SEMIANNUAL REPORTS

For Period Ended June 30, 2016

This booklet contains the MEMBERS® Horizon Variable Annuity Accounts unaudited financial statement and the semiannual reports for the following mutual funds in which the MEMBERS® Horizon Variable Annuity Account invests:

American Funds IS Asset Allocation Fund, American Funds IS Bond Fund, American Funds IS Growth Fund, American Funds IS High-Income Bond Fund, and **American Funds IS International Fund,** each a series of American Funds Insurance Series®.

BlackRock Global Allocation V.I. Fund, a series of BlackRock Variable Series Funds, Inc.

Columbia VP Emerging Markets Bond Fund, a series of Columbia Threadneedle Investments.

DFA VA International Small Portfolio, DFA VA International Value Portfolio, DFA VA U.S. Large Value Portfolio, and **DFA VA U.S. Targeted Value Portfolio,** each a series of the DFA Investments Dimensions Group Inc.

Dreyfus VIF Quality Bond Portfolio, a series of Dreyfus Variable Investment Fund.

Franklin High Income VIP Fund, Templeton Foreign VIP Fund and **Templeton Global Bond VIP Fund,** each a series of Franklin Templeton Variable Insurance Products Trust**.**

Goldman Sachs VIT Core Fixed Income Trust, a series of Goldman Sachs Variable Insurance Trust.

Invesco V.I. Global Real Estate Fund and **Invesco V.I. Small Cap Equity Fund,** a series of AIM Variable Insurance Funds (Invesco Variable Insurance Funds).

Lazard Retirement Emerging Markets Equity Fund, a series of Lazard Retirement Series, Inc.

MFS® Total Return Bond Series, MFS® Utilities Series and **MFS® Value Series,** each a series of MFS® Variable Insurance Trust.

MFS® Blended Research® Small Cap Equity Portfolio, a series of MFS® Variable Insurance Trust III.

The Universal Institutional Funds, Inc. Global Infrastructure Portfolio and **The Universal Institutional Funds, Inc. Growth Portfolio,** each a series of Morgan Stanley

Oppenheimer International Growth Fund/VA, a series of Oppenheimer Variable Accounts Funds.

PIMCO CommodityRealReturn® Strategy Portfolio, PIMCO VIT All Asset Portfolio and PIMCO VIT Real Return Portfolio, each a series of the PIMCO Variable Insurance Trust.

Putnam VT High Yield Fund, a series of Putnam Variable Trust.

TOPS® Aggressive Growth ETF Portfolio, TOPS® Balanced ETF Portfolio, TOPS® Conservative ETF Portfolio, TOPS® Growth ETF Portfolio and **TOPS® Moderate Growth ETF Portfolio,** each a series of Northern Lights Variable Trust.

T. Rowe Price Blue Chip Growth Portfolio, a series of T. Rowe Price Equity Series, Inc.

Vanguard VIF Capital Growth Portfolio, Vanguard VIF Diversified Value Portfolio, Vanguard VIF Equity Index Portfolio, Vanguard VIF High Yield Bond Portfolio, Vanguard VIF International Portfolio, Vanguard VIF Mid-Cap Index Portfolio, Vanguard VIF Money Market Portfolio, Vanguard VIF REIT Index Portfolio, Vanguard VIF Small Company Growth Portfolio, Vanguard VIF Total Bond Market Index Portfolio and **Vanguard VIF Total Stock Market Index Portfolio,** each a series of the Vangaurd® Variable Insurance Fund.

MEMBERS® Horizon Variable Annuity

MEMBERS Insurance & Investments
BLACKROCK
Dimensional
American Funds
Invesco
COLUMBIA THREADNEEDLE INVESTMENTS
BNY MELLON | Dreyfus
FRANKLIN TEMPLETON INVESTMENTS
M F S INVESTMENT MANAGEMENT
Goldman Sachs Asset Management
LAZARD ASSET MANAGEMENT
Morgan Stanley Investment Management
OppenheimerFunds The Right Way to Invest
Putnam INVESTMENTS
T.RowePrice
PIMCO
TOPS THE OPTIMIZED PORTFOLIO SYSTEM
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SEMIANNUAL REPORTS

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MEMBERS Horizon Variable Annuity Account
Statement of Assets and Liabilities
As of June 30, 2016 (Unaudited)

	Invesco V.I. Global Real Estate Fund Series I, Subaccount*	Invesco V.I. Small Cap Equity Fund Series I, Subaccount*	American Funds IS Asset Allocation Fund Series I, Subaccount*	American Funds IS Bond Fund Series I, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

	American Funds IS Growth Fund Series I, Subaccount*	American Funds IS High-Income Bond Fund Series I, Subaccount*	American Funds IS International Fund Series I, Subaccount*	BlackRock Global Allocation V.I. Fund Class I, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statement of Assets and Liabilities (continued)
As of June 30, 2016 (Unaudited)

	Columbia VP Emerging Markets Bond Fund Class 1, Subaccount*	DFA VA International Small Portfolio, Subaccount*	DFA VA International Value Portfolio, Subaccount*	DFA VA U.S. Large Value Portfolio, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

	DFA VA U.S. Targeted Value Portfolio, Subaccount*	Dreyfus VIF Quality Bond Institutional, Subaccount*	Franklin High Income VIP Fund Class 1, Subaccount*	Templeton Foreign VIP Fund Class I, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statement of Assets and Liabilities (continued)
As of June 30, 2016 (Unaudited)

	Templeton Global Bond VIP Class 1, Subaccount*	Goldman Sachs VIT Core Fixed Income Service Shares, Subaccount*	Lazard Retirement Emerging Markets Equity Fund Investor Shares, Subaccount*	MFS® Blended Research® Small Cap Equity Portfolio, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

	MFS® VIT Total Return Bond Fund Initial Shares, Subaccount*	MFS® VIT Utilities Series Fund Initial Shares, Subaccount*	MFS® VIT Value Series, Subaccount*	Morgan Stanley UIF Global Infrastructure Portfolio Class I, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statement of Assets and Liabilities (continued)
As of June 30, 2016 (Unaudited)

	Morgan Stanley UIF Growth Portfolio Class I, Subaccount*	TOPS® Aggressive Growth ETF Portfolio Class 1, Subaccount*	TOPS® Balanced ETF Portfolio Class 1, Subaccount*	TOPS® Conservative ETF Portfolio Class 1, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

	TOPS® Growth ETF Portfolio Class 1, Subaccount*	TOPS® Moderate Growth ETF Portfolio Class 1, Subaccount*	Oppenheimer International Growth Fund/VA Non-Service Shares, Subaccount*	PIMCO VIT Commodity/ RealReturn® Strategy Portfolio, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statement of Assets and Liabilities (continued)
As of June 30, 2016 (Unaudited)

	PIMCO VIT All Asset Portfolio Institutional Class, Subaccount*	PIMCO VIT Real Return Fund Institutional Class, Subaccount*	Putnam VT High Yield Fund, Subaccount*	T. Rowe Price Blue Chip Growth Fund, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

	Vanguard VIF Capital Growth Portfolio, Subaccount*	Vanguard VIF Diversified Value Portfolio, Subaccount*	Vanguard VIF Equity Index Portfolio, Subaccount*	Vanguard VIF High Yield Bond Portfolio, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

