary, automotive components manufacturer BorgWarner helped the Fund's performance. The company reported better-than-expected fourth-quarter 2013 and first-quarter 2014 results and raised its full-year guidance given the potential benefits of acquiring engine component maker Gustav Wahler. In other sectors, personal computing and mobile communication device developer Apple was a key contributor.

In contrast, the Fund's stock selection in consumer staples and an underweighting in utilities detracted from relative performance. Whole Foods Market in the consumer staples

Top 10 Holdings
6/30/14

Company *Sector/Industry*	**% of Total Net Assets**
Google Inc. *Information Technology*	3.0%
Gilead Sciences Inc. *Health Care*	3.0%
Actavis PLC *Health Care*	2.6%
SBA Communications Corp. *Telecommunication Services*	2.6%
Apple Inc. *Information Technology*	2.5%
Wells Fargo & Co. *Financials*	2.1%
Aetna Inc. *Health Care*	2.0%
Facebook Inc., A *Information Technology*	2.0%
Las Vegas Sands Corp. *Consumer Discretionary*	2.0%
Amazon.com Inc. *Consumer Discretionary*	1.8%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

4. Not part of the index.

sector was a key detractor.[5] Heightened competition in the organic food market led the natural and organic foods retailer to deliver disappointing fiscal second-quarter revenues and earnings and lower its fiscal 2014 guidance. In the utilities sector, underweightings in electric utilities and multi-utilities weighed on the Fund's performance. Elsewhere, major individual detractors were discount retailer Target, global payments and technology companies MasterCard and Visa, futures and options exchange operator CME Group[5] and health care cost containment services provider HMS Holdings.[4] A credit card data breach announced in December 2013 and problems with a Canadian expansion continued to weigh on Target's stock, although fourth-quarter 2013 earnings beat estimates. The stock was also affected by concerns over management changes. MasterCard's share price declined after the company reported softer-than-expected fiscal-year 2013 earnings. Investor concerns about the potential impact of U.S. economic sanctions on Russia further weighed on the stock. Russia accounted for about 2% of MasterCard's global net revenues, and the country's pending electronic payment rule changes could have a small negative effect on fiscal-year 2014 results. Potentially offsetting this negative effect was MasterCard's organic growth, including new branding and co-branding agreements. The company continued to repurchase its shares and delivered stronger-than-expected first-quarter 2014 revenues and earnings. The share price of CME Group declined after regulators began investigating whether exchanges such as CME Group were offering preferential treatment to high-frequency traders.

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 June 30, 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.

5. Sold by period-end.

Class 2 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration*:

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 × $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Fund-Level Expenses Incurred During Period* 1/1/14–6/30/14
Actual	$1,000	$1,082.00	$5.37
Hypothetical (5% return before expenses)	$1,000	$1,019.64	$5.21

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (1.04%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Financial Highlights

Franklin Large Cap Growth VIP Fund

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31,				
		2013	2012	2011	2010	2009
Class 1						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$20.91	$16.43	$14.75	$15.07	$13.62	$10.66
Income from investment operations[a]:						
Net investment income[b]	0.10	0.24	0.21	0.15	0.12	0.12
Net realized and unrealized gains (losses)	1.65	4.48	1.65	(0.33)	1.48	3.04
Total from investment operations	1.75	4.72	1.86	(0.18)	1.60	3.16
Less distributions from net investment income	(0.30)	(0.24)	(0.18)	(0.14)	(0.15)	(0.20)
Net asset value, end of period	$22.36	$20.91	$16.43	$14.75	$15.07	$13.62
Total return[c]	8.37%	28.92%	12.65%	(1.22)%	11.85%	30.04%
Ratios to average net assets[d]						
Expenses	0.79%	0.79%	0.80%	0.80%	0.79%	0.81%[e]
Net investment income	0.94%	1.27%	1.31%	0.99%	0.86%	1.03%
Supplemental data						
Net assets, end of period (000's)	$55,741	$54,291	$46,756	$48,666	$58,265	$58,287
Portfolio turnover rate	58.95%	28.27%	33.88%	56.61%	46.75%	71.95%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[d]Ratios are annualized for periods less than one year.

[e]Benefit of expense reduction rounds to less than 0.01%.

Franklin Large Cap Growth VIP Fund (continued)

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31,				
		2013	2012	2011	2010	2009
Class 2						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$20.62	$16.20	$14.54	$14.86	$13.43	$10.50
Income from investment operations[a]:						
Net investment income[b]	0.07	0.19	0.17	0.11	0.08	0.09
Net realized and unrealized gains (losses)	1.62	4.42	1.62	(0.33)	1.46	3.00
Total from investment operations	1.69	4.61	1.79	(0.22)	1.54	3.09
Less distributions from net investment income	(0.24)	(0.19)	(0.13)	(0.10)	(0.11)	(0.16)
Net asset value, end of period	$22.07	$20.62	$16.20	$14.54	$14.86	$13.43
Total return[c]	8.20%	28.63%	12.37%	(1.51)%	11.59%	29.73%
Ratios to average net assets[d]						
Expenses	1.04%	1.04%	1.05%	1.05%	1.04%	1.06%[e]
Net investment income	0.69%	1.02%	1.06%	0.74%	0.61%	0.78%
Supplemental data						
Net assets, end of period (000's)	$265,707	$285,477	$278,989	$293,226	$357,405	$373,821
Portfolio turnover rate	58.95%	28.27%	33.88%	56.61%	46.75%	71.95%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[d]Ratios are annualized for periods less than one year.

[e]Benefit of expense reduction rounds to less than 0.01%.

Statement of Investments, June 30, 2014 (unaudited)

Franklin Large Cap Growth VIP Fund

	Shares	Value
Common Stocks 99.0%		
Consumer Discretionary 21.0%		
[a] Amazon.com Inc.	18,302	$ 5,944,123
[a] AMC Networks Inc., A	26,415	1,624,258
BorgWarner Inc.	78,090	5,090,687
CBS Corp., B	52,341	3,252,470
[a] Chipotle Mexican Grill Inc.	7,195	4,263,109
[a] DISH Network Corp., A	26,884	1,749,611
Harman International Industries Inc.	29,216	3,138,675
[a] Kate Spade & Co.	65,120	2,483,677
Las Vegas Sands Corp.	83,344	6,352,480
Lowe's Cos. Inc.	48,700	2,337,113
[a] Michael Kors Holdings Ltd.	33,053	2,930,148
[a] Netflix Inc.	6,826	3,007,536
NIKE Inc., B	31,200	2,419,560
[a] The Priceline Group Inc.	3,753	4,514,859
Starbucks Corp.	64,084	4,958,820
Target Corp.	40,918	2,371,198
Twenty-First Century Fox Inc., B	73,542	2,517,343
[a] Under Armour Inc., A	61,977	3,687,012
The Walt Disney Co.	56,601	4,852,970
		67,495,649
Consumer Staples 1.5%		
Mead Johnson Nutrition Co., A	17,100	1,593,207
PepsiCo Inc.	18,178	1,624,022
The Procter & Gamble Co.	19,971	1,569,521
		4,786,750
Energy 7.2%		
Anadarko Petroleum Corp.	46,531	5,093,749
Devon Energy Corp.	44,100	3,501,540
[a] Eclipse Resources Corp.	31,748	797,827
Halliburton Co.	74,700	5,304,447
[a] Oasis Petroleum Inc.	55,000	3,073,950
Schlumberger Ltd.	45,370	5,351,391
		23,122,904
Financials 13.1%		
American Express Co.	18,000	1,707,660
Aon PLC	26,932	2,426,304
Bank of America Corp.	213,587	3,282,832
BlackRock Inc.	6,800	2,173,280
Capital One Financial Corp.	19,466	1,607,892
[a] CBRE Group Inc.	105,148	3,368,942
Citigroup Inc.	66,276	3,121,599
Discover Financial Services	46,400	2,875,872
Intercontinental Exchange Inc.	16,318	3,082,470
Invesco Ltd.	81,300	3,069,075
MetLife Inc.	39,900	2,216,844
[a] Signature Bank	26,343	3,323,960
U.S. Bancorp	74,913	3,245,231
Wells Fargo & Co.	126,800	6,664,608
		42,166,569

Franklin Large Cap Growth VIP Fund (continued)

	Shares		Value
Common Stocks (continued)			
Health Care 20.3%			
[a] Actavis PLC	37,861	$	8,444,896
Aetna Inc.	80,689		6,542,264
Allergan Inc.	12,200		2,064,484
[a] Biogen Idec Inc.	10,079		3,178,010
[a] Celgene Corp.	61,138		5,250,532
[a] Gilead Sciences Inc.	115,096		9,542,609
[a] HMS Holdings Corp.	146,300		2,985,983
[a] Illumina Inc.	19,846		3,543,305
[a] Incyte Corp.	33,103		1,868,333
[a] InterMune Inc.	38,168		1,685,117
[a] Jazz Pharmaceuticals PLC	11,117		1,634,310
Johnson & Johnson	30,855		3,228,050
[a] Karyopharm Therapeutics Inc.	52,300		2,434,565
[a] Medivation Inc.	53,103		4,093,179
Perrigo Co. PLC	22,466		3,274,644
[a] Valeant Pharmaceuticals International Inc. (Canada)	23,962		3,022,088
Zoetis Inc.	78,413		2,530,388
			65,322,757
Industrials 11.8%			
Allegiant Travel Co.	13,599		1,601,554
[a] American Airlines Group Inc.	95,595		4,106,761
The Boeing Co.	21,300		2,709,999
Caterpillar Inc.	21,000		2,282,070
[a] Colfax Corp.	60,538		4,512,503
[a] DigitalGlobe Inc.	68,400		1,901,520
Flowserve Corp.	41,301		3,070,729
[a] Hexcel Corp.	43,133		1,764,140
Kansas City Southern	18,900		2,031,939
Precision Castparts Corp.	18,258		4,608,319
Rockwell Automation Inc.	12,665		1,585,151
Towers Watson & Co.	13,921		1,450,986
Union Pacific Corp.	16,044		1,600,389
United Technologies Corp.	41,900		4,837,355
			38,063,415
Information Technology 20.2%			
[a] Adobe Systems Inc.	47,073		3,406,202
Apple Inc.	86,933		8,078,684
Broadcom Corp., A	43,412		1,611,453
[a] BroadSoft Inc.	71,870		1,896,649
[a] Facebook Inc., A	95,683		6,438,509
Google Inc., A	8,238		4,816,512
[a] Google Inc., C	8,363		4,811,067
Intersil Corp., A	80,100		1,197,495
[a] LinkedIn Corp., A	9,856		1,690,008
MasterCard Inc., A	63,300		4,650,651
Microsoft Corp.	118,400		4,937,280
[a] NetSuite Inc.	28,043		2,436,376
[a] NXP Semiconductors NV (Netherlands)	38,242		2,530,856
[a] Palo Alto Networks Inc.	21,324		1,788,017
QUALCOMM Inc.	59,038		4,675,810

Franklin Large Cap Growth VIP Fund (continued)

	Shares	Value
Common Stocks (continued)		
Information Technology (continued)		
[a] Salesforce.com Inc.	45,000	$ 2,613,600
[a] ServiceNow Inc.	32,792	2,031,792
[a] Ubiquiti Networks Inc.	46,576	2,104,769
Visa Inc., A	15,400	3,244,934
		64,960,664
Materials 1.3%		
E. I. du Pont de Nemours and Co.	38,000	2,486,720
Martin Marietta Materials Inc.	12,340	1,629,497
		4,116,217
Telecommunication Services 2.6%		
[a] SBA Communications Corp.	81,392	8,326,402
Total Common Stocks (Cost $227,604,367)		318,361,327
	Principal Amount	
Short Term Investments (Cost $1,845,163) 0.6%		
Repurchase Agreements 0.6%		
[b] Joint Repurchase Agreement, 0.064%, 7/01/14 (Maturity Value $1,845,166) BNP Paribas Securities Corp. (Maturity Value $372,687) Credit Suisse Securities (USA) LLC (Maturity Value $186,343) Deutsche Bank Securities Inc. (Maturity Value $140,103) HSBC Securities (USA) Inc. (Maturity Value $782,664) Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $363,369) Collateralized by U.S. Government Agency Securities, 0.00% - 6.21%, 1/16/15 - 5/04/37; [c]U.S. Government Agency Discount Notes, 12/24/14 - 1/30/15; U.S. Government Agency Securities, Strips, 5/15/30; U.S. Treasury Bonds, 7.50% - 8.875%, 11/15/16 - 2/15/19; U.S. Treasury Notes, 0.25% - 4.50%, 7/15/15 - 4/30/18; and U.S. Treasury Notes, Index Linked, 1.375%, 7/15/18 (valued at $1,882,381)	$1,845,163	1,845,163
Total Investments (Cost $229,449,530) 99.6%		320,206,490
Other Assets, less Liabilities 0.4%		1,241,306
Net Assets 100.0%		$ 321,447,796

[a]Non-income producing.
[b]See Note 1(c) regarding joint repurchase agreement.
[c]The security is traded on a discount basis with no stated coupon rate.

Financial Statements

Statement of Assets and Liabilities

June 30, 2014 (unaudited)

	Franklin Large Cap Growth VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$227,604,367
Cost - Repurchase agreements	1,845,163
Total cost of investments	$229,449,530
Value - Unaffiliated issuers	$318,361,327
Value - Repurchase agreements	1,845,163
Total value of investments	320,206,490
Receivables:	
Investment securities sold	14,745,263
Capital shares sold	318,693
Dividends	122,518
Other assets	149
Total assets	335,393,113
Liabilities:	
Payables:	
Investment securities purchased	12,679,836
Capital shares redeemed	847,615
Management fees	196,958
Distribution fees	109,645
Accrued expenses and other liabilities	111,263
Total liabilities	13,945,317
Net assets, at value	$321,447,796
Net assets consist of:	
Paid-in capital	$187,049,163
Undistributed net investment income	1,210,032
Net unrealized appreciation (depreciation)	90,756,960
Accumulated net realized gain (loss)	42,431,641
Net assets, at value	$321,447,796
Class 1:	
Net assets, at value	$ 55,740,598
Shares outstanding	2,493,288
Net asset value and maximum offering price per share	$ 22.36
Class 2:	
Net assets, at value	$265,707,198
Shares outstanding	12,037,956
Net asset value and maximum offering price per share	$ 22.07

Statement of Operations
for the six months ended June 30, 2014 (unaudited)

	Franklin Large Cap Growth VIP Fund
Investment income:	
Dividends	$ 2,774,560
Interest	1,707
Total investment income	2,776,267
Expenses:	
Management fees (Note 3a)	1,204,121
Distribution fees - Class 2 (Note 3c)	334,223
Custodian fees (Note 4)	1,603
Reports to shareholders	45,591
Professional fees	18,012
Trustees' fees and expenses	698
Other	4,835
Total expenses	1,609,083
Net investment income	1,167,184
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	72,636,180
Foreign currency transactions	(3,691)
Net realized gain (loss)	72,632,489
Net change in unrealized appreciation (depreciation) on investments	(48,700,612)
Net realized and unrealized gain (loss)	23,931,877
Net increase (decrease) in net assets resulting from operations	$ 25,099,061

Statements of Changes in Net Assets

	Franklin Large Cap Growth VIP Fund	
	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31, 2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 1,167,184	$ 3,571,905
Net realized gain (loss) from investments and foreign currency transactions	72,632,489	34,945,789
Net change in unrealized appreciation (depreciation) on investments	(48,700,612)	46,349,997
Net increase (decrease) in net assets resulting from operations	25,099,061	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	(2,151,939)	(4,699,193)
Class 2	(37,695,532)	(62,431,458)
Total capital share transactions	(39,847,471)	(67,130,651)
Net increase (decrease) in net assets	(18,320,594)	14,023,146
Net assets:		
Beginning of period	339,768,390	325,745,244
End of period	$321,447,796	$339,768,390
Undistributed net investment income included in net assets:		
End of period	$ 1,210,032	$ 3,615,032

Notes to Financial Statements (unaudited)

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 twenty separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). The 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 June 30, 2014, 46.91% 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, the Franklin Large Cap Growth Securities Fund was renamed the 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 (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.

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

Franklin Large Cap Growth VIP Fund (continued)

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. 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 period end, as indicated in the Statement of Investments, had been entered into on June 30, 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

Franklin Large Cap Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Income and Deferred Taxes *(continued)*

and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 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. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

f. Accounting Estimates

The preparation of financial statements in accordance with 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 June 30, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2014		Year Ended December 31, 2013	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	21,961	$ 459,843	49,133	$ 921,214
Shares issued in reinvestment of distributions	33,235	729,509	35,282	652,010
Shares redeemed	(157,859)	(3,341,291)	(333,854)	(6,272,417)
Net increase (decrease)	(102,663)	$ (2,151,939)	(249,439)	$ (4,699,193)
Class 2 Shares:				
Shares sold	134,579	$ 2,829,028	1,055,133	$ 19,291,413
Shares issued in reinvestment of distributions	131,120	2,842,675	167,774	3,061,884
Shares redeemed	(2,071,584)	(43,367,235)	(4,595,616)	(84,784,755)
Net increase (decrease)	(1,805,885)	$(37,695,532)	(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.

Franklin Large Cap Growth VIP Fund (continued)

3. Transactions With Affiliates (continued)

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 period ended June 30, 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, 2013, the Fund had capital loss carryforwards of $ 25,430,360 expiring in 2017.

At June 30, 2014, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$230,050,092
Unrealized appreciation	$ 91,649,892
Unrealized depreciation	(1,493,494)
Net unrealized appreciation (depreciation)	$ 90,156,398

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2014, aggregated $184,764,821 and $ 219,395,725, 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 matures 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.

Franklin Large Cap Growth VIP Fund (continued)

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 period ended June 30, 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 June 30, 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]	$318,361,327	$ —	$ —	$318,361,327
Short Term Investments	—	1,845,163	—	1,845,163
Total Investments in Securities	$318,361,327	$1,845,163	$ —	$320,206,490

[a]For detailed categories, see the accompanying Statement of Investments.

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 is currently evaluating the impact, if any, of applying this provision.

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.

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Franklin Strategic Income VIP Fund

(Formerly, Franklin Strategic Income Securities Fund)

This semiannual report for Franklin Strategic Income VIP Fund covers the period ended June 30, 2014.

Class 2 Performance Summary as of June 30, 2014

Franklin Strategic Income VIP Fund – Class 2 delivered a +4.15% total return* for the six-month period ended June 30, 2014.

*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.

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 six-month total return in the Performance Summary. For comparison, the Fund's benchmark, the Barclays U.S. Aggregate Index, delivered a +3.93% 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 +4.66% return.[2]

Economic and Market Overview

The U.S. economy continued to show signs of recovery during the six-month period ended June 30, 2014. Economic activity increased toward period-end after severe weather conditions and a slowdown in health care spending led to a contraction in the first quarter of 2014. Manufacturing activity expanded during the period under review, despite a slowdown in January. Except for a sharp rebound in March, retail sales rose at a modest pace that missed consensus expectations. The housing market had some weather-related weakness early in 2014, but home sales picked up in the spring and home prices were higher than a year ago. The unemployment rate declined to 6.1% in June 2014 from 6.7% in December 2013.[3] Inflation, as measured by the Consumer Price Index, picked up toward the end of the period.

The Federal Reserve Board (Fed) began reducing bond purchases by $10 billion a month in January 2014, based on earlier largely positive economic and employment data. Although economic data in early 2014 were soft, Fed Chair Janet Yellen kept the pace of asset-purchase tapering intact in the March meeting while adopting a more qualitative approach to rate-hike guidance. In June, the Fed lowered projections for near- and long-term economic growth even as it maintained the pace of tapering and remained committed to keeping interest rates low for a considerable amount of time after the asset-purchase program ends.

The 10-year Treasury yield declined from 3.04% at the beginning of the period to 2.53% on June 30, 2014, given subdued economic data, the crises in Ukraine and Iraq, growth concerns about emerging markets and lower Treasury issuance.

Outside the U.S., the recovery was mixed during the period under review. The recovery in emerging markets moderated from fairly strong levels. Although some developed economies, such as those of Australia and some Scandinavian countries, also enjoyed relatively strong recoveries, the eurozone and Japan continued to experience growth that was slow by the standards of previous recoveries. As fears eased surrounding the issues of European sovereign debt, the possibility of another U.S. recession and a potential Chinese "hard landing," financial market performance was positive. Improving sentiment, relatively strong fundamentals and continued provision of global liquidity supported risk assets as equity markets performed well. Policymakers in the largest developed economies adjusted their unprecedented efforts to supply liquidity. The European Central Bank took the unusual step of charging banks to hold

1. Source: © 2014 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.

their deposits. Actions elsewhere in the world were mixed, with some policymakers less willing to reverse previous tightening efforts in response to the external environment. During the period, investors became concerned with geopolitical issues surrounding rising tensions between Russia and Ukraine.

Investment Strategy

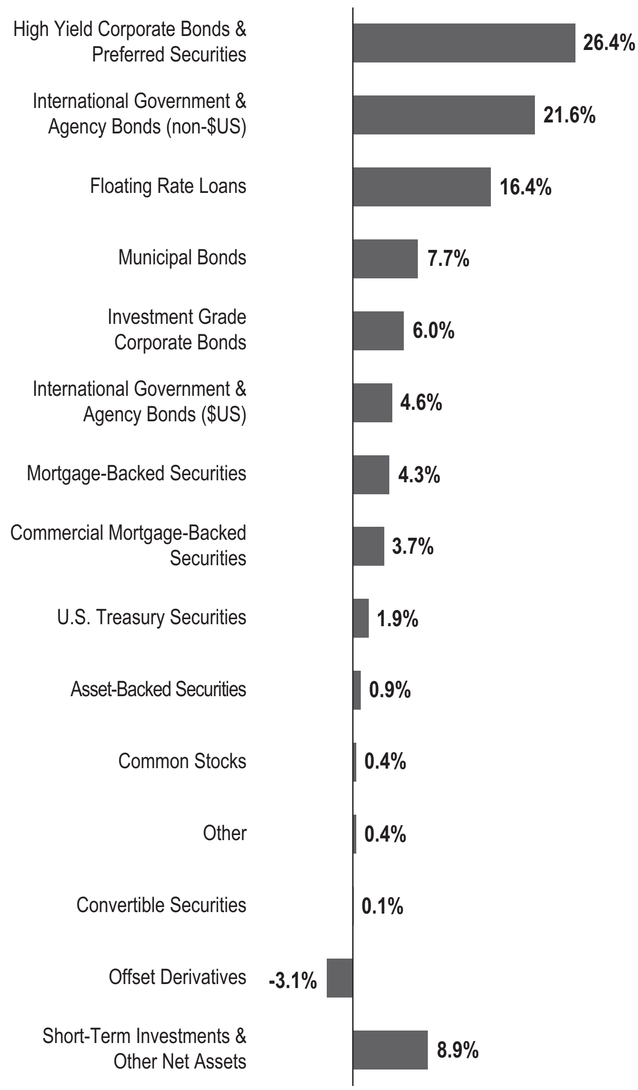
We allocate our investments among the various types of debt available based on our assessment of changing economic, global market, industry and issuer conditions. We use a top-down analysis of macroeconomic trends, combined with a bottom-up fundamental analysis of market sectors, industries and issuers, seeking to take advantage of varying sector reactions to economic events. For example, we may evaluate business cycles, yield curves, country risk, and the relative interest rates among currencies, and values between and within markets. In selecting debt securities, we generally conduct our own analysis of the security's intrinsic value rather than simply relying on the coupon rate or rating. We may also enter into various transactions involving certain currency-, interest rate- or credit-related derivative instruments for hedging purposes, to enhance returns or to obtain exposure to various market sectors.

Manager's Discussion

In somewhat of a reversal of the trend set during 2013, during the first half of 2014, longer term U.S. interest rates declined because of weaker first-quarter economic growth, supported by expectations for the Fed to remain on hold with its target short-term rate well into 2015. Even with the prospect for the Fed to discontinue purchases of government securities as part of its quantitative easing program by the end of 2014, the 10-year Treasury yield fell from 3.04% to 2.53% by period-end. Notwithstanding geopolitical flare-ups with Russia and Ukraine and in the Middle East, equity markets continued to post gains during the period, with the Standard & Poor's® 500 Index gaining 7.14%, supported by corporate earnings and an improving U.S. economic growth outlook for the balance of the year.[1]

The Fund posted a positive total return for the review period, performing in line with the Barclays U.S. Aggregate Index, while slightly trailing the Lipper Multi-Sector peer average. Given the decline in longer term rates during the period, longer duration U.S. fixed income securities performed well. Additionally, some compression in the spread sectors, including for corporate credit, supported the corporate sectors of the fixed income market. Relative to the Fund's benchmarks, exposure to high yield and longer duration municipal securities added to performance, while the Fund's generally shorter duration positioning detracted from relative returns.

Asset Allocation*
Based on Total Net Assets as of 6/30/14



*Weightings may be negative or may not total 100% due to rounding, use of any 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.

Within the corporate credit sector, fundamentals remained broadly supportive, with below-average default and distress rates, access to low-cost debt refinancing, rising equity markets and generally growing corporate earnings. However, as is typical several years into an economic recovery, many corporations have begun to focus their activities on more shareholder friendly actions, such as stock buybacks, dividends, and mergers and acquisitions. Also, the quality, structure and covenant protection of certain new corporate bond and leveraged loan new issues have also declined. Nonetheless, although spread valuations for the corporate credit markets have narrowed since the financial crisis, given a constructive fundamental backdrop, we still see value in these sectors. In addition, high yield corporates and leveraged loans have tended to be less sensitive to rate changes than traditional fixed income sectors, which may allow those sectors to be more defensive investments if U.S. rates were to increase in the future. However, given the total return outperformance for high yield bonds since mid-2013, we began to pare high yield weightings in favor of leveraged loans. Relative to high yield and loans, the Fund held a lesser weighting to investment grade corporates, given greater sensitivity to interest rates and current yield spread valuations.

Looking outside the U.S., although the broad trade-weighted U.S. dollar ended the period relatively flat for the first half of 2014, performance varied broadly by country and currency. In terms of the Fund's positioning, exposures to the Brazilian real, South Korean won, Malaysian ringgit and Indian rupee added to returns. On the other hand, exposures to the Chilean peso and Uruguayan peso detracted as those currencies declined during the period. In addition, the Fund's long exposure in the Hungarian forint and Swedish krona negatively impacted returns, as those currencies declined more than the euro (which the Fund had sold against them in a proxy hedge using currency forward contracts). The Fund's short position in the Japanese yen, achieved through currency forward contracts, also constrained performance as that currency appreciated partly due to lower U.S. interest rate expectations. The Fund maintained a fairly modest exposure to hard currency emerging market bonds considering current valuations.

The portfolio utilized derivatives, including currency forwards and credit derivatives. Currency forwards are typically used to take long and short positions in currencies and as a tool to hedge currency risk. Credit derivatives can be used to hedge against credit risk or to otherwise enhance Fund returns by taking long or short positions in individual credits or baskets of credits in various sectors including in the corporate, municipal, sovereign and securitized markets.

What is a currency forward contract?
A currency forward contract, also called 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.

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.

With the decline in U.S. intermediate and longer term 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 relative to our corporate and global positionings, preferring what we deemed as higher income opportunities in those spread and currency sectors.

The combination of lower U.S. rates and some inflows into dedicated municipal bond funds helped support performance in this sector. However, although Puerto Rico was able to issue bonds earlier in the period, by period-end the prospect that Puerto Rico might try to actively restructure certain of its quasi-government debt obligations pushed bond prices lower, including those held by the Fund from that commonwealth.

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 June 30, 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, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration*:

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 × $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Fund-Level Expenses Incurred During Period* 1/1/14–6/30/14
Actual	$1,000	$1,041.50	$4.60
Hypothetical (5% return before expenses)	$1,000	$1,020.48	$4.36

*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 181/365 to reflect the one-half year period.

Financial Highlights

Franklin Strategic Income VIP Fund

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31,				
		2013	2012	2011	2010	2009
Class 1						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$12.64	$13.17	$12.55	$12.99	$12.28	$10.58
Income from investment operations[a]:						
Net investment income[b]	0.28	0.59	0.65	0.69	0.72	0.70
Net realized and unrealized gains (losses)	0.26	(0.15)	0.92	(0.32)	0.61	1.95
Total from investment operations	0.54	0.44	1.57	0.37	1.33	2.65
Less distributions from:						
Net investment income and net foreign currency gains	(0.78)	(0.80)	(0.93)	(0.81)	(0.62)	(0.95)
Net realized gains	(0.25)	(0.17)	(0.02)	—	—	—
Total distributions	(1.03)	(0.97)	(0.95)	(0.81)	(0.62)	(0.95)
Net asset value, end of period	$12.15	$12.64	$13.17	$12.55	$12.99	$12.28
Total return[c]	4.27%	3.52%	13.12%	2.78%	11.21%	26.11%
Ratios to average net assets[d]						
Expenses	0.62%[e,f]	0.60%[e]	0.58%	0.60%[e]	0.59%[e]	0.58%[e]
Net investment income	4.37%	4.58%	5.04%	5.36%	5.71%	6.13%
Supplemental data						
Net assets, end of period (000's)	$656,691	$705,493	$1,019,537	$1,043,690	$1,195,149	$1,173,313
Portfolio turnover rate	24.60%	48.06%	49.98%	55.65%	56.46%	56.19%
Portfolio turnover rate excluding mortgage dollar rolls[g]	24.60%	47.01%	48.75%	55.65%	56.46%	56.19%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[d]Ratios are annualized for periods less than one year.

[e]Benefit of expense reduction rounds to less than 0.01%.

[f]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

[g]See Note 1(h) regarding mortgage dollar rolls.

Franklin Strategic Income VIP Fund (continued)

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31,				
		2013	2012	2011	2010	2009
Class 2						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$12.30	$12.84	$12.27	$12.72	$12.05	$10.41
Income from investment operations[a]:						
Net investment income[b]	0.25	0.54	0.60	0.64	0.68	0.66
Net realized and unrealized gains (losses)	0.26	(0.13)	0.89	(0.30)	0.59	1.91
Total from investment operations	0.51	0.41	1.49	0.34	1.27	2.57
Less distributions from:						
Net investment income and net foreign currency gains	(0.75)	(0.78)	(0.90)	(0.79)	(0.60)	(0.93)
Net realized gains	(0.25)	(0.17)	(0.02)	—	—	—
Total distributions	(1.00)	(0.95)	(0.92)	(0.79)	(0.60)	(0.93)
Net asset value, end of period	$11.81	$12.30	$12.84	$12.27	$12.72	$12.05
Total return[c]	4.15%	3.32%	12.75%	2.57%	10.91%	25.75%
Ratios to average net assets[d]						
Expenses	0.87%[e,f]	0.85%[e]	0.83%	0.85%[e]	0.84%[e]	0.83%[e]
Net investment income	4.12%	4.33%	4.79%	5.11%	5.46%	5.88%
Supplemental data						
Net assets, end of period (000's)	$193,514	$175,307	$158,451	$123,749	$101,347	$68,240
Portfolio turnover rate	24.60%	48.06%	49.98%	55.65%	56.46%	56.19%
Portfolio turnover rate excluding mortgage dollar rolls[g]	24.60%	47.01%	48.75%	55.65%	56.46%	56.19%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[d]Ratios are annualized for periods less than one year.

[e]Benefit of expense reduction rounds to less than 0.01%.

[f]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

[g]See Note 1(h) regarding mortgage dollar rolls.

Franklin Strategic Income VIP Fund (continued)

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31,				
		2013	2012	2011	2010	2009
Class 4						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$12.51	$13.04	$12.44	$12.88	$12.20	$10.54
Income from investment operations[a]:						
Net investment income[b]	0.25	0.54	0.60	0.64	0.67	0.66
Net realized and unrealized gains (losses)	0.26	(0.14)	0.91	(0.31)	0.60	1.94
Total from investment operations	0.51	0.40	1.51	0.33	1.27	2.60
Less distributions from:						
Net investment income and net foreign currency gains	(0.72)	(0.76)	(0.89)	(0.77)	(0.59)	(0.94)
Net realized gains	(0.25)	(0.17)	(0.02)	—	—	—
Total distributions	(0.97)	(0.93)	(0.91)	(0.77)	(0.59)	(0.94)
Net asset value, end of period	$12.05	$12.51	$13.04	$12.44	$12.88	$12.20
Total return[c]	4.09%	3.17%	12.67%	2.46%	10.88%	25.52%
Ratios to average net assets[d]						
Expenses	0.97%[e,f]	0.95%[e]	0.93%	0.95%[e]	0.94%[e]	0.93%[e]
Net investment income	4.02%	4.23%	4.69%	5.01%	5.36%	5.78%
Supplemental data						
Net assets, end of period (000's)	$132,122	$134,970	$196,479	$188,786	$188,178	$162,074
Portfolio turnover rate	24.60%	48.06%	49.98%	55.65%	56.46%	56.19%
Portfolio turnover rate excluding mortgage dollar rolls[g]	24.60%	47.01%	48.75%	55.65%	56.46%	56.19%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[d]Ratios are annualized for periods less than one year.

[e]Benefit of expense reduction rounds to less than 0.01%.

[f]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

[g]See Note 1(h) regarding mortgage dollar rolls.

Statement of Investments, June 30, 2014 (unaudited)

Franklin Strategic Income VIP Fund

	Country	Shares	Value
Common Stocks 0.4%			
Consumer Services 0.3%			
[a,b,c] Turtle Bay Resort	United States	1,901,449	$ 2,852,173
Materials 0.1%			
NewPage Holdings Inc.	United States	5,000	415,000
Transportation 0.0%†			
[a] CEVA Holdings LLC	United Kingdom	224	246,708
Total Common Stocks (Cost $3,434,985)			3,513,881
Convertible Preferred Stocks 0.1%			
Transportation 0.1%			
[a] CEVA Holdings LLC, cvt. pfd., A-1	United Kingdom	6	8,700
[a] CEVA Holdings LLC, cvt. pfd., A-2	United Kingdom	486	534,061
Total Convertible Preferred Stocks (Cost $731,856)			542,761
Preferred Stocks (Cost $625,000) 0.1%			
Diversified Financials 0.1%			
GMAC Capital Trust I, 8.125%, pfd.	United States	25,000	682,500
		Principal Amount*	
Corporate Bonds 36.2%			
Automobiles & Components 0.7%			
[d] Avis Budget Finance PLC, senior note, 144A, 6.00%, 3/01/21	United States	1,400,000 EUR	2,045,445
[d] General Motors Co., senior bond, 144A, 4.875%, 10/02/23	United States	2,400,000	2,538,000
The Goodyear Tire & Rubber Co., senior note, 6.50%, 3/01/21	United States	2,000,000	2,180,000
			6,763,445
Banks 2.8%			
Bank of America Corp.,			
[e] junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	2,500,000	2,825,995
senior note, 5.65%, 5/01/18	United States	1,500,000	1,701,137
CIT Group Inc., senior note,			
5.375%, 5/15/20	United States	1,000,000	1,077,187
5.00%, 8/15/22	United States	2,500,000	2,596,875
Citigroup Inc.,			
[e] junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	700,000	716,181
senior note, 3.875%, 10/25/23	United States	3,000,000	3,077,043
sub. bond, 5.50%, 9/13/25	United States	1,500,000	1,675,737
sub. note, 4.05%, 7/30/22	United States	300,000	307,724
JPMorgan Chase & Co.,			
[e] junior sub. bond, 5.00% to 7/30/19, FRN thereafter, Perpetual	United States	200,000	199,840
[e] junior sub. bond, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	1,500,000	1,537,500
senior note, 4.25%, 10/15/20	United States	2,000,000	2,172,280
sub. note, 3.375%, 5/01/23	United States	1,000,000	982,841
Regions Bank, sub. note, 7.50%, 5/15/18	United States	1,000,000	1,190,089
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	1,000,000	1,095,625
The Royal Bank of Scotland PLC, sub. note, 6.934%, 4/09/18	United Kingdom	1,500,000 EUR	2,384,127
[e] Wells Fargo & Co., S, junior sub. bond, 5.90% to 6/15/14, FRN thereafter, Perpetual	United States	3,500,000	3,714,375
			27,254,556

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Capital Goods 0.8%			
[d] Abengoa Finance SAU, senior note, 144A,			
8.875%, 11/01/17	Spain	2,000,000	$ 2,263,750
7.75%, 2/01/20	Spain	200,000	223,125
[d] KM Germany Holdings GmbH, secured note, 144A, 8.75%, 12/15/20	Germany	1,500,000 EUR	2,314,798
Navistar International Corp., senior note, 8.25%, 11/01/21	United States	1,500,000	1,571,250
Terex Corp., senior note, 6.00%, 5/15/21	United States	1,000,000	1,082,500
[d] TransDigm Inc.,			
senior sub. bond, 144A, 6.50%, 7/15/24	United States	500,000	521,250
senior sub. note, 144A, 6.00%, 7/15/22	United States	400,000	411,500
			8,388,173
Consumer Durables & Apparel 0.8%			
[d] Financiere Gaillon 8 SAS, senior note, 144A, 7.00%, 9/30/19	France	1,200,000 EUR	1,673,125
KB Home, senior note,			
4.75%, 5/15/19	United States	1,000,000	1,010,000
7.00%, 12/15/21	United States	1,600,000	1,748,000
M/I Homes Inc., senior note, 8.625%, 11/15/18	United States	800,000	856,000
Toll Brothers Finance Corp., senior bond, 5.625%, 1/15/24	United States	1,100,000	1,177,000
Visant Corp., senior note, 10.00%, 10/01/17	United States	1,400,000	1,312,500
			7,776,625
Consumer Services 1.0%			
Caesars Entertainment Operating Co. Inc., senior secured note, 11.25%, 6/01/17	United States	3,000,000	2,760,000
[d,f] Financiere Quick SAS, 144A, FRN, 7.825%, 10/15/19	France	1,600,000 EUR	2,209,394
[d,g] Fontainebleau Las Vegas, senior secured note, first lien, 144A, 11.00%, 6/15/15	United States	2,500,000	15,625
MGM Resorts International, senior note,			
6.625%, 7/15/15	United States	3,000,000	3,157,500
6.75%, 10/01/20	United States	200,000	223,750
6.625%, 12/15/21	United States	500,000	556,875
Pinnacle Entertainment Inc., senior note, 6.375%, 8/01/21	United States	700,000	742,000
			9,665,144
Diversified Financials 2.6%			
Ally Financial Inc., senior note, 7.50%, 9/15/20	United States	3,000,000	3,626,250
Deutsche Bank AG, sub. bond, 4.296% to 5/24/23, FRN thereafter, 5/24/28	Germany	4,000,000	3,939,000
E*TRADE Financial Corp., senior note, 6.375%, 11/15/19	United States	1,400,000	1,522,500
General Electric Capital Corp.,			
senior note, A, 8.50%, 4/06/18	United States	29,000,000 MXN	2,530,385
sub. note, 5.30%, 2/11/21	United States	500,000	569,131
General Motors Financial Co. Inc., senior note, 3.25%, 5/15/18	United States	900,000	913,500
GMAC Inc., sub. note, 8.00%, 12/31/18	United States	500,000	596,250
[d] KKR Group Finance Co., senior note, 144A, 6.375%, 9/29/20	United States	2,500,000	2,951,462
Morgan Stanley, senior note,			
6.00%, 4/28/15	United States	1,000,000	1,046,686
5.50%, 7/24/20	United States	1,500,000	1,725,723
[d] Neuberger Berman Group LLC/Finance Corp., senior note, 144A,			
5.625%, 3/15/20	United States	600,000	637,500
5.875%, 3/15/22	United States	1,400,000	1,501,500

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Diversified Financials (continued)			
SLM Corp., senior note,			
8.45%, 6/15/18	United States	1,800,000	$ 2,131,875
5.50%, 1/15/19	United States	1,500,000	1,597,500
			25,289,262
Energy 8.1%			
Access Midstream Partner LP/ACMP Finance Corp., senior note,			
5.875%, 4/15/21	United States	1,500,000	1,612,500
6.125%, 7/15/22	United States	600,000	666,000
CGG SA, senior note,			
7.75%, 5/15/17	France	159,000	161,783
6.50%, 6/01/21	France	2,000,000	1,995,000
[d] 144A, 6.875%, 1/15/22	France	700,000	701,750
CHC Helicopter SA,			
senior note, 9.375%, 6/01/21	Canada	400,000	429,000
senior secured note, first lien, 9.25%, 10/15/20	Canada	2,250,000	2,463,750
Chesapeake Energy Corp., senior note,			
6.625%, 8/15/20	United States	1,500,000	1,732,500
6.125%, 2/15/21	United States	1,500,000	1,687,500
5.75%, 3/15/23	United States	1,000,000	1,116,200
Clayton Williams Energy Inc., senior note, 7.75%, 4/01/19	United States	1,500,000	1,597,500
[d] CONSOL Energy Inc., senior note, 144A, 5.875%, 4/15/22	United States	1,900,000	1,995,000
El Paso Corp., senior bond, 6.50%, 9/15/20	United States	1,500,000	1,668,750
Energy Transfer Equity LP, senior note, 7.50%, 10/15/20	United States	3,500,000	4,060,000
Energy Transfer Partners LP, senior note, 5.20%, 2/01/22	United States	1,000,000	1,107,819
Energy XXI Gulf Coast Inc., senior note,			
9.25%, 12/15/17	United States	2,000,000	2,140,000
[d] 144A, 6.875%, 3/15/24	United States	1,000,000	1,022,500
[d] EnQuest PLC, senior note, 144A, 7.00%, 4/15/22	United Kingdom	900,000	934,313
Enterprise Products Operating LLC, junior sub. note, 7.034% to 1/15/18, FRN thereafter, 1/15/68	United States	1,500,000	1,713,457
[d] Expro Finance Luxembourg, senior secured note, 144A, 8.50%, 12/15/16	United Kingdom	2,000,000	2,091,250
[d,h] Gaz Capital SA, (OJSC Gazprom), loan participation,			
senior bond, 144A, 6.51%, 3/07/22	Russia	500,000	544,250
senior note, 144A, 5.092%, 11/29/15	Russia	1,500,000	1,571,572
senior note, 144A, 3.85%, 2/06/20	Russia	1,000,000	975,335
Halcon Resources Corp., senior note,			
9.75%, 7/15/20	United States	200,000	219,250
8.875%, 5/15/21	United States	2,000,000	2,160,000
9.25%, 2/15/22	United States	800,000	878,000
[d] Kinder Morgan Finance Co. LLC, senior secured note, 144A, 6.00%, 1/15/18	United States	2,000,000	2,195,000
Linn Energy LLC/Finance Corp., senior note,			
8.625%, 4/15/20	United States	2,000,000	2,170,000
7.75%, 2/01/21	United States	1,500,000	1,625,625
[d] LUKOIL International Finance BV, senior note, 144A, 4.563%, 4/24/23	Russia	3,000,000	2,911,005
Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21	United States	1,800,000	1,917,000
Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21	United States	1,500,000	1,657,500
[d] Oasis Petroleum Inc., senior note, 144A, 6.875%, 3/15/22	United States	1,300,000	1,423,500

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
Offshore Group Investment Ltd.,			
senior bond, first lien, 7.125%, 4/01/23	United States	700,000	$ 715,750
senior secured note, first lien, 7.50%, 11/01/19	United States	2,000,000	2,118,750
Peabody Energy Corp., senior note,			
6.50%, 9/15/20	United States	2,500,000	2,531,250
6.25%, 11/15/21	United States	1,500,000	1,501,875
Penn Virginia Corp., senior note, 8.50%, 5/01/20	United States	1,000,000	1,122,500
Penn Virginia Resource Partners LP/Finance Corp., senior note, 8.375%, 6/01/20	United States	1,426,000	1,620,292
Penn Virginia Resource Partners LP/Penn Virginia Resource Finance Corp., senior note, 6.50%, 5/15/21	United States	400,000	438,000
Plains Exploration & Production Co., senior note,			
6.125%, 6/15/19	United States	600,000	666,000
6.875%, 2/15/23	United States	1,000,000	1,175,000
QR Energy LP/QRE Finance, senior note, 9.25%, 8/01/20	United States	2,000,000	2,195,000
Quicksilver Resources Inc.,			
[d,f] secured note, second lien, 144A, FRN, 7.00%, 6/21/19	United States	1,800,000	1,764,000
senior note, 9.125%, 8/15/19	United States	500,000	466,250
Regency Energy Partners LP/Regency Energy Finance Corp., senior note, 5.875%, 3/01/22	United States	200,000	217,750
Sabine Pass Liquefaction LLC,			
first lien, 5.625%, 2/01/21	United States	2,500,000	2,656,250
first lien, 5.625%, 4/15/23	United States	900,000	940,500
[d] senior secured note, first lien, 144A, 5.75%, 5/15/24	United States	300,000	313,125
[d] Samson Investment Co., senior note, 144A, 9.75%, 2/15/20	United States	2,500,000	2,646,875
[d] Sanchez Energy Corp., senior note, 144A,			
7.75%, 6/15/21	United States	1,700,000	1,853,000
6.125%, 1/15/23	United States	500,000	517,500
W&T Offshore Inc., senior note, 8.50%, 6/15/19	United States	2,500,000	2,712,500
			79,316,776
Food & Staples Retailing 0.2%			
[d] Cencosud SA, senior note, 144A, 4.875%, 1/20/23	Chile	2,500,000	2,525,500
Food, Beverage & Tobacco 1.2%			
[d] Boparan Finance PLC, senior note, 144A, 9.75%, 4/30/18	United Kingdom	200,000 EUR	294,945
Constellation Brands Inc., senior note, 4.25%, 5/01/23	United States	1,000,000	1,003,750
Del Monte Corp., senior note, 7.625%, 2/15/19	United States	1,736,000	1,811,256
[d] JBS USA LLC/Finance Inc., senior note, 144A,			
8.25%, 2/01/20	United States	2,400,000	2,616,000
7.25%, 6/01/21	United States	300,000	323,250
Kraft Foods Group Inc., senior bond, 3.50%, 6/06/22	United States	2,500,000	2,570,065
[d] Post Holdings Inc., senior note, 144A,			
6.75%, 12/01/21	United States	1,600,000	1,702,000
6.00%, 12/15/22	United States	400,000	409,000
[d] Smithfield Foods Inc., senior note, 144A, 5.875%, 8/01/21	United States	600,000	637,875
			11,368,141
Health Care Equipment & Services 1.5%			
Alere Inc., senior sub. note, 6.50%, 6/15/20	United States	800,000	844,000
[d] Cegedim SA, senior note, 144A, 6.75%, 4/01/20	France	900,000 EUR	1,348,052
CHS/Community Health Systems Inc.,			
senior note, 8.00%, 11/15/19	United States	1,500,000	1,646,250
[d] senior note, 144A, 6.875%, 2/01/22	United States	400,000	426,000
senior secured note, 5.125%, 8/15/18	United States	600,000	630,750

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Health Care Equipment & Services (continued)			
DaVita HealthCare Partners Inc.,			
senior bond, 5.125%, 7/15/24	United States	500,000	$ 504,063
senior note, 5.75%, 8/15/22	United States	1,500,000	1,608,750
HCA Inc.,			
senior note, 7.50%, 2/15/22	United States	1,500,000	1,734,375
senior note, 5.875%, 5/01/23	United States	1,500,000	1,573,125
senior secured note, 5.875%, 3/15/22	United States	1,400,000	1,522,500
Tenet Healthcare Corp., senior note,			
8.125%, 4/01/22	United States	1,700,000	1,972,000
[d] 144A, 5.00%, 3/01/19	United States	500,000	508,125
			14,317,990
Insurance 0.6%			
MetLife Inc., junior sub. note, 6.40% to 12/15/36, FRN thereafter, 12/15/66	United States	2,500,000	2,806,250
[d] Mitsui Sumitomo Insurance Co. Ltd., junior sub. note, 144A, 7.00% to 3/15/22, FRN thereafter, 3/15/72	Japan	2,500,000	2,982,788
			5,789,038
Materials 4.5%			
ArcelorMittal, senior note,			
6.00%, 3/01/21	Luxembourg	3,500,000	3,788,662
6.75%, 2/25/22	Luxembourg	500,000	561,513
[d] Ardagh Packaging Finance PLC, senior note, 144A, 9.125%, 10/15/20	Luxembourg	900,000	1,000,125
[d] Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc.,			
senior note, 144A, 6.25%, 1/31/19	Luxembourg	200,000	205,500
senior note, 144A, 7.00%, 11/15/20	Luxembourg	105,882	109,985
senior note, 144A, 6.75%, 1/31/21	Luxembourg	200,000	207,750
[i] senior note, 144A, 6.00%, 6/30/21	Luxembourg	1,300,000	1,299,188
senior secured note, first lien, 144A, 7.375%, 10/15/17	Luxembourg	600,000	634,125
[d] Barminco Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18	Australia	1,500,000	1,473,750
[d] Cemex Finance LLC, senior secured note, 144A, 6.00%, 4/01/24	Mexico	1,000,000	1,044,375
[d] Cemex SAB de CV,			
secured note, 144A, 5.875%, 3/25/19	Mexico	1,000,000	1,046,250
senior secured note, 144A, 9.00%, 1/11/18	Mexico	2,000,000	2,157,500
[d] Faenza GmbH, senior note, 144A, 8.25%, 8/15/21	Germany	900,000 EUR	1,375,013
[d] First Quantum Minerals Ltd., senior note, 144A,			
6.75%, 2/15/20	Canada	1,725,000	1,785,375
7.00%, 2/15/21	Canada	1,725,000	1,783,219
[d] FMG Resources (August 2006) Pty. Ltd., senior note, 144A,			
6.875%, 2/01/18	Australia	2,500,000	2,631,250
8.25%, 11/01/19	Australia	1,000,000	1,092,500
[d] Glencore Funding LLC,			
144A, 4.625%, 4/29/24	Switzerland	500,000	517,500
senior note, 144A, 4.125%, 5/30/23	Switzerland	1,000,000	1,005,665
[d] Ineos Finance PLC, senior secured note, 144A,			
8.375%, 2/15/19	Switzerland	200,000	219,500
7.50%, 5/01/20	Switzerland	300,000	327,750
[d] Ineos Group Holdings SA, senior note, 144A,			
6.125%, 8/15/18	Switzerland	700,000	727,125
6.50%, 8/15/18	Switzerland	700,000 EUR	1,001,753
5.75%, 2/15/19	Switzerland	300,000 EUR	425,471

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Materials (continued)			
[d] Kerling PLC, senior secured note, 144A, 10.625%, 2/01/17	United Kingdom	1,000,000 EUR	$ 1,456,773
Novelis Inc., senior note,			
8.375%, 12/15/17	Canada	500,000	533,625
8.75%, 12/15/20	Canada	1,600,000	1,784,000
[d] Orion Engineered Carbons Bondco GmbH, senior secured bond, 144A, 10.00%, 6/15/18	Germany	2,000,000 EUR	2,958,012
[d,j] Orion Engineered Carbons Finance & Co. SCA, senior note, 144A, PIK, 9.25%, 8/01/19	Germany	200,000	209,100
Reynolds Group Issuer Inc./LLC/SA,			
first lien, 5.75%, 10/15/20	United States	900,000	954,000
senior note, 8.50%, 5/15/18	United States	1,500,000	1,571,250
senior note, 8.25%, 2/15/21	United States	1,000,000	1,092,500
senior secured note, 7.125%, 4/15/19	United States	1,000,000	1,050,000
[d] Sealed Air Corp., senior note, 144A,			
8.125%, 9/15/19	United States	1,000,000	1,106,250
8.375%, 9/15/21	United States	800,000	920,000
[d] U.S. Coatings Acquisition Inc./Flash Dutch 2 BV, 144A, 5.75%, 2/01/21	United States	1,000,000 EUR	1,467,879
[d] Xstrata Finance Canada Ltd., senior note, 144A, 4.95%, 11/15/21	Canada	2,500,000	2,700,087
			44,224,320
Media 3.4%			
CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 5.25%, 9/30/22	United States	1,400,000	1,428,000
Clear Channel Communications Inc., senior secured bond, first lien, 9.00%, 3/01/21	United States	2,500,000	2,684,375
Clear Channel Worldwide Holdings Inc.,			
senior note, 6.50%, 11/15/22	United States	1,000,000	1,082,500
senior sub. note, 7.625%, 3/15/20	United States	200,000	215,000
senior sub. note, 7.625%, 3/15/20	United States	500,000	541,875
CSC Holdings LLC, senior note, 6.75%, 11/15/21	United States	3,000,000	3,311,250
DISH DBS Corp., senior note,			
7.125%, 2/01/16	United States	2,500,000	2,709,375
6.75%, 6/01/21	United States	500,000	571,250
5.875%, 7/15/22	United States	500,000	543,750
[d] Gannett Co. Inc.,			
senior bond, 144A, 6.375%, 10/15/23	United States	1,900,000	2,033,000
senior note, 144A, 5.125%, 7/15/20	United States	1,000,000	1,031,250
[d,i] Nielsen Finance LLC/Co., senior note, 144A, 5.00%, 4/15/22	United States	1,700,000	1,718,063
[d] Sirius XM Radio Inc., senior bond, 144A, 6.00%, 7/15/24	United States	1,700,000	1,772,250
Time Warner Inc., 7.625%, 4/15/31	United States	1,500,000	2,064,007
[d] Unitymedia Hessen GmbH & Co.KG/Unitymedia NRW GmbH, senior secured note, 144A, 5.625%, 4/15/23	Germany	800,000 EUR	1,196,401
[d] Univision Communications Inc.,			
senior secured bond, 144A, 6.75%, 9/15/22	United States	436,000	484,505
senior secured note, 144A, 7.875%, 11/01/20	United States	2,000,000	2,210,000
[d] UPC Holding BV, senior note, 144A, 6.375%, 9/15/22	Netherlands	500,000 EUR	748,490
[d] UPCB Finance II Ltd., senior secured note, 144A, 6.375%, 7/01/20	Netherlands	2,000,000 EUR	2,914,737
[d] Videotron Ltd., senior bond, 144A, 5.375%, 6/15/24	Canada	800,000	822,000
[d] Virgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25	United Kingdom	1,900,000	1,973,625
[d] VTR Finance BV, senior secured note, 144A, 6.875%, 1/15/24	Chile	900,000	968,247
			33,023,950

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Pharmaceuticals, Biotechnology & Life Sciences 0.8%			
[d] Grifols Worldwide Operations Ltd., senior note, 144A, 5.25%, 4/01/22	United States	700,000	$ 728,000
[c,d,j] Jaguar Holding Co. I, senior note, 144A, PIK, 9.375%, 10/15/17	United States	1,500,000	1,560,000
[d] Valeant Pharmaceuticals International Inc., senior note, 144A, 7.50%, 7/15/21	United States	1,200,000	1,333,500
[d] VPI Escrow Corp., senior note, 144A, 6.375%, 10/15/20	United States	2,400,000	2,559,000
Zoetis Inc., senior bond, 3.25%, 2/01/23	United States	2,000,000	1,981,008
			8,161,508
Real Estate 0.1%			
Crown Castle International Corp., senior bond, 5.25%, 1/15/23	United States	500,000	523,750
Retailing 0.5%			
[d] Edcon Pty. Ltd., secured note, 144A, 9.50%, 3/01/18	South Africa	1,800,000 EUR	2,492,519
[d] New Look Bondco I PLC, 144A, 8.75%, 5/14/18	United Kingdom	1,300,000 GBP	2,389,078
			4,881,597
Software & Services 1.1%			
[d] BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21	United States	2,000,000	2,067,500
Equinix Inc., senior bond, 5.375%, 4/01/23	United States	2,500,000	2,568,750
First Data Corp.,			
senior bond, 12.625%, 1/15/21	United States	300,000	370,125
[d] senior secured bond, 144A, 8.25%, 1/15/21	United States	4,000,000	4,400,000
Sterling International Inc., senior note, 11.00%, 10/01/19	United States	1,100,000	1,185,250
			10,591,625
Technology Hardware & Equipment 0.2%			
[d] Alcatel-Lucent USA Inc., senior note, 144A, 6.75%, 11/15/20	France	2,000,000	2,140,000
[d,j] CommScope Holdings Co. Inc., senior note, 144A, PIK, 6.625%, 6/01/20	United States	200,000	214,500
			2,354,500
Telecommunication Services 3.5%			
CenturyLink Inc.,			
senior bond, 6.75%, 12/01/23	United States	200,000	219,500
senior note, 6.00%, 4/01/17	United States	1,000,000	1,108,750
senior note, 6.45%, 6/15/21	United States	1,000,000	1,090,000
[d] Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20	Bermuda	2,000,000	2,205,000
[d] Digicel Ltd., senior note, 144A, 6.00%, 4/15/21	Bermuda	800,000	828,500
[d] eAccess Ltd., senior note, 144A, 8.25%, 4/01/18	Japan	1,400,000	1,518,125
Frontier Communications Corp.,			
senior bond, 7.625%, 4/15/24	United States	600,000	648,750
senior note, 8.50%, 4/15/20	United States	2,000,000	2,370,000
senior note, 8.75%, 4/15/22	United States	1,000,000	1,165,000
senior note, 7.875%, 1/15/27	United States	400,000	415,500
Intelsat Jackson Holdings SA,			
senior bond, 6.625%, 12/15/22	Luxembourg	1,600,000	1,674,000
senior note, 7.25%, 10/15/20	Luxembourg	1,000,000	1,080,000
senior note, 7.50%, 4/01/21	Luxembourg	1,000,000	1,100,000
[d] Millicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21	Luxembourg	1,300,000	1,412,125
[d,j] Mobile Challenger Intermediate Group SA, secured note, 144A, PIK, 8.75%, 3/15/19	Switzerland	600,000 EUR	846,320

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Telecommunication Services (continued)			
[d] Play Finance 1 SA, senior note, 144A, 6.50%, 8/01/19	Poland	500,000 EUR	$ 736,935
[d] Play Finance 2 SA, senior secured note, 144A, 5.25%, 2/01/19	Poland	800,000 EUR	1,152,748
[d] Sprint Corp., senior note, 144A, 7.875%, 9/15/23	United States	500,000	557,500
Sprint Nextel Corp., senior note,			
8.375%, 8/15/17	United States	2,000,000	2,342,500
6.00%, 11/15/22	United States	500,000	512,500
[d] 144A, 9.00%, 11/15/18	United States	1,500,000	1,822,500
[d] 144A, 7.00%, 3/01/20	United States	800,000	924,000
T-Mobile USA Inc.,			
senior bond, 6.50%, 1/15/24	United States	300,000	321,375
senior note, 6.542%, 4/28/20	United States	1,400,000	1,517,250
senior note, 6.125%, 1/15/22	United States	200,000	213,000
Verizon Communications Inc., senior note, 5.15%, 9/15/23	United States	3,000,000	3,361,719
[d] Wind Acquisition Finance SA, senior secured note, 144A,			
[i] 4.00%, 7/15/20	Italy	600,000 EUR	822,184
7.00%, 4/23/21	Italy	2,000,000 EUR	2,949,740
			34,915,521
Transportation 0.7%			
[d] Florida East Coast Holdings Corp.,			
secured note, first lien, 144A, 6.75%, 5/01/19	United States	900,000	952,875
senior note, 144A, 9.75%, 5/01/20	United States	400,000	424,500
Hertz Corp., senior note,			
6.75%, 4/15/19	United States	1,500,000	1,597,500
6.25%, 10/15/22	United States	1,500,000	1,595,625
[d] Stena AB, senior bond, 144A, 7.00%, 2/01/24	Sweden	900,000	960,750
[d] Stena International SA, secured bond, 144A, 5.75%, 3/01/24	Sweden	1,100,000	1,119,250
			6,650,500
Utilities 1.1%			
[d] Calpine Corp.,			
senior secured bond, first lien, 144A, 5.875%, 1/15/24	United States	600,000	636,000
senior secured note, 144A, 7.875%, 7/31/20	United States	454,000	494,860
senior secured note, 144A, 7.50%, 2/15/21	United States	1,492,000	1,620,685
senior secured note, first lien, 144A, 6.00%, 1/15/22	United States	100,000	108,250
[d,e] EDF SA,			
junior sub. bond, 144A, 5.625% to 1/22/24, FRN thereafter, Perpetual	France	500,000	523,295
sub. note, 144A, 5.25% to 1/29/23, FRN thereafter, Perpetual	France	3,000,000	3,063,450
[d] InterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	2,000,000	2,080,000
[d,g] Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings Finance Inc., senior secured note, 144A, 11.50%, 10/01/20	United States	3,000,000	2,752,500
			11,279,040
Total Corporate Bonds (Cost $329,953,928)			355,060,961
[f,k] **Senior Floating Rate Interests 16.3%**			
Automobiles & Components 0.6%			
[i] August LuxUK Holding Co.,			
First Lien Term Loan, 6.25%, 4/27/18	Luxembourg	519,132	526,270
Lux Second Lien, 11.25%, 4/27/19	Luxembourg	114,872	116,021

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
[f,k] **Senior Floating Rate Interests** (continued)			
Automobiles & Components (continued)			
[i] August U.S. Holding Co. Inc.,			
First Term Loan, 6.25%, 4/27/18	United States	156,162	$ 158,309
U.S. Second Lien, 11.50%, 4/27/19	United States	37,613	37,989
FRAM Group Holdings Inc. (Autoparts Holdings),			
Second Lien Term Loan, 10.50%, 1/29/18	United States	2,083,899	1,979,704
Term Loan, 6.50%, 7/29/17	United States	1,303,518	1,306,776
[i] Gates Global LLC, Term Loan B, 5.50%, 7/20/21	United States	383,269	382,520
[i] Grede Holdings LLC, Initial Term Loan, 6.00%, 6/02/21	United States	590,600	593,430
[i] Henniges Automotive Holdings Inc., Term Loans, 7.25%, 6/12/21	United States	458,822	464,557
			5,565,576
Capital Goods 1.0%			
[i] Alfred Fueling Systems Inc. (Wayne Fueling),			
Second Lien Term Loan, 9.75%, 6/18/22	United States	621,400	623,989
Term Loan B, 6.00%, 6/18/21	United States	436,400	438,400
Doncasters U.S. Finance LLC, Term B Loans, 4.50%, 4/09/20	United States	273,010	274,034
[l] Erickson Inc., Purchase Price Notes, 6.00%, 11/02/20	United States	190,406	170,002
Husky Injection Molding Systems Ltd., Term Loan, 5.50%, 6/30/21	United States	108,500	109,178
Quikrete Holdings Inc., First Lien Initial Loan, 4.00%, 9/26/20	United States	1,421,949	1,425,949
Sensus USA Inc., Second Lien Term Loan, 8.50%, 5/09/18	United States	2,582,186	2,596,710
Signode Industrial Group U.S. Inc., Initial Term B Loan, 4.00%, 5/01/21	United States	1,007,000	1,004,902
TransDigm Inc.,			
Tranche C Term Loan, 3.75%, 2/28/20	United States	670,490	668,773
Tranche D Term Loan, 3.75%, 6/04/21	United States	688,600	686,276
Wesco Distribution Inc., Tranche B-1 Loan, 3.75%, 12/12/19	United States	1,311,607	1,314,394
[i] WireCo Worldgroup Inc., Term Loan, 7.00%, 2/15/17	United States	48,976	49,435
			9,362,042
Commercial & Professional Services 0.8%			
[i] AlixPartners LLP, Second Lien 2013 Recapitalization Term Loan, 9.00%, 7/10/21	United States	374,569	380,812
Altegrity Inc., Tranche D Term Loan, 7.75%, 2/21/15	United States	2,846,512	2,835,837
EnergySolutions LLC, Term Advance, 6.75%, 5/29/20	United States	336,100	341,141
Interactive Data Corp., Term Loan, 4.75%, 5/02/21	United States	4,239,620	4,281,355
			7,839,145
Consumer Durables & Apparel 0.3%			
[i] Visant Corp. (Jostens), New Loan, 5.25%, 12/22/16	United States	2,757,913	2,748,434
Consumer Services 1.2%			
[i] 24 Hour Fitness Worldwide Inc., Term Loan, 4.75%, 5/30/21	United States	1,651,572	1,663,616
[i] Caesars Entertainment Resort Properties LLC, Term B Loans, 7.00%, 10/11/20	United States	2,504,370	2,521,414
Diamond Resorts Corp., Term Loans, 5.50%, 5/09/21	United States	345,900	348,062
Fitness International LLC, Term Loan B, 6.75%, 6/30/20	United States	1,431,700	1,428,718
TGI Friday's Inc., Term Loan B, 6.50%, 6/24/20	United States	173,500	173,934
[c,j] Turtle Bay Holdings LLC, Term Loan B, PIK, 3.00%, 6/30/16	United States	6,326,938	6,026,408
			12,162,152
Diversified Financials 0.5%			
Guggenheim Partners Investment Management Holdings LLC, Initial Term Loan, 4.25%, 7/22/20	United States	544,353	546,848
Trans Union LLC, 2014 Replacement Term Loan, 4.00%, 4/09/21	United States	4,180,612	4,187,928
			4,734,776

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
[f,k] **Senior Floating Rate Interests** (continued)			
Energy 0.1%			
Bowie Resource Holdings LLC, 2nd Lien Initial Term Loan, 11.75%, 2/16/21	United States	285,714	$ 292,857
McJunkin Red Man Corp., 2013 Term Loan, 5.00%, 11/11/19	United States	727,457	733,186
[i] Utex Industries Inc., First Lien Initial Term Loan, 5.00%, 5/22/21	United States	368,856	372,775
			1,398,818
Food & Staples Retailing 0.2%			
AdvancePierre Foods Inc., Second Lien Term Loan, 9.50%, 10/10/17	United States	1,805,558	1,753,648
Food, Beverage & Tobacco 0.2%			
Big Heart Pet Brands (Del Monte Pet), Initial Term Loans, 3.50%, 2/24/20	United States	1,673,454	1,665,086
CSM Bakery Supplies LLC (U.S. Acquisition), Second Lien Term Loan, 8.50%, 7/03/21	United States	128,913	131,653
Post Holdings Inc., Series A Incremental Term Loan, 3.75%, 6/02/21	United States	313,400	316,314
			2,113,053
Health Care Equipment & Services 2.0%			
Carestream Health Inc., Second Lien Loan, 9.50%, 12/07/19	United States	641,944	656,923
CDRH Merger Sub II Inc. (Healogics, Inc.), Initial Term Loan, 6.50%, 7/01/21	United States	135,800	134,442
Community Health Systems Inc., 2021 Term D Loan, 4.25%, 1/27/21	United States	4,127,114	4,157,745
Connolly LLC,			
2nd Lien Initial Term Loan, 8.00%, 5/14/22	United States	423,200	431,135
[i] Initial Term Loan, 5.00%, 5/14/21	United States	1,775,865	1,801,393
[i] DaVita HealthCare Partners Inc., Tranche B Term Loan, 5.00%, 6/24/21	United States	3,390,833	3,411,117
Dialysis Newco Inc.,			
Second Lien Term Loan B, 7.75%, 10/22/21	United States	267,300	269,305
Term Loan B, 4.75%, 4/23/21	United States	469,633	471,394
[i] Millennium Laboratories LLC, Tranche B Term Loan, 5.25%, 4/16/21	United States	4,101,400	4,144,087
Surgery Centers Holdings Inc., Incremental Second Lien Term Loan, 9.75%, 4/10/20	United States	8,339	8,381
Truven Health Analytics Inc., New Tranche B Term Loan, 4.50%, 6/06/19	United States	1,118,625	1,109,536
U.S. Renal Care Inc., Tranche B-2 Term Loan, 4.25%, 7/03/19	United States	2,927,246	2,940,969
			19,536,427
Household & Personal Products 0.7%			
FGI Operating Co. LLC (Freedom Group), Term B Loans, 5.50%, 4/19/19	United States	3,500,837	3,535,845
[i] Sun Products Corp., Tranche B Term Loan, 5.50%, 3/23/20	United States	3,535,804	3,478,347
			7,014,192
Materials 3.0%			
Arysta Lifescience SPC LLC,			
Initial Term Loan, 4.50%, 5/29/20	United States	3,471,366	3,495,190
Second Lien Initial Term Loan, 8.25%, 11/30/20	United States	2,864,234	2,932,259
Atkore International Inc., Second Lien Initial Term Loan, 7.75%, 10/09/21	United States	219,800	221,723
Axalta Coating Systems U.S. Holdings Inc., 2014 Specified Refinancing Term, 4.00%, 2/01/20	United States	1,659,762	1,662,759

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
[f,k] **Senior Floating Rate Interests** (continued)			
Materials (continued)			
[i] AZ Chem US Inc., First Lien Initial Term Loan, 5.75%, 6/12/21	United States	1,582,980	$ 1,599,470
Caraustar Industries Inc., Initial Term Loan, 7.50%, 5/01/19	United States	341,297	346,523
CD&R Millennium US Acquico LLC,			
Second Lien Term Loan, 9.50%, 7/15/22	United States	585,000	579,150
USD First Lien Term Loan, 5.75%, 7/15/21	United States	202,700	201,687
Cyanco Intermediate Corp., Initial Term Loan, 5.50%, 5/01/20	United States	1,976,331	1,981,272
[i] Exopack Holdings SA, USD Term Loan, 5.25%, 5/08/19	Luxembourg	2,974,684	3,025,813
FMG America Finance Inc. (Fortescue Metals Group), Loans, 3.75%, 6/30/19	United States	2,151,776	2,156,258
HII Holding Corp. (Houghton International), Second Lien Term Loan, 9.50%, 12/20/20	United States	475,175	487,648
MacDermid Holdings LLC, First Lien Tranche B Term Loan, 4.00%, 6/07/20	United States	2,098,063	2,102,259
OCI Beaumont LLC, Term B-3 Loan, 5.00%, 8/20/19	United States	1,069,550	1,086,930
Oxbow Carbon LLC,			
First Lien Tranche B Term Loan, 4.25%, 7/19/19	United States	1,265,464	1,269,155
[i] Second Lien Initial Term Loan, 9.25%, 1/19/20	United States	311,538	319,716
OXEA GmbH, Second Lien Term Loan, 8.25%, 7/15/20	Luxembourg	838,599	850,130
Prescrix Inc., 2nd Lien Term Loan, 8.00%, 5/02/22	United States	663,243	667,389
Reynolds Group Holdings Inc., U.S. Term Loan, 4.00%, 12/01/18	United States	2,766,634	2,773,725
Tronox Pigments (Netherlands) BV, Term Loan, 4.00%, 3/19/20	Netherlands	986,076	988,079
[i] Walter Energy Inc., B Term Loan, 7.25%, 4/01/18	United States	789,251	764,939
			29,512,074
Media 1.3%			
Cengage Learning Acquisitions Inc., First Lien Exit Term Loan, 7.00%, 3/31/20	United States	3,188,859	3,234,367
Cumulus Media Holdings Inc., Term Loans, 4.25%, 12/23/20	United States	480,977	483,322
[i] Gray Television Inc., Term Loan B, 5.25%, 6/13/21	United States	46,747	47,049
NEP/NCP Holdco Inc., Second Lien Term Loan, 9.50%, 7/22/20	United States	678,796	698,736
[i] Radio One Inc., Term Loan, 7.50%, 3/31/16	United States	631,685	643,529
William Morris Endeavor Entertainment LLC,			
[i] Term Loans First Lien, 5.25%, 3/21/21	United States	5,095,882	5,142,066
Term Loans Second Lien, 8.25%, 3/21/22	United States	2,310,400	2,349,388
Zuffa LLC, Initial Term Loan, 3.75%, 2/25/20	United States	381,285	382,715
			12,981,172
Pharmaceuticals, Biotechnology & Life Sciences 0.2%			
[i] Akorn Inc., Loans, 5.75%, 4/17/21	United States	199,500	200,664
Valeant Pharmaceuticals International Inc., Series E-1 Tranche B Term Loan, 3.75%, 8/05/20	Canada	1,764,074	1,764,736
			1,965,400
Real Estate 0.0%†			
[i] RHP Hotel Properties LP, Tranche B Term Loan, 5.25%, 1/15/21	United States	169,400	170,424
Retailing 2.3%			
BJ's Wholesale Club Inc.,			
2013 (Nov) Replacement Loans, 4.50%, 9/26/19	United States	4,260,244	4,272,484
Second Lien 2013 (Nov) Replacment Loans, 8.50%, 3/26/20	United States	1,790,788	1,840,407
Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.00%, 7/09/19	United States	2,609,625	2,612,073
Harbor Freight Tools USA Inc., Loans, 4.75%, 7/26/19	United States	1,072,279	1,082,197
[i] JC Penney Corp. Inc., Term Loan, 6.25%, 6/20/19	United States	1,664,286	1,669,071

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
[f,k] **Senior Floating Rate Interests** (continued)			
Retailing (continued)			
The Men's Wearhouse Inc., Tranche B Term Loan, 4.50%, 6/18/21	United States	1,569,100	$ 1,576,741
Party City Holdings Inc., 2014 Replacement Term Loan, 4.00%, 7/27/19	United States	1,409,195	1,402,904
[i] Sears Roebuck Acceptance Corp., Term Loan, 5.50%, 6/30/18	United States	4,891,708	4,954,165
[i] Sungard Availability Services Capital Inc., Tranche B Term Loan, 6.00%, 3/31/19	United States	3,263,109	3,243,736
			22,653,778
Semiconductors & Semiconductor Equipment 0.1%			
M/A-COM Technology Solutions Holdings Inc., Initial Term Loan, 4.50%, 5/07/21	United States	523,600	527,867
Software & Services 1.1%			
[i] BMC Software Finance Inc., Initial U.S. Term Loans, 5.00%, 9/10/20	United States	4,583,124	4,581,694
MoneyGram International Inc., Term Loan, 4.25%, 3/28/20	United States	4,085,759	4,035,197
Vertafore Inc., Second Lien Term Loan, 9.75%, 10/27/17	United States	2,015,657	2,056,601
			10,673,492
Technology Hardware & Equipment 0.4%			
Alcatel-Lucent USA Inc., US Term Loan C (TLC), 4.50%, 1/30/19	France	1,498,356	1,501,790
Dell International LLC, Term B Loan, 4.50%, 4/29/20	United States	1,312,865	1,320,847
Presidio Inc., Term Loan, 5.00%, 3/31/17	United States	804,628	811,794
			3,634,431
Telecommunication Services 0.1%			
Intelsat Jackson Holdings SA, Tranche B-2 Term Loan, 3.75%, 6/30/19	Luxembourg	1,485,191	1,489,600
Transportation 0.2%			
[i] Global Tip Finance BV/Finance America LLC, Facility C Commitment, 7.00%, 10/16/20	United States	2,424,189	2,439,340
Total Senior Floating Rate Interests (Cost $158,881,528)			160,275,841
Foreign Government and Agency Securities 19.2%			
Government of Canada,			
2.25%, 8/01/14	Canada	701,000 CAD	658,057
1.00%, 11/01/14	Canada	591,000 CAD	554,164
2.00%, 12/01/14	Canada	1,420,000 CAD	1,337,246
1.00%, 5/01/15	Canada	5,080,000 CAD	4,764,087
Government of Hungary,			
5.50%, 2/12/16	Hungary	1,864,700,000 HUF	8,675,831
5.50%, 12/22/16	Hungary	46,690,000 HUF	220,657
6.50%, 6/24/19	Hungary	206,000,000 HUF	1,040,919
7.50%, 11/12/20	Hungary	313,570,000 HUF	1,676,632
5.375%, 2/21/23	Hungary	1,020,000	1,098,081
A, 6.75%, 11/24/17	Hungary	104,470,000 HUF	519,368
A, 5.50%, 12/20/18	Hungary	34,100,000 HUF	165,074
A, 7.00%, 6/24/22	Hungary	930,000 HUF	4,919
A, 6.00%, 11/24/23	Hungary	1,270,000 HUF	6,369
senior note, 6.25%, 1/29/20	Hungary	4,597,000	5,208,976
senior note, 6.375%, 3/29/21	Hungary	1,550,000	1,772,812

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*		Value
Foreign Government and Agency Securities (continued)				
Government of Indonesia,				
FR26, 11.00%, 10/15/14	Indonesia	1,800,000,000	IDR	$ 153,869
FR34, 12.80%, 6/15/21	Indonesia	17,235,000,000	IDR	1,822,724
Government of Ireland,				
5.00%, 10/18/20	Ireland	3,000,000	EUR	5,015,473
senior bond, 5.40%, 3/13/25	Ireland	2,883,710	EUR	5,008,323
Government of Malaysia,				
3.434%, 8/15/14	Malaysia	6,410,000	MYR	1,997,461
3.741%, 2/27/15	Malaysia	12,310,000	MYR	3,850,182
3.835%, 8/12/15	Malaysia	4,675,000	MYR	1,465,979
4.72%, 9/30/15	Malaysia	10,268,000	MYR	3,255,317
3.197%, 10/15/15	Malaysia	4,730,000	MYR	1,472,178
senior bond, 3.814%, 2/15/17	Malaysia	2,500,000	MYR	784,880
senior bond, 4.24%, 2/07/18	Malaysia	600,000	MYR	190,931
senior note, 3.172%, 7/15/16	Malaysia	17,100,000	MYR	5,305,207
Government of Mexico,				
9.50%, 12/18/14	Mexico	679,620 [m]	MXN	5,393,726
6.00%, 6/18/15	Mexico	18,020 [m]	MXN	142,737
8.00%, 12/17/15	Mexico	573,560 [m]	MXN	4,724,262
6.25%, 6/16/16	Mexico	199,310 [m]	MXN	1,620,875
7.25%, 12/15/16	Mexico	790,330 [m]	MXN	6,611,785
Government of Poland,				
5.50%, 4/25/15	Poland	7,018,000	PLN	2,368,685
6.25%, 10/24/15	Poland	9,134,000	PLN	3,155,962
4.75%, 10/25/16	Poland	37,000,000	PLN	12,794,158
[f] FRN, 2.72%, 1/25/17	Poland	1,660,000	PLN	546,459
[f] FRN, 2.72%, 1/25/21	Poland	1,683,000	PLN	546,479
Strip, 7/25/14	Poland	295,000	PLN	97,018
Strip, 7/25/15	Poland	2,052,000	PLN	659,264
Strip, 1/25/16	Poland	1,066,000	PLN	338,174
[d] Government of Russia, senior bond, 144A, 7.50%, 3/31/30	Russia	1,439,185		1,671,074
[d] Government of Serbia, senior note, 144A,				
4.875%, 2/25/20	Serbia	4,410,000		4,487,175
7.25%, 9/28/21	Serbia	1,820,000		2,084,828
Government of Singapore, senior note, 1.125%, 4/01/16	Singapore	6,750,000	SGD	5,486,670
Government of Sri Lanka,				
A, 11.75%, 3/15/15	Sri Lanka	1,160,000	LKR	9,193
A, 6.50%, 7/15/15	Sri Lanka	28,980,000	LKR	221,239
A, 11.00%, 8/01/15	Sri Lanka	116,400,000	LKR	929,159
A, 6.40%, 8/01/16	Sri Lanka	19,500,000	LKR	147,038
A, 8.00%, 11/15/18	Sri Lanka	70,220,000	LKR	529,677
A, 9.00%, 5/01/21	Sri Lanka	73,580,000	LKR	555,301
B, 6.40%, 10/01/16	Sri Lanka	16,000,000	LKR	120,313
B, 8.50%, 7/15/18	Sri Lanka	15,280,000	LKR	117,989
C, 8.50%, 4/01/18	Sri Lanka	8,070,000	LKR	62,472
D, 8.50%, 6/01/18	Sri Lanka	54,050,000	LKR	417,839
Government of Sweden, 4.50%, 8/12/15	Sweden	13,000,000	SEK	2,034,583
Government of the Philippines, senior note, 1.625%, 4/25/16	Philippines	120,000,000	PHP	2,724,266
[d] Government of Ukraine,				
144A, 7.75%, 9/23/20	Ukraine	3,850,000		3,690,860
senior bond, 144A, 7.80%, 11/28/22	Ukraine	2,790,000		2,650,500
senior note, 144A, 7.95%, 2/23/21	Ukraine	2,120,000		2,032,550
senior note, 144A, 7.50%, 4/17/23	Ukraine	1,000,000		945,540

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*		Value
Foreign Government and Agency Securities (continued)				
[n] Government of Uruguay, senior bond, Index Linked, 4.375%, 12/15/28	Uruguay	185,558,941	UYU	$ 9,068,133
Korea Monetary Stabilization Bond,				
senior bond, 2.47%, 4/02/15	South Korea	4,622,600,000	KRW	4,563,972
senior bond, 2.80%, 8/02/15	South Korea	1,324,510,000	KRW	1,311,527
senior bond, 2.81%, 10/02/15	South Korea	6,000,000,000	KRW	5,943,148
senior note, 2.82%, 8/02/14	South Korea	509,400,000	KRW	503,470
senior note, 2.78%, 10/02/14	South Korea	2,030,900,000	KRW	2,007,868
senior note, 2.84%, 12/02/14	South Korea	841,710,000	KRW	832,627
senior note, 2.74%, 2/02/15	South Korea	117,220,000	KRW	115,930
senior note, 2.76%, 6/02/15	South Korea	5,045,300,000	KRW	4,992,773
Korea Treasury Bond, senior note,				
3.25%, 12/10/14	South Korea	1,261,950,000	KRW	1,250,586
3.25%, 6/10/15	South Korea	210,800,000	KRW	209,567
2.75%, 12/10/15	South Korea	4,897,900,000	KRW	4,849,739
3.00%, 12/10/16	South Korea	5,500,000,000	KRW	5,477,489
Nota Do Tesouro Nacional,				
10.00%, 1/01/17 Brazil	Brazil	6,200 [o]	BRL	2,716,688
[n] Index Linked, 6.00%, 5/15/15	Brazil	1,390 [o]	BRL	1,557,928
[n] Index Linked, 6.00%, 8/15/16	Brazil	1,604 [o]	BRL	1,803,832
[n] Index Linked, 6.00%, 8/15/18	Brazil	6,525 [o]	BRL	7,327,097
Uruguay Notas del Tesoro,				
10.50%, 3/21/15	Uruguay	1,700,000	UYU	71,783
10.25%, 8/22/15	Uruguay	59,720,000	UYU	2,488,241
9.50%, 1/27/16	Uruguay	9,220,000	UYU	367,917
[p] 18, Index Linked, 2.25%, 8/23/17	Uruguay	25,238,789	UYU	1,012,739
Uruguay Treasury Bill, Strip,				
7/02/15	Uruguay	510,000	UYU	19,274
8/20/15	Uruguay	65,364,000	UYU	2,427,398
Total Foreign Government and Agency Securities (Cost $183,533,057)				188,863,292
U.S. Government and Agency Securities 1.9%				
U.S. Treasury Bond,				
4.50%, 2/15/16	United States	3,000,000		3,204,375
7.875%, 2/15/21	United States	900,000		1,230,574
U.S. Treasury Note,				
4.625%, 2/15/17	United States	600,000		661,289
4.75%, 8/15/17	United States	2,900,000		3,241,884
3.75%, 11/15/18	United States	7,000,000		7,699,727
[p] Index Linked, 0.125%, 4/15/16	United States	2,470,015		2,535,915
Total U.S. Government and Agency Securities (Cost $17,856,201)				18,573,764
Asset-Backed Securities and Commercial Mortgage-Backed Securities 5.2%				
Banks 3.6%				
Banc of America Commercial Mortgage Trust, 2006-4, AJ, 5.695%, 7/10/46	United States	1,807,000		1,895,683
Bear Stearns Commercial Mortgage Securities Inc.,				
[f] 2006-PW11, AJ, FRN, 5.44%, 3/11/39	United States	1,000,000		1,046,130
[f] 2006-PW12, AJ, FRN, 5.751%, 9/11/38	United States	1,440,000		1,518,662

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial Mortgage-Backed Securities (continued)			
Banks (continued)			
2006-PW13, AJ, 5.611%, 9/11/41	United States	5,100,000	$ 5,342,663
[f]2007-PW16, AM, FRN, 5.706%, 6/11/40	United States	520,000	577,746
Citigroup Commercial Mortgage Trust,			
2006-C5, AJ, 5.482%, 10/15/49	United States	2,520,000	2,557,229
[f]2007-C6, AM, FRN, 5.706%, 6/10/17	United States	4,900,000	5,408,542
[f]Citigroup/Deutsche Bank Commercial Mortgage Trust, 2006-CD3, AJ, FRN, 5.688%, 10/15/48	United States	2,700,000	2,641,148
Countrywide Asset-Backed Certificates, 2005-11, AF4, 5.21%, 3/25/34	United States	1,275,000	1,053,558
Greenwich Capital Commercial Funding Corp.,			
[f]2006-GG7, AJ, FRN, 5.82%, 7/10/38	United States	2,560,000	2,683,957
2007-GG9, AM, 5.475%, 3/10/39	United States	1,030,000	1,111,186
JPMorgan Chase Commercial Mortgage Securities Corp.,			
2006-CB17, AM, 5.464%, 12/12/43	United States	760,000	805,305
[f]2006-LDP7, AJ, FRN, 5.873%, 4/15/45	United States	1,680,000	1,726,699
[f]LB-UBS Commercial Mortgage Trust, 2006-C4, AM, FRN, 5.857%, 6/15/38	United States	1,550,000	1,683,619
[f]Morgan Stanley Capital I Trust,			
2006-HQ8, AJ, FRN, 5.497%, 3/12/44	United States	200,000	204,817
2007-IQ16, AM, FRN, 6.099%, 12/12/49	United States	510,000	576,051
2007-IQ16, AMA, FRN, 6.094%, 12/12/49	United States	2,050,000	2,296,946
Wells Fargo Mortgage Backed Securities Trust,			
[f]04-W, A9, FRN, 2.762%, 11/25/34	United States	1,320,775	1,367,917
2007-3, 3A1, 5.50%, 4/25/37	United States	461,294	478,712
			34,976,570
Diversified Financials 1.6%			
[d,f]ARES CLO Funds, 2007-12A, B, 144A, FRN, 1.227%, 11/25/20	United States	1,380,000	1,350,247
[d,f]Atrium CDO Corp., 10A, C, 144A, FRN, 2.829%, 7/16/25	United States	1,400,000	1,370,838
[d,f]Catamaran CLO Ltd., 2013-1A, C, 144A, FRN, 2.828%, 1/27/25	Cayman Islands	1,130,000	1,094,529
[d,f]Cent CDO Ltd., 2007-15A, A2B, 144A, FRN, 0.571%, 3/11/21	United States	1,251,000	1,180,556
[d,f]Cent CLO LP, 2013-17A, D, 144A, FRN, 3.225%, 1/30/25	Cayman Islands	784,314	782,942
[d,f]CIFC Funding Ltd., 2007-3A, A1J, 144A, FRN, 0.628%, 7/26/21	United States	960,000	917,789
[d,f]ColumbusNova CLO Ltd., 2007-2A, A2, 144A, FRN, 1.227%, 10/15/21	United States	860,000	837,313
[d,f]CT CDO IV Ltd., 2006-4A, A1, 144A, FRN, 0.463%, 10/20/43	United States	1,629,470	1,598,274
[d]G-Force LLC, 2005-RRA, C, 144A, 5.20%, 8/22/36	United States	2,000,000	1,859,450
[d,f]ING Investment Management CLO Ltd.,			
2013-1A, B, 144A, FRN, 3.127%, 4/15/24	Cayman Islands	270,000	269,600
2013-1A, C, 144A, FRN, 3.727%, 4/15/24	Cayman Islands	440,000	421,084
2013-2A, B, 144A, FRN, 2.909%, 4/25/25	United States	1,080,000	1,065,237
[d,f]Newcastle CDO Ltd., 2004-5A, 1, 144A, FRN, 0.571%, 12/24/39	United States	734,499	706,401
Residential Asset Securities Corp., 2004-KS1, AI4, 4.213%, 4/25/32	United States	49,941	49,924
[f,q]Talisman 6 Finance, Reg S, FRN, 0.507%, 10/22/16	Germany	2,050,674 EUR	2,741,598
			16,245,782
Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost $48,197,301)			51,222,352
Mortgage-Backed Securities 3.5%			
[f]**Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.0%**[†]			
FHLMC, 2.348%, 1/01/33	United States	61,216	63,844

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Mortgage-Backed Securities (continued)			
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 0.6%			
FHLMC Gold 15 Year, 4.50%, 10/01/18 - 6/01/19	United States	428,262	$ 454,365
FHLMC Gold 15 Year, 5.00%, 12/01/17 - 9/01/19	United States	618,556	656,893
FHLMC Gold 15 Year, 5.50%, 7/01/17 - 7/01/19	United States	108,844	116,083
FHLMC Gold 15 Year, 6.00%, 5/01/17	United States	4,969	5,174
FHLMC Gold 15 Year, 6.50%, 5/01/16	United States	635	655
FHLMC Gold 30 Year, 3.00%, 11/01/42	United States	2,635,673	2,603,896
FHLMC Gold 30 Year, 3.50%, 4/01/42	United States	154,702	159,270
FHLMC Gold 30 Year, 5.00%, 4/01/34 - 8/01/35	United States	428,341	474,479
FHLMC Gold 30 Year, 5.50%, 3/01/33 - 1/01/35	United States	399,844	448,433
FHLMC Gold 30 Year, 6.00%, 4/01/33 - 2/01/36	United States	346,555	391,276
FHLMC Gold 30 Year, 6.50%, 12/01/23 - 6/01/36	United States	83,440	94,255
FHLMC Gold 30 Year, 7.00%, 9/01/21 - 4/01/30	United States	35,061	39,590
FHLMC Gold 30 Year, 7.50%, 3/01/30 - 7/01/31	United States	1,341	1,424
			5,445,793
[f]**Federal National Mortgage Association (FNMA) Adjustable Rate 0.0%**[†]			
FNMA, 2.31% - 2.33%, 4/01/20 - 12/01/34	United States	239,721	253,313
Federal National Mortgage Association (FNMA) Fixed Rate 2.6%			
FNMA 15 Year, 2.50%, 7/01/22 - 6/01/27	United States	652,311	664,653
FNMA 15 Year, 3.00%, 10/01/27	United States	6,272,401	6,525,510
FNMA 15 Year, 3.50%, 1/01/26	United States	370,672	393,430
FNMA 15 Year, 4.50%, 6/01/19 - 3/01/20	United States	144,319	153,362
FNMA 15 Year, 5.00%, 10/01/17 - 6/01/18	United States	118,351	125,595
FNMA 15 Year, 5.50%, 9/01/14 - 11/01/18	United States	701,934	746,085
FNMA 15 Year, 6.00%, 4/01/16 - 7/01/16	United States	1,153	1,162
FNMA 30 Year, 3.00%, 12/01/42 - 5/01/43	United States	4,699,638	4,649,639
FNMA 30 Year, 3.50%, 5/01/43	United States	2,851,449	2,940,691
FNMA 30 Year, 4.00%, 2/01/41	United States	8,383,825	8,912,666
FNMA 30 Year, 5.00%, 4/01/30	United States	147,259	164,042
FNMA 30 Year, 6.50%, 6/01/28 - 10/01/37	United States	479,892	541,648
			25,818,483
Government National Mortgage Association (GNMA) Fixed Rate 0.3%			
GNMA I SF 30 Year, 5.00%, 11/15/33 - 7/15/34	United States	480,767	533,300
GNMA I SF 30 Year, 5.50%, 12/15/32 - 6/15/36	United States	659,209	738,769
GNMA I SF 30 Year, 6.50%, 2/15/32	United States	2,200	2,512
GNMA I SF 30 Year, 7.00%, 10/15/28 - 6/15/32	United States	36,878	39,157
GNMA I SF 30 Year, 7.50%, 9/15/30	United States	1,663	1,923
GNMA II SF 30 Year, 3.50%, 5/20/42	United States	1,361,412	1,421,290
GNMA II SF 30 Year, 5.00%, 9/20/33 - 11/20/33	United States	143,153	158,935
GNMA II SF 30 Year, 6.00%, 11/20/34	United States	167,282	193,330
GNMA II SF 30 Year, 6.50%, 4/20/31 - 2/20/34	United States	75,056	86,669
GNMA II SF 30 Year, 7.50%, 1/20/28 - 4/20/32	United States	18,420	21,575
			3,197,460
Total Mortgage-Backed Securities (Cost $34,515,473)			34,778,893
Municipal Bonds 6.0%			
Arkansas State GO, Four-Lane Highway Construction and Improvement Bonds, 3.25%, 6/15/22	United States	1,300,000	1,370,330

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Municipal Bonds (continued)			
California State GO, Various Purpose,			
6.00%, 4/01/38	United States	2,500,000	$ 2,951,625
6.00%, 11/01/39	United States	160,000	192,186
5.25%, 11/01/40	United States	560,000	631,075
Refunding, 5.25%, 3/01/38	United States	1,500,000	1,632,720
Refunding, 5.00%, 4/01/38	United States	3,000,000	3,255,750
Refunding, NATL Insured, 4.50%, 12/01/32	United States	300,000	311,772
Refunding, Series 1, AGMC Insured, 4.75%, 9/01/31	United States	290,000	301,507
Colorado State ISD, GO, Mitchell and Scurry Counties, School Building, PSF Guarantee, 5.00%, 8/15/43	United States	300,000	333,369
Evansville Local Public Improvement Bond Bank Revenue, Sewage Works Project, Series A, 5.00%, 7/01/36	United States	675,000	743,580
Florida Hurricane Catastrophe Fund Finance Corp. Revenue, Series A, 2.995%, 7/01/20	United States	4,700,000	4,687,592
Hawaii State GO, Series EH, 5.00%, 8/01/30	United States	700,000	809,914
Illinois State GO,			
5.877%, 3/01/19	United States	3,000,000	3,382,590
Build America Bonds, 7.35%, 7/01/35	United States	1,000,000	1,211,830
Kansas State Development Finance Authority Revenue, Wichita State University Union Corp. Student Housing Project, Refunding, Series F-1,			
5.25%, 6/01/38	United States	820,000	891,127
5.25%, 6/01/42	United States	800,000	867,368
5.00%, 6/01/46	United States	1,000,000	1,054,270
Marco Island Utility System Revenue, Refunding, 4.625%,			
10/01/30	United States	350,000	381,430
10/01/31	United States	325,000	352,313
Massachusetts State GO, Consolidated Loan of 2014, Series A, 4.50%, 12/01/43	United States	2,300,000	2,427,397
Metropolitan Boston Transit Parking Corp. Systemwide Parking Revenue, senior lien, 5.00%, 7/01/41	United States	500,000	541,335
Minnesota State GO, Various Purpose, Refunding, Series F, 4.00%, 10/01/24	United States	2,650,000	2,985,516
Mississippi State GO, Series B, 5.00%, 12/01/31	United States	780,000	902,218
Nassau County GO, General Improvement Bonds, Series B, 5.00%,			
4/01/39	United States	1,500,000	1,610,820
4/01/43	United States	1,600,000	1,713,328
New Jersey EDA Revenue, School Facilities Construction, Refunding, Series NN, 5.00%, 3/01/30	United States	700,000	765,247
New York City HDC Revenue, Series B1, 5.00%, 7/01/33	United States	500,000	547,745
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	2,659,076
New York GO, Sub. Series G-1, 5.00%, 4/01/27	United States	1,750,000	1,994,090
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	1,718,265
Puerto Rico Electric Power Authority Power Revenue,			
Series A, 6.75%, 7/01/36	United States	3,465,000	1,602,562
Series XX, 5.25%, 7/01/40	United States	165,000	72,643
Puerto Rico Sales Tax FICO Sales Tax Revenue,			
Capital Appreciation, Series A, zero cpn., 8/01/25	United States	320,000	144,246
first subordinate, Series A, 5.75%, 8/01/37	United States	1,000,000	816,750

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount*	Value
Municipal Bonds (continued)			
Puerto Rico Sales Tax FICO Sales Tax Revenue, (continued)			
first subordinate, Series A, 6.50%, 8/01/44	United States	2,500,000	$ 2,173,725
Refunding, Series A, NATL RE, FGIC Insured, zero cpn., 8/01/45	United States	3,700,000	502,275
Refunding, Series B, 6.05%, 8/01/37	United States	915,000	798,768
Refunding, Series B, 6.05%, 8/01/38	United States	1,120,000	969,741
Red River Education Financing Corp. Education Revenue, Higher Education, Texas Christian University, 5.00%, 3/15/43	United States	625,000	678,638
South Carolina State Public Service Authority Revenue, Refunding, Series B, 5.00%, 12/01/38	United States	1,000,000	1,085,100
University of California Revenues, General, Series AK, 5.00%, 5/15/48	United States	4,320,000	5,250,614
Washington State GO, Various Purpose,			
Refunding, Series R-C, 5.00%, 7/01/24	United States	900,000	1,084,257
Series D, 5.00%, 2/01/23	United States	775,000	922,111
Total Municipal Bonds (Cost $56,978,650)			59,328,815
		Shares	
Escrows and Litigation Trusts 0.0%			
Aerospace & Defense 0.0%			
[a,l] Comfort Co. Inc., Escrow Account	United States	13,427	—
[a,l] NewPage Corp., Litigation Trust	United States	2,500,000	—
Total Escrows and Litigation Trusts (Cost $ —)			—
Total Investments before Short Term Investments (Cost $834,707,979)			872,843,060
		Principal Amount*	
Short Term Investments 10.6%			
Foreign Government and Agency Securities 0.8%			
[r] Bank of Negara Monetary Notes, 7/08/14 - 11/06/14	Malaysia	9,365,000 MYR	2,911,269
Government of Singapore, senior note, 3.625%, 7/01/14	Singapore	600,000 SGD	481,290
[r] Philippine Treasury Bills, 7/02/14 - 11/05/14	Philippines	212,265,000 PHP	4,856,403
[r] Uruguay Treasury Bill, 8/29/14	Uruguay	7,578,000 UYU	324,607
Total Foreign Government and Agency Securities (Cost $8,547,631)			8,573,569
Total Investments before Money Market Funds (Cost $843,255,610)			881,416,629

Franklin Strategic Income VIP Fund (continued)

	Country	Shares	Value
Money Market Funds (Cost $96,249,322) 9.8%			
[a,s] Institutional Fiduciary Trust Money Market Portfolio	United States	96,249,322	$ 96,249,322
Total Investments (Cost $939,504,932) 99.5%			977,665,951
Other Assets, less Liabilities 0.5%			4,660,867
Net Assets 100.0%			$ 982,326,818

[†]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 June 30, 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 due to ownership limits and/or potential possession of material non-public information.