MEMBERS Horizon Variable Annuity Account
Statement of Assets and Liabilities (continued)
As of June 30, 2016 (Unaudited)

	Vanguard VIF International Portfolio, Subaccount*	Vanguard VIF Mid-Cap Index Portfolio, Subaccount*	Vanguard VIF Money Market Portfolio, Subaccount*	Vanguard VIF REIT Index Portfolio, Subaccount*
Assets				
Investments in mutual funds at fair value	$ -	$ -	$ -	$ -
Total assets	-	-	-	-
Liabilities	-	-	-	-
Net assets	$ -	$ -	$ -	$ -
Net assets				
Net assets: B-Shares	$ -	$ -	$ -	$ -
Net assets: C-Shares	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Number of shares outstanding	-	-	-	-
Net asset value per share	$ -	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -	$ -

	Vanguard VIF Small Company Growth Portfolio, Subaccount*	Vanguard VIF Total Bond Market Index Portfolio, Subaccount*	Vanguard VIF Total Stock Market Index Portfolio, Subaccount*
Assets			
Investments in mutual funds at fair value	$ -	$ -	$ -
Total assets	-	-	-
Liabilities	-	-	-
Net assets	$ -	$ -	$ -
Net assets			
Net assets: B-Shares	$ -	$ -	$ -
Net assets: C-Shares	-	-	-
Total net assets	$ -	$ -	$ -
Number of shares outstanding	-	-	-
Net asset value per share	$ -	$ -	$ -
Cost of mutual fund shares	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

MEMBERS Horizon Variable Annuity Account
Statements of Operations
For the Period Ended June 30, 2016 (Unaudited)

	Invesco V.I. Global Real Estate Fund Series I, Subaccount*	Invesco V.I. Small Cap Equity Fund Series I, Subaccount*	American Funds IS Asset Allocation Fund Series I, Subaccount*	American Funds IS Bond Fund Series I, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

	American Funds IS Growth Fund Series I, Subaccount*	American Funds IS High-Income Bond Fund Series I, Subaccount*	American Funds IS International Fund Series I, Subaccount*	BlackRock Global Allocation V.I. Fund Class I, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Operations (continued)
For the Period Ended June 30, 2016 (Unaudited)

	Columbia VP Emerging Markets Bond Fund Class 1, Subaccount*	DFA VA International Small Portfolio, Subaccount*	DFA VA International Value Portfolio, Subaccount*	DFA VA U.S. Large Value Portfolio, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

	DFA VA U.S. Targeted Value Portfolio, Subaccount*	Dreyfus VIF Quality Bond Institutional, Subaccount*	Franklin High Income VIP Fund Class 1, Subaccount*	Templeton Foreign VIP Fund Class I, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Operations (continued)
For the Period Ended June 30, 2016 (Unaudited)

	Templeton Global Bond VIP Class 1, Subaccount*	Goldman Sachs VIT Core Fixed Income Service Shares, Subaccount*	Lazard Retirement Emerging Markets Equity Fund Investor Shares, Subaccount*	MFS® Blended Research® Small Cap Equity Portfolio, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

	MFS® VIT Total Return Bond Fund Initial Shares, Subaccount*	MFS® VIT Utilities Series Fund Initial Shares, Subaccount*	MFS® VIT Value Series, Subaccount*	Morgan Stanley UIF Global Infrastructure Portfolio Class I, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

MEMBERS Horizon Variable Annuity Account
Statements of Operations (continued)
For the Period Ended June 30, 2016 (Unaudited)

	Morgan Stanley UIF Growth Portfolio Class I, Subaccount*	TOPS® Aggressive Growth ETF Portfolio Class 1, Subaccount*	TOPS® Balanced ETF Portfolio Class 1, Subaccount*	TOPS® Conservative ETF Portfolio Class 1, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

	TOPS® Growth ETF Portfolio Class 1, Subaccount*	TOPS® Moderate Growth ETF Portfolio Class 1, Subaccount*	Oppenheimer International Growth Fund/VA Non-Service Shares, Subaccount*	PIMCO VIT Commodity/ RealReturn® Strategy Portfolio, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

MEMBERS Horizon Variable Annuity Account
Statements of Operations (continued)
For the Period Ended June 30, 2016 (Unaudited)

	PIMCO VIT All Asset Portfolio Institutional Class, Subaccount*	PIMCO VIT Real Return Fund Institutional Class, Subaccount*	Putnam VT High Yield Fund, Subaccount*	T. Rowe Price Blue Chip Growth Fund, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

	Vanguard VIF Capital Growth Portfolio, Subaccount*	Vanguard VIF Diversified Value Portfolio, Subaccount*	Vanguard VIF Equity Index Portfolio, Subaccount*	Vanguard VIF High Yield Bond Portfolio, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Operations (continued)
For the Period Ended June 30, 2016 (Unaudited)

	Vanguard VIF International Portfolio, Subaccount*	Vanguard VIF Mid-Cap Index Portfolio, Subaccount*	Vanguard VIF Money Market Portfolio, Subaccount*	Vanguard VIF REIT Index Portfolio, Subaccount*
Investment income (loss)				
Dividend income	$ -	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-	-
Net investment income (loss)	-	-	-	-
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	-	-	-	-
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	-	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -	$ -

	Vanguard VIF Small Company Growth Portfolio, Subaccount*	Vanguard VIF Total Bond Market Index Portfolio, Subaccount*	Vanguard VIF Total Stock Market Index Portfolio, Subaccount*
Investment income (loss)			
Dividend income	$ -	$ -	$ -
Mortality and expense charges (note 3)	-	-	-
Net investment income (loss)	-	-	-
Realized gain (loss) on sale of investments			
Net realized gain (loss) on sale of fund shares	-	-	-
Realized gain distributions	-	-	-
Net realized gain (loss) on investments	-	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-	-
Net increase (decrease) in net assets resulting from operations	$ -	$ -	$ -

* The Account commenced operations effective July 11, 2016.

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets

	Invesco V.I. Global Real Estate Fund Series I, Subaccount*	Invesco V.I. Small Cap Equity Fund Series I, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	American Funds IS Asset Allocation Fund Series I, Subaccount*	American Funds IS Bond Fund Series I, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	American Funds IS Growth Fund Series I, Subaccount*	American Funds IS High-Income Bond Fund Series I, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	American Funds IS International Fund Series I, Subaccount*	BlackRock Global Allocation V.I. Fund Class I, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	Columbia VP Emerging Markets Bond Fund Class 1, Subaccount*	DFA VA International Small Portfolio, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	DFA VA International Value Portfolio, Subaccount*	DFA VA U.S. Large Value Portfolio, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	DFA VA U.S. Targeted Value Portfolio, Subaccount*	Dreyfus VIF Quality Bond Institutional, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	Franklin High Income VIP Fund Class 1, Subaccount*	Templeton Foreign VIP Fund Class I, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	Templeton Global Bond VIP Class 1, Subaccount*	Goldman Sachs VIT Core Fixed Income Service Shares, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	Lazard Retirement Emerging Markets Equity Fund Investor Shares, Subaccount*	MFS® Blended Research® Small Cap Equity Portfolio, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Adjustments to net assets allocated to contracts in payout period	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	MFS® VIT Total Return Bond Fund Initial Shares, Subaccount*	MFS® VIT Utilities Series Fund Initial Shares, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	MFS® VIT Value Series, Subaccount*	Morgan Stanley UIF Global Infrastructure Portfolio Class I, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