[d]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2014, the aggregate value of these securities was $188,714,298, representing 19.21% 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]A portion or all of the security purchased on a when-issued or delayed delivery basis.

[j]Income may be received in additional securities and/or cash.

[k]See Note 1(i) regarding senior floating rate interests.

[l]Security has been deemed illiquid because it may not be able to be sold within seven days. At June 30, 2014, the aggregate value of these securities was $170,002, representing 0.02% of net assets.

[m]Principal amount is stated in 100 Mexican Peso Units.

[n]Principal amount of security is adjusted for inflation. See Note 1(k).

[o]Principal amount is stated in 1,000 Brazilian Real Units.

[p]Redemption price at maturity is adjusted for inflation. See Note 1(k).

[q]Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2014, the value of this security was $2,741,598, representing 0.28% of net assets.

[r]The security is traded on a discount basis with no stated coupon rate.

[s]See Note 3(e) regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Franklin Strategic Income VIP Fund (continued)

At June 30, 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
Japanese Yen	DBAB	Buy	97,929,000	$ 960,371	7/01/14	$ 6,312	$ —
Japanese Yen	DBAB	Sell	97,929,000	1,000,000	7/01/14	33,317	—
British Pound	DBAB	Buy	297,656	506,760	7/09/14	2,551	—
British Pound	DBAB	Sell	297,656	444,222	7/09/14	—	(65,089)
Euro	DBAB	Buy	312,984	425,513	7/10/14	3,121	—
Euro	DBAB	Sell	312,984	404,094	7/10/14	—	(24,540)
Euro	DBAB	Sell	190,862	252,893	7/25/14	—	(8,510)
Euro	BZWS	Sell	1,993,000	2,639,529	7/28/14	—	(90,096)
Euro	CITI	Sell	648,569	858,916	7/28/14	—	(29,368)
British Pound	DBAB	Sell	169,385	257,905	7/30/14	—	(31,873)
Euro	DBAB	Buy	656,385	899,717	8/01/14	2,178	(2,894)
Euro	DBAB	Sell	900,000	1,191,825	8/01/14	—	(40,838)
Euro	JPHQ	Sell	667,276	882,608	8/06/14	—	(31,324)
Euro	CITI	Sell	317,220	422,315	8/08/14	—	(12,167)
Chilean Peso	BZWS	Buy	743,650,000	1,382,121	8/11/14	—	(43,383)
Euro	CITI	Sell	92,411	123,136	8/11/14	—	(3,436)
Chilean Peso	JPHQ	Buy	1,141,336,600	2,148,196	8/20/14	—	(95,407)
Japanese Yen	HSBC	Sell	65,957,000	679,969	8/20/14	28,645	—
Japanese Yen	JPHQ	Sell	47,983,000	493,588	8/20/14	19,758	—
Euro	JPHQ	Sell	3,500,000	4,678,783	8/21/14	—	(115,190)
Japanese Yen	BZWS	Sell	15,895,000	163,934	8/22/14	6,969	—
Euro	BZWS	Sell	704,462	944,395	8/25/14	—	(20,523)
Japanese Yen	CITI	Sell	31,757,000	326,915	8/25/14	13,305	—
Japanese Yen	HSBC	Sell	31,524,000	323,685	8/25/14	12,376	—
Euro	DBAB	Sell	527,245	704,399	8/26/14	—	(17,782)
Japanese Yen	BZWS	Sell	44,152,000	449,156	8/26/14	13,139	—
Japanese Yen	JPHQ	Sell	31,689,000	322,365	8/26/14	9,425	—
Euro	JPHQ	Sell	211,135	281,762	8/27/14	—	(7,436)
Japanese Yen	DBAB	Sell	27,184,000	275,420	8/27/14	6,967	—
Japanese Yen	HSBC	Sell	50,145,000	508,122	8/27/14	12,918	—
Japanese Yen	JPHQ	Sell	15,991,000	162,242	8/27/14	4,324	—
Singapore Dollar	DBAB	Buy	940,000	735,352	8/27/14	18,682	—
Euro	DBAB	Sell	1,174,984	1,568,731	8/28/14	—	(40,685)
Japanese Yen	JPHQ	Sell	15,743,000	162,024	8/29/14	6,553	—
Euro	BZWS	Sell	178,354	238,281	9/19/14	—	(6,040)
Euro	UBSW	Sell	2,137,312	2,856,732	9/22/14	—	(71,137)
Euro	DBAB	Sell	275,651	374,008	9/23/14	—	(3,603)
Euro	BZWS	Sell	469,210	635,198	9/24/14	—	(7,571)
Euro	DBAB	Sell	1,550,000	2,093,074	9/30/14	—	(30,321)
Euro	JPHQ	Sell	2,850,000	3,886,730	10/07/14	—	(17,700)
Euro	DBAB	Sell	185,654	251,914	10/08/14	—	(2,429)
Euro	BZWS	Sell	2,749,000	3,718,627	10/14/14	—	(47,555)
Euro	DBAB	Sell	121,043	163,672	10/15/14	—	(2,160)
Euro	DBAB	Sell	587,951	795,880	10/17/14	—	(9,635)
Malaysian Ringgit	JPHQ	Buy	763,000	235,851	10/20/14	316	—
Chilean Peso	CITI	Buy	377,668,000	724,891	10/24/14	—	(49,916)
Japanese Yen	JPHQ	Sell	270,990,000	2,763,554	10/24/14	86,144	—
Malaysian Ringgit	DBAB	Buy	6,892,000	2,140,040	10/24/14	—	(7,321)
Malaysian Ringgit	HSBC	Buy	6,809,796	2,103,087	10/24/14	4,194	—
Euro	BZWS	Sell	217,715	299,754	10/27/14	1,463	—
Euro	GSCO	Sell	369,000	509,146	10/29/14	3,575	—
Euro	DBAB	Sell	243,767	329,122	10/30/14	—	(4,868)
Euro	DBAB	Sell	744,524	1,028,195	10/31/14	8,104	—
Euro	BZWS	Sell	529,706	716,374	11/05/14	—	(9,405)
Japanese Yen	JPHQ	Sell	360,360,000	3,678,695	11/05/14	117,894	—
Euro	DBAB	Sell	740,000	997,705	11/07/14	—	(16,219)
Japanese Yen	DBAB	Sell	245,702,500	2,500,000	11/07/14	72,110	—
Euro	JPHQ	Sell	473,670	631,611	11/12/14	—	(17,412)
Euro	DBAB	Sell	800,000	1,076,736	11/14/14	—	(19,433)

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	MSCO	Sell	12,500,000	$ 125,800	11/14/14	$ 2,274	$ —
Euro	DBAB	Sell	227,970	306,442	11/17/14	—	(5,930)
Euro	DBAB	Sell	63,419	85,419	11/19/14	—	(1,480)
Malaysian Ringgit	DBAB	Buy	623,200	191,242	11/19/14	1,305	—
Euro	JPHQ	Sell	1,702,433	2,304,430	11/20/14	—	(28,327)
Malaysian Ringgit	HSBC	Buy	376,000	115,479	11/20/14	685	—
Euro	DBAB	Sell	1,245,000	1,688,936	12/04/14	—	(17,132)
Euro	DBAB	Buy	2,872,000	4,001,414	12/09/14	—	(65,720)
Euro	DBAB	Sell	3,400,000	4,645,114	12/09/14	—	(14,134)
Euro	DBAB	Buy	548,290	745,307	12/11/14	6,058	—
Euro	DBAB	Sell	800,000	1,097,800	12/11/14	1,496	—
Euro	DBAB	Sell	1,200,000	1,652,520	12/12/14	8,057	—
Japanese Yen	JPHQ	Sell	187,760,000	1,833,764	12/12/14	—	(22,188)
Euro	CITI	Sell	3,868,000	5,309,874	12/17/14	9,102	—
Euro	DBAB	Sell	486,875	667,993	12/17/14	771	—
Euro	DBAB	Sell	501,617	689,772	12/18/14	2,345	—
Chilean Peso	BZWS	Buy	477,650,000	823,534	1/09/15	24,189	—
Chilean Peso	DBAB	Buy	140,000,000	241,421	1/09/15	7,048	—
Euro	BZWS	Sell	4,116,197	5,626,760	1/09/15	5,983	(20,774)
Euro	DBAB	Buy	5,250,258	7,234,053	1/09/15	8,068	(46,255)
Euro	DBAB	Sell	7,328,957	9,971,255	1/09/15	—	(73,621)
Euro	JPHQ	Sell	7,574,544	10,313,425	1/09/15	3,754	(71,800)
Indian Rupee	DBAB	Buy	307,316,000	4,589,980	1/09/15	356,372	—
Indian Rupee	HSBC	Buy	144,338,000	2,139,801	1/09/15	183,367	—
Indian Rupee	JPHQ	Buy	23,701,000	356,835	1/09/15	24,640	—
Japanese Yen	BZWS	Sell	136,513,000	1,336,671	1/09/15	—	(13,068)
Japanese Yen	CITI	Sell	127,820,000	1,250,365	1/09/15	—	(13,425)
Japanese Yen	DBAB	Sell	987,554,000	9,622,124	1/09/15	—	(142,079)
Japanese Yen	GSCO	Sell	42,760,000	417,639	1/09/15	—	(5,140)
Japanese Yen	HSBC	Sell	247,910,000	2,397,324	1/09/15	903	(54,729)
Japanese Yen	JPHQ	Sell	149,719,000	1,472,570	1/09/15	1,104	(8,845)
Singapore Dollar	DBAB	Buy	1,663,000	1,319,773	1/09/15	14,452	—
Euro	DBAB	Sell	3,561,422	4,905,641	2/09/15	23,645	—
Euro	JPHQ	Sell	1,889,700	2,614,801	2/09/15	24,401	—
Indian Rupee	CITI	Buy	4,537,000	68,123	2/09/15	4,456	—
Japanese Yen	DBAB	Sell	257,790,000	2,516,252	2/09/15	—	(33,290)
Japanese Yen	HSBC	Sell	85,800,000	837,049	2/09/15	—	(11,513)
Japanese Yen	JPHQ	Sell	181,500,000	1,771,692	2/09/15	—	(23,342)
Singapore Dollar	DBAB	Buy	973,400	768,575	2/09/15	12,426	—
Singapore Dollar	JPHQ	Buy	694,000	548,088	2/09/15	8,738	—
Swedish Krona	DBAB	Buy	91,336,000	14,011,490	2/09/15	—	(367,342)
British Pound	DBAB	Sell	380,363	643,957	3/09/15	—	(4,955)
Chilean Peso	DBAB	Buy	314,000,000	543,629	3/09/15	10,750	—
Chilean Peso	JPHQ	Buy	234,301,000	408,546	3/09/15	5,121	—
Chilean Peso	MSCO	Buy	220,380,000	389,861	3/09/15	1,081	(1,853)
Euro	BZWS	Sell	132,570	182,984	3/09/15	1,230	—
Euro	DBAB	Buy	693,250	960,637	3/09/15	—	(10,188)
Euro	DBAB	Sell	14,178,711	19,458,828	3/09/15	79,734	(59,973)
Euro	HSBC	Sell	142,717	196,450	3/09/15	784	—
Euro	JPHQ	Sell	2,118,679	2,926,091	3/09/15	21,374	—
Japanese Yen	DBAB	Sell	780,622,000	7,656,519	3/09/15	183	(65,942)
Japanese Yen	HSBC	Sell	80,270,000	785,267	3/09/15	—	(8,801)
Japanese Yen	JPHQ	Sell	235,580,000	2,304,140	3/09/15	—	(26,327)
Singapore Dollar	DBAB	Buy	7,316,140	5,840,520	3/09/15	29,821	—
Singapore Dollar	HSBC	Buy	837,000	669,900	3/09/15	1,694	—
Singapore Dollar	JPHQ	Buy	4,945,200	3,938,045	3/09/15	29,896	—
Unrealized appreciation (depreciation)						1,411,647	(2,221,439)
Net unrealized appreciation (depreciation)							$ (809,792)

[a]May be comprised of multiple contracts using the same currency and settlement date.

Franklin Strategic Income VIP Fund (continued)

At June 30, 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]									
Single Name									
People's Republic of China . . .	BZWS	1,500,000	1.00%	3/20/19	$ 2,682	$ 19,805	$ —	$ 22,487	AA-
People's Republic of China . . .	JPHQ	7,500,000	1.00%	3/20/19	19,549	92,886	—	112,435	AA-
Republic of Brazil	FBCO	3,000,000	1.00%	3/20/19	(137,892)	96,325	—	(41,567)	BBB-
Traded Index									
CMBX.NA.AJ.2	FBCO	2,730,154	1.09%	3/15/49	(381,238)	179,722	—	(201,516)	Non Investment Grade
MCDX.NA.21	CITI	16,000,000	1.00%	12/20/18	(268,039)	232,529	—	(35,510)	Non Investment Grade
Net unrealized appreciation (depreciation)						$621,267			

[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-47.

Financial Statements

Statement of Assets and Liabilities

June 30, 2014 (unaudited)

	Franklin Strategic Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$ 843,255,610
Cost - Sweep Money Fund (Note 3e)	96,249,322
Total cost of investments	$ 939,504,932
Value - Unaffiliated issuers	$ 881,416,629
Value - Sweep Money Fund (Note 3e)	96,249,322
Total value of investments	977,665,951
Cash	847,920
Restricted cash (Note 1e)	56,000
Foreign currency, at value (cost $9,368,585)	9,381,912
Receivables:	
Investment securities sold	13,191,188
Capital shares sold	282,729
Dividends and interest	10,283,361
Due from brokers	1,170,000
OTC swaps (premiums paid $24,165)	22,231
Unrealized appreciation on forward exchange contracts	1,411,647
Unrealized appreciation on OTC swap contracts	621,267
Other assets	469
Total assets	1,014,934,675
Liabilities:	
Payables:	
Investment securities purchased	26,636,164
Capital shares redeemed	1,975,612
Management fees	458,279
Distribution fees	158,966
Due to brokers	56,000
OTC Swaps (premiums received $852,539)	787,169
Unrealized depreciation on forward exchange contracts	2,221,439
Unrealized depreciation on unfunded loan commitments (Note 8)	16,846
Deferred tax	24,637
Accrued expenses and other liabilities	272,745
Total liabilities	32,607,857
Net assets, at value	$ 982,326,818
Net assets consist of:	
Paid-in capital	$ 920,364,886
Undistributed net investment income	13,623,331
Net unrealized appreciation (depreciation)	37,950,556
Accumulated net realized gain (loss)	10,388,045
Net assets, at value	$ 982,326,818

Statement of Assets and Liabilities (continued)
June 30, 2014 (unaudited)

	Franklin Strategic Income VIP Fund
Class 1:	
Net assets, at value	$656,691,116
Shares outstanding	54,038,177
Net asset value and maximum offering price per share	$ 12.15
Class 2:	
Net assets, at value	$193,514,185
Shares outstanding	16,387,877
Net asset value and maximum offering price per share	$ 11.81
Class 4:	
Net assets, at value	$132,121,517
Shares outstanding	10,961,211
Net asset value and maximum offering price per share	$ 12.05

Statement of Operations
for the six months ended June 30, 2014 (unaudited)

	Franklin Strategic Income VIP Fund
Investment income:	
Dividends	$ 28,941
Interest	24,727,901
Total investment income	24,756,842
Expenses:	
Management fees (Note 3a)	2,851,686
Distribution fees: (Note 3c)	
Class 2	228,359
Class 4	235,691
Custodian fees (Note 4)	66,736
Reports to shareholders	94,326
Registration and filing fees	126
Professional fees	41,524
Trustees' fees and expenses	2,558
Other	39,011
Total expenses	3,560,017
Expense reductions (Note 4)	(613)
Expenses waived/paid by affiliates (Note 3e)	(35,336)
Net expenses	3,524,068
Net investment income	21,232,774
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	10,777,634
Foreign currency transactions	(491,481)
Swap contracts	356,710
Net realized gain (loss)	10,642,863
Net change in unrealized appreciation (depreciation) on:	
Investments	9,765,603
Translation of other assets and liabilities denominated in foreign currencies	(274,353)
Change in deferred taxes on unrealized appreciation	(13,508)
Net change in unrealized appreciation (depreciation)	9,477,742
Net realized and unrealized gain (loss)	20,120,605
Net increase (decrease) in net assets resulting from operations	$41,353,379

Statements of Changes in Net Assets

	Franklin Strategic Income VIP Fund	
	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31, 2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 21,232,774	$ 54,238,182
Net realized gain (loss) from investments, foreign currency transactions and swap contracts	10,642,863	22,020,933
Net change in unrealized appreciation (depreciation) on investments, translation of other assets and liabilities denominated in foreign currencies and deferred taxes	9,477,742	(37,991,817)
Net increase (decrease) in net assets resulting from operations	41,353,379	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	(25,486,396)	(275,817,937)
Class 2	25,715,487	23,867,593
Class 4	1,815,697	(52,983,286)
Total capital share transactions	2,044,788	(304,933,630)
Net increase (decrease) in net assets	(33,443,301)	(358,696,562)
Net assets:		
Beginning of period	1,015,770,119	1,374,466,681
End of period	$ 982,326,818	$1,015,770,119
Undistributed net investment income included in net assets:		
End of period	$ 13,623,331	$ 50,393,655

Notes to Financial Statements (unaudited)

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 twenty separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). The 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 June 30, 2014, 81.26% 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, the Franklin Strategic Income Securities Fund was renamed the 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 net asset value.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the date that the values of the foreign debt securities are determined.

Certain derivative financial instruments (derivatives) trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a

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 When-Issued and Delayed Delivery Basis

The Fund purchases securities on a when-issued and delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and

Franklin Strategic Income VIP Fund (continued)

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 event of default has occurred. Such periodic payments are accrued daily

Franklin Strategic Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Derivative Financial Instruments *(continued)*

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 June 30, 2014, the Fund received restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian and is reflected in the Statement of Assets and Liabilities.

f. Loan Participation Notes

The Fund invests in loan participation notes ("Participations"). Participations are loans originally issued to a borrower by one or more financial institutions (the "Lender") and subsequently sold to other investors, such as the Fund. Participations typically result in the Fund having a contractual relationship only with the Lender and not with the borrower. The Fund has the right to receive from the Lender any payments of principal, interest and fees which the Lender received from the borrower. The Fund generally has no rights to either enforce compliance by the borrower with the terms of the loan agreement or to any collateral relating to the original loan. As a result, the Fund assumes the credit risk of both the borrower and the Lender that is selling the Participation. The Participations may also involve interest rate risk and liquidity risk, including the potential default or insolvency of the borrower and/or the Lender.

g. FT Holdings Corporation III (FT Subsidiary)

The Fund invests in certain financial instruments through its investment in the FT Subsidiary. The FT Subsidiary is a Delaware Corporation, is a wholly-owned subsidiary of the Fund, and is able to invest in certain financial instruments consistent with the investment objective of the Fund. At June 30, 2014, the FT Subsidiary's investment, Turtle Bay Resort, as well as any other assets and liabilities of the FT Subsidiary are reflected in the Fund's Statement of Investments and Statement of Assets and Liabilities. The financial statements have been consolidated and include the accounts of the Fund and the FT Subsidiary. All intercompany transactions and balances have been eliminated.

h. Mortgage Dollar Rolls

The Fund enters into mortgage dollar rolls, typically on a to-be-announced basis. Mortgage dollar rolls are agreements between the Fund and a financial institution to simultaneously sell and repurchase mortgage-backed securities at a future date. Gains or losses are realized on the initial sale, and the difference between the repurchase price and the sale price is recorded as an unrealized gain or loss to the Fund upon entering into the mortgage dollar roll. In addition, the Fund may invest the cash proceeds that are received from the initial sale. During the period between the sale and repurchase, the Fund is not entitled to principal and interest paid on the mortgage backed securities. The risks of mortgage dollar roll transactions include the potential inability of the counterparty to fulfill its obligations.

i. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

j. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the

Franklin Strategic Income VIP Fund (continued)

tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 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 accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

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 June 30, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2014		Year Ended December 31, 2013	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	394,638	$ 5,020,821	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	(6,429,009)	(82,245,737)	(27,765,536)	(352,329,518)
Net increase (decrease)	(1,765,516)	$(25,486,396)	(21,608,801)	$(275,817,937)
Class 2 Shares:				
Shares sold	2,516,497	$ 31,336,075	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	(1,654,459)	(20,623,030)	(3,579,730)	(44,605,183)
Net increase (decrease)	2,135,590	$ 25,715,487	1,916,096	$ 23,867,593
Class 4 Shares:				
Shares sold	396,814	$ 4,985,004	930,235	$ 11,782,444
Shares issued on reinvestment of distributions	839,610	10,100,506	1,074,251	13,159,580
Shares redeemed	(1,061,217)	(13,269,813)	(6,283,838)	(77,925,310)
Net increase (decrease)	175,207	$ 1,815,697	(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

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

Franklin Strategic Income VIP Fund (continued)

Annualized Fee Rate	Net Assets
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. Investment in Institutional Fiduciary Trust Money Market Portfolio

The Fund invests in the 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, in an amount not to exceed the management and administrative fees paid directly or indirectly by the Sweep Money Fund, as noted on the Statement of Operations. 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 period ended June 30, 2014, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

At June 30, 2014, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$941,852,209
Unrealized appreciation	$ 46,765,434
Unrealized depreciation	(10,951,692)
Net unrealized appreciation (depreciation)	$ 35,813,742

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of paydown losses, bond discounts and premiums and tax straddles.

Franklin Strategic Income VIP Fund (continued)

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2014, aggregated $217,446,022 and $248,015,193, respectively.

7. Credit Risk and Defaulted Securities

At June 30, 2014, the Fund had 53.75% of its portfolio invested in high yield, senior secured floating rate notes, or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At June 30, 2014, the aggregate value of these securities was $2,768,125, representing 0.28% 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 June 30, 2014, unfunded commitments were as follows:

Borrower	Unfunded Commitment
Patriot Coal Corp., L/C Facility, 6.50%, 12/18/18	$174,859

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 June 30, 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 Amount	Statement of Assets and Liabilities Location	Fair Value Amount
Foreign exchange contracts	Unrealized appreciation on forward exchange contracts	$1,411,647	Unrealized depreciation on forward exchange contracts	$2,221,439
Credit contracts	Unrealized appreciation on OTC swap contracts	621,267	Unrealized depreciation on OTC swap contracts	—

Franklin Strategic Income VIP Fund (continued)

For the period ended June 30, 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 Period	Change in Unrealized Appreciation (Depreciation) for the Period
Foreign exchange contracts	Net realized gain (loss) from foreign currency transactions / Net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies	$(649,796)	$(199,908)
Credit contracts	Net realized gain (loss) from swap contracts / Net change in unrealized appreciation (depreciation) on investments	356,710	373,967

At June 30, 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	$1,411,647	$2,221,439
Swap Contracts	643,498	787,169
Total	$2,055,145	$3,008,608

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

At June 30, 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 & Liabilities			
	Gross and Net Amounts of Assets Presented in the Statement of Assets & Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Received[a,b]	Cash Collateral Received[b]	Net Amount (Not less than zero)
Counterparty					
BZWS	$ 75,460	$ (75,460)	$ —	$ —	$ —
CITI	259,392	(259,392)	—	—	—
DBAB	715,873	(715,873)	—	—	—
FBCO	276,047	(276,047)	—	—	—
GSCO	3,575	(3,575)	—	—	—
HSBC	245,566	(75,043)	(112,303)	—	58,220

Franklin Strategic Income VIP Fund (continued)

9. Other Derivative Information (continued)

	Gross and Net Amounts of Assets Presented in the Statement of Assets & Liabilities	Amounts Not Offset in the Statement of Assets & Liabilities: Financial Instruments Available for Offset	Financial Instruments Collateral Received[a,b]	Cash Collateral Received[b]	Net Amount (Not less than zero)
JPHQ	$ 475,877	$ (465,298)	$ (10,579)	$ —	$ —
MSCO	3,355	(1,853)	—	(1,502)	—
UBSW	—	—	—	—	—
Total	$2,055,145	$(1,872,541)	$(122,882)	$(1,502)	$58,220

[a]At June 30, 2014, the Fund received United Kingdom Treasury Bonds and Notes 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 collateral amounts to avoid the effect of over-collateralization. Actual collateral received and/or pledged may be more than the amount disclosed herein.

At June 30, 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:

	Gross and Net Amounts of Liabilities Presented in the Statement of Assets & Liabilities	Amounts Not Offset in the Statement of Assets & Liabilities: Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged[a]	Net Amount (Not less than zero)
Counterparty					
BZWS	$ 258,415	$ (75,460)	$ —	$ —	$182,955
CITI	376,351	(259,392)	—	—	116,959
DBAB	1,236,241	(715,873)	—	(350,000)	170,368
FBCO	519,130	(276,047)	—	(243,083)	—
GSCO	5,140	(3,575)	—	—	1,565
HSBC	75,043	(75,043)	—	—	—
JPHQ	465,298	(465,298)	—	—	—
MSCO	1,853	(1,853)	—	—	—
UBSW	71,137	—	—	(71,137)	—
Total	$3,008,608	$(1,872,541)	$ —	$(664,220)	$471,847

[a]In some instances, the collateral amounts disclosed in the table above were adjusted due to the requirement to limit collateral amounts to avoid the effect of over-collateralization. Actual collateral received and/or pledged may be more than the amount disclosed herein.

For the period ended June 30, 2014, the average month end fair value of derivatives represented 0.62% of average month end net assets. The average month end number of open derivative contracts for the period was 206.

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 matures 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.

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 period ended June 30, 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 June 30, 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	$ —	$ 2,852,173	$	$ 2,852,173
Materials	—	415,000	—	415,000
Transportation	—	789,469	—	789,469
Other Equity Investments[b]	682,500	—	—	682,500
Corporate Bonds	—	355,045,336	15,625	355,060,961
Senior Floating Rate Interests	—	160,105,839	170,002	160,275,841
Foreign Government and Agency Securities	—	188,863,292	—	188,863,292
U.S. Government and Agency Securities	—	18,573,764	—	18,573,764
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	51,222,352	—	51,222,352
Mortgage-Backed Securities	—	34,778,893	—	34,778,893

Franklin Strategic Income VIP Fund (continued)

11. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Assets: (continued)				
Investments in Securities: (continued)				
Municipal Bonds	$ —	$ 59,328,815	$ —	$ 59,328,815
Escrows and Litigation Trusts	—	—	—[c]	—
Short Term Investments	96,249,322	8,573,569	—	104,822,891
Total Investments in Securities	$96,931,822	$880,548,502	$185,627	$977,665,951
Other Financial Instruments				
Forward Exchange Contracts	$ —	$ 1,411,647	$ —	$ 1,411,647
Swap Contracts	—	621,267	—	621,267
Total Other Financial Instruments	$ —	$ 2,032,914	$ —	$ 2,032,914
Liabilities:				
Other Financial Instruments				
Forward Exchange Contracts	$ —	$ 2,221,439	$ —	$ 2,221,439
Unfunded Loan Commitments	—	16,846	—	16,846
Total Other Financial Instruments	$ —	$ 2,238,285	$ —	$ 2,238,285

[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 June 30, 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 period.

12. 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 is currently evaluating the impact, if any, of applying this provision.

13. 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.

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
FBCO	Credit Suisse Group AG	**GBP**	British Pound	**EDA**	Economic Development Authority
GSCO	The Goldman Sachs Group, Inc.	**HUF**	Hungarian Forint	**FGIC**	Financial Guaranty Insurance Co.
HSBC	HSBC Bank USA, N.A.	**IDR**	Indonesian Rupiah	**FICO**	Financing Corp.
JPHQ	JP Morgan Chase & Co.	**KRW**	South Korean Won	**FRN**	Floating Rate Note
MSCO	Morgan Stanley	**LKR**	Sri Lankan Rupee	**GO**	General Obligation
UBSW	UBS AG	**MXN**	Mexican Peso	**HDC**	Housing Development Corp.
		MYR	Malaysian Ringgit	**ISD**	Independent School District
		PHP	Philippine Peso	**NATL**	National Public Financial Guarantee Corp.
		PLN	Polish Zloty	**NATL RE**	National Public Financial Guarantee Corp. Reinsured
		SEK	Swedish Krona		
		SGD	Singapore Dollar	**PIK**	Payment-In-Kind
		UYU	Uruguayan Peso	**PSF**	Permanent School Fund

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Templeton Growth VIP Fund

(Formerly, Templeton Growth Securities Fund)

This semiannual report for Templeton Growth VIP Fund covers the period ended June 30, 2014.

Class 2 Performance Summary as of June 30, 2014

Templeton Growth VIP Fund – Class 2 delivered a +5.03% total return for the six-month period ended June 30, 2014.

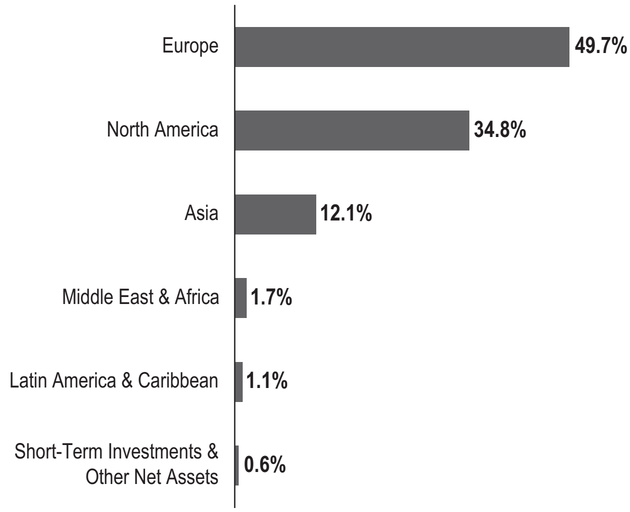
Performance reflects the Fund's Class 2 operating expenses, but does ***not*** *include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract 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.

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.

Geographic Breakdown
Based on Total Net Assets as of 6/30/14



Performance Overview

You can find the Fund's six-month total return in the Performance Summary. For comparison, the Fund's benchmarks, the MSCI All Country World Index (ACWI) and the MSCI World Index, produced total returns of +6.50% and +6.52% for the period under review.[1]

Economic and Market Overview

The global economy grew moderately during the six months under review as many developed markets continued to recover and many emerging markets recorded continued growth. Major developed market central banks reaffirmed their accommodative monetary policies in an effort to support ongoing recovery. Several emerging market central banks cut interest rates to boost economic growth, while others raised rates to control inflation and currency depreciation.

U.S. economic growth and employment trends were generally encouraging during the period, despite severe weather across many states that limited economic activity in the first quarter of 2014. The U.S. Federal Reserve Board (Fed) began reducing bond purchases by $10 billion a month in January 2014, based on earlier largely positive economic and employment data. The Fed continued reducing asset purchases during the period. In this environment, defensive sectors, such as health care and utilities, and sectors benefiting from rising oil prices, including energy, led market returns, while more cyclical sectors, such as financials and consumer discretionary, lagged the broader market.

Outside the U.S., the U.K. economy grew relatively well in the first half of 2014, supported by the services and manufacturing sectors. In the second quarter, a preliminary estimate registered expansion at percrisis levels. The Japanese economy grew strongly during the first quarter of 2014 as consumption rose ahead of a sales tax increase in April. The Bank of Japan kept its monetary policy unchanged as it maintained an upbeat inflation forecast and reiterated that the economy continued to recover moderately, despite challenges resulting from the sales tax increase. Japan's growth weakened, however, in the second quarter. The Japanese government proposed a reduction in corporate taxes as part of its economic reforms in an effort to avoid deflation and facilitate growth. Although out of recession, the eurozone experienced deflationary risks and weak employment trends. The region's first-quarter economic growth was softer than what many observers had expected. In the second quarter, concerns arose about the potential negative impacts to growth from the crisis in Ukraine and tension in the Middle East. Toward period-end, the European Central Bank (ECB) reduced its main interest rate and, for the first time, set a negative deposit rate.

1. Source: © 2014 Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

In several emerging markets, including China, growth remained solid though moderating, as domestic demand and exports were relatively soft. Emerging market equities generally rose for the six-month period, despite volatility resulting from concerns about moderating economic growth, rising geopolitical tensions in certain regions and the potential impact of the Fed's tapering its asset purchases. Many emerging market currencies depreciated against the U.S. dollar, leading central banks in several countries, including Brazil, India, Turkey and South Africa, to raise interest rates in an effort to curb inflation and support their currencies.

Stocks in developed markets advanced overall during the period amid a generally accommodative monetary policy environment, continued strength in corporate earnings and signs of an economic recovery. Global government and corporate bonds delivered solid performance as interest rates in many developed market countries remained low. Gold prices rose during the period and oil prices increased amid supply concerns related to the crises in Ukraine and Iraq. The U.S. dollar was relatively flat compared to most currencies.

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 Fund trailed the benchmark MSCI ACWI during the review period but delivered solid absolute returns and remained ahead of the benchmark on major medium- and long-term time horizons. Among the Fund's biggest detractors during the period were holdings in the sectors and regions that most contributed to relative performance in recent years. However, we remained favorable on these core holdings as the process of value recognition continued to unfold. More broadly, we saw considerable performance potential across our portfolio as our analysis suggested the market continued to underappreciate the long-term earnings, asset growth and cash-flow potential of our holdings.

The Fund's European holdings delivered absolute gains during the first half of 2014 but weighed on performance relative to the benchmark. Since the European financial crisis, financial markets have stabilized, an early-stage economic recovery was under way, austerity was largely over, and, despite occasionally alarming headlines, political support for pro-European reform policies endured. In a development hardly conceivable to many just two years ago, the governments of Spain and Ireland were borrowing at lower rates than the U.S. government during the reporting period. Loan growth remained anemic in this early recovery, but we were encouraged by the ECB's recent efforts to cut interest rates and ease credit access for small and medium enterprises. Overall, corporate fundamentals improved, but earnings and equity valuations remained depressed. In fact, corporate free cash-flow yields in Europe were higher than junk bond yields, a highly unusual occurrence. Deflationary pressures and geopolitical risks remain, and we expect the region to navigate additional uncertainty and volatility as the process of stabilization and repair proceeds unevenly. However, we believe valuations still fail to reflect the long-term recovery potential of our diverse European holdings.

From a sector perspective, industrials stocks were among the Fund's largest detractors during the review period.[2] U.K. services firm Serco Group's management issued a profit warning stemming from the U.K. government's exclusion of the company as a contracting partner while the government investigated allegations of wrongdoing. This was the company's third profit warning in a year, and shares posted their biggest price decline in two decades. Serco was the market's most shorted support services stock, leading us to believe we were near the point of maximum pessimism. In our view, Serco took numerous successful steps to restore its reputation and business integrity, including replacing its chief executive officer, and U.K. government outsourcing remained an attractive growth segment. A stake in Dutch lighting giant Koninklijke Philips also pressured industrials performance. The company's share price declined from a recent multi-year high after a stronger euro pressured first-quarter earnings. Currency fluctuations aside,

2. 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.

Philips's restructuring efforts have improved fundamentals and profitability across core business lines, and its share price has recovered considerably over the past two years from depressed levels.

Financials is another long-term sector contributor that experienced adversity during the six months in review.[3] The sector was responsible for many of the Fund's largest detractors during a period when investors rotated out of cyclical stocks and increasing regulatory scrutiny impacted industry sentiment. French lender BNP Paribas and U.S. bank Citigroup were subject to U.S. regulatory censure, with the former fined a record amount for violating international business sanctions and the latter fined for alleged offenses relating to its precrisis mortgage operations. Despite these headwinds, capital ratios at the banks still appeared adequate to us, they maintained leadership positions in key markets and share prices traded below tangible book value, keeping us optimistic on their long-term prospects. In our view, rebuilt capital ratios and an improving economic outlook could allow European banks including BNP Paribas to lower loan-loss provisions, eventually boosting earnings and returns on tangible equity. Expectations also rose for enhanced shareholder returns through share buybacks and dividends, and our analysis suggested that investors underestimated the total return potential of certain European banks. Elsewhere, we added to our financials holdings in Asian and emerging markets, as well as a diverse range of financials in developed markets.

Conversely, consumer discretionary stocks contributed to performance during the six months under review.[4] During a relatively weak period for consumer stocks, our sector holdings notably outperformed those of the broader benchmark. Diverse holdings such as U.S. entertainment firm Walt Disney, French tire manufacturer Michelin (Cie Generale des Etablissements Michelin) and Japanese automaker Nissan delivered double-digit absolute gains and benefited relative performance. Although we selectively reduced exposure to the consumer discretionary sector in recent periods to realize gains, in our view, continued value remained among firms where cyclical pressures and short-term skepticism were depressing share prices well below our assessment of their long-term intrinsic business values.

Top 10 Holdings
6/30/14

Company ***Sector/Industry, Country***	**% of Total Net Assets**
Samsung Electronics Co. Ltd. *Semiconductors & Semiconductor Equipment, South Korea*	2.5%
Microsoft Corp. *Software, U.S.*	2.3%
Total SA, B *Oil, Gas & Consumable Fuels, France*	2.1%
Roche Holding AG *Pharmaceuticals, Switzerland*	1.8%
Citigroup Inc. *Banks, U.S.*	1.7%
Teva Pharmaceutical Industries Ltd., ADR *Pharmaceuticals, Israel*	1.7%
Hewlett-Packard Co. *Technology Hardware, Storage & Peripherals, U.S.*	1.7%
Comcast Corp., Special A *Media, U.S.*	1.7%
Deutsche Lufthansa AG *Airlines, Germany*	1.7%
Talisman Energy Inc. *Oil, Gas & Consumable Fuels, Canada*	1.6%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

Encouragingly, an underweighted position in energy, where we found new bargains, also contributed to relative and absolute performance during the period.[5] U.S. oilfield services firms Halliburton and Baker Hughes were among the key overweighted energy stocks, with share prices rallying as pessimism surrounding margins and supply faded amid improvements in the U.S. pressure pumping market. With oil prices rising above the estimated marginal cost of supply and U.S. pumping activity near all-time highs, our thesis on these highly cyclical stocks appeared to be maturing. We remained favorable toward oil services stocks given the strong demand for their expertise and technology as major and state-owned oil companies attempted to extract hydrocarbons from increasingly challenging locations. Among oil services and integrated oil firms, we found opportunities attractive to us in Europe, where energy stocks traded at their lowest cyclically adjusted earnings multiples in 30 years. We were encouraged to see many major oil companies

3. The financials sector comprises banks, capital markets, diversified financial services and insurance in the SOI.
4. The consumer discretionary sector comprises auto components, automobiles, media, multiline retail and specialty retail in the SOI.
5. The energy sector comprises energy equipment and services; and oil, gas and consumable fuels in the SOI.

committed to scaling back what many viewed as excessive capital expenditures (capex) and prioritizing shareholder returns. We believed French oil company Total exemplified this trend. Total's shares significantly outperformed the broader energy sector since management signaled that capex had peaked in September 2013. We believe this combination of improving shareholder return prospects and potential productivity gains from legacy capex could help integrated oil stocks appreciate in value over our long-term investment horizon as sentiment continues to improve.

Information technology holdings also performed well, led by U.S. personal computer manufacturer Hewlett-Packard.[6] The company's share price rose after the firm announced additional cost-cutting measures. Telecommunication services stocks also performed fairly well, buoyed by Turkish mobile operator Turkcell Iletisim Hizmetleri as the company's share price rose to a record level after it reported solid mobile and broadband growth and improved overall profit margins.[7, 8]

The Fund's health care stocks weighed on results, despite delivering respectable absolute gains.[9] U.S. biotechnology firm Forest Laboratories was one of the Fund's leading performers as its share price rose to a record level after the firm agreed to be acquired by Actavis, one of the world's largest generic drugmakers. We analyzed Forest in mid-2012, a time when the firm was nearing the end of key product cycles and a depressed share price reflected investor skepticism about its long-term strategy. Our analysis suggested that the market was overly negative about Forest's prospects following major patent expirations. Although our long-term investment rationale was not dependent on a buyout, overtures from the activist investor who facilitated the sale were known, and we believed that a divestiture scenario could also unlock shareholder value. We increasingly found opportunities in biotechnology as investors appeared to us to overly discount the headwinds caused by generic competition and the long and capital-intensive innovation cycles inherent to the industry. We also remained favorable on our holdings in traditional pharmaceuticals companies, as many were cutting costs and diversifying away from patent-dependent products, which in our view can help value recognition unfold.

As we look back on the review period, we note that investor sentiment was cautious, although markets continued to move higher. Were investors buying stocks from a position of healthy skepticism or dangerous complacency? From our perspective, circumstances seemed more consistent with caution and skepticism than the complacency or euphoria often associated with bull markets. Equities at period-end were historically underowned, trend earnings multiples remained depressed and long-term equity returns were still below average, circumstances that we would typically not associate with market peaks. However, as the market cycle progresses, we believe investors will have to become increasingly selective in their stock picking. At Templeton, we believe our bottom-up approach and creative, forward-looking value process are well-suited to such an environment. By looking ahead of the consensus and thinking about value differently than the crowd, we believe we have kept the Fund replenished with compelling values and well positioned to potentially protect and grow client capital over time.

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 June 30, 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.

6. The information technology sector comprises communications equipment; electronic equipment, instruments and components; semiconductors and semiconductor equipment; and software in the SOI.
7. The telecommunication services sector comprises diversified telecommunication services and wireless telecommunication services in the SOI.
8. Not part of the index.
9. The health care sector comprises biotechnology, life sciences tools and services, and pharmaceuticals 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, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration*:

1. Divide your account value by $1,000.
   If an account had an $8,600 value,
   then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50,
   then 8.6 × $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 1/1/14	Ending Account Value 6/30/14	Fund-Level Expenses Incurred During Period* 1/1/14–6/30/14
Actual	$1,000	$1,050.30	$5.29
Hypothetical (5% return before expenses)	$1,000	$1,019.64	$5.21

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (1.04%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Financial Highlights

Templeton Growth VIP Fund

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31,				
		2013	2012	2011	2010	2009
Class 1						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$15.47	$12.16	$10.27	$11.19	$10.56	$ 8.34
Income from investment operations[a]:						
Net investment income[b]	0.29[c]	0.22	0.27	0.25	0.17	0.17
Net realized and unrealized gains (losses)	0.52	3.49	1.88	(0.99)	0.62	2.36
Total from investment operations	0.81	3.71	2.15	(0.74)	0.79	2.53
Less distributions from net investment income	(0.25)	(0.40)	(0.26)	(0.18)	(0.16)	(0.31)
Net asset value, end of period	$16.03	$15.47	$12.16	$10.27	$11.19	$10.56
Total return[d]	5.21%	31.05%	21.40%	(6.80)%	7.74%	31.33%
Ratios to average net assets[e]						
Expenses	0.79%	0.78%[f]	0.78%[f]	0.78%[f]	0.77%[f]	0.79%[f]
Net investment income	3.64%[c]	1.62%	2.31%	2.22%	1.71%	2.00%
Supplemental data						
Net assets, end of period (000's)	$622,810	$588,409	$476,954	$1,200,682	$1,348,622	$824,575
Portfolio turnover rate	10.30%	11.60%	18.73%[g]	42.13%[g]	9.61%	14.95%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 2.52%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Benefit of expense reduction rounds to less than 0.01%.