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** Unaudited

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	Morgan Stanley UIF Growth Portfolio Class I, Subaccount*	TOPS® Aggressive Growth ETF Portfolio Class 1, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	TOPS® Balanced ETF Portfolio Class 1, Subaccount*	TOPS® Conservative ETF Portfolio Class 1, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

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** Unaudited

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	TOPS® Growth ETF Portfolio Class 1, Subaccount*	TOPS® Moderate Growth ETF Portfolio Class 1, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	Oppenheimer International Growth Fund/VA Non-Service Shares, Subaccount*	PIMCO VIT Commodity/ RealReturn® Strategy Portfolio, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	PIMCO VIT All Asset Portfolio Institutional Class, Subaccount*	PIMCO VIT Real Return Fund Institutional Class, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	Putnam VT High Yield Fund, Subaccount*	T. Rowe Price Blue Chip Growth Fund, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	Vanguard VIF Capital Growth Portfolio, Subaccount*	Vanguard VIF Diversified Value Portfolio, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	Vanguard VIF Equity Index Portfolio, Subaccount*	Vanguard VIF High Yield Bond Portfolio, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	Vanguard VIF International Portfolio, Subaccount*	Vanguard VIF Mid-Cap Index Portfolio, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	Vanguard VIF Money Market Portfolio, Subaccount*	Vanguard VIF REIT Index Portfolio, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

See accompanying notes to financial statements

MEMBERS Horizon Variable Annuity Account
Statements of Changes in Net Assets (continued)

	Vanguard VIF Small Company Growth Portfolio, Subaccount*	Vanguard VIF Total Bond Market Index Portfolio, Subaccount*
	For Period Ended June 30, 2016**	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations		
Net investment income (loss)	$ -	$ -
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	-	-
Contract transactions		
Payments received from contract owners	-	-
Transfers between subaccounts (including fixed accounts), net	-	-
Payment for contract benefits and terminations	-	-
Contract charges and fees	-	-
Net increase (decrease) in net assets from contract transactions	-	-
Total increase (decrease) in net assets	-	-
Net assets		
Beginning of period	-	-
End of period	$ -	$ -

	Vanguard VIF Total Stock Market Index Portfolio, Subaccount*
	For Period Ended June 30, 2016**
Increase (decrease) in net assets from operations	
Net investment income (loss)	$ -
Net realized gain (loss) on investments	-
Net change in unrealized appreciation (depreciation) on investments	-
Net increase (decrease) in net assets resulting from operations	-
Contract transactions	
Payments received from contract owners	-
Transfers between subaccounts (including fixed accounts), net	-
Payment for contract benefits and terminations	-
Contract charges and fees	-
Net increase (decrease) in net assets from contract transactions	-
Total increase (decrease) in net assets	-
Net assets	
Beginning of period	-
End of period	$ -

* The Account commenced operations effective July 11, 2016.
** Unaudited

MEMBERS Horizon Variable Separate Account
Notes to Financial Statements (Unaudited)

(1) Organization

In 2015, MEMBERS Life Insurance Company (the "Company") established the MEMBERS Horizon Variable Separate Account (the "Account"). The Account is a unit investment trust organized under the laws of the State of Iowa and registered with the Securities Exchange Commission ("SEC") under the Investment Company Act of 1940, as amended. The Account was established as a separate account of MEMBERS Life Insurance Company (the "Company") to receive and invest net premiums paid by the contract owners to the Company under two series: Series B and Series C.

The Account commenced operations effective July 11, 2016.

The Account is divided into a number of subaccounts and the contract owner makes elections from the subaccounts listed below in which to participate:

AIM Variable Insurance Funds
(Invesco Variable Insurance Funds)
Invesco V.I. Global Real Estate Fund
Invesco V.I. Small Cap Equity Fund

American Funds Insurance Series®
American Funds IS Asset Allocation Fund
American Funds IS Bond Fund
American Funds IS Growth Fund
American Funds IS High-Income Bond Fund
American Funds IS International Fund

BlackRock Variable Series Funds, Inc.
BlackRock Global Allocation V.I.

Columbia Threadneedle
Columbia VP Emerging Markets Bond

DFA Investment Dimensions Group Inc.
DFA VA International Small
DFA VA International Value
DFA VA U.S. Large Value
DFA VA U.S. Targeted Value

Dreyfus Variable Investment Fund
Dreyfus VIF Quality Bond

Franklin Templeton Variable Insurance Products Trust
Franklin High Income VIP
Templeton Foreign VIP
Templeton Global Bond VIP

Goldman Sachs
Goldman Sachs VIT Core Fixed Income Trust

Lazard Retirement Series, Inc.
Lazard Retirement Emerging Markets Equity Fund

MFS® Variable Insurance Trust
MFS® Total Return Bond Series
MFS® Utilities Series
MFS® Value

MFS® Variable Insurance Trust III
MFS® Blended Research® Small Cap Equity Portfolio

Morgan Stanley
The Universal Institutional Funds, Inc. Global Infrastructure Portfolio
The Universal Institutional Funds, Inc. Growth Portfolio

Northern Lights Variable Trust
TOPS® Aggressive Growth ETF Portfolio
TOPS® Balanced ETF Portfolio
TOPS® Conservative ETF Portfolio
TOPS® Growth ETF Portfolio
TOPS® Moderate Growth ETF Portfolio

Oppenheimer Variable Account Funds
Oppenheimer International Growth Fund/VA

PIMCO Variable Insurance Trust
PIMCO CommodityRealReturn® Strategy Portfolio
PIMCO VIT All Asset
PIMCO VIT Real Return

Putnam Variable Trust
Putnam VT High Yield Fund

T. Rowe Price Equity Series, Inc.
T. Rowe Price Blue Chip Growth Portfolio

Vanguard Variable Insurance Fund
Vanguard VIF Capital Growth
Vanguard VIF Diversified Value
Vanguard VIF Equity Index
Vanguard VIF High Yield Bond
Vanguard VIF International
Vanguard VIF Mid-Cap Index
Vanguard VIF Money Market
Vanguard VIF REIT Index
Vanguard VIF Small Company Growth
Vanguard VIF Total Bond Market Index
Vanguard VIF Total Stock Market Index

The Account may, in the future, include additional subaccounts. Each subaccount invests exclusively in shares of an underlying open-end management investment company that is registered with the SEC. Such registration does not involve supervision of the management or investment practices or policies of the companies or their funds by the SEC.

(1) Organization (continued)

The accompanying financial statements include only the contract owner assets, deposits, investment activity, and the contract transactions applicable to the variable portions of the contracts and exclude assets and activity for deposits for fixed dollar benefits, which are included in the general account of the Company. The net investment income and the realized and unrealized gains and losses from the assets for each subaccount are credited to or charged against that subaccount without regard to income, gains or losses from any other subaccount.

(2) Significant Accounting Policies

Basis of Presentation

The Account is an investment company and follows the accounting and reporting guidance in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946, *Financial Services-Investment Companies*.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make certain 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation

Investments are made in shares of a fund and are recorded at fair value, determined by the net asset value per share of the respective fund. Investment transactions in each fund are recorded on the trade date. Realized gains and losses on redemptions of the shares of the fund are determined using the average cost basis. Income from dividends and gains from realized gain distributions from each fund are recorded on the ex-dividend date and are reinvested in that fund. The difference between cost and fair value of investments owned on the day of measurement is recorded as unrealized appreciation or depreciation of investments.

Federal Income Taxes

The operations of the Account are included in the consolidated federal income tax return of CUNA Mutual Holding Company ("CMHC"), the Account's ultimate parent, and its subsidiaries. The Company is taxed as a life insurance company under the provisions of the Internal Revenue Code ("IRC"). The Account's activities are included in the Company's taxable income. Under current provisions of the IRC, the Company does not expect to incur federal income taxes on recorded earnings or the realized capital gains attributed to the Account to the extent these earnings are credited to the contracts. Accordingly, no charge for income tax is currently recorded. If such taxes are incurred by the Company in the future, a charge to the Account may be assessed.

(3) Fees and Charges

Policy Charges

Surrender Charge: Series B and Series C version of the contract will be made available. The Series C will have no surrender charges. The Series B will have a five year surrender charge period. All reference to surrender charges apply to Series B version only. A surrender charge is assessed against a contract owner's account upon surrender or partial withdrawal of purchase payments in excess of the free annual withdrawal amount

For purchase payments withdrawn or surrendered within the first and second year of the contract, the charge is 9% of the amount of the payment withdrawn or surrendered for Series B. The surrender charge decreases by 1% for each of the following three years that has elapsed since the purchase payment was recorded. No surrender charge is assessed upon the withdrawal or surrender of the contract value in excess of aggregate purchase payments or on purchase payments made more than six years prior to the withdrawal or surrender.

(3) Fees and Charges (continued)

Subject to certain restrictions in each contract year, an amount equal to 10% of aggregate purchase payments (as of the time of withdrawal or surrender) may be surrendered without a surrender charge. The surrender charge also may be waived in certain circumstances as provided in the contracts. These charges are deducted by redeeming an appropriate number of units for each contract and are included in contract charges and fees on the accompanying Statements of Changes in Net Assets of the applicable subaccount.

Transfer Fee: No charge is generally made for transfers between subaccounts. However, the Company reserves the right to charge $25 for the 13th and each subsequent transfer during a contract year. These charges are deducted by redeeming an appropriate number of units for each contract and are included in contract charges and fees on the accompanying Statements of Changes in Net Assets of the applicable subaccount.

Premium Taxes: If state or other premium taxes are applicable to a contract, they will be deducted either: (a) from purchase payments as they are received, (b) from contract value upon surrender or partial withdrawal, (c) upon application of adjusted contract value to an annuity payment option, or (d) upon payment of a death benefit. The Company, however, reserves the right to deduct premium taxes at the time it pays such taxes. These charges are deducted by redeeming an appropriate number of units for each contract and are included in contract charges and fees on the accompanying Statements of Changes in Net Assets of the applicable subaccount.

Contract Charges

Mortality and Expense Risk Charge: The Company deducts a daily administrative fee from the assets of the Account to compensate it for certain expenses it incurs in administration of the contracts. The charge is deducted from the assets of the Account at an annual rate of 1.50% for Series B or 1.75% Series C. These charges are deducted by redeeming an appropriate number of units for each contract and are included in contract charges and fees on the accompanying Statements of Changes in Net Assets of the applicable subaccount.

(4) Fair Value

Fair value is defined 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.

The fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value of assets and liabilities into three broad levels. The Account has categorized its financial instruments, based on the degree of subjectivity inherent in the valuation technique, as follows:

- Level 1: Inputs are directly observable and represent quoted prices for identical assets or liabilities in active markets the Account has the ability to access at the measurement date.
- Level 2: All significant inputs are observable, either directly or indirectly, other than quoted prices included in Level 1, for the asset or liability. This includes: (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active and (iii) inputs other than quoted prices that are observable for the asset or liability, and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: One or more significant inputs are unobservable and reflect the Account's estimates of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

The hierarchy requires the use of market observable information when available for assessing fair value.

(4) Fair Value (continued)

The following table summarizes the Account's assets that are measured at fair value as of June 30, 2016. All of the Account's assets consist of Level 2 mutual funds that have daily quoted net asset values at which the Account could transact.

June 30, 2016 Assets, at Fair Value	Total
Invesco V.I. Global Real Estate Fund Series I, Subaccount	$ -
Invesco V.I. Small Cap Equity Fund Series I, Subaccount	-
American Funds IS Asset Allocation Fund Series I, Subaccount	-
American Funds IS Bond Fund Series I, Subaccount	-
American Funds IS Growth Fund Series I, Subaccount	-
American Funds IS High-Income Bond Fund Series I, Subaccount	-
American Funds IS International Fund Series I, Subaccount	-
BlackRock Global Allocation V.I. Fund Class I, Subaccount	-
Columbia VP Emerging Markets Bond Fund Class 1, Subaccount	-
DFA VA International Small Portfolio, Subaccount	-
DFA VA International Value Portfolio, Subaccount	-
DFA VA U.S. Large Value Portfolio, Subaccount	-
DFA VA U.S. Targeted Value Portfolio, Subaccount	-
Dreyfus VIF Quality Bond Institutional, Subaccount	-
Franklin High Income VIP Fund Class 1, Subaccount	-
Templeton Foreign VIP Fund Class I, Subaccount	-
Templeton Global Bond VIP Class 1, Subaccount	-
Goldman Sachs VIT Core Fixed Income Service Shares, Subaccount	-
Lazard Retirement Emerging Markets Equity Fund Investor Shares, Subaccount	-
MFS® Blended Research® Small Cap Equity Portfolio, Subaccount	-
MFS® VIT Total Return Bond Fund Initial Shares, Subaccount	-
MFS® VIT Utilities Series Fund Initial Shares, Subaccount	-
MFS® VIT Value Series, Subaccount	-
Morgan Stanley UIF Global Infrastructure Portfolio Class I, Subaccount	-
Morgan Stanley UIF Growth Portfolio Class I, Subaccount	-
TOPS® Aggressive Growth ETF Portfolio Class 1, Subaccount	-
TOPS® Balanced ETF Portfolio Class 1, Subaccount	-
TOPS® Conservative ETF Portfolio Class 1, Subaccount	-
TOPS® Growth ETF Portfolio Class 1, Subaccount	-
TOPS® Moderate Growth ETF Portfolio Class 1, Subaccount	-
Oppenheimer International Growth Fund/VA Non-Service Shares, Subaccount	-
PIMCO VIT Commodity/ RealReturn® Strategy Portfolio, Subaccount	-
PIMCO VIT All Asset Portfolio Institutional Class, Subaccount	-
PIMCO VIT Real Return Fund Institutional Class, Subaccount	-
Putnam VT High Yield Fund, Subaccount	-
T. Rowe Price Blue Chip Growth Fund, Subaccount	-
Vanguard VIF Capital Growth Portfolio, Subaccount	-
Vanguard VIF Diversified Value Portfolio, Subaccount	-
Vanguard VIF Equity Index Portfolio, Subaccount	-
Vanguard VIF High Yield Bond Portfolio, Subaccount	-
Vanguard VIF International Portfolio, Subaccount	-
Vanguard VIF Mid-Cap Index Portfolio, Subaccount	-
Vanguard VIF Money Market Portfolio, Subaccount	-
Vanguard VIF REIT Index Portfolio, Subaccount	-
Vanguard VIF Small Company Growth Portfolio, Subaccount	-
Vanguard VIF Total Bond Market Index Portfolio, Subaccount	-
Vanguard VIF Total Stock Market Index Portfolio, Subaccount	-

There were no Level 3 investments in the Account, therefore, Level 3 roll-forward tables have not been provided. There were no transfers between levels during the period ended June 30, 2016.