[g]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Templeton Growth VIP Fund (continued)

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31,				
		2013	2012	2011	2010	2009
Class 2						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$15.23	$11.97	$10.11	$11.01	$10.40	$ 8.20
Income from investment operations[a]:						
Net investment income[b]	0.26[c]	0.19	0.21	0.21	0.15	0.16
Net realized and unrealized gains (losses)	0.51	3.44	1.88	(0.96)	0.60	2.32
Total from investment operations	0.77	3.63	2.09	(0.75)	0.75	2.48
Less distributions from net investment income	(0.21)	(0.37)	(0.23)	(0.15)	(0.14)	(0.28)
Net asset value, end of period	$15.79	$15.23	$11.97	$10.11	$11.01	$10.40
Total return[d]	5.03%	30.82%	21.07%	(6.97)%	7.39%	31.10%
Ratios to average net assets[e]						
Expenses	1.04%	1.03%[f]	1.03%[f]	1.03%[f]	1.02%[f]	1.04%[f]
Net investment income	3.39%[c]	1.37%	2.06%	1.97%	1.46%	1.75%
Supplemental data						
Net assets, end of period (000's)	$1,399,118	$1,450,304	$1,352,554	$1,254,193	$1,626,885	$1,718,894
Portfolio turnover rate	10.30%	11.60%	18.73%[g]	42.13%[g]	9.61%	14.95%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 2.27%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Benefit of expense reduction rounds to less than 0.01%.

[g]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Templeton Growth VIP Fund (continued)

	Six Months Ended June 30, 2014 (unaudited)	Year Ended December 31,				
		2013	2012	2011	2010	2009
Class 4						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$15.35	$12.07	$10.19	$11.11	$10.50	$ 8.31
Income from investment operations[a]:						
Net investment income[b]	0.25[c]	0.17	0.20	0.20	0.14	0.14
Net realized and unrealized gains (losses)	0.51	3.47	1.90	(0.98)	0.61	2.36
Total from investment operations	0.76	3.64	2.10	(0.78)	0.75	2.50
Less distributions from net investment income	(0.19)	(0.36)	(0.22)	(0.14)	(0.14)	(0.31)
Net asset value, end of period	$15.92	$15.35	$12.07	$10.19	$11.11	$10.50
Total return[d]	4.97%	30.64%	21.02%	(7.14)%	7.31%	30.98%
Ratios to average net assets[e]						
Expenses	1.14%	1.13%[f]	1.13%[f]	1.13%[f]	1.12%[f]	1.14%[f]
Net investment income	3.29%[c]	1.27%	1.96%	1.87%	1.36%	1.65%
Supplemental data						
Net assets, end of period (000's)	$71,165	$72,683	$67,158	$56,170	$60,569	$56,218
Portfolio turnover rate	10.30%	11.60%	18.73%[g]	42.13%[g]	9.61%	14.95%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating 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 2.17%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Benefit of expense reduction rounds to less than 0.01%.

[g]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Statement of Investments, June 30, 2014 (unaudited)

Templeton Growth VIP Fund

	Country	Shares	Value
Common Stocks 98.3%			
Aerospace & Defense 0.6%			
BAE Systems PLC	United Kingdom	1,730,147	$ 12,816,557
Air Freight & Logistics 2.0%			
FedEx Corp.	United States	100,270	15,178,873
TNT Express NV	Netherlands	646,272	5,850,095
[a] TNT Express NV, 144A	Netherlands	441,000	3,991,960
United Parcel Service Inc., B	United States	160,030	16,428,680
			41,449,608
Airlines 2.5%			
Deutsche Lufthansa AG	Germany	1,609,064	34,551,391
[b] International Consolidated Airlines Group SA	United Kingdom	2,633,247	16,694,776
			51,246,167
Auto Components 1.5%			
Cie Generale des Etablissements Michelin, B	France	259,469	31,006,079
Automobiles 2.5%			
Mazda Motor Corp.	Japan	2,351,180	11,024,239
Nissan Motor Co. Ltd.	Japan	2,342,720	22,223,522
Toyota Motor Corp.	Japan	312,490	18,766,982
			52,014,743
Banks 12.2%			
Bangkok Bank PCL, fgn.	Thailand	913,600	5,435,413
BNP Paribas SA	France	401,637	27,250,828
Citigroup Inc.	United States	770,990	36,313,629
[b] Commerzbank AG	Germany	547,840	8,612,749
Credit Agricole SA	France	1,640,346	23,137,629
DBS Group Holdings Ltd.	Singapore	932,690	12,531,631
HSBC Holdings PLC	United Kingdom	2,567,864	26,041,599
ICICI Bank Ltd., ADR	India	261,909	13,069,259
Intesa Sanpaolo SpA	Italy	3,054,444	9,436,641
JPMorgan Chase & Co.	United States	440,760	25,396,591
KB Financial Group Inc.	South Korea	657,984	22,886,400
SunTrust Banks Inc.	United States	478,520	19,169,511
UniCredit SpA	Italy	3,118,881	26,118,090
			255,399,970
Biotechnology 1.5%			
Amgen Inc.	United States	272,230	32,223,865
Capital Markets 2.8%			
Credit Suisse Group AG	Switzerland	1,026,980	29,367,100
Morgan Stanley	United States	886,050	28,645,997
			58,013,097
Chemicals 1.4%			
Akzo Nobel NV	Netherlands	397,282	29,787,165
Commercial Services & Supplies 0.7%			
Serco Group PLC	United Kingdom	2,417,267	15,118,643
Communications Equipment 2.6%			
Brocade Communications Systems Inc.	United States	298,490	2,746,108
Cisco Systems Inc.	United States	1,040,800	25,863,880

Templeton Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Communications Equipment (continued)			
Ericsson, B	Sweden	2,161,202	$ 26,121,007
			54,730,995
Construction & Engineering 0.7%			
[c] FLSmidth & Co. AS	Denmark	250,000	13,967,455
Construction Materials 1.6%			
CRH PLC	Ireland	1,277,393	32,782,365
Diversified Financial Services 1.1%			
[b] ING Groep NV, IDR	Netherlands	1,617,386	22,725,173
Diversified Telecommunication Services 4.1%			
China Telecom Corp. Ltd., ADR	China	179,195	8,771,595
Singapore Telecommunications Ltd.	Singapore	7,063,710	21,814,690
Telefonica SA	Spain	1,682,480	28,846,983
Verizon Communications Inc.	United States	158,750	7,778,750
Vivendi SA	France	739,654	18,100,865
			85,312,883
Electrical Equipment 0.7%			
Alstom SA	France	299,697	10,927,433
Dongfang Electric Corp. Ltd., H	China	2,016,600	3,465,749
			14,393,182
Electronic Equipment, Instruments & Components 0.4%			
[b] Flextronics International Ltd.	Singapore	691,118	7,650,676
Energy Equipment & Services 4.1%			
Baker Hughes Inc.	United States	358,770	26,710,427
Fugro NV, IDR	Netherlands	339,969	19,467,831
Halliburton Co.	United States	225,414	16,006,648
Noble Corp. PLC	United States	698,190	23,431,257
			85,616,163
Food & Staples Retailing 2.5%			
CVS Caremark Corp.	United States	330,420	24,903,755
[b] Metro AG	Germany	156,280	6,812,181
Tesco PLC	United Kingdom	4,054,493	19,717,935
			51,433,871
Health Care Equipment & Supplies 2.4%			
Getinge AB, B	Sweden	712,770	18,733,803
Medtronic Inc.	United States	497,540	31,723,151
			50,456,954
Industrial Conglomerates 2.0%			
Koninklijke Philips NV	Netherlands	459,718	14,590,071
Siemens AG	Germany	201,712	26,642,816
			41,232,887
Insurance 6.1%			
American International Group Inc.	United States	569,370	31,076,215
Aviva PLC	United Kingdom	3,361,950	29,368,907
AXA SA	France	1,091,068	26,080,615
Muenchener Rueckversicherungs-Gesellschaft AG	Germany	78,511	17,406,983

Templeton Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Insurance (continued)			
Swiss Re AG	Switzerland	270,006	$ 24,021,507
			127,954,227
Life Sciences Tools & Services 0.4%			
[b] QIAGEN NV	Netherlands	357,300	8,660,689
Machinery 1.3%			
[b] Navistar International Corp.	United States	725,430	27,189,116
Media 4.2%			
Comcast Corp., Special A	United States	648,892	34,605,410
[b] News Corp., A	United States	319,435	5,730,664
Twenty-First Century Fox Inc., A	United States	641,182	22,537,547
The Walt Disney Co.	United States	296,070	25,385,042
			88,258,663
Metals & Mining 2.0%			
Mining and Metallurgical Co. Norilsk Nickel OJSC, ADR	Russia	1,077,050	21,336,360
POSCO	South Korea	63,730	19,144,190
POSCO, ADR	South Korea	27,740	2,064,966
			42,545,516
Multiline Retail 0.5%			
Target Corp.	United States	191,680	11,107,856
Oil, Gas & Consumable Fuels 10.8%			
BP PLC	United Kingdom	2,807,128	24,733,518
Chevron Corp.	United States	137,470	17,946,709
China Shenhua Energy Co. Ltd., H	China	5,271,520	15,235,509
Eni SpA	Italy	776,759	21,253,376
Galp Energia SGPS SA, B	Portugal	1,575,520	28,868,631
Kunlun Energy Co. Ltd.	China	9,057,840	14,935,803
LUKOIL Holdings, ADR (London Stock Exchange)	Russia	203,010	12,121,727
Royal Dutch Shell PLC, B	United Kingdom	299,573	13,033,601
Talisman Energy Inc.	Canada	3,158,600	33,408,981
Total SA, B	France	618,659	44,716,405
			226,254,260
Pharmaceuticals 11.8%			
[b] Forest Laboratories Inc.	United States	232,470	23,014,530
GlaxoSmithKline PLC	United Kingdom	1,165,640	31,196,220
Merck & Co. Inc.	United States	558,641	32,317,382
Merck KGaA	Germany	229,554	19,927,452
Pfizer Inc.	United States	1,111,443	32,987,628
Roche Holding AG	Switzerland	128,303	38,265,934
Sanofi	France	308,607	32,787,002
Teva Pharmaceutical Industries Ltd., ADR	Israel	686,230	35,972,177
			246,468,325
Professional Services 0.3%			
Hays PLC	United Kingdom	2,280	5,700
Randstad Holding NV	Netherlands	125,110	6,783,029
			6,788,729

Templeton Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Semiconductors & Semiconductor Equipment 2.5%			
Samsung Electronics Co. Ltd.	South Korea	40,730	$ 53,206,581
Software 2.6%			
Microsoft Corp.	United States	1,177,169	49,087,948
SAP AG	Germany	80,912	6,249,398
			55,337,346
Specialty Retail 1.5%			
Best Buy Co. Inc.	United States	355,360	11,019,714
Kingfisher PLC	United Kingdom	3,350,261	20,581,351
			31,601,065
Technology Hardware, Storage & Peripherals 1.7%			
Hewlett-Packard Co.	United States	1,036,700	34,916,056
Wireless Telecommunication Services 2.7%			
Mobile TeleSystems, ADR	Russia	812,930	16,047,238
[b] Sprint Corp.	United States	539,599	4,602,780
[b] Turkcell Iletisim Hizmetleri AS, ADR	Turkey	1,647,543	25,701,671
Vodafone Group PLC	United Kingdom	3,292,417	10,986,269
			57,337,958
Total Common Stocks (Cost $1,494,680,547)			2,057,004,885
Preferred Stocks (Cost $27,756,720) 1.1%			
Oil, Gas & Consumable Fuels 1.1%			
Petroleo Brasileiro SA, ADR, pfd.	Brazil	1,528,452	23,904,989
Total Investments before Short Term Investments (Cost $1,522,437,267)			2,080,909,874
		Principal Amount*	
Short Term Investments 0.6%			
Time Deposits 0.5%			
Royal Bank of Canada, 0.05%, 7/01/14	Canada	10,000,000	10,000,000
Total Investments before Money Market Funds (Cost $1,532,437,267)			2,090,909,874

	Country	Shares	Value
[d] **Investments from Cash Collateral Received for Loaned Securities (Cost $1,727,113) 0.1%**			
Money Market Funds 0.1%			
[e] BNY Mellon Overnight Government Fund, 0.082%	United States	1,727,113	$ 1,727,113
Total Investments (Cost $1,534,164,380) 100.0%			2,092,636,987
Other Assets, less Liabilities 0.0%†			456,273
Net Assets 100.0%			$2,093,093,260

See Abbreviations on page TG-25.

†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. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2014, the value of this security was $3,991,960, representing 0.19% of net assets.

[b]Non-income producing.

[c]A portion or all of the security is on loan at June 30, 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
June 30, 2014 (unaudited)

	Templeton Growth VIP Fund
Assets:	
Investments in securities:	
Cost	$1,534,164,380
Value (Includes securities loaned in the amount of $1,656,540)	$2,092,636,987
Cash	719,190
Receivables:	
Investment securities sold	4,241,749
Capital shares sold	72,704
Dividends and interest	4,396,361
Other assets	936
Total assets	2,102,067,927
Liabilities:	
Payables:	
Investment securities purchased	3,121,836
Capital shares redeemed	1,646,752
Management fees	1,305,821
Distribution fees	633,853
Payable upon return of securities loaned	1,727,113
Accrued expenses and other liabilities	539,292
Total liabilities	8,974,667
Net assets, at value	$2,093,093,260
Net assets consist of:	
Paid-in capital	$1,637,246,382
Undistributed net investment income	33,705,772
Net unrealized appreciation (depreciation)	558,522,565
Accumulated net realized gain (loss)	(136,381,459)
Net assets, at value	$2,093,093,260

Statement of Assets and Liabilities (continued)
June 30, 2014 (unaudited)

	Templeton Growth VIP Fund
Class 1:	
Net assets, at value	$ 622,810,174
Shares outstanding	38,864,374
Net asset value and maximum offering price per share	$ 16.03
Class 2:	
Net assets, at value	$1,399,118,487
Shares outstanding	88,622,433
Net asset value and maximum offering price per share	$ 15.79
Class 4:	
Net assets, at value	$ 71,164,599
Shares outstanding	4,469,164
Net asset value and maximum offering price per share	$ 15.92

Statement of Operations
for the six months ended June 30, 2014 (unaudited)

	Templeton Growth VIP Fund
Investment income:	
Dividends (net of foreign taxes of $3,207,528)	$ 44,916,134
Interest	6,465
Income from securities loaned	927,931
Total investment income	45,850,530
Expenses:	
Management fees (Note 3a)	7,795,739
Distribution fees: (Note 3c)	
Class 2	1,756,036
Class 4	125,247
Custodian fees (Note 4)	119,832
Reports to shareholders	168,065
Professional fees	45,335
Trustees' fees and expenses	4,057
Other	28,772
Total expenses	10,043,083
Net investment income	35,807,447
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	56,981,531
Non-controlled affiliated issuers (Note 8)	773,990
Foreign currency transactions	(42,714)
Net realized gain (loss)	57,712,807
Net change in unrealized appreciation (depreciation) on:	
Investments	9,288,662
Translation of other assets and liabilities denominated in foreign currencies	2,443
Net change in unrealized appreciation (depreciation)	9,291,105
Net realized and unrealized gain (loss)	67,003,912
Net increase (decrease) in net assets resulting from operations	$102,811,359

Statements of Changes in Net Assets

	Templeton Growth VIP Fund	
	Six Months Ended June 30, 2014 (unaudited)	**Year Ended December 31, 2013**
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 35,807,447	$ 28,850,993
Net realized gain (loss) from investments and foreign currency transactions	57,712,807	98,725,339
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	9,291,105	412,375,570
Net increase (decrease) in net assets resulting from operations	102,811,359	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	13,625,810	(17,266,459)
Class 2	(101,891,617)	(240,507,877)
Class 4	(4,179,503)	(11,647,677)
Total capital share transactions	(92,445,310)	(269,422,013)
Net increase (decrease) in net assets	(18,302,398)	214,729,342
Net assets:		
Beginning of period	2,111,395,658	1,896,666,316
End of period	$2,093,093,260	$2,111,395,658
Undistributed net investment income included in net assets:		
End of period	$ 33,705,772	$ 26,566,772

Notes to Financial Statements (unaudited)

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 twenty separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). The 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, the Templeton Growth Securities Fund was renamed the 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 net asset value. 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

Templeton Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation *(continued)*

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 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.

Templeton Growth VIP Fund (continued)

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 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 that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

f. Accounting Estimates

The preparation of financial statements in accordance with 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 June 30, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2014		Year Ended December 31, 2013	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	1,171,010	$ 18,626,956	896,927	$ 12,053,666
Shares issued in reinvestment of distributions	589,713	9,482,577	1,149,106	15,214,157
Shares redeemed	(923,380)	(14,483,723)	(3,250,296)	(44,534,282)
Net increase (decrease)	837,343	$ 13,625,810	(1,204,263)	$(17,266,459)

Templeton Growth VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Six Months Ended June 30, 2014		Year Ended December 31, 2013	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	1,267,922	$ 19,613,913	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	(9,038,415)	(139,806,395)	(28,236,625)	(380,382,720)
Net increase (decrease)	(6,615,135)	$(101,891,617)	(17,732,662)	$(240,507,877)
Class 4 Shares:				
Shares sold	189,752	$ 2,968,440	683,745	$ 9,107,528
Shares issued on reinvestment of distributions	55,382	885,005	147,912	1,946,523
Shares redeemed	(510,473)	(8,032,948)	(1,660,931)	(22,701,728)
Net increase (decrease)	(265,339)	$ (4,179,503)	(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 June 30, 2014, Franklin Templeton Variable Insurance Products Trust – Franklin Founding Funds Allocation VIP Fund owned 20.96% of the Fund's outstanding shares. Investment activities of this investment company could have a material impact on the Fund.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 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, 2013, capital loss carryforwards were as follows:

Capital loss carryforwards expiring in:	
2017	$117,602,940
2018	55,299,629
	$172,902,569

At June 30, 2014, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$1,552,912,581
Unrealized appreciation	$ 595,730,718
Unrealized depreciation	(56,006,312)
Net unrealized appreciation (depreciation)	$ 539,724,406

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 wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2014, aggregated $211,038,453 and $267,687,369, respectively.

Templeton Growth VIP Fund (continued)

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 period ended June 30, 2014, were as shown below.

Name of Issuer	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)
Non-Controlled Affiliates							
Templeton China Opportunities Fund Ltd., Reg D	1,195,196	—	(1,195,196)	—	$ —*	$ —	$773,990
Total Affiliated Securities (Value is -% of Net Assets)							

*As of June 30, 2014, no longer an affiliate.

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $1.5 billion (Global Credit Facility) which matures on 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.

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 period ended June 30, 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.

Templeton Growth VIP Fund (continued)

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of June 30, 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]	$2,080,909,874	$ —	$ —	$2,080,909,874
Short Term investments	—	11,727,113	—	11,727,113
Total Investments in Securities	$2,080,909,874	$11,727,113	$ —	$2,092,636,987

[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 is currently evaluating the impact, if any, of applying this provision.

12. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

Abbreviations

Selected Portfolio

ADR American Depositary Receipt
IDR International Depositary Receipt

Templeton Growth VIP Fund

At December 31, 2013 more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code (Code). This written statement will allow shareholders of record on June 12, 2014, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid and foreign source income as reported by the Fund, to Class 1, Class 2, and Class 4 shareholders of record.

Class	Foreign Tax Paid Per Share	Foreign Source Income Per Share
Class 1	$0.0152	$0.2047
Class 2	$0.0152	$0.1740
Class 4	$0.0152	$0.1628

Foreign Tax Paid Per Share (Column 1) is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share (Column 2) is the amount per share of income dividends attributable to foreign securities held by the Fund, plus any foreign taxes withheld on these dividends.

The indexes are unmanaged and include reinvested distributions.

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Barclays U.S. Aggregate Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Barclays U.S. Government Index: Intermediate Component is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Citigroup World Government Bond Index is a market capitalization-weighted index consisting of investment-grade world government bond markets.

Consumer Price Index (CPI) is a commonly used measure of the inflation rate.

Credit Suisse (CS) High Yield Index is designed to mirror the investable universe of the U.S. dollar-denominated high yield debt market.

Dow Jones Industrial Average is a price-weighted average of blue-chip stocks that are generally the leaders in their industry.

Dow Jones-UBS Commodity Index is a broadly diversified index designed to allow investors to track commodity futures through a single, simple measure. The index reflects the return on fully collateralized positions in the underlying futures contracts on physical commodities, which are reweighted and rebalanced annually on a price-percentage basis. The Dow Jones-UBS Commodity Indices℠ are a joint product of DJI Opco, LLC, a subsidiary of S&P Dow Jones Indices LLC, and UBS Securities LLC ("UBS") and have been licensed for use to S&P Opco, LLC and Franklin Templeton Companies, LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC, Dow Jones® and DJ are registered trademarks of Dow Jones Trademark Holdings LLC, and "UBS" is a registered trademark of UBS AG. All content of the Dow Jones-UBS Commodity Indices℠ © S&P Dow Jones Indices LLC and UBS and their respective affiliates 2014. Reproduction of Dow Jones-UBS Commodity Indices℠ in any form is prohibited except with the prior written permission of S&P. S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions, regardless of the cause or for the results obtained from the use of such information. S&P DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P be liable for any direct, indirect, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with subscriber's or others' use of Dow Jones-UBS Commodity Indices℠.

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J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/14, there were 254 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP Equity Income Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the six-month period ended 6/30/14, there were 65 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the six-month period ended 6/30/14, there were 49 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 six-month period ended 6/30/14, 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 Europe, Australasia, Far East (EAFE) Index Net Return (Local Currency) is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance of global developed markets excluding the U.S. and Canada. The index is calculated in local currency and includes reinvested daily net dividends.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

Russell 1000® Growth Index is market capitalization weighted and measures performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 1000 Value Index is market capitalization weighted and measures performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2500™ Index is market capitalization weighted and measures performance of the smallest companies in the Russell 3000 Index, which represent a modest amount of the Russell 3000 Index's total market capitalization.

Russell 2500 Value Index is market capitalization weighted and measures performance of those Russell 2500 Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 3000 Growth Index is market capitalization weighted and measures performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Index is market capitalization weighted and measures performance of the largest U.S. companies based on total market capitalization and represents the majority of the investable U.S. equity market.

Russell Midcap® Growth Index is market capitalization weighted and measures performance of those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000 Index, which represent a modest amount of the Russell 1000 Index's total market capitalization.

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Board Review of Investment Management Agreement

At a meeting held April 15, 2014, the Board of Trustees (Board), including a majority of non-interested or independent Trustees, approved renewal of the investment management agreement for each of the separate funds within the Trust (Fund(s)). In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for each Fund, along with periodic reports on expenses, shareholder services, legal and compliance matters, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates. Information furnished specifically in connection with the renewal process included reports prepared by Lipper, Inc. (Lipper), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Lipper reports compared a Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. No Lipper reports, however, were furnished with respect to the newly formed Franklin Managed Volatility Global Allocation VIP Fund in view of its short period of operation and absence of third-party shareholders. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Additional material accompanying such profitability analysis included information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates to U.S. mutual funds and other accounts, including management's explanation of differences where relevant. Such material also included a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. While the investment management agreements for all Funds were considered at the same Board meeting, the Board dealt with each Fund separately. In approving continuance of the investment management agreement for each Fund, the Board, including a majority of independent Trustees, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

Nature, Extent and Quality of Service. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Funds and their shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished them showing that the investment policies and restrictions for each Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. Favorable consideration was given to management's continual efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted that such systems and procedures had functioned well during the Florida hurricanes and blackouts experienced in previous years, and that those operations in the New York/New Jersey area ran smoothly during the period of the 2012 Hurricane Sandy. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm, which also covered FOREX transactions. Consideration was also given to the experience of each Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. Particular attention was given to management's conservative approach and diligent risk management procedures, including continual monitoring of counterparty credit risk and attention given to derivatives and other complex instruments, including expanded collateralization requirements. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Funds and other accounts managed by Franklin Templeton Investments to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the Manager's parent company and its commitment to the mutual fund business as evidenced by its subsidization of money market funds.

Investment Performance. The Board placed significant emphasis on the investment performance of each of the Funds in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings throughout the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewals of all Funds. The Lipper reports prepared for each of the individual Funds showed the investment performance of Class 1 shares for those having such class of shares and Class 2 shares for those Funds that did not have Class 1 shares, in comparison to a performance universe selected by Lipper. Comparative performance for each Fund was shown for the one-year period ended January 31, 2014, and previous periods ended that date of up to 10 years unless otherwise noted. Performance was shown on a total return basis for each Fund and in certain cases, as indicated, on an income return basis as well. The following summarizes the performance results for each of the Funds and the Board's view of such performance.

Franklin Flex Cap Growth Securities Fund – The performance universe for this Fund, which has been in operation for less than 10 full years, consisted of the Fund and all multi-cap growth funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's comparative total return for the one-year period to be in the second-highest performing quintile of its performance universe, and on an annualized basis to be in the lowest performing quintile of such universe for each of the previous three- and five-year periods. The Board discussed with management the reasons for the Fund's underperformance during the previous three- and five-year periods, but found the Fund's overall comparative performance as shown in the Lipper report to be acceptable, noting its favorable one-year performance and that its three- and five-year performance exceeded 11.5% and 18%, respectively, as shown in the Lipper report.

Franklin Global Real Estate Securities Fund – The performance universe for this Fund consisted of the Fund and all global real estate funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return to be in the second-lowest performing quintile of such universe for the one-year period, and on an annualized basis to be in the highest performing quintile of such universe for the previous three-year period, but in the lowest performing quintile of such universe for each of the previous five- and 10-year periods. The Board discussed with management the reasons for the underperformance of the Fund in the one-year period and steps that had been taken by management in recent years to improve the Fund's performance, noting that the Fund's total return as shown in the Lipper report exceeded the median of its Lipper performance universe in each of the previous two-, three- and four-year periods. While the Board intends to continue to monitor the Fund's performance, it determined that such performance was acceptable.

Franklin Growth and Income Securities Fund – The performance universe for this Fund consisted of the Fund and all equity income funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return during the one-year period to be in the highest or best performing quintile of its performance universe, and on an annualized basis in each of the previous three-, five- and 10-year periods to also be in the highest quintile of such universe. The Lipper report showed the Fund's total return for the one-year period to be in the highest performing quintile of its performance universe, and on an annualized basis to be in the second-highest performing quintile of such universe for each of the previous three- and five-year periods, and the second-lowest performing quintile of such universe for the previous 10-year period. The Board was satisfied with the Fund's comparative performance as shown in the Lipper report.

Franklin High Income Securities Fund – The performance universe for this Fund consisted of the Fund and all high yield funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return for the one-year period to be in the highest performing quintile of such universe, and on an annualized basis to be in the second-highest and middle performing quintiles of such universe for the previous three- and five-year periods, respectively, and to be in the second-lowest quintile of such universe for the previous 10-year period. The Lipper report showed the Fund's total return to be in the highest performing quintile of its performance universe for the one-year period, and on an annualized basis to be in the highest performing quintile of such universe for the previous three-year period, the middle quintile of such universe for the previous five-year period, and the second-highest quintile of such universe for the previous 10-year period. The Board was satisfied with the Fund's comparative performance as shown in the Lipper report.

Franklin Income Securities Fund – The performance universe for this Fund consisted of the Fund and all mixed-asset target allocation moderate funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return to be in the highest or best performing quintile of such universe for the one-year period and to also be in the highest performing quintile of such universe for each of the previous three-, five- and 10-year periods on an annualized basis. The Lipper report showed the Fund's total return to be in the middle performing quintile of its performance universe for the one-year period, and on an annualized basis to be in the second-highest performing quintile of such universe for the previous three-year period, and the highest or best performing quintiles of such universe for the previous five- and 10-year periods. The Board was satisfied with the Fund's comparative performance as shown in the Lipper report.

Franklin Large Cap Growth Securities Fund – The performance universe for this Fund consisted of the Fund and all retail and institutional large-cap core funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return to be in the second-lowest performing quintile of such universe for the one-year period, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three-year period, and the lowest performing quintile of such universe for each of the previous five- and 10-year periods. The Board discussed with management the reasons for the Fund's one-year comparative underperformance, which had dragged down its overall annualized performance, and the steps being taken to improve it. In particular, the Board discussed with management the appointment of a new portfolio manager for the Fund, effective May 1, 2014. In view of such discussions, the Board believed that appropriate action was being taken by management to improve performance and that no further changes in portfolio management or investment strategy were warranted, It also observed that, as shown in the Lipper report, the Fund's total return for the one-year period exceeded 19%, its five-year annualized total return was within 1.33% of the median for the performance universe for such period, and its 10-year annualized total return was within 1.0% of the median for the performance universe for such period.

Franklin Large Cap Value Securities Fund – The performance universe for this Fund, which has been in operation for less than 10 full years, consisted of the Fund and all large-cap value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return to be in the middle performing quintile of such universe for the one-year period and on an annualized basis to also be in the lowest performing quintile of such universe for the previous three-year period, and the middle performing quintile of such universe for the previous five-year period. The Board found the Fund's performance acceptable, noting that management was taking appropriate steps to improve it, including the hiring of an experienced analyst to assist the portfolio management team. The Board also noted that the Lipper report showed the Fund's one-year total return to exceed the median of its performance universe, its annualized three-year return to be within less than 1 ½% of the performance universe median for such period, and its annualized five-year return to be at the median of the performance universe for such period.

Franklin Rising Dividends Securities Fund – The performance universe for this Fund consisted of the Fund and all multi-cap core funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's comparative total return to be in the middle performing quintile of the performance universe for the one-year period, and on an annualized basis to be in the highest performing quintile of such universe for the previous three-year period, and the middle performing quintile of such universe for each of the previous five- and 10-year periods. The Board found the Fund's comparative performance as set forth in the Lipper report to be satisfactory and that no change was needed to the investment strategy followed or manner in which the Fund operates.

Franklin Small Cap Value Securities Fund – The performance universe for this Fund consisted of the Fund and all small-cap value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return for the one-year period to be in the middle performing quintile of such performance universe, and on an annualized basis to be in either the highest performing quintile or second-highest performing quintile of such universe for each of the previous three-, five- and 10-year periods. The Board was satisfied with the Fund's comparative performance as set forth in the Lipper report.

Franklin Small-Mid Cap Growth Securities Fund – The performance universe for this Fund consisted of the Fund and all mid-cap growth funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return for the one-year period to be in the second-highest performing quintile of such universe, and on an annualized basis to be in the middle performing quintile of such universe for each of the previous three- and five-year periods, and the second-lowest performing quintile of such universe for the previous 10-year period. The Board noted the Fund's improved performance and discussed with management portfolio adjustments and the commitment of additional resources to the portfolio team. The Board found the Fund's performance to be acceptable and noted that the 10-year annualized performance was less than 1% below the performance universe median.

Franklin Strategic Income Securities Fund – The performance universe for this Fund consisted of the Fund and all general bond funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return to be in the highest or best performing quintile of such performance universe for the one-year period, and on an annualized basis to also be in the highest performing quintile of such universe during each of the previous three- and five-year periods, and in the second-highest performing quintile of such universe for the previous 10-year period. The Lipper report showed the Fund's total return to be in the highest performing quintile of such universe during the one-year period, and on an annualized basis to be in either the highest performing or second-highest performing quintile of such universe for each of the previous three-, five- and 10-year periods. The Board was satisfied with the Fund's performance as shown in the Lipper report.

Franklin Templeton VIP Founding Funds Allocation Fund – The performance universe for this Fund consisted of the Fund and all mixed-asset target allocation growth funds underlying variable insurance products as selected by Lipper. The Fund has been in existence for only six full years and the Lipper report showed its income return to be in the highest performing quintile of such performance universe for the one-year period, and on an annualized basis to also be in the highest performing quintile of such universe for each of the previous three- and five-year periods. The Lipper report showed the Fund's total return for the one-year period to be in the second-highest performing quintile of such performance universe and on an annualized basis to be in the highest performing quintile of such universe for each of the previous three- and five-year periods. In assessing the relevance of such comparative performance, the Board noted the Fund is not actively managed and that its performance reflects those of the three underlying funds in which it invests in equal portions. The Board was satisfied with the Fund's performance as shown in the Lipper report.

Franklin U.S. Government Fund – The performance universe for this Fund consisted of the Fund and all general U.S. government funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return for the one-year period to be in the highest performing quintile of such universe and on an annualized basis to also be in the highest performing quintile of such universe for each of the previous three-, five- and 10-year periods. The Lipper report showed the Fund's total return to be in the second-highest performing quintile of such universe for the one-year period, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three-year period, the middle performing quintile of such universe for the previous five-year period, and the second-highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as shown in the Lipper report to be acceptable, noting the Fund's income objective and the nature of the Fund's investments, which were primarily in U.S. mortgage-backed securities.

Mutual Global Discovery Securities Fund – The performance universe for this Fund consisted of the Fund and all global value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return to be in the second-highest performing quintile of such universe for the one-year period, and on an annualized basis to be in the middle quintile of such universe for the previous three-year period, the second-lowest performing quintile of such universe for the previous five-year period, and the highest or best performing quintile of such universe for the previous 10-year period. The Board found the Fund's overall comparative performance as set forth in the Lipper report to be satisfactory, noting that the five-year annualized total return exceeded 14%.

Mutual Shares Securities Fund – The performance universe for this Fund consisted of the Fund and all large-cap value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return for the one-year period to be in the lowest performing quintile of the performance universe, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three-year period, the lowest performing quintile of such universe for the previous five-year period, and the middle performing quintile of such universe for the previous 10-year period. The Board discussed with management the reasons for the one-year underperformance of the Fund and found the Fund's overall performance as shown in the Lipper report to be acceptable in view of the Manager's conservative style of investing and its emphasis on risk-adjusted long-term returns and limited volatility. The Board noted that the Fund was in the top half of its Lipper universe when performance is evaluated on a risk-adjusted basis. The Board also observed that the Fund's one-year total return as shown in the Lipper report was 17.76%.

Templeton Developing Markets Securities Fund – The performance universe for this Fund consisted of the Fund and all emerging markets funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's comparative total return for the one-year period to be in the second-lowest performing quintile of such performance universe and on an annualized basis to be in the middle performing quintile of such universe for each of the previous three- and five-year periods, and the second-lowest performing quintile of such universe during the previous 10-year period. The Board found the comparative performance of the Fund as set forth in the Lipper report to be acceptable in view of management's explanation that such performance was reflective of the Manager's bottom-up approach to investing, which was out of favor in current markets, and noted that the annualized performance for the three- and five-year periods exceeded the median while the performance for the 10-year period exceeded 8%. The Board also discussed with management steps it was contemplating to improve the performance, including a more rigorous ongoing review of the fundamentals of each portfolio holding and increased selling discipline where prices have declined.

Templeton Foreign Securities Fund – The performance universe for this Fund consisted of the Fund and all international value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's comparative total return for the one-year period to be in the second-highest performing quintile of such performance universe and on an annualized basis to be in either the highest performing quintile or second-highest performing quintile of such universe in each of the previous three-, five- and 10-year periods. The Board was satisfied with the Fund's comparative investment performance as set forth in the Lipper report.

Templeton Global Bond Securities Fund – The performance universe for this Fund consisted of the Fund and all global income funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return for the one-year period to be in the second-highest performing quintile of such performance universe, and on an annualized basis to be in the highest performing quintile of such universe for each of the previous three-, five- and 10-year periods. The Lipper report showed the Fund's total return for the one-year period to be in the second-highest performing quintile of its performance universe, and on an annualized basis to be in either the highest or second-highest performing quintile of such universe for each of the previous three-, five- and 10-year periods. The Board was satisfied with the Fund's comparative performance as set forth in the Lipper report.

Templeton Growth Securities Fund – The performance universe for this Fund consisted of the Fund and all global value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return for the one-year period to be in the highest or best performing quintile of such performance universe and on an annualized basis to be in the second-highest performing quintile of such universe for each of the previous three- and five-year periods, and the second-lowest performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as set forth in the Lipper report to be satisfactory.

Comparative Expenses. Consideration was given to expense comparison information contained in the Lipper reports furnished for each Fund, which compared its management fee and total expense ratio with those of a group of other funds selected by Lipper as its appropriate Lipper expense group. Lipper expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on the Funds' contractual investment management fee rate in comparison with the contractual investment management fee rate that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expense ratio of the Fund in comparison with those of its Lipper expense group. The Lipper contractual investment management fee analysis includes administrative charges at the fund level as being part of a management fee, and actual total expenses, for comparative consistency, are shown by Lipper for the same class of shares for all funds within a particular Lipper expense group. The results of such comparisons showed that both the contractual investment management fee rates and actual total expense ratios of the following Funds were in the least expensive quintiles of their respective Lipper expense groups: Franklin Income Securities Fund, Franklin Small Cap Value Securities Fund, Franklin Growth and Income Securities Fund, Franklin High Income Securities Fund, Franklin Strategic Income Securities Fund and Templeton Global Bond Securities Fund. The Board was satisfied with the comparative contractual investment management fees and expenses of these Funds as shown in their Lipper reports. The contractual investment management fee rates of each of Franklin Rising Dividends Securities Fund, Franklin Small-Mid Cap Growth Securities Fund, Franklin U.S. Government Fund, Templeton Foreign Securities Fund and Franklin Templeton VIP Founding Funds Allocation Fund were at or below the medians of their Lipper expense groups, and their actual total expense ratios in each case were below the medians of their Lipper expense groups. The Board was satisfied with the comparative contractual investment management fees and expenses of these Funds as shown in their Lipper reports. The contractual investment management fee rates for Franklin Flex Cap Growth Securities Fund and Franklin Large Cap Value Securities Fund were the highest in their Lipper expense groups, but in each case their actual total expense ratios were below the medians of such groups. The Board was satisfied with the comparative expenses of these Funds as shown in their Lipper reports, noting that the expenses of each of these Funds were subsidized through fee waivers. The contractual investment management fee rate as well as actual expense ratio for Franklin Large Cap Growth Securities Fund was in each case above, but within five basis points of, the median of its Lipper expense group. The contractual investment fee rate of Mutual Shares Securities Fund was less than seven basis points higher than the median of its Lipper expense group while its actual expense ratio was at the median of such expense group. The contractual management fee rate and actual expense ratio of Templeton Growth Securities Fund in both cases were above, but within, 12 and six basis points, respectively, of the median of its Lipper expense group. The Board found the comparative expenses of these Funds as shown in their Lipper reports to be acceptable. The contractual investment management fee rate of Templeton Developing Markets Securities Fund was less than five basis points above the median of its Lipper expense group, and its actual total expense ratio was less than eight basis points above the median of its Lipper expense group. The Board found the comparative expenses of this Fund to be acceptable. The contractual investment management fee rate and actual total expense ratio of Mutual Global Discovery Securities Fund were the most expensive in its Lipper expense group, but within 26 basis points and 12 basis points, respectively, of the expense group median. The Board found such expenses to be acceptable in view of the Fund's overall investment performance and the quality and experience of its portfolio managers. The contractual management fee rate and actual total expense ratio of Franklin Global Real Estate Securities Fund were the most expensive in its Lipper expense group, but within 10 basis points and 22 basis points, respectively, of the expense group median. The Board found such expenses to be acceptable.

Management Profitability. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to each of the individual funds during the 12-month period ended September 30, 2013, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, the Board recognized that allocation methodologies are inherently subjective and various allocation methodologies may be reasonable while producing different results. In this respect, the Board noted that while management continually makes refinements to its methodologies in response to organizational and product related changes, the overall approach as defined by the primary drivers and activity measurements has remained consistent with that used in the Funds' profitability report presentations from prior years. Additionally, the Funds' independent registered public accounting firm had been engaged by the Manager to periodically review the reasonableness of the allocation methodologies to be used solely by the Funds' Board in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving services provided the Funds, as well as the need to implement systems to meet additional regulatory and compliance requirements resulting from statutes such as the Sarbanes-Oxley and Dodd-Frank Acts and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from Fund operations, including potential benefits resulting from allocation of fund brokerage and the use of commission dollars to pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, quality and extent of services provided.

Economies of Scale. The Board also considered whether economies of scale are realized by the Manager as the Funds grow larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Manager realizing a larger profit margin on management services provided such a fund. The Board also noted that economies of scale are shared with a fund and its shareholders through management fee breakpoints so that as a fund grows in size, its effective management fee rate declines. In the case of Franklin Templeton VIP Founding Funds Allocation Fund, the management fees of the underlying funds in which it invests have management fee breakpoints that extend beyond their existing asset sizes, and in the case of each of the other Funds, other than Franklin Rising Dividends Securities Fund, their management fees contain breakpoints that extend beyond their existing asset sizes. To the extent economies of scale may be realized by the manager and its affiliates, the Board believed the schedule of investment management fees provides a sharing of benefits for each Fund and its shareholders. The investment management fee structure of Franklin Rising Dividends Securities Fund provides for a fee of 0.75% on the first $500 million of assets; 0.625% on the next $500 million of assets; and 0.500% on assets in excess of $1 billion. This Fund had assets of $1.8 billion at December 31, 2013, and in reviewing its fee structure, management stated its belief that this fee structure reaches a relatively low rate quickly reflecting anticipated economies of scale. In support of such position, management pointed out the favorable management fee and total expense comparisons of this Fund within its Lipper expense group as previously discussed under "Comparative Expenses." In light of such position and taking into account the fact that the reduced rate on assets in excess of the last breakpoint lowers the Fund's overall investment management fee rate, the Board believed that the schedule of investment management fees provides a sharing of benefits for the Fund and its shareholders, but intends to monitor future growth and the appropriateness of adding additional breakpoints. In addition to the investment advisory services provided Franklin Small Cap Value Securities Fund, Mutual Global Discovery Securities Fund, Mutual Shares Securities Fund, Templeton Developing Markets Securities Fund and Templeton Foreign Securities Fund, administrative services are provided each such Fund under a separate agreement at a charge of 0.150% on the first $200 million of assets; 0.135% on the next $500 million of assets; 0.100% on the next $500 million of assets; and 0.75% on assets in excess of $1.2 billion. At the April 15, 2014, Board meeting, the Board eliminated the separate investment management and administrative agreements and approved a new form of investment management agreement for Franklin Small Cap Value Securities Fund, Mutual Global Discovery Securities Fund, Mutual Shares Securities Fund, Templeton Developing Markets Securities Fund and Templeton Foreign Securities Fund combining such services. In approving the new form of investment management agreement, the Board took into account that the types of services would be the same as provided under the previous separate agreements and that the aggregate fee, including breakpoints, would be the same as that charged under the previous separate agreements. The Board noted that combining such services was consistent with Lipper's methodology of considering contractual investment management fees to include any separately charged administrative fee.

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

Semiannual Report
Franklin Templeton
Variable Insurance Products Trust

Investment Managers
Franklin Advisers, Inc.
Franklin Advisory Services, LLC
Franklin Mutual Advisers, LLC
Franklin Templeton Institutional, LLC
Templeton Asset Management Ltd.
Templeton Global Advisors Limited
Templeton Investment Counsel, LLC

Fund Administrator
Franklin Templeton Services, LLC

Distributor
Franklin Templeton Distributors, Inc.

Franklin Templeton Variable Insurance Products Trust (FTVIP) shares are not offered to the public; they are offered and sold only to: (1) insurance company separate accounts (Separate Account) to serve as the underlying investment vehicle for variable contracts; (2) certain qualified plans; and (3) other mutual funds (funds of funds).

Authorized for distribution to investors in Separate Accounts only when accompanied or preceded by the current prospectus for the applicable contract, which includes the Separate Account and the FTVIP prospectuses. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.

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SEMIANNUAL REPORT
June 30, 2014

MFS®

MFS® CORE EQUITY SERIES

MFS® Variable Insurance Trust

VVS-SEM

MFS® CORE EQUITY SERIES

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE •
NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

After the U.S. economy contracted sharply early this year — with activity curtailed by severe winter weather, a decline in exports and an inventory stockpile — indicators have consistently shown that the U.S. economy likely regained momentum in the second quarter. The labor market is more robust, manufacturing is strong and retail sales have improved along with consumer confidence.

Although Europe emerged from recession last year, the pace of growth in the region has been slow, with persistently high unemployment and very low inflation that points to the risk of deflation. Asia remains vulnerable but also shows signs of recovery. China's economic growth has slowed somewhat, and Japan's economic turnaround remains a work in progress. Emerging markets have been more turbulent over the past 12 months.

Despite this economic uncertainty, and the growing likelihood of interest rate increases that has heightened bond risks, global financial markets have been relatively stable thus far in 2014.

As always at MFS®, active risk management is integral to how we manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global team of investment professionals takes a multidisciplined, long-term, diversified investment approach.