(5) Purchases and Sales of Investments

The cost of purchases and proceeds from sales of investments in the various subaccounts for the period ended June 30, 2016 were as follows:

Period Ended June 30, 2016	Purchases	Sales
Invesco V.I. Global Real Estate Fund Series I, Subaccount	$ -	$ -
Invesco V.I. Small Cap Equity Fund Series I, Subaccount	-	-
American Funds IS Asset Allocation Fund Series I, Subaccount	-	-
American Funds IS Bond Fund Series I, Subaccount	-	-
American Funds IS Growth Fund Series I, Subaccount	-	-
American Funds IS High-Income Bond Fund Series I, Subaccount	-	-
American Funds IS International Fund Series I, Subaccount	-	-
BlackRock Global Allocation V.I. Fund Class I, Subaccount	-	-
Columbia VP Emerging Markets Bond Fund Class 1, Subaccount	-	-
DFA VA International Small Portfolio, Subaccount	-	-
DFA VA International Value Portfolio, Subaccount	-	-
DFA VA U.S. Large Value Portfolio, Subaccount	-	-
DFA VA U.S. Targeted Value Portfolio, Subaccount	-	-
Dreyfus VIF Quality Bond Institutional, Subaccount	-	-
Franklin High Income VIP Fund Class 1, Subaccount	-	-
Templeton Foreign VIP Fund Class I, Subaccount	-	-
Templeton Global Bond VIP Class 1, Subaccount	-	-
Goldman Sachs VIT Core Fixed Income Service Shares, Subaccount	-	-
Lazard Retirement Emerging Markets Equity Fund Investor Shares, Subaccount	-	-
MFS® Blended Research® Small Cap Equity Portfolio, Subaccount	-	-
MFS® VIT Total Return Bond Fund Initial Shares, Subaccount	-	-
MFS® VIT Utilities Series Fund Initial Shares, Subaccount	-	-
MFS® VIT Value Series, Subaccount	-	-
Morgan Stanley UIF Global Infrastructure Portfolio Class I, Subaccount	-	-
Morgan Stanley UIF Growth Portfolio Class I, Subaccount	-	-
TOPS® Aggressive Growth ETF Portfolio Class 1, Subaccount	-	-
TOPS® Balanced ETF Portfolio Class 1, Subaccount	-	-
TOPS® Conservative ETF Portfolio Class 1, Subaccount	-	-
TOPS® Growth ETF Portfolio Class 1, Subaccount	-	-
TOPS® Moderate Growth ETF Portfolio Class 1, Subaccount	-	-
Oppenheimer International Growth Fund/VA Non-Service Shares, Subaccount	-	-
PIMCO VIT Commodity/ RealReturn® Strategy Portfolio, Subaccount	-	-
PIMCO VIT All Asset Portfolio Institutional Class, Subaccount	-	-
PIMCO VIT Real Return Fund Institutional Class, Subaccount	-	-
Putnam VT High Yield Fund, Subaccount	-	-
T. Rowe Price Blue Chip Growth Fund, Subaccount	-	-
Vanguard VIF Capital Growth Portfolio, Subaccount	-	-
Vanguard VIF Diversified Value Portfolio, Subaccount	-	-
Vanguard VIF Equity Index Portfolio, Subaccount	-	-
Vanguard VIF High Yield Bond Portfolio, Subaccount	-	-
Vanguard VIF International Portfolio, Subaccount	-	-
Vanguard VIF Mid-Cap Index Portfolio, Subaccount	-	-
Vanguard VIF Money Market Portfolio, Subaccount	-	-
Vanguard VIF REIT Index Portfolio, Subaccount	-	-
Vanguard VIF Small Company Growth Portfolio, Subaccount	-	-
Vanguard VIF Total Bond Market Index Portfolio, Subaccount	-	-
Vanguard VIF Total Stock Market Index Portfolio, Subaccount	-	-

(6) Changes in Units Outstanding

The changes in units outstanding for the period ended June 30, 2016 and year ended December 31, 2015 were as follows:

	Invesco V.I. Global Real Estate Fund Series I, Subaccount*	Invesco V.I. Small Cap Equity Fund Series I, Subaccount*	American Funds IS Asset Allocation Fund Series I, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	American Funds IS Bond Fund Series I, Subaccount*	American Funds IS Growth Fund Series I, Subaccount*	American Funds IS High-Income Bond Fund Series I, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	American Funds IS International Fund Series I, Subaccount*	BlackRock Global Allocation V.I. Fund Class I, Subaccount*	Columbia VP Emerging Markets Bond Fund Class 1, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	DFA VA International Small Portfolio, Subaccount*	DFA VA International Value Portfolio, Subaccount*	DFA VA U.S. Large Value Portfolio, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

* The Account commenced operations effective July 11, 2016.

(6) Changes in Units Outstanding (continued)

	DFA VA U.S. Targeted Value Portfolio, Subaccount*	Dreyfus VIF Quality Bond Institutional, Subaccount*	Franklin High Income VIP Fund Class 1, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	Templeton Foreign VIP Fund Class I, Subaccount*	Templeton Global Bond VIP Class 1, Subaccount*	Goldman Sachs VIT Core Fixed Income Service Shares, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	Lazard Retirement Emerging Markets Equity Fund Investor Shares, Subaccount*	MFS® Blended Research® Small Cap Equity Portfolio, Subaccount*	MFS® VIT Total Return Bond Fund Initial Shares, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	MFS® VIT Utilities Series Fund Initial Shares, Subaccount*	MFS® VIT Value Series, Subaccount*	Morgan Stanley UIF Global Infrastructure Portfolio Class I, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

* The Account commenced operations effective July 11, 2016.

(6) Changes in Units Outstanding (continued)

	Morgan Stanley UIF Growth Portfolio Class I, Subaccount*	TOPS® Aggressive Growth ETF Portfolio Class 1, Subaccount*	TOPS® Balanced ETF Portfolio Class 1, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	TOPS® Conservative ETF Portfolio Class 1, Subaccount*	TOPS® Growth ETF Portfolio Class 1, Subaccount*	TOPS® Moderate Growth ETF Portfolio Class 1, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	Oppenheimer International Growth Fund/VA Non-Service Shares, Subaccount*	PIMCO VIT Commodity/ RealReturn® Strategy Portfolio, Subaccount*	PIMCO VIT All Asset Portfolio Institutional Class, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	PIMCO VIT Real Return Fund Institutional Class, Subaccount*	Putnam VT High Yield Fund, Subaccount*	T. Rowe Price Blue Chip Growth Fund, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

* The Account commenced operations effective July 11, 2016.