We understand that these are challenging economic times. We believe that we can serve you best by applying proven principles, such as asset allocation and diversification, over the long term. We are confident that this approach can serve you well as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

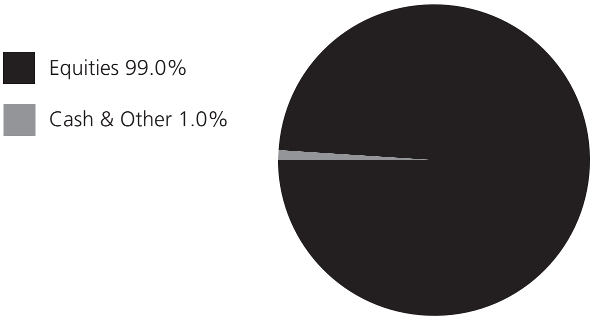
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management

August 15, 2014

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%
Hess Corp.	1.9%
American International Group, Inc.	1.5%
MetLife, Inc.	1.5%
Verizon Communications, Inc.	1.4%
Wells Fargo & Co.	1.4%
Visa, Inc., "A"	1.3%
Procter & Gamble Co.	1.2%
Twenty-First Century Fox, Inc.	1.2%
Actavis PLC	1.2%

Equity sectors

Financial Services	17.6%
Technology	15.3%
Health Care	12.5%
Energy	10.3%
Consumer Staples	6.5%
Industrial Goods & Services	6.2%
Retailing	6.2%
Leisure	5.7%
Utilities & Communications	5.5%
Special Products & Services	4.6%
Basic Materials	3.9%
Autos & Housing	2.5%
Transportation	2.2%

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 6/30/14.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2014 through June 30, 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 January 1, 2014 through June 30, 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 1/01/14	Ending Account Value 6/30/14	Expenses Paid During Period (p) 1/01/14-6/30/14
Initial Class	Actual	0.90%	$1,000.00	$1,057.30	$4.59
	Hypothetical (h)	0.90%	$1,000.00	$1,020.33	$4.51
Service Class	Actual	1.15%	$1,000.00	$1,056.22	$5.86
	Hypothetical (h)	1.15%	$1,000.00	$1,019.09	$5.76

(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 181/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 6/30/14 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 99.0%		
Aerospace – 3.0%		
Honeywell International, Inc.	8,376	$ 778,549
Precision Castparts Corp.	2,084	526,002
United Technologies Corp.	6,226	718,792
		$ 2,023,343
Alcoholic Beverages – 0.3%		
Constellation Brands, Inc., "A" (a)	2,253	$ 198,557
Apparel Manufacturers – 1.1%		
Guess?, Inc.	6,639	$ 179,253
NIKE, Inc., "B"	2,094	162,390
PVH Corp.	2,369	276,225
VF Corp.	2,233	140,679
		$ 758,547
Automotive – 1.1%		
Delphi Automotive PLC	6,699	$ 460,489
Johnson Controls, Inc.	5,339	266,576
		$ 727,065
Biotechnology – 1.6%		
Alexion Pharmaceuticals, Inc. (a)	2,173	$ 339,531
Biogen Idec, Inc. (a)	1,629	513,640
Illumina, Inc. (a)	238	42,493
MiMedx Group, Inc. (a)	9,678	68,617
Puma Biotechnology, Inc. (a)	1,963	129,558
		$ 1,093,839
Broadcasting – 2.7%		
RetailMeNot, Inc. (a)	10,606	$ 282,226
Time Warner, Inc.	4,721	331,650
Twenty-First Century Fox, Inc.	22,756	799,873
Walt Disney Co.	4,416	378,628
		$ 1,792,377
Brokerage & Asset Managers – 1.1%		
Affiliated Managers Group, Inc. (a)	546	$ 112,148
BlackRock, Inc.	603	192,719
Franklin Resources, Inc.	3,799	219,734
NASDAQ OMX Group, Inc.	5,822	224,846
		$ 749,447
Business Services – 1.9%		
Accenture PLC, "A"	2,938	$ 237,508
Bright Horizons Family Solutions, Inc. (a)	6,600	283,404
CoStar Group, Inc. (a)	628	99,331
Fidelity National Information Services, Inc.	5,974	327,017
FleetCor Technologies, Inc. (a)	1,518	200,072
Forrester Research, Inc.	2,948	111,670
		$ 1,259,002
Cable TV – 1.4%		
Charter Communications, Inc., "A" (a)	1,707	$ 270,355
Comcast Corp., "Special A"	6,184	329,793

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Cable TV – continued		
Time Warner Cable, Inc.	2,455	$ 361,622
		$ 961,770
Chemicals – 1.8%		
Agrium, Inc.	2,144	$ 196,407
Celanese Corp.	4,823	310,022
LyondellBasell Industries N.V., "A"	3,265	318,827
Monsanto Co.	2,758	344,033
		$ 1,169,289
Computer Software – 3.4%		
Check Point Software Technologies Ltd. (a)	8,346	$ 559,432
Citrix Systems, Inc. (a)	4,486	280,599
Oracle Corp.	11,850	480,281
Qlik Technologies, Inc. (a)	13,249	299,692
Salesforce.com, Inc. (a)	10,682	620,411
		$ 2,240,415
Computer Software – Systems – 5.6%		
Apple, Inc. (s)	18,236	$ 1,694,671
EMC Corp.	26,121	688,027
Guidewire Software, Inc. (a)	1,663	67,618
Hewlett-Packard Co.	10,073	339,259
NCR Corp. (a)	2,809	98,568
SS&C Technologies Holdings, Inc. (a)	6,858	303,261
Vantiv, Inc., "A" (a)	14,638	492,130
		$ 3,683,534
Conglomerates – 0.8%		
Roper Industries, Inc.	3,816	$ 557,174
Construction – 1.4%		
Fortune Brands Home & Security, Inc.	5,518	$ 220,334
Pool Corp.	1,439	81,390
Sherwin-Williams Co.	2,976	615,764
		$ 917,488
Consumer Products – 2.2%		
Colgate-Palmolive Co.	6,070	$ 413,853
Newell Rubbermaid, Inc.	7,245	224,523
Procter & Gamble Co.	10,520	826,767
		$ 1,465,143
Consumer Services – 1.8%		
HomeAway, Inc. (a)	8,197	$ 285,420
ITT Educational Services, Inc. (a)(l)	5,429	90,610
Nord Anglia Education, Inc. (a)	5,488	100,430
Priceline Group, Inc. (a)	608	731,424
		$ 1,207,884
Containers – 0.5%		
Crown Holdings, Inc. (a)	1,816	$ 90,364
Packaging Corp. of America	3,037	217,115
		$ 307,479

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Electrical Equipment – 1.1%		
Danaher Corp.	6,203	$ 488,362
Sensata Technologies Holding B.V. (a)	3,722	174,115
W.W. Grainger, Inc.	382	97,131
		$ 759,608
Electronics – 3.3%		
Altera Corp.	21,268	$ 739,276
Avago Technologies Ltd.	5,806	418,438
KLA-Tencor Corp.	4,744	344,604
Microchip Technology, Inc.	14,152	690,759
		$ 2,193,077
Energy – Independent – 4.6%		
Access Midstream Partners LP	2,471	$ 157,032
Anadarko Petroleum Corp.	2,918	319,433
Athlon Energy, Inc. (a)	2,324	110,855
Cabot Oil & Gas Corp.	1,945	66,402
Clayton Williams Energy, Inc. (a)	258	35,441
Concho Resources, Inc. (a)	853	123,259
CONSOL Energy, Inc.	1,280	58,970
EOG Resources, Inc.	2,347	274,270
Goodrich Petroleum Corp. (a)	3,169	87,464
Gulfport Energy Corp. (a)	1,285	80,698
Marathon Petroleum Corp.	5,776	450,932
Memorial Resource Development Corp. (a)	5,781	140,825
Noble Energy, Inc.	4,514	349,654
PDC Energy, Inc. (a)	1,657	104,640
Peabody Energy Corp.	1,409	23,037
Pioneer Natural Resources Co.	1,597	367,007
Rice Energy, Inc. (a)	3,742	113,944
Targa Resources Corp.	1,181	164,832
		$ 3,028,695
Energy – Integrated – 3.8%		
Chevron Corp.	5,653	$ 737,999
Exxon Mobil Corp. (s)	5,281	531,691
Hess Corp.	12,921	1,277,758
		$ 2,547,448
Food & Beverages – 2.8%		
Annie's, Inc. (a)	3,960	$ 133,927
Coca-Cola Co.	17,080	723,509
General Mills, Inc.	4,555	239,320
Mead Johnson Nutrition Co., "A"	1,886	175,719
Mondelez International, Inc.	10,460	393,401
WhiteWave Foods Co., "A" (a)	6,262	202,701
		$ 1,868,577
Food & Drug Stores – 1.0%		
CVS Caremark Corp.	7,413	$ 558,718
Fairway Group Holdings Corp. (a)	19,124	127,175
		$ 685,893
Gaming & Lodging – 0.7%		
Wynn Resorts Ltd.	2,236	$ 464,104

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
General Merchandise – 1.4%		
Kohl's Corp.	6,471	$ 340,892
Target Corp.	10,282	595,842
		$ 936,734
Health Maintenance Organizations – 0.9%		
Aetna, Inc.	4,744	$ 384,644
UnitedHealth Group, Inc.	2,193	179,278
		$ 563,922
Insurance – 3.8%		
ACE Ltd.	2,457	$ 254,791
American International Group, Inc.	18,400	1,004,272
MetLife, Inc.	17,546	974,856
Safety Insurance Group, Inc.	5,240	269,231
		$ 2,503,150
Internet – 3.1%		
eBay, Inc. (a)	3,310	$ 165,699
Facebook, Inc., "A " (a)	5,835	392,637
Google, Inc., "A" (a)	1,095	640,214
Google, Inc., "C" (a)	1,037	596,565
LinkedIn Corp., "A" (a)	1,381	236,800
		$ 2,031,915
Leisure & Toys – 0.1%		
Mattel, Inc.	1,915	$ 74,628
Machinery & Tools – 2.1%		
Colfax Corp. (a)	4,307	$ 321,044
Eaton Corp. PLC	6,729	519,344
Joy Global, Inc.	5,597	344,663
Kennametal, Inc.	3,801	175,910
		$ 1,360,961
Major Banks – 4.2%		
Bank of America Corp.	15,095	$ 232,010
Goldman Sachs Group, Inc.	1,667	279,122
JPMorgan Chase & Co. (s)	13,229	762,255
Morgan Stanley	9,150	295,820
State Street Corp.	4,248	285,720
Wells Fargo & Co.	17,397	914,386
		$ 2,769,313
Medical & Health Technology & Services – 1.0%		
Cerner Corp. (a)	1,499	$ 77,318
Express Scripts Holding Co. (a)	6,510	451,338
Henry Schein, Inc. (a)	963	114,279
		$ 642,935
Medical Equipment – 4.3%		
Abbott Laboratories	15,244	$ 623,480
AtriCure, Inc. (a)	4,396	80,798
Cooper Cos., Inc.	2,617	354,682
Covidien PLC	7,384	665,889
DexCom, Inc. (a)	1,002	39,739
GenMark Diagnostics, Inc. (a)	4,704	63,645
Heartware International, Inc. (a)	1,072	94,872

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical Equipment – continued		
OraSure Technologies, Inc. (a)	3,861	$ 33,243
Sirona Dental Systems, Inc. (a)	1,171	96,561
Stryker Corp.	5,776	487,032
TearLab Corp. (a)(l)	14,834	72,242
Thermo Fisher Scientific, Inc.	2,042	240,956
		$ 2,853,139
Metals & Mining – 0.4%		
First Quantum Minerals Ltd.	6,550	$ 140,079
Lundin Mining Corp. (a)	27,540	151,502
		$ 291,581
Natural Gas – Pipeline – 0.4%		
Williams Cos., Inc.	4,565	$ 265,729
Network & Telecom – 0.0%		
Qualcomm, Inc.	367	$ 29,066
Oil Services – 1.9%		
Cameron International Corp. (a)	3,712	$ 251,340
Halliburton Co.	7,215	512,337
Schlumberger Ltd.	4,069	479,939
		$ 1,243,616
Other Banks & Diversified Financials – 5.3%		
American Express Co.	2,681	$ 254,346
BB&T Corp.	10,313	406,642
Citigroup, Inc.	14,142	666,088
Discover Financial Services	12,485	773,820
EuroDekania Ltd. (a)	50,820	30,111
PrivateBancorp, Inc.	9,981	290,048
Texas Capital Bancshares, Inc. (a)	3,825	206,359
Visa, Inc., "A"	4,243	894,043
		$ 3,521,457
Pharmaceuticals – 4.8%		
Actavis PLC (a)	3,553	$ 792,497
Bristol-Myers Squibb Co.	9,928	481,607
Endo International PLC (a)	4,991	349,470
Pfizer, Inc.	20,790	617,047
Valeant Pharmaceuticals International, Inc. (a)	5,252	662,382
Zoetis, Inc.	7,771	250,770
		$ 3,153,773
Railroad & Shipping – 1.6%		
Canadian Pacific Railway Ltd.	1,948	$ 352,861
Diana Shipping, Inc. (a)	9,289	101,157
Kansas City Southern Co.	1,032	110,950
Union Pacific Corp.	4,871	485,882
		$ 1,050,850
Real Estate – 3.2%		
Digital Realty Trust, Inc., REIT	6,103	$ 355,927
Equity Lifestyle Properties, Inc., REIT	9,230	407,597
Gramercy Property Trust, Inc., REIT	22,636	136,948
Mid-America Apartment Communities, Inc., REIT	6,927	506,017

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Real Estate – continued		
Tanger Factory Outlet Centers, Inc., REIT	9,636	$ 336,971
Weyerhaeuser Co., REIT	12,227	404,591
		$ 2,148,051
Restaurants – 0.8%		
McDonald's Corp.	5,025	$ 506,219
Specialty Chemicals – 1.2%		
Amira Nature Foods Ltd (a)	2,124	$ 29,078
FMC Corp.	3,364	239,483
Taminco Corp. (a)	6,103	141,956
W.R. Grace & Co. (a)	4,099	387,478
		$ 797,995
Specialty Stores – 2.7%		
AutoZone, Inc. (a)	505	$ 270,801
Bed Bath & Beyond, Inc. (a)	5,061	290,400
Burlington Stores, Inc. (a)	8,634	275,079
Children's Place, Inc.	3,305	164,027
Ross Stores, Inc.	3,682	243,491
Ulta Salon, Cosmetics & Fragrance, Inc. (a)	2,422	221,395
Urban Outfitters, Inc. (a)	8,763	296,715
		$ 1,761,908
Telecommunications – Wireless – 1.1%		
American Tower Corp., REIT	8,148	$ 733,157
Telephone Services – 1.4%		
Verizon Communications, Inc.	18,995	$ 929,425
Tobacco – 1.1%		
Lorillard, Inc.	3,156	$ 192,421
Philip Morris International, Inc.	6,629	558,891
		$ 751,312
Trucking – 0.6%		
Swift Transportation Co. (a)	15,591	$ 393,361
Utilities – Electric Power – 2.6%		
American Electric Power Co., Inc.	4,625	$ 257,936
Calpine Corp. (a)	7,989	190,218
CMS Energy Corp.	8,247	256,894
Dominion Resources, Inc.	2,464	176,225
Edison International	3,751	217,971
Exelon Corp.	4,548	165,911
NextEra Energy, Inc.	1,389	142,345
NRG Energy, Inc.	4,535	168,702
Pattern Energy Group, Inc.	4,575	151,478
		$ 1,727,680
Total Common Stocks (Identified Cost, $52,880,939)		**$65,701,632**
MONEY MARKET FUNDS – 0.4%		
MFS Institutional Money Market Portfolio, 0.08%, at Cost and Net Asset Value (v)	253,611	$ 253,611

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COLLATERAL FOR SECURITIES LOANED – 0.1%		
Navigator Securities Lending Prime Portfolio, 0.14%, at Cost and Net Asset Value (j)	107,881	$ 107,881
Total Investments (Identified Cost, $53,242,431)		**$66,063,124**
OTHER ASSETS, LESS LIABILITIES – 0.5%		**300,737**
Net Assets – 100.0%		**$66,363,861**

(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. At June 30, 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 June 30, 2014, the fund had cash collateral of $4,935 and other liquid securities with an aggregate value of $574,514 to cover any commitments for certain derivative contracts. 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 (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $52,988,820)	$65,809,513	
Underlying affiliated funds, at cost and value	253,611	
Total investments, at value, including $105,603 of securities on loan (identified cost, $53,242,431)	$66,063,124	
Deposits with brokers	4,935	
Receivables for		
Investments sold	1,207,858	
Fund shares sold	1,175	
Interest and dividends	43,796	
Receivable from investment adviser	248	
Other assets	911	
Total assets		$67,322,047
Liabilities		
Payables for		
Investments purchased	$734,642	
Fund shares reacquired	61,529	
Collateral for securities loaned, at value	107,881	
Payable to affiliates		
Shareholder servicing costs	437	
Distribution and/or service fees	112	
Payable for independent Trustees' compensation	3	
Accrued expenses and other liabilities	53,582	
Total liabilities		$958,186
Net assets		$66,363,861
Net assets consist of		
Paid-in capital	$55,564,817	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	12,820,688	
Accumulated net realized gain (loss) on investments and foreign currency	(2,743,334)	
Undistributed net investment income	721,690	
Net assets		$66,363,861
Shares of beneficial interest outstanding		2,665,179

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$62,259,113	2,499,637	$24.91
Service Class	4,104,748	165,542	24.80

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/14

Net investment income		
Income		
Dividends	$524,306	
Interest	791	
Dividends from underlying affiliated funds	206	
Foreign taxes withheld	(1,027)	
Total investment income		$524,276
Expenses		
Management fee	$243,287	
Distribution and/or service fees	5,061	
Shareholder servicing costs	11,228	
Administrative services fee	9,566	
Independent Trustees' compensation	1,299	
Custodian fee	8,366	
Shareholder communications	14,094	
Audit and tax fees	27,079	
Legal fees	318	
Miscellaneous	6,332	
Total expenses		$326,630
Fees paid indirectly	(1)	
Reduction of expenses by investment adviser	(29,454)	
Net expenses		$297,175
Net investment income		$227,101
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$4,750,026	
Foreign currency	(140)	
Net realized gain (loss) on investments and foreign currency		$4,749,886
Change in unrealized appreciation (depreciation)		
Investments	$(1,432,804)	
Translation of assets and liabilities in foreign currencies	(5)	
Net unrealized gain (loss) on investments and foreign currency translation		$(1,432,809)
Net realized and unrealized gain (loss) on investments and foreign currency		$3,317,077
Change in net assets from operations		$3,544,178

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/14 (unaudited)	Year ended 12/31/13
Change in net assets		
From operations		
Net investment income	$227,101	$495,965
Net realized gain (loss) on investments and foreign currency	4,749,886	9,126,033
Net unrealized gain (loss) on investments and foreign currency translation	(1,432,809)	8,871,412
Change in net assets from operations	$3,544,178	$18,493,410
Distributions declared to shareholders		
From net investment income	$—	$(618,002)
Change in net assets from fund share transactions	$(4,591,645)	$(7,406,477)
Total change in net assets	$(1,047,467)	$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 $721,690 and $494,589, respectively)	$66,363,861	$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 semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Six months ended 6/30/14 (unaudited)	Years ended 12/31				
		2013	2012	2011	2010	2009
Net asset value, beginning of period	$23.56	$17.68	$15.33	$15.65	$13.49	$10.38
Income (loss) from investment operations						
Net investment income (d)	$0.08	$0.17	$0.18	$0.11	$0.13	$0.14
Net realized and unrealized gain (loss) on investments and foreign currency	1.27	5.92	2.30	(0.28)	2.18	3.16
Total from investment operations	$1.35	$6.09	$2.48	$(0.17)	$2.31	$3.30
Less distributions declared to shareholders						
From net investment income	$—	$(0.21)	$(0.13)	$(0.15)	$(0.15)	$(0.19)
Net asset value, end of period (x)	$24.91	$23.56	$17.68	$15.33	$15.65	$13.49
Total return (%) (k)(r)(s)(x)	5.73(n)	34.60	16.23	(1.02)	17.21	32.43
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.99(a)	1.00	1.00	1.00	1.01	1.01
Expenses after expense reductions (f)	0.90(a)	0.90	0.90	0.91	0.91	0.90
Net investment income	0.72(a)	0.80	1.05	0.72	0.93	1.20
Portfolio turnover	24(n)	57	64	68	69	90
Net assets at end of period (000 omitted)	$62,259	$63,166	$53,504	$54,471	$62,602	$61,856
Supplemental Ratios (%):						
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	N/A	0.90	0.90	0.90	0.90	0.90

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Six months ended 6/30/14 (unaudited)	Years ended 12/31				
		2013	2012	2011	2010	2009
Net asset value, beginning of period	$23.48	$17.63	$15.28	$15.59	$13.45	$10.32
Income (loss) from investment operations						
Net investment income (d)	$0.05	$0.11	$0.14	$0.07	$0.09	$0.11
Net realized and unrealized gain (loss) on investments and foreign currency	1.27	5.90	2.29	(0.27)	2.17	3.17
Total from investment operations	$1.32	$6.01	$2.43	$(0.20)	$2.26	$3.28
Less distributions declared to shareholders						
From net investment income	$—	$(0.16)	$(0.08)	$(0.11)	$(0.12)	$(0.15)
Net asset value, end of period (x)	$24.80	$23.48	$17.63	$15.28	$15.59	$13.45
Total return (%) (k)(r)(s)(x)	5.62(n)	34.23	15.95	(1.28)	16.86	32.24
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.24(a)	1.25	1.25	1.25	1.26	1.26
Expenses after expense reductions (f)	1.15(a)	1.15	1.15	1.16	1.16	1.15
Net investment income	0.47(a)	0.55	0.81	0.47	0.67	0.95
Portfolio turnover	24(n)	57	64	68	69	90
Net assets at end of period (000 omitted)	$4,105	$4,245	$3,438	$3,537	$4,623	$4,783
Supplemental Ratios (%):						
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	N/A	1.15	1.15	1.15	1.15	1.15

(a) Annualized.

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.

(n) Not annualized.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS 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 Standard 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 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 generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of June 30, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$63,378,194	$—	$—	$63,378,194
Canada	1,503,230	—	—	1,503,230
Israel	559,432	—	—	559,432
Greece	101,157	—	—	101,157
Hong Kong	100,430	—	—	100,430
Cayman Islands	—	—	30,111	30,111
United Arab Emirates	29,078	—	—	29,078
Mutual Funds	361,492	—	—	361,492
Total Investments	$66,033,013	$—	$30,111	$66,063,124

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)	(16,649)
Partial liquidation proceeds	(431)
Balance as of 6/30/14	$30,111

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at June 30, 2014 is $(16,649).

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 June 30, 2014, the fund did not have any outstanding derivative instruments.

Notes to Financial Statements (unaudited) – continued

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended June 30, 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 six months ended June 30, 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.

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 or short-term securities. 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 $105,603 and a related liability of $107,881 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 six months ended June 30, 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, 2013 there were no significant adjustments due to differences between book and tax.

The tax character of distributions declared to shareholders for the last fiscal year is as follows:

	12/31/13
Ordinary income (including any short-term capital gains)	$618,002

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/14	
Cost of investments	$53,251,949
Gross appreciation	14,413,683
Gross depreciation	(1,602,508)
Net unrealized appreciation (depreciation)	$12,811,175
As of 12/31/13	
Undistributed ordinary income	494,589
Capital loss carryforwards	(7,474,349)
Other temporary differences	(10,460)
Net unrealized appreciation (depreciation)	14,245,086

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized for fund fiscal years beginning after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses ("post-enactment losses"). Previously, net capital losses were carried forward for eight years and treated as short-term losses ("pre-enactment losses"). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2013, the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

12/31/17	$(7,474,349)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Six months ended 6/30/14	**Year ended 12/31/13**
Initial Class	$—	$587,561
Service Class	—	30,441
Total	$—	$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 six months ended June 30, 2014, this management fee reduction amounted to $1,185, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the six months ended June 30, 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, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs and investment-related expenses, such that total annual operating expenses do not exceed 0.90% of average daily net assets for the Initial Class shares and 1.15% of average daily net assets for the Service Class shares. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until April 30, 2016. For the six months ended June 30, 2014, this reduction amounted to $28,199 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.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2014, the fee was $10,932, which equated to 0.0337% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2014, these costs amounted to $296.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2014 was equivalent to an annual effective rate of 0.0295% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. The ICCO is an officer of the funds and the sole member of Tarantino LLC. 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 service agreement between the funds and Griffin Compliance LLC was terminated. For the six months ended June 30, 2014, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $115 and are included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $70, 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 and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

For the six months ended June 30, 2014, purchases and sales of investments, other than purchased option transactions, and short-term obligations, aggregated $15,958,983 and $20,524,989, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/14		**Year ended 12/31/13**	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	93,111	$2,236,053	378,017	$7,890,348
Service Class	2,474	58,026	28,308	593,152
	95,585	$2,294,079	406,325	$8,483,500
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	28,006	$587,561
Service Class	—	—	1,454	30,441
	—	$—	29,460	$618,002
Shares reacquired				
Initial Class	(274,777)	$(6,472,632)	(751,219)	$(15,580,081)
Service Class	(17,711)	(413,092)	(44,031)	(927,898)
	(292,488)	$(6,885,724)	(795,250)	$(16,507,979)

Notes to Financial Statements (unaudited) – continued

	Six months ended 6/30/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Net change				
Initial Class	(181,666)	$(4,236,579)	(345,196)	$(7,102,172)
Service Class	(15,237)	(355,066)	(14,269)	(304,305)
	(196,903)	$(4,591,645)	(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 six months ended June 30, 2014, the fund's commitment fee and interest expense were $138 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	6,729,686	(7,180,400)	253,611

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$206	$253,611

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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

MFS®

SEMIANNUAL REPORT
June 30, 2014

MFS® GROWTH SERIES

MFS® Variable Insurance Trust

VEG-SEM

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.

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NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

After the U.S. economy contracted sharply early this year — with activity curtailed by severe winter weather, a decline in exports and an inventory stockpile — indicators have consistently shown that the U.S. economy likely regained momentum in the second quarter. The labor market is more robust, manufacturing is strong and retail sales have improved along with consumer confidence.

Although Europe emerged from recession last year, the pace of growth in the region has been slow, with persistently high unemployment and very low inflation that points to the risk of deflation. Asia remains vulnerable but also shows signs of recovery. China's economic growth has slowed somewhat, and Japan's economic turnaround remains a work in progress. Emerging markets have been more turbulent over the past 12 months.

Despite this economic uncertainty, and the growing likelihood of interest rate increases that has heightened bond risks, global financial markets have been relatively stable thus far in 2014.

As always at MFS®, active risk management is integral to how we manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global team of investment professionals takes a multidisciplined, long-term, diversified investment approach.

We understand that these are challenging economic times. We believe that we can serve you best by applying proven principles, such as asset allocation and diversification, over the long term. We are confident that this approach can serve you well as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

Robert J Manning

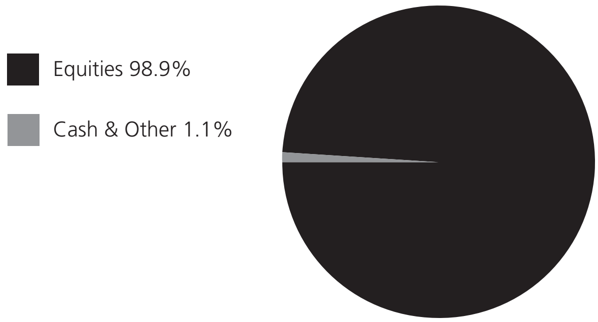
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management

August 15, 2014

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

Google, Inc., "A"	2.8%
Google, Inc., "C"	2.5%
Visa, Inc., "A"	2.4%
Thermo Fisher Scientific, Inc.	2.2%
Danaher Corp.	2.2%
American Tower Corp., REIT	2.1%
Priceline Group, Inc.	2.0%
Monsanto Co.	1.9%
Biogen Idec, Inc.	1.9%
Facebook, Inc., "A"	1.9%

Equity sectors

Technology	18.0%
Health Care	17.4%
Leisure	12.5%
Retailing	9.1%
Financial Services	9.0%
Industrial Goods & Services	8.0%
Special Products & Services	6.3%
Energy	5.6%
Consumer Staples	5.5%
Basic Materials	2.5%
Utilities & Communications	2.1%
Autos & Housing	1.7%
Transportation	1.2%

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 6/30/14.
The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2014 through June 30, 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 January 1, 2014 through June 30, 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 1/01/14	Ending Account Value 6/30/14	Expenses Paid During Period (p) 1/01/14-6/30/14
Initial Class	Actual	0.76%	$1,000.00	$1,028.16	$3.82
	Hypothetical (h)	0.76%	$1,000.00	$1,021.03	$3.81
Service Class	Actual	1.01%	$1,000.00	$1,026.95	$5.08
	Hypothetical (h)	1.01%	$1,000.00	$1,019.79	$5.06

(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 181/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 6/30/14 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 98.9%		
Aerospace – 3.2%		
BE Aerospace, Inc. (a)	76,107	$ 7,039,142
Honeywell International, Inc.	181,487	16,869,217
Precision Castparts Corp.	98,124	24,766,498
		$ 48,674,857
Alcoholic Beverages – 1.2%		
Constellation Brands, Inc., "A" (a)	87,848	$ 7,742,044
Diageo PLC	141,794	4,528,152
Pernod Ricard S.A.	54,598	6,556,545
		$ 18,826,741
Apparel Manufacturers – 3.4%		
LVMH Moet Hennessy Louis Vuitton S.A.	52,679	$ 10,156,378
Michael Kors Holdings Ltd. (a)	77,464	6,867,184
NIKE, Inc., "B"	129,513	10,043,733
PVH Corp.	56,179	6,550,471
VF Corp.	297,013	18,711,819
		$ 52,329,585
Automotive – 0.7%		
BorgWarner Transmission Systems, Inc.	168,317	$ 10,972,585
Biotechnology – 6.6%		
Alexion Pharmaceuticals, Inc. (a)	129,482	$ 20,231,563
Biogen Idec, Inc. (a)	93,496	29,480,224
Celgene Corp. (a)	178,488	15,328,549
Gilead Sciences, Inc. (a)	232,015	19,236,364
Illumina, Inc. (a)	10,884	1,943,229
Isis Pharmaceuticals, Inc. (a)	42,333	1,458,372
Puma Biotechnology, Inc. (a)	22,703	1,498,398
Regeneron Pharmaceuticals, Inc. (a)	45,076	12,732,618
		$ 101,909,317
Broadcasting – 5.4%		
Discovery Communications, Inc., "A" (a)	140,080	$ 10,405,142
Time Warner, Inc.	201,290	14,140,623
Twenty-First Century Fox, Inc.	760,639	26,736,461
Viacom, Inc., "B"	130,595	11,326,504
Walt Disney Co.	240,624	20,631,102
		$ 83,239,832
Brokerage & Asset Managers – 2.8%		
Affiliated Managers Group, Inc. (a)	51,538	$ 10,585,905
BlackRock, Inc.	24,305	7,767,878
Intercontinental Exchange, Inc.	127,423	24,070,205
		$ 42,423,988
Business Services – 3.3%		
Cognizant Technology Solutions Corp., "A" (a)	551,666	$ 26,981,984
FleetCor Technologies, Inc. (a)	116,878	15,404,520
Verisk Analytics, Inc., "A" (a)	140,602	8,438,932
		$ 50,825,436

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Cable TV – 1.5%		
Comcast Corp., "Special A"	447,296	$ 23,854,296
Chemicals – 1.9%		
Monsanto Co.	236,814	$ 29,540,178
Computer Software – 3.7%		
Autodesk, Inc. (a)	98,821	$ 5,571,528
Citrix Systems, Inc. (a)	79,409	4,967,033
Oracle Corp.	487,846	19,772,398
PTC, Inc. (a)	116,530	4,521,364
Salesforce.com, Inc. (a)	326,703	18,974,910
VMware, Inc., "A" (a)	33,882	3,280,116
		$ 57,087,349
Computer Software – Systems – 3.1%		
Apple, Inc.	210,042	$ 19,519,203
EMC Corp.	1,061,413	27,957,618
		$ 47,476,821
Conglomerates – 0.8%		
Roper Industries, Inc.	83,797	$ 12,235,200
Construction – 1.0%		
Sherwin-Williams Co.	74,678	$ 15,451,625
Consumer Products – 1.3%		
Colgate-Palmolive Co.	183,396	$ 12,503,939
Estee Lauder Cos., Inc., "A"	98,474	7,312,679
		$ 19,816,618
Consumer Services – 2.2%		
Priceline Group, Inc. (a)	25,144	$ 30,248,232
TripAdvisor, Inc. (a)	29,830	3,241,328
		$ 33,489,560
Electrical Equipment – 3.2%		
AMETEK, Inc.	300,341	$ 15,701,827
Danaher Corp.	429,883	33,844,689
		$ 49,546,516
Electronics – 1.2%		
Altera Corp.	414,527	$ 14,408,959
Linear Technology Corp.	94,831	4,463,695
		$ 18,872,654
Energy – Independent – 4.1%		
Anadarko Petroleum Corp.	159,658	$ 17,477,761
Antero Resources Corp. (a)	38,728	2,541,719
Cabot Oil & Gas Corp.	202,930	6,928,030
Noble Energy, Inc.	189,056	14,644,278
Pioneer Natural Resources Co.	94,668	21,755,653
		$ 63,347,441
Food & Beverages – 2.3%		
Groupe Danone	92,359	$ 6,859,581
Mead Johnson Nutrition Co., "A"	123,915	11,545,161

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Food & Beverages – continued		
Mondelez International, Inc.	464,257	$ 17,460,706
		$ 35,865,448
Food & Drug Stores – 0.8%		
CVS Caremark Corp.	164,536	$ 12,401,078
Gaming & Lodging – 3.9%		
Hilton Worldwide Holdings, Inc. (a)	169,802	$ 3,956,387
Las Vegas Sands Corp.	236,979	18,062,539
Marriott International, Inc., “A”	233,177	14,946,646
Wynn Resorts Ltd.	114,256	23,714,975
		$ 60,680,547
General Merchandise – 0.7%		
Costco Wholesale Corp.	93,974	$ 10,822,046
Insurance – 0.3%		
MetLife, Inc.	88,833	$ 4,935,561
Internet – 8.5%		
eBay, Inc. (a)	92,808	$ 4,645,968
Facebook, Inc., “A ” (a)	435,446	29,301,161
Google, Inc., “A” (a)	74,126	43,339,248
Google, Inc., “C” (a)	66,414	38,206,646
LinkedIn Corp., “A” (a)	64,988	11,143,492
Yahoo!, Inc. (a)	119,130	4,185,037
		$ 130,821,552
Machinery & Tools – 1.6%		
Colfax Corp. (a)	120,206	$ 8,960,155
Cummins, Inc.	74,925	11,560,178
Joy Global, Inc.	73,833	4,546,636
		$ 25,066,969
Major Banks – 0.5%		
Morgan Stanley	246,455	$ 7,967,890
Medical & Health Technology & Services – 1.6%		
Cerner Corp. (a)	146,535	$ 7,558,275
Express Scripts Holding Co. (a)	146,174	10,134,243
McKesson Corp.	41,153	7,663,100
		$ 25,355,618
Medical Equipment – 4.3%		
C.R. Bard, Inc.	30,160	$ 4,313,182
Cooper Cos., Inc.	37,435	5,073,566
Covidien PLC	260,684	23,508,483
Thermo Fisher Scientific, Inc.	290,382	34,265,076
		$ 67,160,307
Network & Telecom – 1.6%		
Qualcomm, Inc.	309,353	$ 24,500,758
Oil Services – 1.5%		
Halliburton Co.	131,818	$ 9,360,396
Schlumberger Ltd.	122,226	14,416,557
		$ 23,776,953

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Other Banks & Diversified Financials – 5.4%		
American Express Co.	220,454	$ 20,914,471
MasterCard, Inc., “A”	357,371	26,256,047
Visa, Inc., “A”	174,351	36,737,499
		$ 83,908,017
Pharmaceuticals – 4.9%		
Actavis PLC (a)	118,982	$ 26,538,935
Bristol-Myers Squibb Co.	394,178	19,121,575
Forest Laboratories, Inc. (a)	24,732	2,448,468
Perrigo Co. PLC	77,440	11,287,654
Valeant Pharmaceuticals International, Inc. (a)	81,150	10,234,638
Zoetis, Inc.	186,071	6,004,511
		$ 75,635,781
Printing & Publishing – 0.2%		
Moody’s Corp.	35,247	$ 3,089,752
Railroad & Shipping – 1.1%		
Kansas City Southern Co.	50,442	$ 5,423,019
Union Pacific Corp.	122,602	12,229,550
		$ 17,652,569
Restaurants – 1.5%		
Starbucks Corp.	188,839	$ 14,612,362
YUM! Brands, Inc.	96,192	7,810,790
		$ 22,423,152
Specialty Chemicals – 0.6%		
Airgas, Inc.	86,036	$ 9,370,181
Specialty Stores – 4.2%		
Amazon.com, Inc. (a)	47,699	$ 15,491,681
AutoZone, Inc. (a)	14,238	7,634,985
Ross Stores, Inc.	277,059	18,321,912
Tiffany & Co.	92,733	9,296,483
TJX Cos., Inc.	177,153	9,415,682
Tractor Supply Co.	62,306	3,763,282
Urban Outfitters, Inc. (a)	43,476	1,472,097
		$ 65,396,122
Telecommunications – Wireless – 2.1%		
American Tower Corp., REIT	361,976	$ 32,570,600
Tobacco – 0.7%		
Philip Morris International, Inc.	127,813	$ 10,775,914
Total Common Stocks (Identified Cost, $1,061,650,870)		**$1,530,097,414**
MONEY MARKET FUNDS – 1.3%		
MFS Institutional Money Market Portfolio, 0.08%, at Cost and Net Asset Value (v)	19,304,652	$ 19,304,652
Total Investments (Identified Cost, $1,080,955,522)		**$1,549,402,066**
OTHER ASSETS, LESS LIABILITIES – (0.2)%		**(2,505,864)**
Net Assets – 100.0%		**$1,546,896,202**

Portfolio of Investments (unaudited) – 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:

PLC Public Limited Company

REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $1,061,650,870)	$1,530,097,414	
Underlying affiliated funds, at cost and value	19,304,652	
Total investments, at value (identified cost, $1,080,955,522)	$1,549,402,066	
Receivables for		
Investments sold	10,837,800	
Fund shares sold	866,455	
Dividends	927,815	
Other assets	4,035	
Total assets		$1,562,038,171
Liabilities		
Payables for		
Investments purchased	$11,162,061	
Fund shares reacquired	3,663,698	
Payable to affiliates		
Investment adviser	116,724	
Shareholder servicing costs	1,901	
Distribution and/or service fees	7,135	
Payable for independent Trustees' compensation	10	
Accrued expenses and other liabilities	190,440	
Total liabilities		$15,141,969
Net assets		$1,546,896,202
Net assets consist of		
Paid-in capital	$944,121,360	
Unrealized appreciation (depreciation) on investments	468,446,544	
Accumulated net realized gain (loss) on investments and foreign currency	132,520,014	
Undistributed net investment income	1,808,284	
Net assets		$1,546,896,202
Shares of beneficial interest outstanding		38,663,840

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$1,286,278,656	32,023,667	$40.17
Service Class	260,617,546	6,640,173	39.25

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/14

Net investment income		
Income		
Dividends	$6,618,925	
Interest	28,190	
Dividends from underlying affiliated funds	10,875	
Foreign taxes withheld	(49,454)	
Total investment income		$6,608,536
Expenses		
Management fee	$5,425,302	
Distribution and/or service fees	307,773	
Shareholder servicing costs	46,042	
Administrative services fee	93,774	
Independent Trustees' compensation	15,931	
Custodian fee	64,172	
Shareholder communications	63,831	
Audit and tax fees	27,674	
Legal fees	6,508	
Miscellaneous	19,875	
Total expenses		$6,070,882
Reduction of expenses by investment adviser	(29,316)	
Net expenses		$6,041,566
Net investment income		$566,970
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$41,888,607	
Foreign currency	(2,835)	
Net realized gain (loss) on investments and foreign currency		$41,885,772
Change in unrealized appreciation (depreciation) on investments		$(230,654)
Net realized and unrealized gain (loss) on investments		$41,655,118
Change in net assets from operations		$42,222,088

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/14 (unaudited)	Year ended 12/31/13
Change in net assets		
From operations		
Net investment income	$566,970	$1,231,688
Net realized gain (loss) on investments and foreign currency	41,885,772	101,361,807
Net unrealized gain (loss) on investments and foreign currency translation	(230,654)	315,012,859
Change in net assets from operations	$42,222,088	$417,606,354
Distributions declared to shareholders		
From net investment income	$—	$(2,907,322)
From net realized gain on investments	—	(9,897,269)
Total distributions declared to shareholders	$—	$(12,804,591)
Change in net assets from fund share transactions	$(45,903,256)	$4,106,615
Total change in net assets	$(3,681,168)	$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 $1,808,284 and $1,241,314, respectively)	$1,546,896,202	$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 semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	**Six months ended 6/30/14 (unaudited)**	**Years ended 12/31**				
		2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$39.07	$28.83	$24.56	$24.69	$21.43	$15.62
Income (loss) from investment operations						
Net investment income (loss) (d)	$0.02	$0.04	$0.13	$(0.00)(w)	$0.05	$0.03
Net realized and unrealized gain (loss) on investments and foreign currency	1.08	10.53	4.14	(0.08)	3.24	5.83
Total from investment operations	$1.10	$10.57	$4.27	$(0.08)	$3.29	$5.86
Less distributions declared to shareholders						
From net investment income	$—	$(0.08)	$—	$(0.05)	$(0.03)	$(0.05)
From net realized gain on investments	—	(0.25)	—	—	—	—
Total distributions declared to shareholders	$—	$(0.33)	$—	$(0.05)	$(0.03)	$(0.05)
Net asset value, end of period (x)	$40.17	$39.07	$28.83	$24.56	$24.69	$21.43
Total return (%) (k)(r)(s)(x)	2.82(n)	36.85	17.39	(0.32)	15.34	37.67
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.76(a)	0.77	0.82	0.84	0.85	0.86
Expenses after expense reductions (f)	0.76(a)	0.77	0.82	0.84	0.85	0.86
Net investment income	0.11(a)	0.13	0.45	(0.00)(w)	0.24	0.14
Portfolio turnover	17(n)	43	52	75	100	100
Net assets at end of period (000 omitted)	$1,286,279	$1,308,361	$1,007,422	$461,382	$503,497	$498,288

Service Class	**Six months ended 6/30/14 (unaudited)**	**Years ended 12/31**				
		2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$38.22	$28.25	$24.13	$24.27	$21.10	$15.37
Income (loss) from investment operations						
Net investment income (loss) (d)	$(0.02)	$(0.04)	$0.07	$(0.06)	$0.00(w)	$(0.02)
Net realized and unrealized gain (loss) on investments and foreign currency	1.05	10.30	4.05	(0.08)	3.17	5.76
Total from investment operations	$1.03	$10.26	$4.12	$(0.14)	$3.17	$5.74
Less distributions declared to shareholders						
From net investment income	$—	$(0.04)	$—	$(0.00)(w)	$—	$(0.01)
From net realized gain on investments	—	(0.25)	—	—	—	—
Total distributions declared to shareholders	$—	$(0.29)	$—	$(0.00)(w)	$—	$(0.01)
Net asset value, end of period (x)	$39.25	$38.22	$28.25	$24.13	$24.27	$21.10
Total return (%) (k)(r)(s)(x)	2.69(n)	36.49	17.07	(0.56)	15.02	37.33
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.01(a)	1.02	1.07	1.09	1.10	1.10
Expenses after expense reductions (f)	1.01(a)	1.02	1.07	1.09	1.10	1.10
Net investment income (loss)	(0.13)(a)	(0.12)	0.26	(0.25)	0.02	(0.11)
Portfolio turnover	17(n)	43	52	75	100	100
Net assets at end of period (000 omitted)	$260,618	$242,216	$134,247	$56,810	$43,161	$31,861

See Notes to Financial Statements

Financial Highlights – continued

(a) Annualized.
(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(n) Not annualized.
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
(w) Per share amount was less than $0.01 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 (unaudited)

(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 Standard 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 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 generally are valued at amortized cost, which approximates market value. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of June 30, 2014 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities	$1,530,097,414	$—	$—	$1,530,097,414
Mutual Funds	19,304,652	—	—	19,304,652
Total Investments	$1,549,402,066	$—	$—	$1,549,402,066

For further information regarding security characteristics, see the Portfolio of Investments.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Security Loans – 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 or short-term securities. 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 June 30, 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. For the six months ended June 30, 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 fiscal year is as follows:

	12/31/13
Ordinary income (including any short-term capital gains)	$2,907,322
Long-term capital gains	9,897,269
Total distributions	$12,804,591

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/14	
Cost of investments	$1,081,828,077
Gross appreciation	473,212,040
Gross depreciation	(5,638,051)
Net unrealized appreciation (depreciation)	$467,573,989
As of 12/31/13	
Undistributed ordinary income	28,432,981
Undistributed long-term capital gain	74,651,916
Capital loss carryforwards	(10,171,567)
Other temporary differences	(165,219)
Net unrealized appreciation (depreciation)	467,804,643

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized for fund fiscal years beginning after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses ("post-enactment losses"). Previously, net capital losses were carried forward for eight years and treated as short-term losses ("pre-enactment losses"). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2013, the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

12/31/16	$(4,835,046)
12/31/17	(5,336,521)
Total	$(10,171,567)

Notes to Financial Statements (unaudited) – continued

The availability of $4,835,046 of the capital loss carryforwards which were acquired on August 17, 2012 in connection with the MFS Growth Portfolio merger, may be limited in a given year. The availability of $5,336,521 of the capital loss carryforwards of the fund may be limited in a given year due to the acquisition of SC WMC Large Cap Growth Fund on December 7, 2012.

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income		From net realized gain on investments	
	Six months ended 6/30/14	Year ended 12/31/13	Six months ended 6/30/14	Year ended 12/31/13
Initial Class	$—	$2,673,098	$—	$8,467,219
Service Class	—	234,224	—	1,430,050
Total	$—	$2,907,322	$—	$9,897,269

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

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 six months ended June 30, 2014, this management fee reduction amounted to $27,691, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the six months ended June 30, 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 six months ended June 30, 2014, the fee was $44,733, which equated to 0.0059% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2014, these costs amounted to $1,309.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2014 was equivalent to an annual effective rate of 0.0124% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. The ICCO is an officer of the funds and the sole member of Tarantino LLC. 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 service agreement between the funds and Griffin Compliance LLC was terminated. For the six months ended June 30, 2014, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $3,591 and are included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $1,625, 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 and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

For the six months ended June 30, 2014, purchases and sales of investments, other than short-term obligations, aggregated $254,869,779 and $ 294,455,718, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	1,121,489	$43,831,928	5,035,809	$169,845,931
Service Class	1,056,513	40,538,324	2,764,608	91,199,853
	2,178,002	$84,370,252	7,800,417	$261,045,784
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	330,769	$11,140,317
Service Class	—	—	50,463	1,664,274
	—	$—	381,232	$12,804,591
Shares reacquired				
Initial Class	(2,589,125)	$(101,552,636)	(6,822,186)	$(229,194,954)
Service Class	(753,723)	(28,720,872)	(1,230,190)	(40,548,806)
	(3,342,848)	$(130,273,508)	(8,052,376)	$(269,743,760)
Net change				
Initial Class	(1,467,636)	$(57,720,708)	(1,455,608)	$(48,208,706)
Service Class	302,790	11,817,452	1,584,881	52,315,321
	(1,164,846)	$(45,903,256)	129,273	$4,106,615

The fund is one of several mutual funds in which certain of the MFS funds-of-funds may invest. The MFS funds-of-funds do not invest in the underlying funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Growth Allocation Portfolio, and the MFS Conservative Allocation Portfolio were the owners of record of approximately 13%, 4%, and 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 six months ended June 30, 2014, the fund's commitment fee and interest expense were $3,104 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	113,682,562	(117,142,639)	19,304,652

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$10,875	$19,304,652

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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

MFS®

SEMIANNUAL REPORT
June 30, 2014

MFS®

MFS® HIGH YIELD PORTFOLIO

MFS® Variable Insurance Trust II

HYS-SEM

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.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE •
NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

After the U.S. economy contracted sharply early this year — with activity curtailed by severe winter weather, a decline in exports and an inventory stockpile — indicators have consistently shown that the U.S. economy likely regained momentum in the second quarter. The labor market is more robust, manufacturing is strong and retail sales have improved along with consumer confidence.

Although Europe emerged from recession last year, the pace of growth in the region has been slow, with persistently high unemployment and very low inflation that points to the risk of deflation. Asia remains vulnerable but also shows signs of recovery. China's economic growth has slowed somewhat, and Japan's economic turnaround remains a work in progress. Emerging markets have been more turbulent over the past 12 months.

Despite this economic uncertainty, and the growing likelihood of interest rate increases that has heightened bond risks, global financial markets have been relatively stable thus far in 2014.

As always at MFS®, active risk management is integral to how we manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global team of investment professionals takes a multidisciplined, long-term, diversified investment approach.

We understand that these are challenging economic times. We believe that we can serve you best by applying proven principles, such as asset allocation and diversification, over the long term. We are confident that this approach can serve you well as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

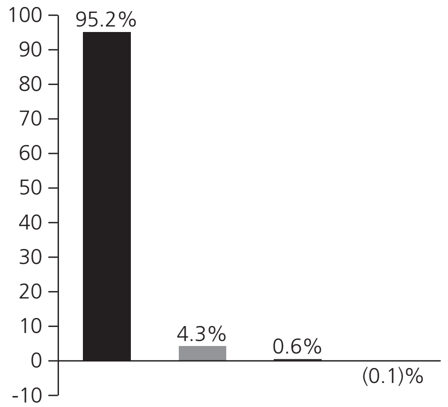
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management

August 15, 2014

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)



	Bonds	95.2%
	Floating Rate Loans	4.3%
	Equities	0.6%
	Cash & Other	(0.1)%

Composition including fixed income credit quality (a)(i)

BBB	2.5%
BB	36.8%
B	47.0%
CCC	12.9%
C	0.1%
D (o)	0.0%
Not Rated	0.2%
Non-Fixed Income	0.6%
Cash & Other	(0.1)%

Portfolio facts (i)

Average Duration (d)	4.4
Average Effective Maturity (m)	7.0 yrs.

Top five industries (i)

Energy – Independent	9.4%
Metals & Mining	5.1%
Midstream	4.9%
Telecommunications – Wireless	4.9%
Medical & Health Technology & Services	4.9%

(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%.

From time to time Cash & Other may be negative due to timing of cash receipts and/or equivalent exposure from any derivative holdings.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

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 6/30/14.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2014 through June 30, 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 January 1, 2014 through June 30, 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 1/01/14	Ending Account Value 6/30/14	Expenses Paid During Period (p) 1/01/14-6/30/14
Initial Class	Actual	0.75%	$1,000.00	$1,050.96	$3.81
	Hypothetical (h)	0.75%	$1,000.00	$1,021.08	$3.76
Service Class	Actual	1.00%	$1,000.00	$1,049.92	$5.08
	Hypothetical (h)	1.00%	$1,000.00	$1,019.84	$5.01

(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 181/365 (to reflect the one-half year period).

Expense Changes Impacting the Table

Changes to the fund's fee arrangements will occur during the fund's current fiscal year. Had these fee changes been in effect during the 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%, $3.66 and $3.61 for Initial Class and 0.97%, $4.93 and $4.86 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 – 6/30/14 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer		Shares/Par		Value ($)
BONDS – 93.9%				
Aerospace – 2.3%				
Bombardier, Inc., 7.5%, 3/15/18 (n)	$	1,790,000	$	2,018,225
Bombardier, Inc., 7.75%, 3/15/20 (n)		1,265,000		1,429,640
Bombardier, Inc., 6.125%, 1/15/23 (n)		1,960,000		2,018,800
CPI International, Inc., 8.75%, 2/15/18		2,424,000		2,539,140
Gencorp, Inc., 7.125%, 3/15/21		2,625,000		2,867,813
Huntington Ingalls Industries, Inc., 7.125%, 3/15/21		3,085,000		3,370,363
TransDigm, Inc., 6%, 7/15/22 (z)		235,000		241,463
TransDigm, Inc., 6.5%, 7/15/24 (z)		980,000		1,020,425
			$	15,505,869
Apparel Manufacturers – 0.4%				
Hanesbrands, Inc., 6.375%, 12/15/20	$	1,430,000	$	1,546,178
PVH Corp., 4.5%, 12/15/22		1,030,000		1,014,550
			$	2,560,728
Asset-Backed & Securitized – 0.4%				
Arbor Realty Mortgage Securities, CDO, FRN, 2.527%, 4/21/38 (z)	$	1,136,457	$	766,983
Citigroup Commercial Mortgage Trust, FRN, 5.709%, 12/10/49 (d)(q)		2,086,863		293,855
Crest Ltd., CDO, 7%, 1/28/40 (a)(p)		1,320,259		66,013
CWCapital Cobalt Ltd., CDO, 6.23%, 5/25/45 (a)(p)(z)		2,652,565		91,460
CWCapital Cobalt Ltd., CDO, “F”, FRN, 1.527%, 4/26/50 (a)(p)(z)		1,077,294		11
First Union National Bank Commercial Mortgage Trust, 6.75%, 10/15/32 (d)(q)		1,281,404		641,483
G-Force LLC, CDO, “A2”, 4.83%, 8/22/36 (z)		9,235		9,449
JPMorgan Chase Commercial Mortgage Securities Corp., “C”, FRN, 6.217%, 2/15/51		1,550,000		1,116,189
			$	2,985,443
Automotive – 2.7%				
Accuride Corp., 9.5%, 8/01/18	$	2,680,000	$	2,823,103
Allison Transmission, Inc., 7.125%, 5/15/19 (n)		3,525,000		3,771,750
Goodyear Tire & Rubber Co., 6.5%, 3/01/21		2,670,000		2,896,950
Goodyear Tire & Rubber Co., 7%, 5/15/22		1,220,000		1,354,200
Jaguar Land Rover PLC, 8.125%, 5/15/21 (n)		3,350,000		3,768,750
Jaguar Land Rover PLC, 5.625%, 2/01/23 (n)		955,000		1,014,688
Lear Corp., 8.125%, 3/15/20		534,000		574,718
Lear Corp., 4.75%, 1/15/23		1,060,000		1,054,700
Schaeffler Finance B.V., 6.875%, 8/15/18 (p)(n)		1,530,000		1,612,238
			$	18,871,097

Issuer		Shares/Par		Value ($)
BONDS – continued				
Broadcasting – 2.8%				
AMC Networks, Inc., 7.75%, 7/15/21	$	1,520,000	$	1,700,500
Clear Channel Communications, Inc., 9%, 3/01/21		1,614,000		1,726,980
Clear Channel Worldwide Holdings, Inc., “A”, 6.5%, 11/15/22		650,000		693,875
Clear Channel Worldwide Holdings, Inc., “B”, 6.5%, 11/15/22		1,595,000		1,718,613
Liberty Media Corp., 8.5%, 7/15/29		1,840,000		2,042,400
Netflix, Inc., 5.375%, 2/01/21		1,645,000		1,723,138
Nexstar Broadcasting, Inc., 6.875%, 11/15/20		2,020,000		2,176,550
SIRIUS XM Radio, Inc., 4.25%, 5/15/20 (n)		635,000		626,269
SIRIUS XM Radio, Inc., 5.875%, 10/01/20 (n)		255,000		269,663
SIRIUS XM Radio, Inc., 4.625%, 5/15/23 (n)		1,250,000		1,196,875
SIRIUS XM Radio, Inc., 6%, 7/15/24 (z)		1,155,000		1,201,200
Univision Communications, Inc., 6.875%, 5/15/19 (n)		1,285,000		1,371,738
Univision Communications, Inc., 7.875%, 11/01/20 (n)		1,980,000		2,178,000
Univision Communications, Inc., 8.5%, 5/15/21 (n)		585,000		648,619
Univision Communications, Inc., 6.75%, 9/15/22 (n)		226,000		250,013
			$	19,524,433
Brokerage & Asset Managers – 0.5%				
E*TRADE Financial Corp., 6.75%, 6/01/16	$	100,000	$	108,500
E*TRADE Financial Corp., 6.375%, 11/15/19		3,120,000		3,377,400
			$	3,485,900
Building – 3.5%				
Allegion U.S. Holding Co., Inc., 5.75%, 10/01/21 (n)	$	2,720,000	$	2,862,800
Building Materials Holding Corp., 6.875%, 8/15/18 (n)		1,085,000		1,125,145
Building Materials Holding Corp., 7%, 2/15/20 (n)		825,000		874,500
Building Materials Holding Corp., 6.75%, 5/01/21 (n)		1,620,000		1,745,550
CEMEX Espana S.A., 9.25%, 5/12/20 (n)		650,000		710,938
CEMEX S.A.B. de C.V., 5.875%, 3/25/19 (n)		467,000		488,015
CEMEX S.A.B. de C.V., 9.25%, 5/12/20		1,785,000		1,952,344
CEMEX S.A.B. de C.V., 7.25%, 1/15/21 (n)		1,269,000		1,395,900
Gibraltar Industries, Inc., 6.25%, 2/01/21		1,475,000		1,534,000

Portfolio of Investments (unaudited) – continued

Issuer		Shares/Par	Value ($)
BONDS – continued			
Building – continued			
HD Supply, Inc., 8.125%, 4/15/19	$	1,320,000	$ 1,450,350
HD Supply, Inc., 7.5%, 7/15/20		2,320,000	2,534,600
Headwaters, Inc., 7.25%, 1/15/19 (n)		915,000	967,613
Headwaters, Inc., 7.625%, 4/01/19		775,000	827,313
Nortek, Inc., 8.5%, 4/15/21		2,535,000	2,801,175
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 6/01/20 (n)		1,787,000	1,903,155
USG Corp., 7.875%, 3/30/20 (n)		830,000	919,225
			$ 24,092,623
Business Services – 1.3%			
Equinix, Inc., 4.875%, 4/01/20	$	1,325,000	$ 1,358,125
Equinix, Inc., 5.375%, 4/01/23		1,070,000	1,094,075
Fidelity National Information Services, Inc., 5%, 3/15/22		2,390,000	2,512,602
Iron Mountain, Inc., 8.375%, 8/15/21		815,000	854,731
Lender Processing Services, Inc., 5.75%, 4/15/23		795,000	852,638
NeuStar, Inc., 4.5%, 1/15/23		2,310,000	1,998,150
			$ 8,670,321
Cable TV – 4.6%			
CCO Holdings LLC, 5.25%, 9/30/22	$	250,000	$ 253,750
CCO Holdings LLC/CCO Holdings Capital Corp., 8.125%, 4/30/20		2,635,000	2,852,388
CCO Holdings LLC/CCO Holdings Capital Corp., 7.375%, 6/01/20		905,000	986,450
CCO Holdings LLC/CCO Holdings Capital Corp., 6.5%, 4/30/21		2,100,000	2,236,500
CCO Holdings LLC/CCO Holdings Capital Corp., 5.75%, 1/15/24		1,620,000	1,656,450
Cequel Communications Holdings, 6.375%, 9/15/20 (n)		1,650,000	1,753,125
DISH DBS Corp., 6.75%, 6/01/21		1,165,000	1,328,100
DISH DBS Corp., 5%, 3/15/23		1,590,000	1,619,813
Intelsat Jackson Holdings S.A., 6.625%, 12/15/22		1,695,000	1,769,156
Intelsat Jackson Holdings S.A., 5.5%, 8/01/23		3,075,000	3,059,625
Intelsat Luxembourg S.A., 8.125%, 6/01/23		2,220,000	2,400,375
Lynx I Corp., 5.375%, 4/15/21 (n)		1,085,000	1,139,250
Lynx II Corp., 6.375%, 4/15/23 (n)		1,485,000	1,611,225
Nara Cable Funding Ltd., 8.875%, 12/01/18 (n)		360,000	384,300
Numericable Group S.A., 6%, 5/15/22 (n)		2,645,000	2,750,800
Telenet Finance Luxembourg, 6.375%, 11/15/20 (n)	EUR	1,175,000	1,717,530
Unitymedia Hessen, 5.5%, 1/15/23 (n)	$	1,605,000	1,661,175
UPCB Finance III Ltd., 6.625%, 7/01/20 (n)		870,000	926,540
Ziggo Bond Co. B.V., 8%, 5/15/18 (n)	EUR	945,000	1,433,093
			$ 31,539,645

Issuer		Shares/Par	Value ($)
BONDS – continued			
Chemicals – 2.9%			
Celanese U.S. Holdings LLC, 5.875%, 6/15/21	$	1,628,000	$ 1,794,870
Celanese U.S. Holdings LLC, 4.625%, 11/15/22		965,000	969,825
Flash Dutch 2 B.V./U.S. Coatings Acquisition, 7.375%, 5/01/21 (n)		1,765,000	1,923,850
Hexion U.S. Finance Corp., 6.625%, 4/15/20		1,180,000	1,250,800
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2/01/18		2,010,000	2,090,400
Huntsman International LLC, 8.625%, 3/15/21		2,065,000	2,281,825
INEOS Finance PLC, 8.375%, 2/15/19 (n)		1,715,000	1,873,638
INEOS Finance PLC, 7.5%, 5/01/20 (n)		100,000	108,875
INEOS Group Holdings S.A., 6.125%, 8/15/18 (n)		1,380,000	1,428,300
INEOS Group Holdings S.A., 5.875%, 2/15/19 (n)		865,000	886,625
Taminco Global Chemical Corp., 9.75%, 3/31/20 (n)		1,995,000	2,229,413
Tronox Finance LLC, 6.375%, 8/15/20		3,285,000	3,391,763
			$ 20,230,184
Computer Software – 0.4%			
Syniverse Holdings, Inc., 9.125%, 1/15/19	$	755,000	$ 808,794
VeriSign, Inc., 4.625%, 5/01/23		2,090,000	2,064,711
			$ 2,873,505
Computer Software – Systems – 0.5%			
Audatex North America, Inc., 6%, 6/15/21 (n)	$	740,000	$ 789,950
Audatex North America, Inc., 6.125%, 11/01/23 (n)		455,000	485,713
CDW LLC/CDW Finance Corp., 8.5%, 4/01/19		1,885,000	2,040,513
			$ 3,316,176
Conglomerates – 2.2%			
Amsted Industries Co., 5%, 3/15/22 (n)	$	2,320,000	$ 2,320,000
BC Mountain LLC, 7%, 2/01/21 (n)		1,335,000	1,291,613
Dynacast International LLC, 9.25%, 7/15/19		1,775,000	1,952,500
Entegris, Inc., 6%, 4/01/22 (n)		2,725,000	2,806,750
Renaissance Acquisition, 6.875%, 8/15/21 (n)		3,145,000	3,302,250
Rexel S.A., 6.125%, 12/15/19 (n)		1,490,000	1,575,675
Silver II Borrower, 7.75%, 12/15/20 (n)		1,570,000	1,679,900
			$ 14,928,688
Construction – 0.3%			
Empresas ICA S.A.B. de C.V., 8.9%, 2/04/21	$	1,430,000	$ 1,512,225
Empresas ICA S.A.B. de C.V., 8.875%, 5/29/24 (n)		807,000	829,596
			$ 2,341,821

Issuer		Shares/Par		Value ($)
BONDS – continued				
Consumer Products – 1.0%				
Elizabeth Arden, Inc., 7.375%, 3/15/21	$	2,220,000	$	2,347,650
Prestige Brands, Inc., 8.125%, 2/01/20		971,000		1,082,665
Prestige Brands, Inc., 5.375%, 12/15/21 (n)		1,630,000		1,662,600
Spectrum Brands, Inc., 6.375%, 11/15/20		1,825,000		1,961,875
			$	7,054,790
Consumer Services – 1.4%				
ADT Corp., 6.25%, 10/15/21	$	1,690,000	$	1,791,400
ADT Corp., 4.125%, 6/15/23		885,000		816,413
Garda World Security Corp., 7.25%, 11/15/21 (z)		590,000		620,238
Garda World Security Corp., 7.25%, 11/15/21 (z)		1,445,000		1,519,056
Grupo Posadas S.A.B. de C.V., 7.875%, 11/30/17		1,115,000		1,159,600
Monitronics International, Inc., 9.125%, 4/01/20		2,105,000		2,247,088
Service Corp. International, 7%, 6/15/17		650,000		726,375
Service Corp. International, 5.375%, 5/15/24 (n)		1,025,000		1,048,063
			$	9,928,233
Containers – 3.4%				
ARD Finance S.A., 11.125%, 6/01/18 (n)	$	277,801	$	294,052
Ardagh Packaging Finance PLC, 7%, 11/15/20 (n)		331,765		343,376
Ardagh Packaging Finance PLC, 7.375%, 10/15/17 (n)		200,000		211,060
Ardagh Packaging Finance PLC, 7.375%, 10/15/17	EUR	200,000		288,238
Ardagh Packaging Finance PLC, 7.375%, 10/15/17 (n)	$	1,290,000		1,361,337
Ardagh Packaging Finance PLC, 9.125%, 10/15/20 (n)		200,000		221,500
Ardagh Packaging Finance PLC, 9.125%, 10/15/20 (n)		1,160,000		1,278,900
Ardagh Packaging Finance PLC, 6%, 6/30/21 (z)		1,365,000		1,363,294
Ball Corp., 5%, 3/15/22		1,393,000		1,427,825
Ball Corp., 4%, 11/15/23		645,000		614,363
Berry Plastics Group, Inc., 5.5%, 5/15/22		2,675,000		2,690,047
Crown American LLC, 4.5%, 1/15/23		3,580,000		3,486,920
Crown Euro Holdings S.A., 7.125%, 8/15/18	EUR	50,000		71,286
Greif, Inc., 6.75%, 2/01/17	$	650,000		721,500
Greif, Inc., 7.75%, 8/01/19		1,245,000		1,431,750
Reynolds Group, 7.125%, 4/15/19		1,235,000		1,290,575
Reynolds Group, 9.875%, 8/15/19		1,320,000		1,461,900
Reynolds Group, 5.75%, 10/15/20		1,265,000		1,334,575
Reynolds Group, 8.25%, 2/15/21		1,570,000		1,707,375

Issuer		Shares/Par		Value ($)
BONDS – continued				
Containers – continued				
Signode Industrial Group, 6.375%, 5/01/22 (z)	$	1,705,000	$	1,726,313
			$	23,326,186
Defense Electronics – 0.4%				
Ducommun, Inc., 9.75%, 7/15/18	$	2,294,000	$	2,552,786
Electrical Equipment – 0.1%				
CommScope Holding Company, Inc., 5%, 6/15/21 (z)	$	860,000	$	877,200
Electronics – 1.6%				
Advanced Micro Devices, Inc., 6.75%, 3/01/19 (n)	$	2,045,000	$	2,180,481
Advanced Micro Devices, Inc., 7.5%, 8/15/22		735,000		792,881
Advanced Micro Devices, Inc., 7%, 7/01/24 (z)		570,000		582,113
Micron Technology, Inc., 5.875%, 2/15/22 (n)		755,000		809,738
Nokia Corp., 5.375%, 5/15/19		570,000		614,175
Nokia Corp., 6.625%, 5/15/39		900,000		976,500
NXP B.V., 5.75%, 2/15/21 (n)		1,045,000		1,098,556
NXP B.V., 5.75%, 3/15/23 (n)		1,495,000		1,571,619
Sensata Technologies B.V., 6.5%, 5/15/19 (n)		2,175,000		2,313,656
			$	10,939,719
Energy – Independent – 8.7%				
Antero Resources Finance Corp., 6%, 12/01/20	$	1,475,000	$	1,581,938
Antero Resources Finance Corp., 5.375%, 11/01/21		1,440,000		1,494,000
Athlon Holdings LP/Athlon Finance Corp., 6%, 5/01/22 (z)		2,030,000		2,101,050
Baytex Energy Corp., 5.125%, 6/01/21 (z)		285,000		286,781
Baytex Energy Corp., 5.625%, 6/01/24 (z)		1,460,000		1,465,475
Bill Barrett Corp., 7%, 10/15/22		1,905,000		2,019,300
BreitBurn Energy Partners LP, 8.625%, 10/15/20		1,270,000		1,397,000
BreitBurn Energy Partners LP, 7.875%, 4/15/22		2,455,000		2,657,538
Chaparral Energy, Inc., 7.625%, 11/15/22		1,885,000		2,035,800
Chesapeake Energy Corp., 5.75%, 3/15/23		665,000		738,948
Concho Resources, Inc., 6.5%, 1/15/22		2,230,000		2,458,575
Concho Resources, Inc., 5.5%, 4/01/23		2,145,000		2,305,875
Denbury Resources, Inc., 4.625%, 7/15/23		1,935,000		1,877,356
EP Energy LLC, 6.875%, 5/01/19		875,000		930,781
EP Energy LLC, 9.375%, 5/01/20		2,875,000		3,291,875
EP Energy LLC, 7.75%, 9/01/22		2,565,000		2,892,038
EPL Oil & Gas, Inc., 8.25%, 2/15/18		2,465,000		2,637,550
Halcon Resources Corp., 8.875%, 5/15/21		2,910,000		3,128,250

Portfolio of Investments (unaudited) – continued

Issuer		Shares/Par		Value ($)
BONDS – continued				
Energy – Independent – continued				
Harvest Operations Corp., 6.875%, 10/01/17	$	1,585,000	$	1,719,725
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2/15/20 (n)		605,000		644,325
Laredo Petroleum, Inc., 9.5%, 2/15/19		295,000		323,763
Laredo Petroleum, Inc., 5.625%, 1/15/22		745,000		770,144
Laredo Petroleum, Inc., 7.375%, 5/01/22		860,000		961,050
LINN Energy LLC, 8.625%, 4/15/20		1,030,000		1,112,400
LINN Energy LLC, 7.75%, 2/01/21		1,739,000		1,875,946
MEG Energy Corp., 6.5%, 3/15/21 (n)		1,315,000		1,393,900
MEG Energy Corp., 7%, 3/31/24 (n)		1,545,000		1,703,363
Northern Blizzard Resources, Inc., 7.25%, 2/01/22 (n)		2,180,000		2,245,400
Oasis Petroleum, Inc., 6.875%, 3/15/22 (n)		2,495,000		2,719,550
Range Resources Corp., 6.75%, 8/01/20		150,000		161,250
Range Resources Corp., 5.75%, 6/01/21		250,000		270,000
Range Resources Corp., 5%, 8/15/22		2,330,000		2,469,800
Sanchez Energy Corp., 6.125%, 1/15/23 (z)		1,445,000		1,491,963
SandRidge Energy, Inc., 8.125%, 10/15/22		2,140,000		2,356,675
SM Energy Co., 6.5%, 11/15/21		2,245,000		2,430,213
			$	59,949,597
Entertainment – 2.0%				
Activision Blizzard, Inc., 6.125%, 9/15/23 (n)	$	1,620,000	$	1,782,000
Cedar Fair LP, 9.125%, 8/01/18		1,265,000		1,330,780
Cedar Fair LP, 5.25%, 3/15/21		1,935,000		1,993,050
Cedar Fair LP, 5.375%, 6/01/24 (n)		880,000		891,000
Cinemark USA, Inc., 5.125%, 12/15/22		1,415,000		1,448,606
Cinemark USA, Inc., 4.875%, 6/01/23		1,520,000		1,516,200
Seven Seas Cruises S. DE R.L., 9.125%, 5/15/19		2,280,000		2,488,050
Six Flags Entertainment Corp., 5.25%, 1/15/21 (n)		2,200,000		2,255,000
			$	13,704,686
Financial Institutions – 4.9%				
Aircastle Ltd., 4.625%, 12/15/18	$	1,810,000	$	1,864,300
Aircastle Ltd., 5.125%, 3/15/21		880,000		910,800
Aviation Capital Group, 4.625%, 1/31/18 (n)		1,460,000		1,539,913
Aviation Capital Group, 6.75%, 4/06/21 (n)		1,285,000		1,445,529
CIT Group, Inc., 5.25%, 3/15/18		1,655,000		1,777,056
CIT Group, Inc., 6.625%, 4/01/18 (n)		1,925,000		2,160,813
CIT Group, Inc., 5.5%, 2/15/19 (n)		1,898,000		2,056,958
CIT Group, Inc., 5%, 8/15/22		3,345,000		3,462,075
Icahn Enterprises LP, 6%, 8/01/20		1,020,000		1,092,675
Icahn Enterprises LP, 5.875%, 2/01/22		2,465,000		2,582,088

Issuer		Shares/Par		Value ($)
BONDS – continued				
Financial Institutions – continued				
International Lease Finance Corp., 7.125%, 9/01/18 (n)	$	1,619,000	$	1,878,040
Nationstar Mortgage LLC/Capital Corp., 10.875%, 4/01/15		1,270,000		1,276,401
Nationstar Mortgage LLC/Capital Corp., 6.5%, 8/01/18		1,145,000		1,179,350
Nationstar Mortgage LLC/Capital Corp., 7.875%, 10/01/20		2,660,000		2,796,325
SLM Corp., 4.875%, 6/17/19		490,000		504,994
SLM Corp., 8%, 3/25/20		2,930,000		3,387,813
SLM Corp., 7.25%, 1/25/22		2,200,000		2,433,750
SLM Corp., 6.125%, 3/25/24		1,055,000		1,069,506
			$	33,418,386
Food & Beverages – 1.4%				
B&G Foods, Inc., 4.625%, 6/01/21	$	1,005,000	$	1,007,513
Constellation Brands, Inc., 3.75%, 5/01/21		335,000		332,906
Constellation Brands, Inc., 4.25%, 5/01/23		1,755,000		1,761,581
Darling Ingrediants, Inc., 5.375%, 1/15/22 (n)		2,110,000		2,189,125
H.J. Heinz Co., 4.25%, 10/15/20		1,710,000		1,720,688
Sun Merger Sub, Inc., 5.875%, 8/01/21 (n)		2,230,000		2,358,225
			$	9,370,038
Forest & Paper Products – 0.8%				
Appvion, Inc., 9%, 6/01/20 (n)	$	1,680,000	$	1,671,600
Smurfit Kappa Group PLC, 7.75%, 11/15/19 (n)	EUR	1,280,000		1,862,178
Tembec Industries, Inc., 11.25%, 12/15/18	$	1,630,000		1,764,475
			$	5,298,253
Gaming & Lodging – 2.5%				
CCM Merger, Inc., 9.125%, 5/01/19 (n)	$	2,095,000	$	2,246,888
Chester Downs & Marina LLC, 9.25%, 2/01/20 (n)		835,000		818,300
Greektown Holdings LLC, 8.875%, 3/15/19 (n)		1,800,000		1,836,000
Hilton Worldwide Finance Co., 5.625%, 10/15/21 (n)		2,155,000		2,289,688
Isle of Capri Casinos, Inc., 8.875%, 6/15/20		795,000		852,638
Isle of Capri Casinos, Inc., 5.875%, 3/15/21		395,000		399,444
MGM Resorts International, 6.625%, 12/15/21		1,990,000		2,213,875
Pinnacle Entertainment, Inc., 8.75%, 5/15/20		1,355,000		1,476,950
Pinnacle Entertainment, Inc., 6.375%, 8/01/21		1,015,000		1,070,825
Playa Resorts Holdings B.V., 8%, 8/15/20 (n)		172,000		185,330

Issuer		Shares/Par		Value ($)
BONDS – continued				
Gaming & Lodging – continued				
Ryman Hospitality Properties, Inc., REIT, 5%, 4/15/21	$	1,925,000	$	1,920,188
Wynn Las Vegas LLC, 7.75%, 8/15/20		2,025,000		2,207,250
			$	17,517,376
Health Maintenance Organizations – 0.1%				
Wellcare Health Plans, Inc., 5.75%, 11/15/20	$	820,000	$	873,300
Industrial – 1.4%				
Dematic S.A., 7.75%, 12/15/20 (n)	$	2,785,000	$	2,986,913
Howard Hughes Corp., 6.875%, 10/01/21 (n)		2,440,000		2,610,800
Hyva Global B.V., 8.625%, 3/24/16 (n)		1,412,000		1,461,420
SPL Logistics Escrow LLC, 8.875%, 8/01/20 (n)		2,065,000		2,312,800
			$	9,371,933
International Market Quasi-Sovereign – 0.4%				
Eksportfinans A.S.A., 5.5%, 5/25/16	$	735,000	$	782,775
Eksportfinans A.S.A., 5.5%, 6/26/17		1,530,000		1,638,936
			$	2,421,711
Machinery & Tools – 1.2%				
H&E Equipment Services Co., 7%, 9/01/22	$	2,400,000	$	2,652,000
Jurassic Holdings III, Inc., 6.875%, 2/15/21 (n)		2,035,000		2,075,700
RSC Equipment Rental, Inc., 8.25%, 2/01/21		1,460,000		1,624,250
United Rentals North America, Inc., 7.625%, 4/15/22		1,683,000		1,889,168
			$	8,241,118
Major Banks – 1.2%				
Bank of America Corp., FRN, 5.2%, 12/31/49	$	2,385,000	$	2,283,638
JPMorgan Chase & Co., 6% to 8/01/23, FRN to 12/29/49		2,385,000		2,432,700
RBS Capital Trust A, FRN, 2.309%, 12/29/49	EUR	50,000		68,394
Royal Bank of Scotland Group PLC, 6.99% to 10/04/17, FRN to 10/29/49 (n)	$	850,000		990,250
Royal Bank of Scotland Group PLC, 7.648% to 9/30/31, FRN to 8/29/49		1,850,000		2,238,500
			$	8,013,482
Medical & Health Technology & Services – 4.6%				
CHS/Community Health Systems, Inc., 5.125%, 8/01/21 (z)	$	440,000	$	451,000
CHS/Community Health Systems, Inc., 6.875%, 2/01/22 (z)		3,585,000		3,800,100
Davita, Inc., 6.625%, 11/01/20		1,930,000		2,050,625
Davita, Inc., 5.125%, 7/15/24		1,065,000		1,071,656
Fresenius Medical Care Capital Trust III, 5.625%, 7/31/19 (n)		1,030,000		1,122,700

Issuer		Shares/Par		Value ($)
BONDS – continued				
Medical & Health Technology & Services – continued				
Fresenius Medical Care Capital Trust III, 5.875%, 1/31/22 (n)	$	1,265,000	$	1,397,825
HCA, Inc., 7.25%, 9/15/20		530,000		567,763
HCA, Inc., 7.5%, 2/15/22		3,125,000		3,605,469
HCA, Inc., 5.875%, 3/15/22		1,435,000		1,555,181
HCA, Inc., 4.75%, 5/01/23		200,000		199,750
HCA, Inc., 5%, 3/15/24		1,450,000		1,470,039
HealthSouth Corp., 8.125%, 2/15/20		3,075,000		3,294,094
Lifepoint Hospitals, Inc., 5.5%, 12/01/21 (n)		2,695,000		2,823,013
Tenet Healthcare Corp., 5%, 3/01/19 (z)		1,150,000		1,165,813
Tenet Healthcare Corp., 8%, 8/01/20		2,560,000		2,774,400
Tenet Healthcare Corp., 4.5%, 4/01/21		2,530,000		2,545,813
Universal Health Services, Inc., 7.625%, 8/15/20		1,750,000		1,833,125
			$	31,728,366
Medical Equipment – 0.8%				
Biomet, Inc., 6.5%, 8/01/20	$	1,240,000	$	1,336,100
Physio-Control International, Inc., 9.875%, 1/15/19 (n)		969,000		1,070,745
Teleflex, Inc., 6.875%, 6/01/19		1,705,000		1,803,038
Teleflex, Inc., 5.25%, 6/15/24 (n)		1,330,000		1,343,300
			$	5,553,183
Metals & Mining – 4.9%				
ArcelorMittal S.A., 6.75%, 2/25/22	$	630,000	$	705,600
ArcelorMittal S.A., 7.25%, 3/01/41		1,080,000		1,147,500
Arch Coal, Inc., 8%, 1/15/19 (n)		1,070,000		1,059,300
Arch Coal, Inc., 7.25%, 10/01/20		1,185,000		882,825
Arch Coal, Inc., 7.25%, 6/15/21		250,000		182,500
Century Aluminum Co., 7.5%, 6/01/21 (n)		1,890,000		1,993,950
Commercial Metals Co., 4.875%, 5/15/23		1,743,000		1,699,425
Consol Energy, Inc., 8.25%, 4/01/20		1,835,000		1,986,378
Consol Energy, Inc., 6.375%, 3/01/21		790,000		839,375
Consol Energy, Inc., 5.875%, 4/15/22 (n)		1,250,000		1,309,375
First Quantum Minerals Ltd., 7.25%, 10/15/19 (n)		3,546,000		3,705,570
First Quantum Minerals Ltd., 7.25%, 5/15/22 (n)		1,312,000		1,367,760
FMG Resources, 6.875%, 4/01/22 (n)		1,045,000		1,120,763
Fortescue Metals Group Ltd., 8.25%, 11/01/19 (n)		2,515,000		2,738,206
GrafTech International Co., 6.375%, 11/15/20		2,170,000		2,235,100
Molycorp, Inc., 10%, 6/01/20		600,000		552,000
Peabody Energy Corp., 6%, 11/15/18		1,225,000		1,277,063
Peabody Energy Corp., 6.25%, 11/15/21		725,000		722,281
Steel Dynamics, Inc., 5.25%, 4/15/23		1,385,000		1,433,475
Suncoke Energy Partners LP/Suncoke Energy Partners Finance Corp., 7.375%, 2/01/20 (z)		715,000		763,263

Portfolio of Investments (unaudited) – continued

Issuer		Shares/Par		Value ($)
BONDS – continued				
Metals & Mining – continued				
Suncoke Energy, Inc., 7.625%, 8/01/19	$	1,620,000	$	1,718,172
TMS International Corp., 7.625%, 10/15/21 (n)		1,570,000		1,675,975
Walter Energy, Inc., 9.5%, 10/15/19 (n)		1,035,000		1,050,525
Walter Energy, Inc., 8.5%, 4/15/21		2,095,000		1,173,200
			$	33,339,581
Midstream – 4.9%				
Access Midstream Partners Co., 5.875%, 4/15/21	$	645,000	$	690,150
Access Midstream Partners Co., 4.875%, 5/15/23		2,885,000		3,040,069
AmeriGas Finance LLC, 6.75%, 5/20/20		3,070,000		3,330,950
Atlas Pipeline Partners LP/Atlas Pipeline, 4.75%, 11/15/21		660,000		646,800
Atlas Pipeline Partners LP/Atlas Pipeline, 5.875%, 8/01/23		2,035,000		2,070,613
Crestwood Midstream Partners LP, 6%, 12/15/20		1,945,000		2,042,250
Crestwood Midstream Partners LP, 6.125%, 3/01/22 (n)		905,000		952,513
El Paso Corp., 8.05%, 10/15/30		1,010,000		1,100,900
El Paso Corp., 7.75%, 1/15/32		3,725,000		4,078,875
Energy Transfer Equity LP, 7.5%, 10/15/20		2,105,000		2,431,275
Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 5/01/21		1,040,000		1,085,500
Ferrellgas LP/Ferrellgas Finance Corp., 6.75%, 1/15/22 (n)		2,570,000		2,685,650
MarkWest Energy Partners LP, 5.5%, 2/15/23		1,805,000		1,922,325
MarkWest Energy Partners LP, 4.5%, 7/15/23		1,108,000		1,130,160
Sabine Pass Liquefaction LLC, 5.625%, 2/01/21		2,020,000		2,136,150
Sabine Pass Liquefaction LLC, 5.625%, 4/15/23		2,180,000		2,272,650
Sabine Pass Liquefaction LLC, 5.75%, 5/15/24 (z)		1,055,000		1,099,838
Summit Mid Holdings LLC, 7.5%, 7/01/21		570,000		621,300
			$	33,337,968
Network & Telecom – 1.8%				
Centurylink, Inc., 6.45%, 6/15/21	$	1,120,000	$	1,215,200
Centurylink, Inc., 6.75%, 12/01/23		585,000		639,113
Centurylink, Inc., 7.65%, 3/15/42		1,970,000		1,965,075
Citizens Communications Co., 9%, 8/15/31		2,165,000		2,332,788
Frontier Communications Corp., 8.125%, 10/01/18		495,000		579,150
Telecom Italia Capital, 6%, 9/30/34		730,000		731,825
Telecom Italia S.p.A., 5.303%, 5/30/24 (n)		1,930,000		1,937,238
TW Telecom Holdings, Inc., 5.375%, 10/01/22		1,295,000		1,416,406

Issuer		Shares/Par		Value ($)
BONDS – continued				
Network & Telecom – continued				
TW Telecom Holdings, Inc., 5.375%, 10/01/22	$	600,000	$	656,250
Windstream Corp., 7.75%, 10/15/20		935,000		1,013,306
			$	12,486,351
Oil Services – 1.4%				
Bristow Group, Inc., 6.25%, 10/15/22	$	2,588,000	$	2,782,100
Pacific Drilling S.A., 5.375%, 6/01/20 (n)		2,480,000		2,430,400
Shale-Inland Holdings LLC/Finance Co., 8.75%, 11/15/19 (n)		1,640,000		1,722,000
Unit Corp., 6.625%, 5/15/21		2,405,000		2,567,338
			$	9,501,838
Other Banks & Diversified Financials – 0.5%				
Groupe BPCE S.A., 12.5% to 8/6/09, FRN to 8/29/49 (n)	$	2,447,000	$	3,352,390
Pharmaceuticals – 1.5%				
Capsugel FinanceCo. SCA, 9.875%, 8/01/19 (n)	EUR	760,000	$	1,121,424
Endo Finance LLC/Endo Finco, Inc., 7.25%, 1/15/22 (z)	$	2,745,000		2,964,600
Salix Pharmaceuticals Ltd., 6%, 1/15/21 (n)		1,050,000		1,126,125
Valeant Pharmaceuticals International, Inc., 6.75%, 10/01/17 (n)		100,000		104,250
Valeant Pharmaceuticals International, Inc., 7%, 10/01/20 (n)		3,035,000		3,224,688
Valeant Pharmaceuticals International, Inc., 7.25%, 7/15/22 (n)		1,135,000		1,225,800
Vantage Point Imaging, 7.5%, 7/15/21 (n)		320,000		354,400
			$	10,121,287
Precious Metals & Minerals – 0.5%				
Aurico Gold, Inc., 7.75%, 4/01/20 (z)	$	730,000	$	722,700
Eldorado Gold Corp., 6.125%, 12/15/20 (n)		1,480,000		1,494,800
IAMGOLD Corp., 6.75%, 10/01/20 (n)		1,394,000		1,289,450
			$	3,506,950
Printing & Publishing – 0.8%				
American Media, Inc., 13.5%, 6/15/18 (z)	$	194,964	$	205,687
Gannett Co., Inc., 6.375%, 10/15/23 (n)		1,390,000		1,483,825
Gannett Co., Inc., 5.125%, 7/15/20 (n)		935,000		959,544
Lamar Media Corp., 5%, 5/01/23		1,620,000		1,630,125
Nielsen Finance LLC, 5%, 4/15/22 (n)		1,335,000		1,345,013
			$	5,624,194
Railroad & Shipping – 0.2%				
Watco Cos. LLC, 6.375%, 4/01/23 (n)	$	1,580,000	$	1,611,600

Issuer	Shares/Par	Value ($)
BONDS – continued		
Real Estate – Healthcare – 0.9%		
Aviv Healthcare Properties LP/Aviv Healthcare, 6%, 10/15/21	$ 1,835,000	$ 1,945,100
MPT Operating Partnership LP, REIT, 6.875%, 5/01/21	2,340,000	2,550,600
MPT Operating Partnership LP, REIT, 6.375%, 2/15/22	1,380,000	1,480,050
		$ 5,975,750
Real Estate – Other – 1.3%		
CNL Lifestyle Properties, Inc., REIT, 7.25%, 4/15/19	$ 1,355,000	$ 1,424,444
DuPont Fabros Technology LP, REIT, 5.875%, 9/15/21	2,935,000	3,067,075
ERP Properties, REIT, 7.75%, 7/15/20	1,520,000	1,811,319
ERP Properties, REIT, 5.75%, 8/15/22	550,000	597,553
Felcor Lodging LP, REIT, 5.625%, 3/01/23	2,225,000	2,291,750
		$ 9,192,141
Retailers – 1.8%		
Best Buy Co., Inc., 5.5%, 3/15/21	$ 2,680,000	$ 2,747,000
Bon Ton Stores, Inc., 8%, 6/15/21	1,505,000	1,433,513
Burlington Coat Factory Warehouse Corp., 10%, 2/15/19	1,570,000	1,713,263
Jo-Ann Stores Holdings, Inc., 9.75%, 10/15/19 (p)(n)	1,695,000	1,733,138
Limited Brands, Inc., 7%, 5/01/20	580,000	666,275
Limited Brands, Inc., 6.95%, 3/01/33	735,000	769,913
Rite Aid Corp., 9.25%, 3/15/20	2,395,000	2,730,300
Sally Beauty Holdings, Inc., 6.875%, 11/15/19	585,000	633,263
		$ 12,426,665
Specialty Chemicals – 0.3%		
Chemtura Corp., 5.75%, 7/15/21	$ 1,950,000	$ 2,023,125
Specialty Stores – 0.7%		
Group 1 Automotive, Inc., 5%, 6/01/22 (n)	$ 1,640,000	$ 1,640,000
Men’s Wearhouse, Inc., 7%, 7/01/22 (z)	730,000	755,550
Michaels Stores, Inc., 7.75%, 11/01/18	865,000	914,738
Michaels Stores, Inc., 5.875%, 12/15/20 (n)	1,440,000	1,472,400
		$ 4,782,688
Telecommunications – Wireless – 4.8%		
Crown Castle International Corp., 4.875%, 4/15/22	$ 725,000	$ 749,469
Crown Castle International Corp., 5.25%, 1/15/23	1,710,000	1,782,675
Digicel Group Ltd., 8.25%, 9/01/17 (n)	2,550,000	2,623,440
Digicel Group Ltd., 8.25%, 9/30/20 (n)	765,000	833,850
Digicel Group Ltd., 6%, 4/15/21 (n)	785,000	810,513
Digicel Group Ltd., 7.125%, 4/01/22 (n)	1,102,000	1,148,835
Eileme 2 AB, 11.625%, 1/31/20 (n)	1,690,000	2,019,550
Sprint Capital Corp., 6.875%, 11/15/28	1,915,000	1,934,150

Issuer	Shares/Par	Value ($)
BONDS – continued		
Telecommunications – Wireless – continued		
Sprint Corp., 7.875%, 9/15/23 (n)	$ 1,745,000	$ 1,941,313
Sprint Corp., 7.125%, 6/15/24 (n)	1,885,000	1,998,100
Sprint Nextel Corp., 9%, 11/15/18 (n)	590,000	715,375
Sprint Nextel Corp., 6%, 11/15/22	1,985,000	2,024,700
Sprint Nextel Corp., 8.75%, 3/15/32	500,000	577,500
T-Mobile USA, Inc., 6.125%, 1/15/22	300,000	318,375
T-Mobile USA, Inc., 6.5%, 1/15/24	920,000	983,250
T-Mobile USA, Inc., 6.25%, 4/01/21	3,455,000	3,670,938
T-Mobile USA, Inc., 6.633%, 4/28/21	1,185,000	1,282,763
Wind Acquisition Finance S.A., 7.25%, 2/15/18 (n)	3,210,000	3,391,365
Wind Acquisition Finance S.A., 4.75%, 7/15/20 (n)	1,900,000	1,914,250
Wind Acquisition Finance S.A., 7.375%, 4/23/21 (z)	2,245,000	2,396,538
		$ 33,116,949
Telephone Services – 0.4%		
Cogent Communications Group, Inc., 8.375%, 2/15/18 (n)	$ 790,000	$ 843,325
Level 3 Financing, Inc., 9.375%, 4/01/19	1,435,000	1,574,913
Level 3 Financing, Inc., 8.625%, 7/15/20	460,000	515,200
		$ 2,933,438
Tobacco – 0.2%		
New Jersey Tobacco Settlement Financing Corp., “1-A”, 4.5%, 6/01/23	$ 1,095,000	$ 1,070,592
Transportation – Services – 2.5%		
Aguila American Resources Ltd., 7.875%, 1/31/18 (n)	$ 2,560,000	$ 2,700,800
Avis Budget Car Rental LLC, 9.75%, 3/15/20	313,000	354,473
Ceva Group PLC, 7%, 3/01/21 (z)	438,000	450,045
Jack Cooper Holdings Corp., 9.25%, 6/01/20 (n)	2,850,000	3,135,000
Navios Maritime Acquisition Corp., 8.125%, 11/15/21 (n)	2,060,000	2,152,700
Navios Maritime Holding, Inc., 7.375%, 1/15/22 (n)	2,165,000	2,229,950
Navios South American Logistics, Inc./Navios Logistics Finance (U.S.), Inc., 7.25%, 5/01/22 (n)	377,000	392,080
Stena AB, 7%, 2/01/24 (n)	3,205,000	3,413,325
Syncreon Group BV/Syncre, 8.625%, 11/01/21 (n)	1,405,000	1,426,075
Ultrapetrol (Bahamas) Ltd., 8.875%, 6/15/21	1,170,000	1,266,525
		$ 17,520,973
Utilities – Electric Power – 1.8%		
AES Corp., 7.75%, 10/15/15	$ 99,000	$ 106,178
AES Corp., 7.375%, 7/01/21	1,190,000	1,392,300
Calpine Corp., 7.875%, 7/31/20 (n)	1,818,000	1,972,530
Calpine Corp., 6%, 1/15/22 (n)	305,000	328,638

Portfolio of Investments (unaudited) – continued

Issuer		Shares/Par		Value ($)
Bond – continued				
Utilities – Electric Power – continued				
Covanta Holding Corp., 7.25%, 12/01/20	$	1,570,000	$	1,711,300
Covanta Holding Corp., 6.375%, 10/01/22		400,000		434,000
InterGen N.V., 7%, 6/30/23 (n)		1,255,000		1,295,788
NRG Energy, Inc., 8.25%, 9/01/20		1,645,000		1,797,163
NRG Energy, Inc., 6.25%, 7/15/22 (n)		910,000		969,150
NRG Energy, Inc., 6.625%, 3/15/23		2,385,000		2,581,763
			$	12,588,810
Total Bonds (Identified Cost, $630,410,739)				**$645,580,066**
FLOATING RATE LOANS (g)(r) – 4.2%				
Aerospace – 0.2%				
TransDigm, Inc., Term Loan C, 3.75%, 2/28/20 (o)	$	1,677,432	$	1,669,673
Building – 0.3%				
ABC Supply Co., Inc., Term Loan, 3.5%, 4/16/20 (o)	$	1,258,424	$	1,254,295
HD Supply, Inc., Term Loan B, 6/28/18 (o)		1,122,915		1,122,514
			$	2,376,809
Cable TV – 0.2%				
Cequel Communications LLC, Term Loan, 3.5%, 2/14/19	$	1,120,104	$	1,119,824
Conglomerates – 0.5%				
Entegris, Inc., Term Loan B, 3.5%, 4/30/21	$	1,917,749	$	1,903,366
Silver II U.S. Holdings LLC, Term Loan, 4%, 12/13/19		1,351,541		1,346,473
			$	3,249,839
Consumer Services – 0.2%				
Realogy Corp., Term Loan B, 4.25%, 3/05/20	$	1,357,341	$	1,359,463
Containers – 0.1%				
Berry Plastics Group, Inc., Term Loan E, 1/06/21 (o)	$	1,042,587	$	1,038,677
Electronics – 0.2%				
Avago Technologies Cayman Ltd., Term Loan B, 3.75%, 5/06/21	$	1,611,548	$	1,616,716
Energy – Independent – 0.5%				
American Energy – Permian Basin, LLC, Term Loan, 6/16/19 (o)	$	1,185,000	$	1,185,000
American Energy Permian Basin 1st Lien Term Loan, 6/16/20 (o)		1,185,000		1,185,000
MEG Energy Corp., Term Loan, 3.75%, 3/31/20		1,105,395		1,106,185
			$	3,476,185
Entertainment – 0.1%				
Cedar Fair LP, Term Loan B, 3.25%, 3/06/20	$	975,215	$	978,862

Issuer		Shares/Par		Value ($)
FLOATING RATE LOANS (g)(r) – continued				
Food & Beverages – 0.1%				
H.J. Heinz Co., Term Loan B2, 3.5%, 6/05/20	$	663,929	$	668,491
Gaming & Lodging – 0.3%				
Hilton Worldwide Finance LLC, Term Loan B2, 3.5%, 10/25/20	$	1,982,729	$	1,978,516
Medical & Health Technology & Services – 0.2%				
Community Health Systems, Inc., Term Loan D, 4.25%, 1/16/21	$	341,948	$	343,979
Davita Healthcare Partners, Inc., Term Loan B, 6/24/21		713,831		717,146
			$	1,061,125
Metals & Mining – 0.2%				
FMG Resources Ltd., Term Loan B, 4.25%, 6/30/19	$	1,104,151	$	1,104,765
Printing & Publishing – 0.2%				
CBS Outdoor Americas Capital LLC, Term Loan B, 3%, 1/31/21	$	1,319,425	$	1,313,652
Retailers – 0.1%				
Rite Aid Corp., Term Loan, 4.87%, 6/21/21	$	428,335	$	432,752
Specialty Stores – 0.2%				
Men's Warehouse, Inc., Term Loan B, 4.5%, 6/18/21 (o)	$	1,499,230	$	1,503,353
Transportation – Services – 0.3%				
Commercial Barge Line Co., Term Loan, 7.5%, 9/20/19	$	1,963,969	$	1,971,333
Utilities – Electric Power – 0.3%				
Calpine Construction Finance Co., Term Loan B1, 3%, 5/03/20	$	2,326,059	$	2,282,862
Total Floating Rate Loans (Identified Cost, $29,232,548)				**$ 29,202,897**
PREFERRED STOCKS – 0.3%				
Other Banks & Diversified Financials – 0.3%				
Ally Financial, Inc., 7% (z)		874	$	876,212
GMAC Capital Trust I, 8.125%		48,300		1,318,590
Total Preferred Stocks (Identified Cost, $2,038,572)			**$**	**2,194,802**
CONVERTIBLE BONDS – 0.2%				
Network & Telecom – 0.2%				
Nortel Networks Corp., 2.125%, 4/15/14 (a)(d) (Identified Cost, $1,211,362)	$	1,225,000	$	1,238,781
COMMON STOCKS – 0.1%				
Automotive – 0.0%				
Accuride Corp. (a)		42,065	$	205,698
Printing & Publishing – 0.1%				
American Media Operations, Inc. (a)		49,961	$	280,781
Total Common Stocks (Identified Cost, $1,382,062)			**$**	**486,479**

Issuer	Shares/Par	Value ($)
MONEY MARKET FUNDS – 1.6%		
MFS Institutional Money Market Portfolio, 0.08%, at Cost and Net Asset Value (v)	10,771,559	$ 10,771,559
Total Investments (Identified Cost, $675,046,842)		**$689,474,584**
OTHER ASSETS, LESS LIABILITIES – (0.3)%		**(2,127,592)**
Net Assets – 100.0%		**$687,346,992**

(a) Non-income producing security.