(6) Changes in Units Outstanding (continued)

	Vanguard VIF Capital Growth Portfolio, Subaccount*	Vanguard VIF Diversified Value Portfolio, Subaccount*	Vanguard VIF Equity Index Portfolio, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	Vanguard VIF High Yield Bond Portfolio, Subaccount*	Vanguard VIF International Portfolio, Subaccount*	Vanguard VIF Mid-Cap Index Portfolio, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	Vanguard VIF Money Market Portfolio, Subaccount*	Vanguard VIF REIT Index Portfolio, Subaccount*	Vanguard VIF Small Company Growth Portfolio, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**	**-**
Units issued	-	-	-
Units redeemed	-	-	-
Units outstanding at June 30, 2016	**-**	**-**	**-**

	Vanguard VIF Total Bond Market Index Portfolio, Subaccount*	Vanguard VIF Total Stock Market Index Portfolio, Subaccount*
Units outstanding at December 31, 2015	**-**	**-**
Units issued	-	-
Units redeemed	-	-
Units outstanding at June 30, 2016	**-**	**-**

* The Account commenced operations effective July 11, 2016.

The table below provides financial highlights for each subaccount for the period ended June 30, 2016.

	Invesco V.I. Global Real Estate Fund Series I, Subaccount 2016[a]		Invesco V.I. Small Cap Equity Fund Series I, Subaccount 2016[a]		American Funds IS Asset Allocation Fund Series I, Subaccount 2016[a]		American Funds IS Bond Fund Series I, Subaccount 2016[a]		American Funds IS Growth Fund Series I, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-	-	-	-	-	-	-
Unit value - End of period	-	-	-	-	-	-	-	-	-	-
Net assets at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%

	American Funds IS High-Income Bond Fund Series I, Subaccount 2016[a]		American Funds IS International Fund Series I, Subaccount 2016[a]		BlackRock Global Allocation V.I. Fund Class I, Subaccount 2016[a]		Columbia VP Emerging Markets Bond Fund Class 1, Subaccount 2016[a]		DFA VA International Small Portfolio, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-	-	-	-	-	-	-
Unit value - End of period	-	-	-	-	-	-	-	-	-	-
Net assets at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%

	DFA VA International Value Portfolio, Subaccount 2016[a]		DFA VA U.S. Large Value Portfolio, Subaccount 2016[a]		DFA VA U.S. Targeted Value Portfolio, Subaccount 2016[a]		Dreyfus VIF Quality Bond Institutional, Subaccount 2016[a]		Franklin High Income VIP Fund Class 1, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-	-	-	-	-	-	-
Unit value - End of period	-	-	-	-	-	-	-	-	-	-
Net assets at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%

	Templeton Foreign VIP Fund Class I, Subaccount 2016[a]		Templeton Global Bond VIP Class 1, Subaccount 2016[a]		Goldman Sachs VIT Core Fixed Income Service Shares, Subaccount 2016[a]		Lazard Retirement Emerging Markets Equity Fund Investor Shares, Subaccount 2016[a]		MFS® Blended Research® Small Cap Equity Portfolio, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-	-	-	-	-	-	-
Unit value - End of period	-	-	-	-	-	-	-	-	-	-
Net assets at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%

	MFS® VIT Total Return Bond Fund Initial Shares, Subaccount 2016[a]		MFS® VIT Utilities Series Fund Initial Shares, Subaccount 2016[a]		MFS® VIT Value Series, Subaccount 2016[a]		Morgan Stanley UIF Global Infrastructure Portfolio Class I, Subaccount 2016[a]		Morgan Stanley UIF Growth Portfolio Class I, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-	-	-	-	-	-	-
Unit value - End of period	-	-	-	-	-	-	-	-	-	-
Net assets at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%

	TOPS® Aggressive Growth ETF Portfolio Class 1, Subaccount 2016[a]		TOPS® Balanced ETF Portfolio Class 1, Subaccount 2016[a]		TOPS® Conservative ETF Portfolio Class 1, Subaccount 2016[a]		TOPS® Growth ETF Portfolio Class 1, Subaccount 2016[a]		TOPS® Moderate Growth ETF Portfolio Class 1, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-	-	-	-	-	-	-
Unit value - End of period	-	-	-	-	-	-	-	-	-	-
Net assets at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%

	Oppenheimer International Growth Fund/VA Non-Service Shares, Subaccount 2016[a]		PIMCO VIT Commodity/ RealReturn® Strategy Portfolio, Subaccount 2016[a]		PIMCO VIT All Asset Portfolio Institutional Class, Subaccount 2016[a]		PIMCO VIT Real Return Fund Institutional Class, Subaccount 2016[a]		Putnam VT High Yield Fund, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-	-	-	-	-	-	-
Unit value - End of period	-	-	-	-	-	-	-	-	-	-
Net assets at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%

	T. Rowe Price Blue Chip Growth Fund, Subaccount 2016[a]		Vanguard VIF Capital Growth Portfolio, Subaccount 2016[a]		Vanguard VIF Diversified Value Portfolio, Subaccount 2016[a]		Vanguard VIF Equity Index Portfolio, Subaccount 2016[a]		Vanguard VIF High Yield Bond Portfolio, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-	-	-	-	-	-	-
Unit value - End of period	-	-	-	-	-	-	-	-	-	-
Net assets at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%

	Vanguard VIF International Portfolio, Subaccount 2016[a]		Vanguard VIF Mid-Cap Index Portfolio, Subaccount 2016[a]		Vanguard VIF Money Market Portfolio, Subaccount 2016[a]		Vanguard VIF REIT Index Portfolio, Subaccount 2016[a]		Vanguard VIF Small Company Growth Portfolio, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-	-	-	-	-	-	-
Unit value - End of period	-	-	-	-	-	-	-	-	-	-
Net assets at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%	1.50%	1.75%

	Vanguard VIF Total Bond Market Index Portfolio, Subaccount 2016[a]		Vanguard VIF Total Stock Market Index Portfolio, Subaccount 2016[a]	
	B-Shares	C-Shares	B-Shares	C-Shares
Unit value - Beginning of period	-	-	-	-
Unit value - End of period	-	-	-	-
Net assets at end of period (000's)	-	-	-	-
Units outstanding at end of period (000's)	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%
Expense ratio (3)	1.50%	1.75%	1.50%	1.75%

(1) The Total Return represents the total return for the periods indicated, including changes in the value of the underlying fund and expenses assessed through the reduction of unit values. These ratios do not include any expenses assessed through the redemption of units. The total return is calculated for each period shown and, accordingly, is not annualized for periods less than one year.

(2) The Investment Income Ratio represents dividends received by the subaccount, excluding capital gains distributions, divided by the average net assets for the period indicated. The recognition of investment income is determined by the timing of the declaration of dividends by the underlying fund in which the subaccount invests.

(3) The Expense Ratio represents the annualized contract expenses of the respective contract of the Account, consisting of mortality and expense risk charges, as defined in the Account Charges note. The ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying fund have been excluded.