(d) In default. Interest and/or scheduled principal payment(s) have been missed.

(g) The rate shown represents a weighted average coupon rate on settled positions at period end, unless otherwise indicated.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was $232,384,848, 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	$82,631	$—
Schaeffler Finance B.V., 6.875%, 8/15/18	—	—
Total	$82,631	$—

(q) Interest received was less than stated coupon rate.

(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
Advanced Micro Devices, Inc., 7%, 7/01/24	6/02/14	$570,000	$582,113
Ally Financial, Inc., 7% (Preferred Stock)	4/13/11-4/14/11	819,375	876,212
American Media, Inc., 13.5%, 6/15/18	12/22/10	196,974	205,687
Arbor Realty Mortgage Securities, CDO, FRN, 2.527%, 4/21/38	12/20/05	1,136,457	766,983
Ardagh Packaging Finance PLC, 6%, 6/30/21	6/20/14-6/24/14	1,374,925	1,363,294
Athlon Holdings LP/Athlon Finance Corp., 6%, 5/01/22	4/16/14-5/13/14	2,058,395	2,101,050
Aurico Gold, Inc., 7.75%, 4/01/20	6/27/14	731,825	722,700
Baytex Energy Corp., 5.125%, 6/01/21	5/29/14	285,000	286,781
Baytex Energy Corp., 5.625%, 6/01/24	5/29/14-6/05/14	1,468,780	1,465,475
CHS/Community Health Systems, Inc., 5.125%, 8/01/21	6/15/14	440,000	451,000
CHS/Community Health Systems, Inc., 6.875%, 2/01/22	1/15/14-4/24/14	3,691,835	3,800,100
CWCapital Cobalt Ltd., CDO, 6.23%, 5/25/45	3/20/06-8/16/13	2,246,631	91,460
CWCapital Cobalt Ltd., CDO, “F”, FRN, 0%, 4/26/50	4/12/06	1,077,733	11
Ceva Group PLC, 7%, 3/01/21	3/13/14-4/7/14	448,645	450,045
CommScope Holding Company, Inc., 5%, 6/15/21	5/15/14-5/16/14	860,359	877,200
Endo Finance LLC/Endo Finco, Inc., 7.25%, 1/15/22	5/06/14-6/2/14	2,998,743	2,964,600
G-Force LLC, CDO, “A2”, 4.83%, 8/22/36	1/20/11-2/14/11	9,006	9,449

Portfolio of Investments (unaudited) – continued

Restricted Securities – continued	Acquisition Date	Cost	Value
Garda World Security Corp., 7.25%, 11/15/21	5/21/14-5/22/14	$625,047	$620,238
Garda World Security Corp., 7.25%, 11/15/21	4/24/14	1,519,486	1,519,056
Men's Wearhouse, Inc., 7%, 7/01/22	6/11/14-6/20/14	754,817	755,550
SIRIUS XM Radio, Inc., 6%, 7/15/24	5/02/13-1/7/14	1,170,976	1,201,200
Sabine Pass Liquefaction LLC, 5.75%, 5/15/24	5/13/14	1,055,000	1,099,838
Sanchez Energy Corp., 6.125%, 1/15/23	6/13/14-6/20/14	1,471,727	1,491,963
Signode Industrial Group, 6.375%, 5/01/22	4/7/14-4/25/14	1,719,529	1,726,313
Suncoke Energy Partners LP/Suncoke Energy Partners Finance Corp., 7.375%, 2/01/20	4/29/14	751,726	763,263
Tenet Healthcare Corp., 5%, 3/01/19	3/05/14-6/11/14	1,160,616	1,165,813
TransDigm, Inc., 6%, 7/15/22	5/20/14	235,000	241,463
TransDigm, Inc., 6.5%, 7/15/24	5/20/14-5/21/14	984,874	1,020,425
Wind Acquisition Finance S.A., 7.375%, 4/23/21	4/08/14	2,245,000	2,396,538
Total Restricted Securities			$31,015,820
% of Net assets			4.5%

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 6/30/14

Forward Foreign Currency Exchange Contracts at 6/30/14

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	5,210,711	7/11/14	$7,192,788	$7,135,270	$57,518

Futures Contracts Outstanding at 6/30/14

Description	Currency	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
Asset Derivatives					
Interest Rate Futures					
U.S. Treasury Note 10 yr (Short)	USD	56	$7,009,625	September - 2014	$29,525

Swap Agreements at 6/30/14

Expiration	Currency	Notional Amount	Counterparty	Cash Flows to Receive	Cash Flows to Pay	Fair Value
Asset Derivatives						
Credit Default Swap Agreements						
12/20/17	USD	4,752,000	Goldman Sachs International (a)	5.00% (fixed rate)	(1)	$446,520

(1) Fund, as protection seller, to pay notional amount upon a defined credit event by a reference obligation specified in the Markit CDX North American High Yield Index, a B+ rated credit default index. The fund entered into the agreement to manage market/sector exposure.

(a) Net unamortized premiums paid by the fund amounted to $148,205.

The credit ratings presented here are an indicator of the current payment/performance risk of the related swap agreement, the reference obligation for which may be either a single security or, in the case of a credit default index, a basket of securities issued by corporate or sovereign issuers. Ratings are assigned to each reference security, including each individual security within a reference basket of securities, utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). The ratings for a credit default index are calculated by MFS as a weighted average of the external credit ratings of the individual securities that compose the index's reference basket of securities.

At June 30, 2014, the fund had cash collateral of $72,800 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 (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $664,275,283)	$678,703,025	
Underlying affiliated funds, at cost and value	10,771,559	
Total investments, at value (identified cost, $675,046,842)	$689,474,584	
Cash	1,355,629	
Restricted cash	72,800	
Foreign currency, at value (identified cost, $417)	418	
Receivables for		
Forward foreign currency exchange contracts	57,518	
Investments sold	6,156,251	
Fund shares sold	3,462	
Interest	11,057,032	
Swaps, at value (net unamortized premiums paid, $148,205)	446,520	
Other assets	3,106	
Total assets		$708,627,320
Liabilities		
Payables for		
Daily variation margin on open futures contracts	$4,375	
Investments purchased	19,852,882	
Fund shares reacquired	1,276,782	
Payable to affiliates		
Investment adviser	44,656	
Shareholder servicing costs	370	
Distribution and/or service fees	2,657	
Payable for independent Trustees' compensation	119	
Accrued expenses and other liabilities	98,487	
Total liabilities		$21,280,328
Net assets		$687,346,992
Net assets consist of		
Paid-in capital	$665,941,550	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	14,813,214	
Accumulated net realized gain (loss) on investments and foreign currency	(47,001,360)	
Undistributed net investment income	53,593,588	
Net assets		$687,346,992
Shares of beneficial interest outstanding		104,387,350

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$590,488,472	89,523,109	$6.60
Service Class	96,858,520	14,864,241	6.52

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/14

Net investment income		
Income		
Interest	$21,752,641	
Dividends	79,645	
Dividends from underlying affiliated funds	4,334	
Total investment income		$21,836,620
Expenses		
Management fee	$2,417,973	
Distribution and/or service fees	123,450	
Shareholder servicing costs	15,431	
Administrative services fee	45,870	
Independent Trustees' compensation	7,790	
Custodian fee	38,282	
Shareholder communications	38,152	
Audit and tax fees	37,581	
Legal fees	4,035	
Miscellaneous	15,129	
Total expenses		$2,743,693
Fees paid indirectly	(239)	
Reduction of expenses by investment adviser	(26,754)	
Net expenses		$2,716,700
Net investment income		$19,119,920
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$9,549,847	
Futures contracts	(114,664)	
Swap agreements	54,255	
Foreign currency	(206,331)	
Net realized gain (loss) on investments and foreign currency		$9,283,107
Change in unrealized appreciation (depreciation)		
Investments	$5,460,730	
Futures contracts	29,525	
Swap agreements	(18,018)	
Translation of assets and liabilities in foreign currencies	247,001	
Net unrealized gain (loss) on investments and foreign currency translation		$5,719,238
Net realized and unrealized gain (loss) on investments and foreign currency		$15,002,345
Change in net assets from operations		$34,122,265

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/14 (unaudited)	Year ended 12/31/13
Change in net assets		
From operations		
Net investment income	$19,119,920	$32,196,425
Net realized gain (loss) on investments and foreign currency	9,283,107	14,791,354
Net unrealized gain (loss) on investments and foreign currency translation	5,719,238	(8,037,754)
Change in net assets from operations	$34,122,265	$38,950,025
Distributions declared to shareholders		
From net investment income	$—	$(17,013,351)
Change in net assets from fund share transactions	$(50,384,937)	$202,347,725
Total change in net assets	$(16,262,672)	$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 $53,593,588 and $34,473,668, respectively)	$687,346,992	$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 semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Six months ended 6/30/14 (unaudited)	Years ended 12/31				
		2013	2012	2011	2010	2009
Net asset value, beginning of period	$6.28	$6.05	$5.64	$5.96	$5.67	$4.25
Income (loss) from investment operations						
Net investment income (d)	$0.18	$0.36	$0.40	$0.41	$0.42	$0.44
Net realized and unrealized gain (loss) on investments and foreign currency	0.14	0.02	0.42	(0.18)	0.42	1.49
Total from investment operations	$0.32	$0.38	$0.82	$0.23	$0.84	$1.93
Less distributions declared to shareholders						
From net investment income	$—	$(0.15)	$(0.41)	$(0.55)	$(0.55)	$(0.51)
Net asset value, end of period (x)	$6.60	$6.28	$6.05	$5.64	$5.96	$5.67
Total return (%) (k)(r)(s)(x)	5.10(n)	6.42	14.91	4.13	15.53	50.00
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.76(a)	0.76	0.81	0.86	0.88	0.87
Expenses after expense reductions (f)	0.75(a)	0.75	0.79	0.81	0.83	0.82
Net investment income	5.57(a)	5.79	6.65	6.97	7.42	9.21
Portfolio turnover	28(n)	52	48	57	62	58
Net assets at end of period (000 omitted)	$590,488	$600,994	$368,899	$145,773	$122,666	$121,416

Service Class	Six months ended 6/30/14 (unaudited)	Years ended 12/31				
		2013	2012	2011	2010	2009
Net asset value, beginning of period	$6.21	$5.99	$5.59	$5.91	$5.63	$4.21
Income (loss) from investment operations						
Net investment income (d)	$0.17	$0.34	$0.38	$0.40	$0.41	$0.43
Net realized and unrealized gain (loss) on investments and foreign currency	0.14	0.02	0.41	(0.19)	0.40	1.49
Total from investment operations	$0.31	$0.36	$0.79	$0.21	$0.81	$1.92
Less distributions declared to shareholders						
From net investment income	$—	$(0.14)	$(0.39)	$(0.53)	$(0.53)	$(0.50)
Net asset value, end of period (x)	$6.52	$6.21	$5.99	$5.59	$5.91	$5.63
Total return (%) (k)(r)(s)(x)	4.99(n)	6.10	14.54	3.86	15.17	49.97
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.01(a)	1.01	1.06	1.11	1.13	1.12
Expenses after expense reductions (f)	1.00(a)	1.00	1.04	1.06	1.08	1.07
Net investment income	5.32(a)	5.56	6.46	6.73	7.18	9.01
Portfolio turnover	28(n)	52	48	57	62	58
Net assets at end of period (000 omitted)	$96,859	$102,616	$110,426	$83,400	$101,189	$108,217

See Notes to Financial Statements

Financial Highlights – continued

(a) Annualized.
(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(n) Not annualized
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS High 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 Standard 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 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 (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. 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, forward foreign currency exchange contracts, and swap agreements. The following is a summary of the levels used as of June 30, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities	$1,524,288	$876,212	$280,781	$2,681,281
Non-U.S. Sovereign Debt	—	2,421,711	—	2,421,711
Municipal Bonds	—	1,070,592	—	1,070,592
U.S. Corporate Bonds	—	508,153,444	—	508,153,444
Commercial Mortgage-Backed Securities	—	2,051,528	—	2,051,528
Asset-Backed Securities (including CDOs)	—	933,917	—	933,917
Foreign Bonds	—	132,187,655	—	132,187,655
Floating Rate Loans	—	29,202,897	—	29,202,897
Mutual Funds	10,771,559	—	—	10,771,559
Total Investments	$12,295,847	$676,897,956	$280,781	$689,474,584
Other Financial Instruments				
Futures Contracts	$29,525	$—	$—	$29,525
Swap Agreements	—	446,520	—	446,520
Forward Foreign Currency Exchange Contracts	—	57,518	—	57,518

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
Change in unrealized appreciation (depreciation)	36,472
Balance as of 6/30/14	$280,781

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at June 30, 2014 is $36,472.

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 June 30, 2014 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Fair Value (a) Asset Derivatives
Interest Rate	Interest Rate Futures	$29,525
Foreign Exchange	Forward Foreign Currency Exchange	57,518
Credit	Credit Default Swaps	446,520
Total		$533,563

(a) The value of futures contracts outstanding 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 six months ended June 30, 2014 as reported in the Statement of Operations:

Risk	Futures Contracts	Swap Agreements	Foreign Currency	Investments (Purchased Options)
Interest Rate	$(114,664)	$—	$—	$—
Foreign Exchange	—	—	(203,276)	—
Equity	—	—	—	(98,065)
Credit	—	54,255	—	—
Total	$(114,664)	$54,255	$(203,276)	$(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 six months ended June 30, 2014 as reported in the Statement of Operations:

Risk	Futures Contracts	Swap Agreements	Translation of Assets and Liabilities in Foreign Currencies
Interest Rate	$29,525	$—	$—
Foreign Exchange	—	—	249,101
Credit	—	(18,018)	—
Total	$29,525	$(18,018)	$249,101

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. 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 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. 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.

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. Effective June 10, 2013, certain types of swaps ("cleared swaps") are required to be centrally cleared under provisions of the Dodd-Frank Regulatory Reform Bill. In a cleared swap transaction, the swap agreement is novated to a central counterparty (the "clearinghouse") immediately following execution of the swap contract with an executing broker. Thereafter, throughout the term of the cleared swap, the fund interfaces indirectly with the clearinghouse through a clearing broker.

A swap agreement is generally an exchange of cash payments, at specified intervals or upon the occurrence of specified events, between the fund and a counterparty. The net cash payments exchanged are recorded as a realized gain or loss on swap agreements in the Statement of Operations. The value of the swap agreement, which is adjusted daily and includes any related interest accruals to be paid or received by the fund, is recorded in the Statement of Assets and Liabilities, as "Swaps, at value" for uncleared swaps and is included in "Due from brokers" or "Due to brokers" for cleared swaps. The daily change in value, including any related interest accruals to be paid or received, is recorded as unrealized appreciation or depreciation on swap agreements in the Statement of Operations. The daily change in valuation of cleared swaps is recorded as a receivable or payable for variation margin in the Statement of Assets and Liabilities. Amounts paid or received at the inception of the swap agreement are reflected as premiums paid or received in the Statement of Assets and Liabilities and are amortized using the effective interest method over the term of the agreement. A liquidation payment received or made upon early termination is recorded as a realized gain or loss on swap agreements in the Statement of Operations.

Risks related to swap agreements include the possible lack of a liquid market, unfavorable market and interest rate movements of the underlying instrument and the failure of the counterparty to perform under the terms of the agreements. To address counterparty risk, swap agreements are limited to only highly-rated counterparties. For uncleared swaps, that risk is further reduced by having an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement. Although not covered by an ISDA Master Agreement, the fund's counterparty risk due to cleared swaps is mitigated by the clearinghouses' margining requirements and financial safeguards in the event of a clearing broker default.

The fund entered into credit default swap agreements in order to manage its exposure to the market or certain sectors of the market, to reduce its credit risk exposure to defaults of corporate and sovereign issuers or to create exposure to corporate or sovereign issuers to which it is not otherwise exposed. In a credit default swap agreement, the protection buyer can make an upfront payment and will make a stream of payments 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.

Credit default swap agreements are considered to have credit-risk-related contingent features since they trigger payment by the protection seller to the protection buyer upon the occurrence of a defined credit event. The maximum amount of future, undiscounted payments that the fund, as protection seller, could be required to make is equal to the swap agreement's notional amount. The protection seller's payment obligation would be offset to the extent of the value of the agreement's deliverable obligation. At June 30, 2014, the fund did not hold any credit default swap agreements at an unrealized loss where it is the protection seller.

The fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the agreement. For uncleared swaps, counterparty risk is reduced by having an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement. For cleared swaps, the fund's counterparty risk is mitigated by the clearinghouses' margining requirements and financial safeguards in the event of a clearing broker default.

Loans and Other Direct Debt Instruments – The fund invests in loans and loan participations or other receivables. These investments may include standby financing commitments, including revolving credit facilities, which obligate the fund to supply additional cash to the borrower on demand. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. The fund earns certain fees in connection with its floating rate loan purchasing activities. These fees are in addition to interest payments earned and may include amendment fees, commitment fees, facility fees, consent fees, and prepayment fees. Commitment fees are recorded on an accrual basis as income in the accompanying financial statements. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date. Debt obligations may be placed on non-accrual status or set to accrue at a rate of interest less than the contractual coupon when the collection of all or a portion of interest has become doubtful. Interest income for those debt obligations may be further reduced by the write-off of the related interest receivables when deemed uncollectible.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the six months ended June 30, 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 fiscal year is as follows:

	12/31/13
Ordinary income (including any short-term capital gains)	$17,013,351

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/14	
Cost of investments	$678,001,728
Gross appreciation	22,165,154
Gross depreciation	(10,692,298)
Net unrealized appreciation (depreciation)	$11,472,856
As of 12/31/13	
Undistributed ordinary income	34,697,011
Capital loss carryforwards	(52,946,429)
Other temporary differences	(104,379)
Net unrealized appreciation (depreciation)	5,636,974

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized for fund fiscal years beginning after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses ("post-enactment losses"). Previously, net capital losses were carried forward for eight years and treated as short-term losses ("pre-enactment losses"). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2013 the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

12/31/15	$(10,983,737)
12/31/16	(30,768,220)
12/31/17	(11,194,472)
Total	$(52,946,429)

The availability of $18,508,585 of the capital loss carryforwards, which were acquired on August 16, 2013 in connection with the MFS High Income Series merger, may be limited in a given year.

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Six months ended 6/30/14	**Year ended 12/31/13**
Initial Class	$—	$14,745,171
Service Class	—	2,268,180
Total	$—	$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 six months ended June 30, 2014, this management fee reduction amounted to $12,621, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the six months ended June 30, 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, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses, such that total annual operating expenses do not exceed 0.75% of average daily net assets for the Initial Class shares and 1.00% of average daily net assets for the

Service Class shares. This written agreement will expire on July 31, 2014. For the six months ended June 30, 2014, this reduction amounted to $13,393 and 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, exclusive of 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.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2014, the fee was $15,199, 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 six months ended June 30, 2014, these costs amounted to $232.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2014 was equivalent to an annual effective rate of 0.0133% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. The ICCO is an officer of the funds and the sole member of Tarantino LLC. 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 service agreement between the funds and Griffin Compliance LLC was terminated. For the six months ended June 30, 2014, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $1,382 and are included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $740, 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 and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

For the six months ended June 30, 2014, purchases and sales of investments, other than purchased option transactions and short-term obligations, aggregated $191,778,833 and $213,738,306, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	1,617,329	$10,386,259	6,128,557	$37,619,278
Service Class	411,421	2,621,403	2,045,810	12,424,302
	2,028,750	$13,007,662	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
Shares issued to shareholders in reinvestment of distributions				
Initial Class			2,453,439	$14,745,171
Service Class			381,207	2,268,180
			2,834,646	$17,013,351
Shares reacquired				
Initial Class	(7,798,404)	$(50,236,315)	(14,297,350)	$(88,123,651)
Service Class	(2,067,340)	(13,156,284)	(5,214,014)	(31,898,066)
	(9,865,744)	$(63,392,599)	(19,511,364)	$(120,021,717)
Net change				
Initial Class	(6,181,075)	$(39,850,056)	34,682,651	$214,304,447
Service Class	(1,655,919)	(10,534,881)	(1,929,340)	(11,956,722)
	(7,836,994)	$(50,384,937)	32,753,311	$202,347,725

The fund is one of several mutual funds in which certain of the MFS funds-of-funds may invest. The MFS funds-of-funds do not invest in the underlying funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Conservative Allocation Fund, and the MFS Growth Allocation Portfolio were the owners of record of approximately 16%, 6%, and 4%, respectively, of the value of outstanding voting shares of the fund.

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2014, the fund's commitment fee and interest expense were $1,432 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	95,544,232	(91,226,542)	10,771,559

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$4,334	$10,771,559

(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.

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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT II" in the "Products" section of *mfs.com.*

MFS®

SEMIANNUAL REPORT
June 30, 2014

MFS®

MFS® INVESTORS TRUST SERIES

MFS® Variable Insurance Trust

VGI-SEM

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

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NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

After the U.S. economy contracted sharply early this year — with activity curtailed by severe winter weather, a decline in exports and an inventory stockpile — indicators have consistently shown that the U.S. economy likely regained momentum in the second quarter. The labor market is more robust, manufacturing is strong and retail sales have improved along with consumer confidence.

Although Europe emerged from recession last year, the pace of growth in the region has been slow, with persistently high unemployment and very low inflation that points to the risk of deflation. Asia remains vulnerable but also shows signs of recovery. China's economic growth has slowed somewhat, and Japan's economic turnaround remains a work in progress. Emerging markets have been more turbulent over the past 12 months.

Despite this economic uncertainty, and the growing likelihood of interest rate increases that has heightened bond risks, global financial markets have been relatively stable thus far in 2014.

As always at MFS®, active risk management is integral to how we manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global team of investment professionals takes a multidisciplined, long-term, diversified investment approach.

We understand that these are challenging economic times. We believe that we can serve you best by applying proven principles, such as asset allocation and diversification, over the long term. We are confident that this approach can serve you well as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

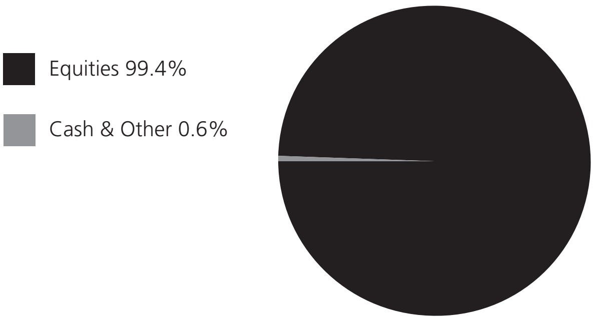
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management

August 15, 2014

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.	2.9%
Danaher Corp.	2.7%
Johnson & Johnson	2.2%
Wells Fargo & Co.	2.2%
Walt Disney Co.	2.2%
Pfizer, Inc.	2.1%
Visa, Inc., "A"	2.1%
EMC Corp.	2.0%
Covidien PLC	2.0%
Procter & Gamble Co.	1.9%

Equity sectors

Financial Services	18.3%
Health Care	13.5%
Technology	12.1%
Industrial Goods & Services	9.5%
Energy	8.5%
Consumer Staples	8.1%
Leisure	7.6%
Retailing	6.2%
Special Products & Services	4.0%
Basic Materials	4.0%
Utilities & Communications	3.7%
Transportation	2.1%
Autos & Housing	1.8%

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 6/30/14.
The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2014 through June 30, 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 January 1, 2014 through June 30, 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 1/01/14	Ending Account Value 6/30/14	Expenses Paid During Period (p) 1/01/14-6/30/14
Initial Class	Actual	0.81%	$1,000.00	$1,050.08	$4.12
	Hypothetical (h)	0.81%	$1,000.00	$1,020.78	$4.06
Service Class	Actual	1.06%	$1,000.00	$1,048.79	$5.38
	Hypothetical (h)	1.06%	$1,000.00	$1,019.54	$5.31

(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 181/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 6/30/14 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 99.1%		
Aerospace – 4.9%		
Honeywell International, Inc.	110,530	$ 10,273,764
Precision Castparts Corp.	37,317	9,418,811
United Technologies Corp.	94,605	10,922,147
		$ 30,614,722
Alcoholic Beverages – 2.0%		
Diageo PLC	162,186	$ 5,179,365
Pernod Ricard S.A.	61,894	7,432,704
		$ 12,612,069
Apparel Manufacturers – 2.6%		
LVMH Moet Hennessy Louis Vuitton S.A.	33,000	$ 6,362,317
NIKE, Inc., “B”	57,552	4,463,158
VF Corp.	85,390	5,379,570
		$ 16,205,045
Automotive – 0.8%		
Bayerische Motoren Werke AG	18,207	$ 2,309,095
Delphi Automotive PLC	43,383	2,982,147
		$ 5,291,242
Broadcasting – 4.7%		
Time Warner, Inc.	120,600	$ 8,472,150
Twenty-First Century Fox, Inc.	218,739	7,688,676
Walt Disney Co.	158,011	13,547,863
		$ 29,708,689
Brokerage & Asset Managers – 2.7%		
BlackRock, Inc.	31,580	$ 10,092,968
Franklin Resources, Inc.	42,152	2,438,072
NASDAQ OMX Group, Inc.	119,045	4,597,518
		$ 17,128,558
Business Services – 4.0%		
Accenture PLC, “A”	114,713	$ 9,273,399
Cognizant Technology Solutions Corp., “A” (a)	163,895	8,016,104
Fidelity National Information Services, Inc.	147,134	8,054,115
		$ 25,343,618
Cable TV – 1.7%		
Comcast Corp., “A”	196,192	$ 10,531,587
Computer Software – 1.7%		
Citrix Systems, Inc. (a)	71,434	$ 4,468,197
Oracle Corp.	161,797	6,557,632
		$ 11,025,829
Computer Software – Systems – 4.5%		
Apple, Inc.	103,936	$ 9,658,772
EMC Corp.	484,710	12,767,260
Hewlett-Packard Co.	166,979	5,623,853
		$ 28,049,885
COMMON STOCKS – continued		
Construction – 0.9%		
Sherwin-Williams Co.	28,389	$ 5,873,968
Consumer Products – 3.3%		
Colgate-Palmolive Co.	79,461	$ 5,417,651
Newell Rubbermaid, Inc.	103,021	3,192,621
Procter & Gamble Co.	152,821	12,010,202
		$ 20,620,474
Containers – 0.8%		
Crown Holdings, Inc. (a)	95,180	$ 4,736,157
Electrical Equipment – 3.8%		
Danaher Corp.	214,323	$ 16,873,650
W.W. Grainger, Inc.	27,688	7,040,228
		$ 23,913,878
Electronics – 2.8%		
Altera Corp.	208,042	$ 7,231,540
Microchip Technology, Inc.	216,893	10,586,547
		$ 17,818,087
Energy – Independent – 3.2%		
EOG Resources, Inc.	64,571	$ 7,545,767
Noble Energy, Inc.	74,855	5,798,268
Occidental Petroleum Corp.	63,834	6,551,283
		$ 19,895,318
Energy – Integrated – 0.9%		
Chevron Corp.	27,307	$ 3,564,929
Exxon Mobil Corp.	22,341	2,249,292
		$ 5,814,221
Engineering – Construction – 0.8%		
Fluor Corp.	67,555	$ 5,194,980
Food & Beverages – 2.8%		
General Mills, Inc.	49,009	$ 2,574,933
Groupe Danone	101,760	7,557,801
Mondelez International, Inc.	206,484	7,765,863
		$ 17,898,597
General Merchandise – 1.9%		
Kohl’s Corp.	107,613	$ 5,669,053
Target Corp.	109,756	6,360,360
		$ 12,029,413
Insurance – 0.8%		
ACE Ltd.	49,506	$ 5,133,772
Internet – 3.1%		
Google, Inc., “A” (a)	17,555	$ 10,263,882
Google, Inc., “C” (a)	15,837	9,110,709
		$ 19,374,591

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Major Banks – 9.5%		
Bank of America Corp.	501,242	$ 7,704,090
Goldman Sachs Group, Inc.	69,199	11,586,681
JPMorgan Chase & Co.	317,024	18,266,923
Morgan Stanley	159,688	5,162,713
State Street Corp.	52,462	3,528,594
Wells Fargo & Co.	258,380	13,580,453
		$ 59,829,454
Medical Equipment – 6.1%		
Abbott Laboratories	135,818	$ 5,554,956
Covidien PLC	139,977	12,623,126
St. Jude Medical, Inc.	62,008	4,294,054
Stryker Corp.	64,898	5,472,199
Thermo Fisher Scientific, Inc.	87,078	10,275,204
		$ 38,219,539
Oil Services – 4.4%		
Cameron International Corp. (a)	105,291	$ 7,129,254
Dresser-Rand Group, Inc. (a)	75,810	4,831,371
National Oilwell Varco, Inc.	68,666	5,654,645
Schlumberger Ltd.	87,007	10,262,476
		$ 27,877,746
Other Banks & Diversified Financials – 5.3%		
American Express Co.	122,815	$ 11,651,459
MasterCard, Inc., "A"	117,506	8,633,166
Visa, Inc., "A"	61,327	12,922,212
		$ 33,206,837
Pharmaceuticals – 7.4%		
Bristol-Myers Squibb Co.	103,474	$ 5,019,524
Endo International PLC (a)	79,125	5,540,333
Johnson & Johnson	133,496	13,966,352
Pfizer, Inc.	444,304	13,186,943
Valeant Pharmaceuticals International, Inc. (a)	70,174	8,850,345
		$ 46,563,497
Railroad & Shipping – 1.3%		
Canadian National Railway Co.	128,054	$ 8,326,071
Restaurants – 1.2%		
McDonald's Corp.	77,139	$ 7,770,983
Specialty Chemicals – 3.3%		
FMC Corp.	46,013	$ 3,275,665
Linde AG	25,809	5,488,344
Praxair, Inc.	41,290	5,484,964
W.R. Grace & Co. (a)	66,982	6,331,808
		$ 20,580,781

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Specialty Stores – 1.7%		
Bed Bath & Beyond, Inc. (a)	103,198	$ 5,921,501
Ross Stores, Inc.	71,103	4,702,041
		$ 10,623,542
Telecommunications – Wireless – 1.7%		
American Tower Corp., REIT	119,481	$ 10,750,900
Trucking – 0.8%		
United Parcel Service, Inc., "B"	50,448	$ 5,178,992
Utilities – Electric Power – 1.7%		
American Electric Power Co., Inc.	81,774	$ 4,560,536
CMS Energy Corp.	194,229	6,050,233
		$ 10,610,769
Total Common Stocks (Identified Cost, $412,974,233)		**$624,353,811**
CONVERTIBLE PREFERRED STOCKS – 0.3%		
Utilities – Electric Power – 0.3%		
Exelon Corp., 6.5% (Identified Cost, $1,672,245) (a)	33,054	$ 1,783,151
MONEY MARKET FUNDS – 0.6%		
MFS Institutional Money Market Portfolio, 0.08%, at Cost and Net Asset Value (v)	3,837,662	$ 3,837,662
Total Investments (Identified Cost, $418,484,140)		**$629,974,624**
OTHER ASSETS, LESS LIABILITIES – (0.0)%		**(110,755)**
Net Assets – 100.0%		**$629,863,869**

(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 (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $414,646,478)	$626,136,962	
Underlying affiliated funds, at cost and value	3,837,662	
Total investments, at value (identified cost, $418,484,140)	$629,974,624	
Cash	2,100	
Foreign currency, at value (identified cost, $27)	28	
Receivables for		
Fund shares sold	458,248	
Interest and dividends	417,507	
Other assets	3,978	
Total assets		$630,856,485
Liabilities		
Payable for fund shares reacquired	$802,842	
Payable to affiliates		
Investment adviser	49,922	
Shareholder servicing costs	1,162	
Distribution and/or service fees	6,956	
Payable for independent Trustees' compensation	9	
Accrued expenses and other liabilities	131,725	
Total liabilities		$992,616
Net assets		$629,863,869
Net assets consist of		
Paid-in capital	$328,456,733	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	211,490,857	
Accumulated net realized gain (loss) on investments and foreign currency	82,139,946	
Undistributed net investment income	7,776,333	
Net assets		$629,863,869
Shares of beneficial interest outstanding		20,100,186

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$374,978,112	11,922,206	$31.45
Service Class	254,885,757	8,177,980	31.17

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/14

Net investment income		
Income		
Dividends	$5,250,057	
Interest	26,611	
Dividends from underlying affiliated funds	1,866	
Foreign taxes withheld	(78,558)	
Total investment income		$5,199,976
Expenses		
Management fee	$2,312,226	
Distribution and/or service fees	297,833	
Shareholder servicing costs	33,779	
Administrative services fee	41,565	
Independent Trustees' compensation	7,597	
Custodian fee	34,405	
Shareholder communications	45,332	
Audit and tax fees	25,966	
Legal fees	3,225	
Miscellaneous	10,370	
Total expenses		$2,812,298
Reduction of expenses by investment adviser	(11,934)	
Net expenses		$2,800,364
Net investment income		$2,399,612
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$35,204,663	
Foreign currency	4,152	
Net realized gain (loss) on investments and foreign currency		$35,208,815
Change in unrealized appreciation (depreciation)		
Investments	$(7,686,994)	
Translation of assets and liabilities in foreign currencies	(26)	
Net unrealized gain (loss) on investments and foreign currency translation		$(7,687,020)
Net realized and unrealized gain (loss) on investments and foreign currency		$27,521,795
Change in net assets from operations		$29,921,407

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/14 (unaudited)	Year ended 12/31/13
Change in net assets		
From operations		
Net investment income	$2,399,612	$5,380,383
Net realized gain (loss) on investments and foreign currency	35,208,815	52,154,454
Net unrealized gain (loss) on investments and foreign currency translation	(7,687,020)	117,146,735
Change in net assets from operations	$29,921,407	$174,681,572
Distributions declared to shareholders		
From net investment income	$—	$(6,505,100)
Change in net assets from fund share transactions	$(40,462,565)	$(124,872,601)
Total change in net assets	$(10,541,158)	$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 $7,776,333 and $5,376,721, respectively)	$629,863,869	$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 semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	**Six months ended 6/30/14 (unaudited)**	**Years ended 12/31**				
		2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$29.95	$22.93	$19.41	$20.04	$18.24	$14.64
Income (loss) from investment operations						
Net investment income (d)	$0.13	$0.24	$0.25	$0.17	$0.16	$0.19
Net realized and unrealized gain (loss) on investments and foreign currency	1.37	7.07	3.46	(0.61)	1.86	3.67
Total from investment operations	$1.50	$7.31	$3.71	$(0.44)	$2.02	$3.86
Less distributions declared to shareholders						
From net investment income	$—	$(0.29)	$(0.19)	$(0.19)	$(0.22)	$(0.26)
Net asset value, end of period (x)	$31.45	$29.95	$22.93	$19.41	$20.04	$18.24
Total return (%) (k)(r)(s)(x)	5.01(n)	32.05	19.18	(2.18)	11.10	26.90
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.82(a)	0.81	0.82	0.82	0.83	0.86
Expenses after expense reductions (f)	0.81(a)	0.81	0.82	0.82	0.83	0.86
Net investment income	0.87(a)	0.93	1.15	0.84	0.87	1.25
Portfolio turnover	12(n)	19	28	22	22	34
Net assets at end of period (000 omitted)	$374,978	$405,682	$455,295	$486,500	$603,279	$636,809

Service Class	**Six months ended 6/30/14 (unaudited)**	**Years ended 12/31**				
		2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$29.72	$22.78	$19.31	$19.95	$18.16	$14.56
Income (loss) from investment operations						
Net investment income (d)	$0.09	$0.18	$0.20	$0.12	$0.11	$0.15
Net realized and unrealized gain (loss) on investments and foreign currency	1.36	7.02	3.43	(0.61)	1.86	3.65
Total from investment operations	$1.45	$7.20	$3.63	$(0.49)	$1.97	$3.80
Less distributions declared to shareholders						
From net investment income	$—	$(0.26)	$(0.16)	$(0.15)	$(0.18)	$(0.20)
Net asset value, end of period (x)	$31.17	$29.72	$22.78	$19.31	$19.95	$18.16
Total return (%) (k)(r)(s)(x)	4.88(n)	31.74	18.83	(2.42)	10.88	26.56
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.07(a)	1.06	1.07	1.07	1.08	1.11
Expenses after expense reductions (f)	1.06(a)	1.06	1.07	1.07	1.08	1.11
Net investment income	0.63(a)	0.67	0.93	0.60	0.63	0.99
Portfolio turnover	12(n)	19	28	22	22	34
Net assets at end of period (000 omitted)	$254,886	$234,723	$141,806	$78,392	$62,309	$46,267

See Notes to Financial Statements

(a) Annualized.
(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(n) Not annualized.
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS Investors Trust Series (the fund) is a 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 Standard 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 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 generally are valued at amortized cost, which approximates market value. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of June 30, 2014 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:	$626,136,962	$—	$—	$626,136,962
Mutual Funds	3,837,662	—	—	3,837,662
Total Investments	$629,974,624	$—	$—	$629,974,624

For further information regarding security characteristics, see the Portfolio of Investments.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Security Loans – 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 or short-term securities. 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 June 30, 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. For the six months ended June 30, 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 fiscal year is as follows:

	12/31/13
Ordinary income (including any short-term capital gains)	$6,505,100

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/14	
Cost of investments	$419,418,445
Gross appreciation	212,904,734
Gross depreciation	(2,348,555)
Net unrealized appreciation (depreciation)	$210,556,179
As of 12/31/13	
Undistributed ordinary income	10,196,006
Undistributed long-term capital gain	43,046,151
Other temporary differences	399
Net unrealized appreciation (depreciation)	218,243,173

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

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	
	Six months ended 6/30/14	**Year ended 12/31/13**
Initial Class	$—	$4,558,137
Service Class	—	1,946,963
Total	$—	$6,505,100

(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 six months ended June 30, 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 six months ended June 30, 2014, this management fee reduction amounted to $11,272, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the six months ended June 30, 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 six months ended June 30, 2014, the fee was $33,150, which equated to 0.0108% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2014, these costs amounted to $629.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2014 was equivalent to an annual effective rate of 0.0135% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. The ICCO is an officer of the funds and the sole member of Tarantino LLC. 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 service agreement between the funds and Griffin Compliance LLC was terminated. For the six months ended June 30, 2014, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $1,067 and are included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $662, 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 and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

Notes to Financial Statements (unaudited) – continued

(4) Portfolio Securities

For the six months ended June 30, 2014, purchases and sales of investments, other than short-term obligations, aggregated $74,537,734 and $112,631,393, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/14		Year ended 12/31/13	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	80,733	$2,430,871	527,522	$13,502,090
Service Class	822,750	24,652,903	2,975,204	77,017,940
	903,483	$27,083,774	3,502,726	$90,520,030
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	171,423	$4,558,137
Service Class	—	—	73,748	1,946,963
	—	$—	245,171	$6,505,100
Shares reacquired				
Initial Class	(1,703,589)	$(51,340,527)	(7,012,013)	$(185,471,471)
Service Class	(543,611)	(16,205,812)	(1,376,108)	(36,426,260)
	(2,247,200)	$(67,546,339)	(8,388,121)	$(221,897,731)
Net change				
Initial Class	(1,622,856)	$(48,909,656)	(6,313,068)	$(167,411,244)
Service Class	279,139	8,447,091	1,672,844	42,538,643
	(1,343,717)	$(40,462,565)	(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 six months ended June 30, 2014, the fund's commitment fee and interest expense were $1,330 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	4,298,195	51,751,135	(52,211,668)	3,837,662

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$1,866	$3,837,662

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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

MFS®

SEMIANNUAL REPORT
June 30, 2014

MFS® RESEARCH SERIES

MFS® Variable Insurance Trust

VFR-SEM

MFS® RESEARCH SERIES

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE •
NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

After the U.S. economy contracted sharply early this year — with activity curtailed by severe winter weather, a decline in exports and an inventory stockpile — indicators have consistently shown that the U.S. economy likely regained momentum in the second quarter. The labor market is more robust, manufacturing is strong and retail sales have improved along with consumer confidence.

Although Europe emerged from recession last year, the pace of growth in the region has been slow, with persistently high unemployment and very low inflation that points to the risk of deflation. Asia remains vulnerable but also shows signs of recovery. China's economic growth has slowed somewhat, and Japan's economic turnaround remains a work in progress. Emerging markets have been more turbulent over the past 12 months.

Despite this economic uncertainty, and the growing likelihood of interest rate increases that has heightened bond risks, global financial markets have been relatively stable thus far in 2014.

As always at MFS®, active risk management is integral to how we manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global team of investment professionals takes a multidisciplined, long-term, diversified investment approach.

We understand that these are challenging economic times. We believe that we can serve you best by applying proven principles, such as asset allocation and diversification, over the long term. We are confident that this approach can serve you well as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

Robert J Manning

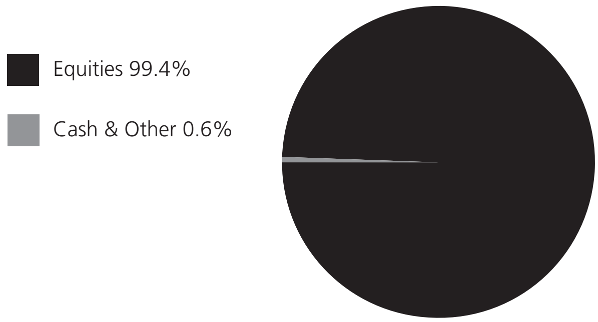
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management

August 15, 2014

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)



Global equity sectors (i)

Technology	17.1%
Financial Services	16.6%
Capital Goods	15.0%
Energy	13.9%
Health Care	13.2%
Consumer Cyclicals	12.0%
Consumer Staples	7.5%
Telecommunications/Cable Television	4.1%

Top ten holdings (i)

Exxon Mobil Corp.	3.1%
Apple, Inc.	2.7%
Danaher Corp.	2.0%
Visa, Inc., "A"	1.9%
Wells Fargo & Co.	1.7%
JPMorgan Chase & Co.	1.7%
MetLife, Inc.	1.5%
Google, Inc., "A"	1.4%
Comcast Corp., "Special A"	1.4%
Coca-Cola Co.	1.3%

(i) For purposes of this presentation, the components include the value of securities, less any securities sold short, and reflect the impact of the equivalent exposure of derivative positions. These amounts may be negative from time to time. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than value.