(a) The Account commenced operations effective July 11, 2016.

AMERICAN FUNDS®

From Capital Group

American Funds Insurance Series®

Semi-annual report
for the six months ended
June 30, 2016

American Funds Insurance Series, from Capital Group, is the underlying investment vehicle for many variable annuities and insurance products. For 85 years, Capital has invested with a long-term focus based on thorough research and attention to risk. All the variable funds in American Funds Insurance Series may not be available in your product.

Investing for short periods makes losses more likely. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

Investing outside the United States may be subject to risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Investing in small-capitalization stocks can involve greater risk than is customarily associated with investing in stocks of larger, more established companies. The return of principal for bond funds and for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. High-yield bonds are subject to greater fluctuations in value and risk of loss of income and principal than investment-grade bonds. Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch as an indication of an issuer's creditworthiness. Futures contracts may not provide an effective hedge of the underlying securities because changes in the prices of futures contracts may not track those of the securities they are intended to hedge. In addition, the managed risk strategy may not effectively protect the funds from market declines and will limit the funds participation in market gains. The use of the managed risk strategy could cause the funds' returns to lag those of the applicable underlying funds in certain rising market conditions. Refer to the funds' prospectuses and the Risk Factors section of this report for more information on these and other risks associated with investing in the funds.

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Fellow investors:

Market returns were mixed for the six months ended June 30, 2016. U.S. and emerging markets stocks closed higher while many European markets fell. Slowing global growth, aggressive action on the part of central banks, the possibility of another interest rate hike in the U.S. and the decision by British voters to leave the European Union created uncertainty for investors.

Global equity market returns were tepid in aggregate, as the MSCI World Index rose 0.66%* for the period, but there were pockets of strength and weakness. Emerging markets registered some of the best results as the MSCI EM (Emerging Markets) Index climbed 6.41%. Brazil (+46.34%), Russia (+20.43%), Indonesia (+15.79%) and South Africa (+15.64%) were among the biggest gainers. A rebound in commodity prices, expectations for political reform and economic stimulus measures fueled returns.

The MSCI USA Index advanced 3.58%, helped in part by stronger job and housing numbers.

Sluggish growth, deflationary pressures and the potential impact of a "Brexit" dampened returns in a number of European markets. Overall, the MSCI Europe Index declined 5.13%, with Italy (–20.89%), Ireland (–13.61%) and Spain (–11.45%) suffering double-digit losses. Elsewhere among developed markets, Japan slipped 5.58%, hindered by a strengthening yen and the effects of negative interest rates on its banking system.

In bond markets, U.S. investment-grade and high-yield corporates advanced 7.68% and 9.06%, respectively, as investors sought higher yields than those offered by U.S. Treasuries. Barclays Global Aggregate Index, a measure of global investment-grade bonds (rated BBB/Baa and above), rose 8.96%, while the Barclays U.S. Aggregate Index (which measures U.S. investment-grade bonds) improved 5.31%. The 10-year Treasury yield, which stood at 2.27% on December 31, 2015, dropped to 1.49% as weak employment data and the Brexit referendum lowered expectations of a rate hike by the Federal Reserve. U.S. dollar–denominated emerging markets bonds, as measured by the J.P. Morgan EMBI (Emerging Markets Bond Index) Global, rose 10.90% as their higher yields were popular in a low-rate environment.

The U.S. dollar depreciated against most currencies. In developed markets, gains were led by the Japanese yen (+17.26%), Canadian dollar (+6.96%) and Singapore dollar (+5.41%). The Swiss franc and euro also improved, up 2.75% and 2.27%, respectively. The British pound, however, declined 9.30% against the greenback.

* Country returns are based on MSCI indexes, which reflect reinvestment of distributions and dividends net of withholding taxes, except for the MSCI USA Index, which reflects dividends gross of withholding taxes. All market indexes referenced in this report are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Among developing markets, the Brazilian real (+23.49%) and Russian ruble (+14.34%) finished strong, while the Mexican peso (–6.39%) and Chinese renminbi (–2.26%) fell. Currency returns are calculated by MSCI.

AFIS funds with exposure to U.S. equities and REITS fared well during the period. With the exception of Ultra-Short Bond Fund, which was hampered by low short-term interest rates, the series' bond funds all recorded positive returns. On May 1, 2016, the Cash Management Fund was converted to Ultra-Short Bond Fund in accordance with shareholder approval on December 4, 2015.

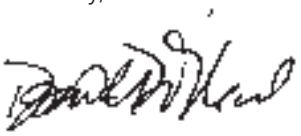
Looking ahead

The U.S. economy continues to show signs of slow improvement, even as many countries around the globe struggle with sluggish growth and low inflation. As the Fed adopts a more data-driven approach to rate hikes and central banks focus on lowering rates to inject liquidity into the global financial system, we could have a "lower-for-longer" rate environment. We will, of course, closely monitor the impact to security markets and currencies. We are also headed into the final innings of the U.S. presidential election cycle, and will be watching for changes in that arena. We may be in a low-return environment overall, but we will continue to actively seek securities that are particularly attractive due to their innovation, fundamentals or valuation levels.

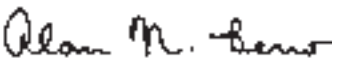
Our investment approach – based on extensive research, a long-term outlook and close attention to valuation – has served investors well over time. We continue to have confidence this will remain the case, and thank you for your support.

We look forward to reporting to you again in six months' time.

Sincerely,



Donald D. O'Neal
Vice Chairman of the Board



Alan N. Berro
President

August 9, 2016

Summary investment portfolios

Summary investment portfolios are designed to streamline this report and help investors better focus on the funds' principal holdings. Ultra-Short Bond Fund,* Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund show a complete listing of portfolio holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings for each fund in the series.

Unless otherwise indicated, American Funds Insurance Series investment results are for Class 2 shares (Class P2 shares for managed risk funds). Class 2 shares began operations on April 30, 1997. Class 3 shares began operations on January 16, 2004. Class 4 shares began operations on December 14, 2012. Results encompassing periods prior to those dates assume a hypothetical investment in Class 1 shares and include the deduction of additional annual expenses (0.25% for Class 2 shares, 0.18% for Class 3 shares and 0.50% for Class 4 shares).

The variable annuities and life insurance contracts that use the series funds contain certain fees and expenses not reflected in this report. Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The series investment adviser waived a portion of its management fees for all existing funds from September 1, 2004, through December 31, 2008, for U.S. Government/AAA-Rated Securities Fund from July 1, 2010, through December 31, 2010, and for Blue Chip Income and Growth Fund from February 1, 2014, through January 31, 2015. For the managed risk funds, the investment adviser is currently waiving a portion of its management fee equal to 0.05% of the funds' net assets and is currently reimbursing a portion of other expenses so that they will not exceed 0.28%. The waivers and reimbursements will be in effect through at least May 1, 2017, unless modified or terminated by the series board. After that time, the investment adviser may elect to extend, modify or terminate the reimbursements. The waivers may only be modified or terminated with the approval of the series board. Applicable fund results shown reflect the waivers and reimbursements, without which results would have been lower. See the Financial Highlights table in this report for details.