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 6/30/14.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2014 through June 30, 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 January 1, 2014 through June 30, 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 1/01/14	Ending Account Value 6/30/14	Expenses Paid During Period (p) 1/01/14-6/30/14
Initial Class	Actual	0.80%	$1,000.00	$1,051.84	$4.07
	Hypothetical (h)	0.80%	$1,000.00	$1,020.83	$4.01
Service Class	Actual	1.05%	$1,000.00	$1,050.54	$5.34
	Hypothetical (h)	1.05%	$1,000.00	$1,019.59	$5.26

(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 181/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 6/30/14 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 99.5%		
Aerospace – 3.3%		
Honeywell International, Inc.	87,353	$ 8,119,461
Precision Castparts Corp.	29,065	7,336,006
United Technologies Corp.	81,394	9,396,937
		$ 24,852,404
Alcoholic Beverages – 0.7%		
Constellation Brands, Inc., "A" (a)	38,013	$ 3,350,086
Molson Coors Brewing Co.	30,995	2,298,589
		$ 5,648,675
Apparel Manufacturers – 1.4%		
Guess?, Inc.	54,166	$ 1,462,482
Li & Fung Ltd.	1,282,000	1,898,916
NIKE, Inc., "B"	39,374	3,053,454
PVH Corp.	36,126	4,212,292
		$ 10,627,144
Automotive – 0.8%		
Delphi Automotive PLC	88,760	$ 6,101,362
Biotechnology – 1.6%		
Alexion Pharmaceuticals, Inc. (a)	32,008	$ 5,001,250
Biogen Idec, Inc. (a)	23,169	7,305,417
		$ 12,306,667
Broadcasting – 2.8%		
Time Warner, Inc.	75,785	$ 5,323,896
Twenty-First Century Fox, Inc.	253,513	8,910,982
Walt Disney Co.	79,120	6,783,749
		$ 21,018,627
Brokerage & Asset Managers – 2.4%		
BlackRock, Inc.	18,189	$ 5,813,204
Franklin Resources, Inc.	123,782	7,159,551
Intercontinental Exchange, Inc.	27,354	5,167,171
		$ 18,139,926
Business Services – 1.6%		
Accenture PLC, "A"	62,497	$ 5,052,257
Fidelity National Information Services, Inc.	72,825	3,986,441
FleetCor Technologies, Inc. (a)	26,217	3,455,401
		$ 12,494,099
Cable TV – 1.8%		
Comcast Corp., "Special A"	194,755	$ 10,386,284
Time Warner Cable, Inc.	24,464	3,603,547
		$ 13,989,831
Chemicals – 1.0%		
Monsanto Co.	60,950	$ 7,602,903
Computer Software – 2.7%		
Citrix Systems, Inc. (a)	73,834	$ 4,618,317
Oracle Corp.	184,515	7,478,393
Qlik Technologies, Inc. (a)	102,625	2,321,378

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – continued		
Salesforce.com, Inc. (a)	105,716	$ 6,139,985
		$ 20,558,073
Computer Software – Systems – 5.7%		
Apple, Inc. (s)	224,819	$ 20,892,430
CDW Corp.	59,247	1,888,794
EMC Corp.	319,809	8,423,769
Hewlett-Packard Co.	295,599	9,955,774
NCR Corp. (a)	51,347	1,801,766
		$ 42,962,533
Conglomerates – 1.3%		
Roper Industries, Inc.	67,576	$ 9,866,772
Construction – 0.8%		
Sherwin-Williams Co.	27,470	$ 5,683,818
Consumer Products – 2.3%		
Colgate-Palmolive Co.	103,341	$ 7,045,789
Estee Lauder Cos., Inc., "A"	44,856	3,331,007
Newell Rubbermaid, Inc.	109,154	3,382,681
Procter & Gamble Co.	50,769	3,989,936
		$ 17,749,413
Consumer Services – 0.8%		
ITT Educational Services, Inc. (a)(l)	49,986	$ 834,265
Priceline Group, Inc. (a)	4,381	5,270,343
		$ 6,104,608
Containers – 0.7%		
Crown Holdings, Inc. (a)	102,484	$ 5,099,604
Electrical Equipment – 2.7%		
Danaher Corp.	192,015	$ 15,117,341
W.W. Grainger, Inc.	20,730	5,271,017
		$ 20,388,358
Electronics – 2.2%		
Altera Corp.	158,426	$ 5,506,888
JDS Uniphase Corp. (a)	122,361	1,525,842
Mellanox Technologies Ltd. (a)	46,413	1,617,957
Microchip Technology, Inc.	79,854	3,897,674
NXP Semiconductors N.V. (a)	66,110	4,375,160
		$ 16,923,521
Energy – Independent – 4.7%		
Anadarko Petroleum Corp.	65,297	$ 7,148,063
Antero Resources Corp. (a)	13,637	894,996
Cabot Oil & Gas Corp.	139,649	4,767,617
EOG Resources, Inc.	34,405	4,020,568
EQT Corp.	34,988	3,740,217
Marathon Petroleum Corp.	23,447	1,830,507
Memorial Resource Development Corp. (a)	69,561	1,694,506
Noble Energy, Inc.	68,586	5,312,672
Pioneer Natural Resources Co.	27,780	6,384,122
		$ 35,793,268

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Energy – Integrated – 3.1%		
Exxon Mobil Corp. (s)	236,029	$ 23,763,400
Engineering – Construction – 0.4%		
Fluor Corp.	40,177	$ 3,089,611
Food & Beverages – 2.9%		
Coca-Cola Co.	239,641	$ 10,151,193
General Mills, Inc.	91,484	4,806,569
Mondelez International, Inc.	189,449	7,125,177
		$ 22,082,939
Food & Drug Stores – 0.9%		
CVS Caremark Corp.	91,230	$ 6,876,005
Gaming & Lodging – 0.4%		
Wynn Resorts Ltd.	14,776	$ 3,066,907
General Merchandise – 1.4%		
Kohl's Corp.	80,529	$ 4,242,268
Target Corp.	105,820	6,132,269
		$ 10,374,537
Health Maintenance Organizations – 1.0%		
UnitedHealth Group, Inc.	91,406	$ 7,472,440
Insurance – 3.1%		
ACE Ltd.	40,843	$ 4,235,419
American International Group, Inc.	144,583	7,891,340
MetLife, Inc.	203,382	11,299,904
		$ 23,426,663
Internet – 5.0%		
eBay, Inc. (a)	119,777	$ 5,996,037
Facebook, Inc., "A" (a)	100,290	6,748,514
Google, Inc., "A" (a)	18,625	10,889,479
Google, Inc., "C" (a)	14,926	8,586,629
LinkedIn Corp., "A" (a)	20,705	3,550,286
Yelp, Inc. (a)	28,106	2,155,168
		$ 37,926,113
Machinery & Tools – 1.6%		
Eaton Corp. PLC	94,583	$ 7,299,916
Joy Global, Inc.	80,994	4,987,611
		$ 12,287,527
Major Banks – 6.0%		
Bank of America Corp.	346,544	$ 5,326,381
Goldman Sachs Group, Inc.	27,078	4,533,940
JPMorgan Chase & Co. (s)	221,717	12,775,334
Morgan Stanley	166,718	5,389,993
State Street Corp.	69,544	4,677,529
Wells Fargo & Co.	252,221	13,256,736
		$ 45,959,913
Medical & Health Technology & Services – 0.8%		
Express Scripts Holding Co. (a)	90,505	$ 6,274,712
Medical Equipment – 4.2%		
Abbott Laboratories	200,632	$ 8,205,849
Cooper Cos., Inc.	22,667	3,072,058
Covidien PLC	54,748	4,937,175

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical Equipment – continued		
DENTSPLY International, Inc.	58,445	$ 2,767,371
Stryker Corp.	71,870	6,060,078
Thermo Fisher Scientific, Inc.	57,862	6,827,716
		$ 31,870,247
Natural Gas – Distribution – 0.5%		
Sempra Energy	36,400	$ 3,811,444
Natural Gas – Pipeline – 0.6%		
Williams Cos., Inc.	79,796	$ 4,644,925
Oil Services – 2.3%		
Cameron International Corp. (a)	65,444	$ 4,431,213
Halliburton Co.	114,040	8,097,980
Schlumberger Ltd.	39,442	4,652,184
		$ 17,181,377
Other Banks & Diversified Financials – 5.1%		
American Express Co.	86,061	$ 8,164,607
BB&T Corp.	83,721	3,301,119
Citigroup, Inc.	195,707	9,217,800
Discover Financial Services	60,285	3,736,464
Visa, Inc., "A"	68,365	14,405,189
		$ 38,825,179
Pharmaceuticals – 5.6%		
Actavis PLC (a)	38,231	$ 8,527,425
Bristol-Myers Squibb Co.	131,028	6,356,168
Endo International PLC (a)	53,932	3,776,319
Johnson & Johnson	75,435	7,892,010
Pfizer, Inc.	245,040	7,272,787
Valeant Pharmaceuticals International, Inc. (a)	43,112	5,437,285
Zoetis, Inc.	105,924	3,418,167
		$ 42,680,161
Railroad & Shipping – 1.5%		
Canadian Pacific Railway Ltd.	13,511	$ 2,447,383
Union Pacific Corp.	93,413	9,317,947
		$ 11,765,330
Restaurants – 1.1%		
McDonald's Corp.	72,067	$ 7,260,030
YUM! Brands, Inc.	10,485	851,382
		$ 8,111,412
Specialty Chemicals – 0.7%		
W.R. Grace & Co. (a)	58,253	$ 5,506,656
Specialty Stores – 3.3%		
Amazon.com, Inc. (a)	12,987	$ 4,217,918
AutoZone, Inc. (a)	7,655	4,104,917
Bed Bath & Beyond, Inc. (a)	56,810	3,259,758
Burlington Stores, Inc. (a)	97,406	3,103,355
Ross Stores, Inc.	48,605	3,214,249
Ulta Salon, Cosmetics & Fragrance, Inc. (a)	37,661	3,442,592
Urban Outfitters, Inc. (a)	112,185	3,798,584
		$ 25,141,373

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Telecommunications – Wireless – 1.0%		
American Tower Corp., REIT	59,061	$ 5,314,309
SBA Communications Corp. (a)	24,014	2,456,632
		$ 7,770,941
Telephone Services – 1.2%		
Verizon Communications, Inc.	183,948	$ 9,000,576
Tobacco – 1.6%		
Lorillard, Inc.	39,325	$ 2,397,645
Philip Morris International, Inc.	111,612	9,410,008
		$ 11,807,653
Trucking – 0.2%		
Expeditors International of Washington, Inc.	34,202	$ 1,510,360
Utilities – Electric Power – 2.7%		
American Electric Power Co., Inc.	73,051	$ 4,074,054
CMS Energy Corp.	182,185	5,675,063
Northeast Utilities	102,459	4,843,237
NRG Energy, Inc.	155,704	5,792,189
		$ 20,384,543
Total Common Stocks (Identified Cost, $574,842,747)		**$756,524,550**

Issuer/Expiration Date/Strike Price	Number of Contracts	
PUT OPTIONS PURCHASED – 0.0%		
Electronics – 0.0%		
Intel Corp. – October 2014 @ $31 (Premiums Paid, $91,646)	455	$ 65,065

Issuer	Shares/Par	Value ($)
MONEY MARKET FUNDS – 0.5%		
MFS Institutional Money Market Portfolio, 0.08%, at Cost and Net Asset Value (v)	4,078,886	$ 4,078,886
COLLATERAL FOR SECURITIES LOANED – 0.1%		
Navigator Securities Lending Prime Portfolio, 0.14%, at Cost and Net Asset Value (j)	305,745	$ 305,745
Total Investments (Identified Cost, $579,319,024)		**$760,974,246**
OTHER ASSETS, LESS LIABILITIES – (0.1)%		**(680,192)**
Net Assets – 100.0%		**$760,294,054**

(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 certain derivative transactions. At June 30, 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 June 30, 2014, the fund had cash collateral of $7,995 and other liquid securities with an aggregate value of $478,226 to cover any commitments for securities sold short and certain derivative transactions. Cash collateral is comprised of "Deposits with brokers" in the Statement of Assets and Liabilities. At June 30, 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 (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $575,240,138)	$756,895,360	
Underlying affiliated funds, at cost and value	4,078,886	
Total investments, at value, including $300,169 of securities on loan (identified cost, $579,319,024)	$760,974,246	
Deposits with brokers	7,995	
Receivables for		
Investments sold	4,288,875	
Fund shares sold	36,248	
Interest and dividends	564,032	
Other assets	2,152	
Total assets		$765,873,548
Liabilities		
Payables for		
Investments purchased	$4,374,828	
Fund shares reacquired	700,777	
Collateral for securities loaned, at value	305,745	
Payable to affiliates		
Investment adviser	60,305	
Shareholder servicing costs	1,113	
Distribution and/or service fees	7,420	
Payable for independent Trustees' compensation	10	
Accrued expenses and other liabilities	129,296	
Total liabilities		$5,579,494
Net assets		$760,294,054
Net assets consist of		
Paid-in capital	$492,284,219	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	181,655,242	
Accumulated net realized gain (loss) on investments and foreign currency	78,532,474	
Undistributed net investment income	7,822,119	
Net assets		$760,294,054
Shares of beneficial interest outstanding		25,242,112

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$489,281,654	16,186,629	$30.23
Service Class	271,012,400	9,055,483	29.93

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/14

Net investment income		
Income		
Dividends	$5,751,255	
Interest	1,362	
Dividends from underlying affiliated funds	1,952	
Foreign taxes withheld	(661)	
Total investment income		$5,753,908
Expenses		
Management fee	$2,813,669	
Distribution and/or service fees	335,083	
Shareholder servicing costs	29,184	
Administrative services fee	49,321	
Independent Trustees' compensation	7,765	
Custodian fee	38,367	
Shareholder communications	36,763	
Audit and tax fees	27,114	
Legal fees	3,769	
Miscellaneous	13,029	
Total expenses		$3,354,064
Fees paid indirectly	(3)	
Reduction of expenses by investment adviser	(14,511)	
Net expenses		$3,339,550
Net investment income		$2,414,358
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$24,306,757	
Foreign currency	(11)	
Net realized gain (loss) on investments and foreign currency		$24,306,746
Change in unrealized appreciation (depreciation)		
Investments	$10,905,534	
Translation of assets and liabilities in foreign currencies	20	
Net unrealized gain (loss) on investments and foreign currency translation		$10,905,554
Net realized and unrealized gain (loss) on investments and foreign currency		$35,212,300
Change in net assets from operations		$37,626,658

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/14 (unaudited)	Year ended 12/31/13
Change in net assets		
From operations		
Net investment income	$2,414,358	$5,404,151
Net realized gain (loss) on investments and foreign currency	24,306,746	72,739,040
Net unrealized gain (loss) on investments and foreign currency translation	10,905,554	132,956,308
Change in net assets from operations	$37,626,658	$211,099,499
Distributions declared to shareholders		
From net investment income	$—	$(2,329,011)
From net realized gain on investments	—	(1,807,468)
Total distributions declared to shareholders	$—	$(4,136,479)
Change in net assets from fund share transactions	$(53,243,487)	$(157,925,678)
Total change in net assets	$(15,616,829)	$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 $7,822,119 and $5,407,761, respectively)	$760,294,054	$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 semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	**Six months ended 6/30/14 (unaudited)**	**Years ended 12/31**				
		2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$28.74	$21.84	$18.78	$19.04	$16.57	$12.90
Income (loss) from investment operations						
Net investment income (d)	$0.11	$0.20	$0.22	$0.15	$0.15	$0.15
Net realized and unrealized gain (loss) on investments and foreign currency	1.38	6.84	3.01	(0.24)	2.47	3.72
Total from investment operations	$1.49	$7.04	$3.23	$(0.09)	$2.62	$3.87
Less distributions declared to shareholders						
From net investment income	$—	$(0.08)	$(0.17)	$(0.17)	$(0.15)	$(0.20)
From net realized gain on investments	—	(0.06)	—	—	—	—
Total distributions declared to shareholders	$—	$(0.14)	$(0.17)	$(0.17)	$(0.15)	$(0.20)
Net asset value, end of period (x)	$30.23	$28.74	$21.84	$18.78	$19.04	$16.57
Total return (%) (k)(r)(s)(x)	5.18(n)	32.35	17.22	(0.45)	15.90	30.54
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.80(a)	0.81	0.88	0.88	0.89	0.90
Expenses after expense reductions (f)	0.80(a)	0.81	0.88	0.88	0.89	0.90
Net investment income	0.73(a)	0.80	1.06	0.79	0.86	1.05
Portfolio turnover	17(n)	43	83	70	71	107
Net assets at end of period (000 omitted)	$489,282	$496,857	$460,834	$160,892	$182,895	$180,229
Supplemental Ratios (%):						
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	N/A	0.80	0.87	0.86	0.89	0.90

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Six months ended 6/30/14 (unaudited)	Years ended 12/31				
		2013	2012	2011	2010	2009
Net asset value, beginning of period	$28.49	$21.70	$18.67	$18.93	$16.48	$12.82
Income (loss) from investment operations						
Net investment income (d)	$0.07	$0.14	$0.18	$0.10	$0.10	$0.11
Net realized and unrealized gain (loss) on investments and foreign currency	1.37	6.78	2.97	(0.24)	2.47	3.71
Total from investment operations	$1.44	$6.92	$3.15	$(0.14)	$2.57	$3.82
Less distributions declared to shareholders						
From net investment income	$—	$(0.07)	$(0.12)	$(0.12)	$(0.12)	$(0.16)
From net realized gain on investments	—	(0.06)	—	—	—	—
Total distributions declared to shareholders	$—	$(0.13)	$(0.12)	$(0.12)	$(0.12)	$(0.16)
Net asset value, end of period (x)	$29.93	$28.49	$21.70	$18.67	$18.93	$16.48
Total return (%) (k)(r)(s)(x)	5.05(n)	32.00	16.90	(0.69)	15.64	30.20
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.05(a)	1.06	1.11	1.13	1.14	1.15
Expenses after expense reductions (f)	1.05(a)	1.05	1.11	1.13	1.14	1.15
Net investment income	0.48(a)	0.56	0.82	0.55	0.61	0.80
Portfolio turnover	17(n)	43	83	70	71	107
Net assets at end of period (000 omitted)	$271,012	$279,054	$266,040	$20,015	$19,825	$17,196
Supplemental Ratios (%):						
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	N/A	1.05	1.11	1.11	1.14	1.15

(a) Annualized.

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.

(n) Not annualized.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower. Excluding the effect of the proceeds received from a non-recurring litigation settlement against Tyco International Ltd., the Initial Class and Service Class total returns for the year ended December 31, 2010 would have each been lower by approximately 0.60%.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS Research Series (the fund) is a 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 Standard 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 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 generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of June 30, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities	$756,589,615	$—	$—	$756,589,615
Mutual Funds	4,384,631	—	—	4,384,631
Total Investments	$760,974,246	$—	$—	$760,974,246

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 1 investments presented above, equity investments amounting to $1,898,916 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. The fund's period end derivatives, as presented in the Portfolio of Investments generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at June 30, 2014 as reported in the Statement of Assets and Liabilities:

		Fair Value (a)
Risk	**Derivative Contracts**	**Asset Derivatives**
Equity	Purchased Equity Options	$65,065

(a) The value of purchased options outstanding is included in total investments, at value, within the fund's Statement of Assets and Liabilities.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended June 30, 2014 as reported in the Statement of Operations:

Risk	Investments (Purchased Options)
Equity	$79,632

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended June 30, 2014 as reported in the Statement of Operations:

Risk	Investments (Purchased Options)
Equity	$(26,581)

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 June 30, 2014, the fund had no short sales outstanding.

Notes to Financial Statements (unaudited) – continued

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 or short-term securities. 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 $300,169 and a related liability of $305,745 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 six months ended June 30, 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 fiscal year is as follows:

	12/31/13
Ordinary income (including any short-term capital gains)	$2,782,538
Long-term capital gains	1,353,941
Total distributions	$4,136,479

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/14	
Cost of investments	$580,354,262
Gross appreciation	185,558,495
Gross depreciation	(4,938,511)
Net unrealized appreciation (depreciation)	$180,619,984
As of 12/31/13	
Undistributed ordinary income	33,820,241
Undistributed long-term capital gain	26,877,015
Other temporary differences	(71,560)
Net unrealized appreciation (depreciation)	169,757,481

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

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	
	Six months ended 6/30/14	Year ended 12/31/13	Six months ended 6/30/14	Year ended 12/31/13
Initial Class	$—	$1,533,253	$—	$1,142,549
Service Class	—	795,758	—	664,919
Total	$—	$2,329,011	$—	$1,807,468

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

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 six months ended June 30, 2014, this management fee reduction amounted to $13,706, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the six months ended June 30, 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 six months ended June 30, 2014, the fee was $28,511, 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 six months ended June 30, 2014, these costs amounted to $673.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2014 was equivalent to an annual effective rate of 0.0131% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. The ICCO is an officer of the funds and the sole member of Tarantino LLC. 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 service agreement between the funds and Griffin Compliance LLC was terminated. For the six months ended June 30, 2014, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $2,050 and are included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $805, 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 and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

For the six months ended June 30, 2014, purchases and sales of investments, other than purchased option transactions and short-term obligations, aggregated $130,060,773 and $179,213,358, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	204,137	$5,869,287	831,878	$20,972,321
Service Class	203,903	5,854,878	518,954	12,972,521
	408,040	$11,724,165	1,350,832	$33,944,842
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	104,279	$2,675,802
Service Class	—	—	57,371	1,460,677
	—	$—	161,650	$4,136,479
Shares reacquired				
Initial Class	(1,304,543)	$(37,955,513)	(4,745,222)	$(119,670,066)
Service Class	(942,496)	(27,012,139)	(3,040,947)	(76,336,933)
	(2,247,039)	$(64,967,652)	(7,786,169)	$(196,006,999)
Net change				
Initial Class	(1,100,406)	$(32,086,226)	(3,809,065)	$(96,021,943)
Service Class	(738,593)	(21,157,261)	(2,464,622)	(61,903,735)
	(1,838,999)	$(53,243,487)	(6,273,687)	$(157,925,678)

The fund is one of several mutual funds in which certain of the MFS funds-of-funds may invest. The MFS funds-of-funds do not invest in the underlying funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Growth Allocation Portfolio, and the MFS Conservative Allocation Portfolio were the owners of record of approximately 24%, 8%, and 7%, respectively, of the value of outstanding voting shares of the fund.

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2014, the fund's commitment fee and interest expense were $1,618 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	575,033	65,209,626	(61,705,773)	4,078,886

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$1,952	$4,078,886

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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

MFS®

SEMIANNUAL REPORT

June 30, 2014

MFS® UTILITIES SERIES

MFS® Variable Insurance Trust

VUF-SEM

MFS® UTILITIES SERIES

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

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NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

After the U.S. economy contracted sharply early this year — with activity curtailed by severe winter weather, a decline in exports and an inventory stockpile — indicators have consistently shown that the U.S. economy likely regained momentum in the second quarter. The labor market is more robust, manufacturing is strong and retail sales have improved along with consumer confidence.

Although Europe emerged from recession last year, the pace of growth in the region has been slow, with persistently high unemployment and very low inflation that points to the risk of deflation. Asia remains vulnerable but also shows signs of recovery. China's economic growth has slowed somewhat, and Japan's economic turnaround remains a work in progress. Emerging markets have been more turbulent over the past 12 months.

Despite this economic uncertainty, and the growing likelihood of interest rate increases that has heightened bond risks, global financial markets have been relatively stable thus far in 2014.

As always at MFS®, active risk management is integral to how we manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global team of investment professionals takes a multidisciplined, long-term, diversified investment approach.

We understand that these are challenging economic times. We believe that we can serve you best by applying proven principles, such as asset allocation and diversification, over the long term. We are confident that this approach can serve you well as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

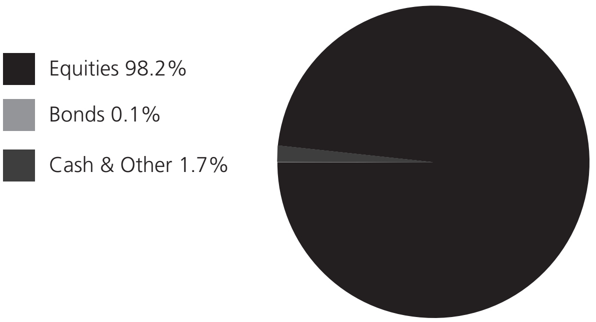
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management

August 15, 2014

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)

NRG Energy, Inc.	3.2%
PPL Corp.	3.0%
Comcast Corp., "Special A"	3.0%
Williams Cos., Inc.	2.8%
Calpine Corp.	2.6%
Energias de Portugal S.A.	2.6%
NextEra Energy, Inc.	2.5%
CMS Energy Corp.	2.4%
Kinder Morgan, Inc.	2.3%
Sempra Energy	2.2%

Top five industries (i)

Utilities-Electric Power	48.8%
Natural Gas-Pipeline	12.4%
Cable TV	8.3%
Telecommunications-Wireless	8.1%
Telephone Services	7.8%

Issuer country weightings (i)(x)

United States	69.2%
Portugal	4.5%
Brazil	4.2%
United Kingdom	3.4%
Spain	2.9%
Canada	2.3%
Russia	1.7%
Italy	1.7%
France	1.3%
Other Countries	8.8%

(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 6/30/14.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2014 through June 30, 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 January 1, 2014 through June 30, 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 1/01/14	Ending Account Value 6/30/14	Expenses Paid During Period (p) 1/01/14-6/30/14
Initial Class	Actual	0.79%	$1,000.00	$1,170.64	$4.25
	Hypothetical (h)	0.79%	$1,000.00	$1,020.88	$3.96
Service Class	Actual	1.04%	$1,000.00	$1,169.05	$5.59
	Hypothetical (h)	1.04%	$1,000.00	$1,019.64	$5.21

(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 181/365 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 6/30/14 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 94.3%		
Broadcasting – 1.1%		
Twenty-First Century Fox, Inc.	569,616	$ 20,022,002
Cable TV – 8.3%		
Astro Malaysia Holdings Berhad	8,793,900	$ 9,612,765
Charter Communications, Inc., "A" (a)	92,132	14,591,866
Com Hem Holding AB (a)	385,850	3,638,160
Comcast Corp., "Special A"	988,900	52,738,037
Liberty Global PLC, "A" (a)	116,749	5,162,641
Liberty Global PLC, "C" (a)	523,747	22,159,736
Time Warner Cable, Inc.	170,498	25,114,356
Ziggo N.V.	306,842	14,188,764
		$ 147,206,325
Energy – Independent – 4.5%		
Access Midstream Partners LP	47,605	$ 3,025,298
Anadarko Petroleum Corp.	133,940	14,662,412
Antero Resources Corp. (a)	99,920	6,557,750
Enable Midstream Partners LP (a)	84,080	2,202,055
Energen Corp.	170,676	15,169,683
EQT Corp.	182,435	19,502,302
Markwest Energy Partners LP (a)	79,080	5,660,547
Noble Energy, Inc.	74,667	5,783,706
Targa Resources Corp.	8,252	1,151,732
Western Gas Equity Partners LP	108,440	6,799,188
		$ 80,514,673
Internet – 0.2%		
Iliad S.A.	9,333	$ 2,821,114
Natural Gas – Distribution – 7.2%		
AGL Energy Ltd.	322,780	$ 4,711,575
China Resources Gas Group Ltd.	3,394,000	10,685,074
Gas Natural SDG S.A.	334,225	10,555,798
GDF SUEZ	766,831	21,110,690
Infraestructura Energetica Nova, S.A. de C.V	692,000	3,839,377
NiSource, Inc.	154,816	6,090,462
Questar Corp.	150,400	3,729,920
Sempra Energy	364,085	38,123,340
Snam Rete Gas S.p.A.	1,853,150	11,165,083
Spectra Energy Corp.	419,791	17,832,722
		$ 127,844,041
Natural Gas – Pipeline – 12.4%		
APA Group	919,654	$ 5,974,921
Cheniere Energy, Inc. (a)	154,937	11,108,983
DCP Midstream Partners LP	30,010	1,710,570
El Paso Pipeline Partners LP	24,875	901,221
Enagas S.A.	614,462	19,772,500
Enbridge, Inc.	357,440	16,960,018
Energy Transfer Equity LP	16,182	953,767
Kinder Morgan, Inc.	1,112,406	40,335,842
ONEOK Partners LP	160,435	9,401,491
ONEOK, Inc.	402,094	27,374,560

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Natural Gas – Pipeline – continued		
Plains All American Pipeline LP	60,650	$ 3,642,033
Plains GP Holdings LP	138,751	4,438,645
SemGroup Corp., "A"	67,422	5,316,225
TransCanada Corp. (l)	204,714	9,770,942
Williams Cos., Inc.	843,549	49,102,987
Williams Partners LP	231,340	12,559,449
		$ 219,324,154
Telecommunications – Wireless – 7.1%		
American Tower Corp., REIT	343,229	$ 30,883,745
Cellcom Israel Ltd.	509,693	6,162,188
Idea Cellular Ltd.	730,720	1,609,176
KDDI Corp.	118,200	7,209,494
MegaFon OAO, GDR (a)	304,074	9,578,331
Mobile TeleSystems OJSC	199,160	1,770,370
Mobile TeleSystems OJSC, ADR	958,113	18,913,151
SBA Communications Corp. (a)	136,228	13,936,124
TIM Participacoes S.A., ADR	299,825	8,703,920
Turkcell Iletisim Hizmetleri A.S. (a)	1,830,670	11,449,248
Vodafone Group PLC	4,429,274	14,781,504
		$ 124,997,251
Telephone Services – 7.8%		
Altice S.A. (a)	139,249	$ 9,701,478
Bezeq – The Israel Telecommunication Corp. Ltd.	9,252,071	17,336,680
CenturyLink, Inc.	255,633	9,253,915
Hellenic Telecommunications Organization S.A. (a)	619,199	9,156,989
Oi S.A.	3,822,222	3,598,199
Oi S.A., IPS	12,540,480	11,067,633
PT Telekomunikasi Indonesia	8,725,500	1,814,286
PT XL Axiata Tbk	10,946,000	4,708,950
Quebecor, Inc., "B"	381,780	9,238,142
TDC A.S.	1,193,700	12,353,875
Telecom Italia S.p.A. (a)	684,503	866,993
Telecom Italia S.p.A. – Savings Shares	15,519,027	15,332,025
Verizon Communications, Inc.	571,216	27,949,599
Windstream Holdings, Inc.	530,622	5,284,995
		$ 137,663,759
Utilities – Electric Power – 45.7%		
Abengoa Yield PLC (a)	186,960	$ 7,070,827
AES Corp.	2,037,804	31,687,852
Aksa Enerji Uretim A.S. (a)	4,294,585	5,675,842
ALLETE, Inc.	227,042	11,658,607
Alliant Energy Corp.	88,449	5,383,006
Ameren Corp.	59,600	2,436,448
American Electric Power Co., Inc.	607,193	33,863,154
Calpine Corp. (a)	1,943,393	46,272,187
Canadian Utilities Ltd.	112,220	4,206,738
CenterPoint Energy, Inc.	69,467	1,774,187
Cheung Kong Infrastructure Holdings Ltd.	1,614,000	11,130,819

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Utilities – Electric Power – continued		
China Longyuan Power Group	4,554,000	$ 4,941,569
CMS Energy Corp.	1,372,658	42,758,297
Companhia Energetica de Minas Gerais, IPS	1	4
Companhia Paranaense de Energia, ADR (l)	285,547	4,371,725
Companhia Paranaense de Energia, IPS	889,600	13,640,936
Covanta Holding Corp.	251,190	5,177,026
CPFL Energia S.A.	904,615	8,323,522
Dominion Resources, Inc.	310,940	22,238,429
Drax Group	1,035,327	11,348,753
DTE Energy Co.	325,464	25,343,882
Duke Energy Corp.	120,785	8,961,039
Dynegy, Inc. (a)	31,000	1,078,800
Edison International	522,020	30,334,582
EDP Renovaveis S.A.	4,436,276	33,033,642
ENEL Green Power International B.V.	647,112	1,832,435
Enel S.p.A. (l)	154,810	901,769
Energias de Portugal S.A.	9,221,545	46,265,563
Energias do Brasil S.A.	3,244,900	15,934,449
Equatorial Energia S.A.	85,675	974,822
Exelon Corp.	974,721	35,557,822
Iberdrola S.A.	708,933	5,419,653
Infinis Energy PLC (a)	1,004,563	3,952,461
ITC Holdings Corp.	275,598	10,053,815
Light S.A.	707,869	6,907,289
NextEra Energy Partners LP (a)	41,300	1,383,963
NextEra Energy, Inc.	431,384	44,208,232
Northeast Utilities	558,376	26,394,434
NRG Energy, Inc.	1,511,326	56,221,327
NRG Yield, Inc.	61,000	3,175,050
OGE Energy Corp.	618,322	24,164,024
Pattern Energy Group, Inc.	73,880	2,446,167
Pinnacle West Capital Corp.	263,188	15,222,794
Portland General Electric Co.	234,298	8,123,112
PPL Corp.	1,506,600	53,529,498
Public Service Enterprise Group, Inc.	819,007	33,407,296
Red Electrica de Espana	174,870	15,995,229
SSE PLC	748,785	20,080,643
Tractebel Energia S.A.	107,600	1,607,060
Westar Energy, Inc.	74,410	2,841,718
Wisconsin Energy Corp.	19,287	904,946
		$ 810,217,444
Total Common Stocks (Identified Cost, $1,286,497,283)		**$1,670,610,763**
CONVERTIBLE PREFERRED STOCKS – 3.2%		
Telecommunications – Wireless – 0.3%		
American Tower Corp., "A", 5.25%, 5.25% (a)	50,730	$ 5,397,672
Utilities – Electric Power – 2.9%		
Dominion Resources, Inc., "A", 6.125%	162,039	$ 9,341,548
Dominion Resources, Inc., "B", 6%	196,982	11,428,896
Dominion Resources, Inc., 6.375% (a)	66,900	3,520,613
Exelon Corp., 6.5% (a)	246,024	13,272,158
NextEra Energy, Inc., 5.889%	213,820	13,896,162
		$ 51,459,377
Total Convertible Preferred Stocks (Identified Cost, $49,734,251)		**$ 56,857,049**
CONVERTIBLE BONDS – 0.7%		
Telecommunications – Wireless – 0.7%		
SBA Communications Corp., 4%, 10/01/14 (Identified Cost, $3,759,899)	$ 3,652,807	$ 12,223,205
BONDS – 0.1%		
Asset-Backed & Securitized – 0.0%		
Falcon Franchise Loan LLC, FRN, 11.588%, 1/05/23 (i)(z)	$ 31,594	$ 2,622
Utilities – Electric Power – 0.1%		
Viridian Group FundCo II, Ltd., 11.125%, 4/01/17 (n)	$ 1,994,000	$ 2,188,415
Total Bonds (Identified Cost, $1,954,714)		**$ 2,191,037**
MONEY MARKET FUNDS – 1.6%		
MFS Institutional Money Market Portfolio, 0.08%, at Cost and Net Asset Value (v)	27,479,309	$ 27,479,309
COLLATERAL FOR SECURITIES LOANED – 0.7%		
Navigator Securities Lending Prime Portfolio, 0.14%, at Cost and Net Asset Value (j)	11,976,894	$ 11,976,894
Total Investments (Identified Cost, $1,381,402,350)		**$1,781,338,257**
OTHER ASSETS, LESS LIABILITIES – (0.6)%		**(9,950,042)**
Net Assets – 100.0%		**$1,771,388,215**

(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 $2,188,415, representing 0.1% of net assets.
(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.
(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	**Acquisition Date**	**Cost**	**Value**
Falcon Franchise Loan LLC, FRN, 11.588%, 1/05/23	1/18/02	$842	$2,622
% 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
IPS International Preference Stock
PLC Public Limited Company
REIT Real Estate Investment Trust

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown below:

EUR Euro
GBP British Pound

Derivative Contracts at 6/30/14

Forward Foreign Currency Exchange Contracts at 6/30/14

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives							
BUY	EUR	Barclays Bank PLC	505,250	7/11/14	$ 688,348	$ 691,863	$ 3,515
BUY	EUR	Credit Suisse Group	262,428	7/11/14	356,623	359,355	2,732
BUY	EUR	Deutsche Bank AG	590,744	7/11/14	799,603	808,934	9,331
BUY	EUR	UBS AG	2,222,493	7/11/14	3,026,402	3,043,363	16,961
SELL	EUR	Deutsche Bank AG	37,913,357	7/11/14	52,144,637	51,916,528	228,109
SELL	EUR	JPMorgan Chase Bank N.A.	4,561,000	7/11/14	6,319,585	6,245,590	73,995
SELL	EUR	UBS AG	16,651,486	7/11/14	22,894,250	22,801,657	92,593
BUY	GBP	Barclays Bank PLC	1,220,295	7/11/14	2,031,712	2,088,267	56,555
BUY	GBP	Credit Suisse Group	940,272	7/11/14	1,594,720	1,609,069	14,349
BUY	GBP	Deutsche Bank AG	301,852	7/11/14	506,908	516,552	9,644
BUY	GBP	UBS AG	341,402	7/11/14	574,572	584,234	9,662
							$517,446
Liability Derivatives							
BUY	EUR	Citibank N.A.	1,421,935	7/11/14	$ 1,957,408	$ 1,947,122	$ (10,286)
BUY	EUR	Credit Suisse Group	4,512,606	7/11/14	6,227,665	6,179,322	(48,343)
BUY	EUR	Deutsche Bank AG	1,539,141	7/11/14	2,133,679	2,107,618	(26,061)
BUY	EUR	JPMorgan Chase Bank N.A.	1,141,616	7/11/14	1,574,271	1,563,268	(11,003)
BUY	EUR	UBS AG	1,732,897	7/11/14	2,391,007	2,372,936	(18,071)

Portfolio of Investments (unaudited) – continued

Forward Foreign Currency Exchange Contracts at 6/30/14 – continued

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Liability Derivatives – continued							
SELL	EUR	Barclays Bank PLC	47,381,352	7/11/14-9/19/14	$64,135,957	$64,898,062	$ (762,105)
SELL	EUR	Credit Suisse Group	1,295,483	7/11/14	1,753,745	1,773,965	(20,220)
SELL	EUR	Deutsche Bank AG	607,484	7/11/14	826,272	831,856	(5,584)
SELL	EUR	JPMorgan Chase Bank N.A.	1,530,229	7/11/14	2,074,563	2,095,414	(20,851)
SELL	EUR	UBS AG	534,504	7/11/14	728,100	731,922	(3,822)
SELL	GBP	Barclays Bank PLC	817,077	7/11/14	1,374,856	1,398,247	(23,391)
SELL	GBP	Credit Suisse Group	10,340,624	7/11/14	17,297,071	17,695,700	(398,629)
SELL	GBP	Deutsche Bank AG	163,795	7/11/14	273,127	280,299	(7,172)
SELL	GBP	Goldman Sachs International	599,104	7/11/14	999,892	1,025,235	(25,343)
SELL	GBP	JPMorgan Chase Bank N.A.	77,381	7/11/14	129,898	132,421	(2,523)
SELL	GBP	Merrill Lynch International Bank	10,340,623	7/11/14	17,298,415	17,695,700	(397,285)
SELL	GBP	UBS AG	933,797	7/11/14	1,566,686	1,597,988	(31,302)
							$(1,811,991)

At June 30, 2014, the fund had cash collateral of $310,000 to cover any commitments for certain derivative contracts. Cash collateral is comprised of "Restricted cash" in the Statement of Assets and Liabilities.

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/14

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $1,353,923,041)	$1,753,858,948	
Underlying affiliated funds, at cost and value	27,479,309	
Total investments, at value, including $11,514,380 of securities on loan (identified cost, $1,381,402,350)	$1,781,338,257	
Restricted cash	310,000	
Foreign currency, at value (identified cost, $416,471)	417,762	
Receivables for		
Forward foreign currency exchange contracts	517,446	
Investments sold	7,800,317	
Fund shares sold	1,773,294	
Interest and dividends	5,251,743	
Other assets	4,247	
Total assets		$1,797,413,066
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$1,811,991	
Investments purchased	11,256,396	
Fund shares reacquired	535,027	
Collateral for securities loaned, at value	11,976,894	
Payable to affiliates		
Investment adviser	135,556	
Shareholder servicing costs	2,077	
Distribution and/or service fees	31,512	
Payable for independent Trustees' compensation	10	
Accrued expenses and other liabilities	275,388	
Total liabilities		$26,024,851
Net assets		$1,771,388,215
Net assets consist of		
Paid-in capital	$1,203,386,955	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	398,704,593	
Accumulated net realized gain (loss) on investments and foreign currency	98,040,652	
Undistributed net investment income	71,256,015	
Net assets		$1,771,388,215
Shares of beneficial interest outstanding		47,909,142

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$613,654,609	16,443,256	$37.32
Service Class	1,157,733,606	31,465,886	36.79

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/14

Net investment income		
Income		
Dividends	$39,826,338	
Dividends from underlying affiliated funds	15,287	
Income on securities loaned	56,166	
Foreign taxes withheld	(903,443)	
Total investment income		$38,994,348
Expenses		
Management fee	$5,778,186	
Distribution and/or service fees	1,288,643	
Shareholder servicing costs	50,228	
Administrative services fee	97,447	
Independent Trustees' compensation	16,059	
Custodian fee	166,705	
Shareholder communications	88,872	
Audit and tax fees	27,638	
Legal fees	7,340	
Miscellaneous	19,504	
Total expenses		$7,540,622
Fees paid indirectly	(45)	
Reduction of expenses by investment adviser	(30,978)	
Net expenses		$7,509,599
Net investment income		$31,484,749
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$37,272,630	
Foreign currency	(264,235)	
Net realized gain (loss) on investments and foreign currency		$37,008,395
Change in unrealized appreciation (depreciation)		
Investments	$186,963,118	
Translation of assets and liabilities in foreign currencies	(516,098)	
Net unrealized gain (loss) on investments and foreign currency translation		$186,447,020
Net realized and unrealized gain (loss) on investments and foreign currency		$223,455,415
Change in net assets from operations		$254,940,164

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/14 (unaudited)	Year ended 12/31/13
Change in net assets		
From operations		
Net investment income	$31,484,749	$41,935,192
Net realized gain (loss) on investments and foreign currency	37,008,395	61,786,663
Net unrealized gain (loss) on investments and foreign currency translation	186,447,020	158,392,287
Change in net assets from operations	$254,940,164	$262,114,142
Distributions declared to shareholders		
From net investment income	$—	$(31,581,445)
From net realized gain on investments	—	(27,011,737)
Total distributions declared to shareholders	$—	$(58,593,182)
Change in net assets from fund share transactions	$12,330,094	$(13,283,774)
Total change in net assets	$267,270,258	$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 $71,256,015 and $39,771,266, respectively)	$1,771,388,215	$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 semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Six months ended 6/30/14 (unaudited)	Years ended 12/31				
		2013	2012	2011	2010	2009
Net asset value, beginning of period	$31.88	$27.61	$26.08	$25.27	$22.92	$18.21
Income (loss) from investment operations						
Net investment income (d)	$0.70	$0.94	$0.84	$0.97	$0.79	$0.80
Net realized and unrealized gain (loss) on investments and foreign currency	4.74	4.64	2.57	0.70	2.29	4.90
Total from investment operations	$5.44	$5.58	$3.41	$1.67	$3.08	$5.70
Less distributions declared to shareholders						
From net investment income	$—	$(0.73)	$(1.88)	$(0.86)	$(0.73)	$(0.99)
From net realized gain on investments	—	(0.58)	—	—	—	—
Total distributions declared to shareholders	$—	$(1.31)	$(1.88)	$(0.86)	$(0.73)	$(0.99)
Net asset value, end of period (x)	$37.32	$31.88	$27.61	$26.08	$25.27	$22.92
Total return (%) (k)(r)(s)(x)	17.06(n)	20.60	13.40	6.78	13.81	33.44
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.79(a)	0.80	0.82	0.80	0.81	0.83
Expenses after expense reductions (f)	0.79(a)	0.80	0.82	0.80	0.81	0.83
Net investment income	4.14(a)	3.07	3.11	3.71	3.47	4.11
Portfolio turnover	22(n)	50	51	53	56	70
Net assets at end of period (000 omitted)	$613,655	$525,386	$476,685	$532,447	$541,653	$564,822

Service Class	Six months ended 6/30/14 (unaudited)	Years ended 12/31				
		2013	2012	2011	2010	2009
Net asset value, beginning of period	$31.47	$27.27	$25.73	$24.95	$22.65	$17.98
Income (loss) from investment operations						
Net investment income (d)	$0.65	$0.85	$0.71	$0.89	$0.73	$0.73
Net realized and unrealized gain (loss) on investments and foreign currency	4.67	4.58	2.59	0.70	2.25	4.86
Total from investment operations	$5.32	$5.43	$3.30	$1.59	$2.98	$5.59
Less distributions declared to shareholders						
From net investment income	$—	$(0.65)	$(1.76)	$(0.81)	$(0.68)	$(0.92)
From net realized gain on investments	—	(0.58)	—	—	—	—
Total distributions declared to shareholders	$—	$(1.23)	$(1.76)	$(0.81)	$(0.68)	$(0.92)
Net asset value, end of period (x)	$36.79	$31.47	$27.27	$25.73	$24.95	$22.65
Total return (%) (k)(r)(s)(x)	16.90(n)	20.30	13.13	6.51	13.51	33.09
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.04(a)	1.05	1.07	1.05	1.06	1.08
Expenses after expense reductions (f)	1.04(a)	1.05	1.07	1.05	1.06	1.07
Net investment income	3.89(a)	2.82	2.66	3.45	3.23	3.83
Portfolio turnover	22(n)	50	51	53	56	70
Net assets at end of period (000 omitted)	$1,157,734	$978,732	$837,196	$1,458,257	$1,335,305	$1,209,765

See Notes to Financial Statements

Financial Highlights – continued

(a) Annualized.
(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(n) Not annualized.
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS 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 Standard 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 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 (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as forward foreign currency exchange contracts. The following is a summary of the levels used as of June 30, 2014 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$1,183,692,641	$—	$—	$1,183,692,641
Portugal	79,299,205	—	—	79,299,205
Brazil	75,129,561	—	—	75,129,561
United Kingdom	57,234,189	—	—	57,234,189
Spain	51,743,182	—	—	51,743,182
Canada	40,175,841	—	—	40,175,841
Russia	28,491,482	1,770,370	—	30,261,852
Italy	30,098,306	—	—	30,098,306
France	23,931,805	—	—	23,931,805
Other Countries	155,901,230	—	—	155,901,230
U.S. Corporate Bonds	—	12,223,205	—	12,223,205
Commercial Mortgage-Backed Securities	—	2,622	—	2,622
Foreign Bonds	—	2,188,415	—	2,188,415
Mutual Funds	39,456,203	—	—	39,456,203
Total Investments	$1,765,153,645	$16,184,612	$—	$1,781,338,257
Other Financial Instruments				
Forward Foreign Currency Exchange Contracts	$—	$(1,294,545)	$—	$(1,294,545)

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 1 investments presented above, equity investments amounting to $4,941,569 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.

Notes to Financial Statements (unaudited) – continued

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 June 30, 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	$517,446	$(1,811,991)

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended June 30, 2014 as reported in the Statement of Operations:

Risk	**Foreign Currency**
Foreign Exchange	$(163,148)

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended June 30, 2014 as reported in the Statement of Operations:

Risk	**Translation of Assets and Liabilities in Foreign Currencies**
Foreign Exchange	$(553,850)

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 or short-term securities. 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 $11,514,380 and a related liability of $11,976,894 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 separately reported 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 six months ended June 30, 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.

Notes to Financial Statements (unaudited) – continued

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 fiscal year is as follows:

	12/31/13
Ordinary income (including any short-term capital gains)	$31,581,445
Long-term capital gains	27,011,737
Total distributions	$58,593,182

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/14	
Cost of investments	$1,392,065,475
Gross appreciation	419,870,452
Gross depreciation	(30,597,670)
Net unrealized appreciation (depreciation)	$389,272,782
As of 12/31/13	
Undistributed ordinary income	69,822,186
Undistributed long-term capital gain	42,204,805
Other temporary differences	(457,261)
Net unrealized appreciation (depreciation)	201,491,366

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

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	
	Six months ended 6/30/14	Year ended 12/31/13	Six months ended 6/30/14	Year ended 12/31/13
Initial Class	$—	$11,928,524	$—	$9,523,396
Service Class	—	19,652,921	—	17,488,341
Total	$—	$31,581,445	$—	$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 six months ended June 30, 2014, this management fee reduction amounted to $29,306, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the six months ended June 30, 2014 was equivalent to an annual effective rate of 0.73% of the fund's average daily net assets.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2014, the fee was $48,899, which equated to 0.0062% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2014, these costs amounted to $1,329.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2014 was equivalent to an annual effective rate of 0.0123% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. The ICCO is an officer of the funds and the sole member of Tarantino LLC. 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 service agreement between the funds and Griffin Compliance LLC was terminated. For the six months ended June 30, 2014, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $2,603 and are included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $1,672, 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 and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

For the six months ended June 30, 2014, purchases and sales of investments, other than short-term obligations, aggregated $385,153,673 and $339,076,920, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/14		Year ended 12/31/13	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	797,222	$27,429,063	1,196,740	$36,397,677
Service Class	2,760,688	93,093,563	4,758,466	143,245,859
	3,557,910	$120,522,626	5,955,206	$179,643,536
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	731,399	$21,451,920
Service Class	—	—	1,281,617	37,141,262
	—	$—	2,013,016	$58,593,182

Notes to Financial Statements (unaudited) – continued

	Six months ended 6/30/14		Year ended 12/31/13	
	Shares	**Amount**	**Shares**	**Amount**
Shares reacquired				
Initial Class	(835,510)	$(28,131,049)	(2,710,242)	$(82,329,568)
Service Class	(2,398,570)	(80,061,483)	(5,635,990)	(169,190,924)
	(3,234,080)	$(108,192,532)	(8,346,232)	$(251,520,492)
Net change				
Initial Class	(38,288)	$(701,986)	(782,103)	$(24,479,971)
Service Class	362,118	13,032,080	404,093	11,196,197
	323,830	$12,330,094	(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 six months ended June 30, 2014, the fund's commitment fee and interest expense were $3,150 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	160,616,055	(176,824,141)	27,479,309

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$15,287	$27,479,309

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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

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