Although Capital Income Builder has a plan of distribution for Class 2 shares, fees for distribution services are not paid on amounts invested in the fund by the investment adviser and/or its affiliates. If fees for these services were charged on these assets, fund results would have been lower and expenses would have been higher. See the "Plans of distribution" section of the prospectus for information on the fees for distribution permitted to be charged by the funds.

Individual funds are listed in this report according to their risk potential, with managed risk funds listed last.

*Effective May 1, 2016, Cash Management Fund was converted to American Funds Insurance Series – Ultra-Short Bond Fund.℠

Asset Allocation Fund

Fund results shown are for past periods and are not predictive of results for future periods. Current and future results may be lower or higher than those shown. Unit prices and returns will vary, so investors may lose money. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

Asset Allocation Fund, a mix of stocks and bonds, rose 4.58% for the six months ended June 30, 2016. The Standard & Poor's 500 Composite Index, the benchmark for the fund's equity holdings, gained 3.84% over the same period, while the Barclays U.S. Aggregate Index, which measures investment-grade U.S. bonds (rated BBB/Baa and above) gained 5.31%. A blend of the two indexes, the 60%/40% S&P 500/Barclays U.S. Aggregate Index,* advanced 4.52%.

U.S. stocks posted modest returns in the first half of the year. There continues to be improvement in the U.S. economy, even though it was a challenging and volatile period for global markets. Bonds rose, driven by demand for safe-haven assets amid increased market volatility.

Stock selection in the information technology sector contributed most to the fund's returns. Stock selection in the health care sector was also additive. TSMC, one of the fund's biggest equity holdings, contributed most to the fund's relative returns.

The utilities and energy sectors were the greatest detractors to relative returns. An underweight position in the financials sector was the only sector to hamper results on an absolute basis.

On a country basis, holdings in Taiwan, the U.S. and China were primary contributors, while holdings in Japan and Sweden were the weakest.

The fund's fixed income holdings were led by an overweight position in high-yield corporate bonds. Issuers in the materials and industrials sectors were among the top five contributors. Federal agency mortgage-backed securities also accounted for gains.

The portfolio managers continue to evaluate the implications of a potentially stronger U.S. dollar and the spill-over effects of Brexit on the U.S. economy. The fund's cash position allows portfolio managers to remain flexible and better navigate a challenging environment by focusing on opportunities when stock prices are favorable.

Percent of net assets

Largest individual equity securities	Microsoft	3.17%	JPMorgan Chase	1.87%
	Philip Morris International	2.54	Lockheed Martin	1.86
	TSMC	2.04	UnitedHealth Group	1.75
	Comcast	1.93	Chubb	1.64
	DuPont	1.87	Intuit	1.43

Asset Allocation Fund

Average annual total returns based on a $1,000 investment

For periods ended June 30, 2016

	1 year	5 years	10 years	Lifetime (since August 1,1989)	Expense ratio
Class 1	5.34%	9.35%	6.63%	8.39%	.30%
Class 2	5.06	9.08	6.36	8.11	.54
Class 3	5.13	9.16	6.44	8.20	.47
Class 4	4.81	8.90	6.14	7.87	.79

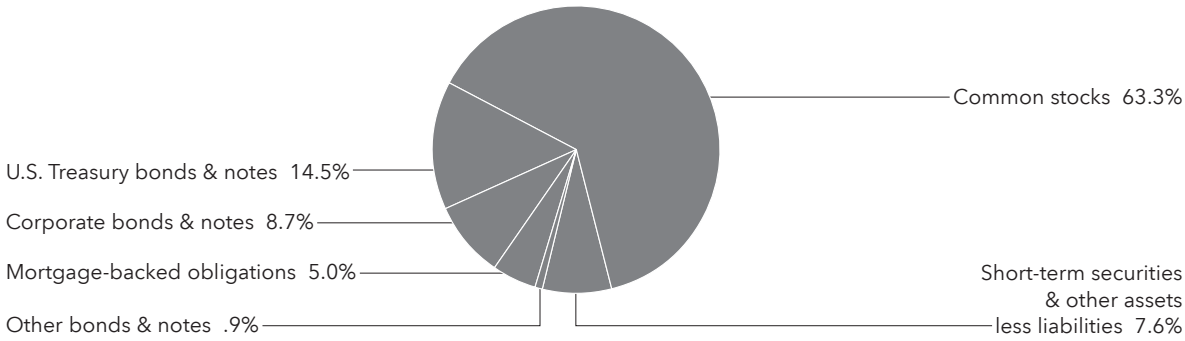
Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The fund's investment adviser waived a portion of its management fees from September 1, 2004, through December 31, 2008. Applicable fund results shown reflect the waiver, without which they would have been lower. Expense ratios are as of the fund's prospectus dated May 1, 2016. See the Financial Highlights table in this report for details.

Any market index shown is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index.

*The 60%/40% S&P 500/Barclays U.S. Aggregate Index blends the S&P 500 with the Barclays U.S. Aggregate Index by weighting their cumulative total returns at 60% and 40%, respectively. Its result assumes the blend is rebalanced monthly.

Where the fund's assets were invested as of June 30, 2016

Percent of net assets



Asset Allocation Fund

Summary investment portfolio June 30, 2016 unaudited

Common stocks 63.28%		Shares	Value (000)
Information technology 15.68%	Microsoft Corp.	12,120,000	$ 620,180
	Taiwan Semiconductor Manufacturing Co., Ltd. (ADR)	15,200,000	398,696
	Intuit Inc.	2,513,000	280,476
	VeriSign, Inc.[1]	3,000,000	259,380
	ASML Holding NV (New York registered)	2,500,000	248,025
	Intel Corp.	6,600,000	216,480
	Broadcom Ltd.	1,309,600	203,512
	Texas Instruments Inc.	2,900,000	181,685
	AAC Technologies Holdings Inc.[2]	16,000,000	137,512
	Juniper Networks, Inc.	6,000,000	134,940
	Other securities		384,925
			3,065,811
Health care 8.14%	UnitedHealth Group Inc.	2,417,000	341,280
	Johnson & Johnson	2,292,700	278,105
	Merck & Co., Inc.	4,456,000	256,710
	Humana Inc.	1,410,000	253,631
	Express Scripts Holding Co.[1]	2,950,000	223,610
	Pfizer Inc.	2,500,000	88,025
	Other securities		148,752
			1,590,113
Consumer discretionary 7.45%	Comcast Corp., Class A	5,773,000	376,342
	Home Depot, Inc.	1,800,000	229,842
	Amazon.com, Inc.[1]	308,000	220,411
	VF Corp.	2,730,000	167,868
	Newell Rubbermaid Inc.	2,700,000	131,139
	General Motors Co.	3,500,000	99,050
	Other securities		230,749
			1,455,401
Financials 6.89%	JPMorgan Chase & Co.	5,867,000	364,575
	Chubb Ltd.	2,455,000	320,893
	First Republic Bank	2,500,000	174,975
	Citigroup Inc.	2,750,000	116,573
	Other securities		369,486
			1,346,502
Energy 5.47%	Noble Energy, Inc.	7,100,000	254,677
	Weatherford International PLC[1]	32,250,000	178,988
	Chevron Corp.	1,625,000	170,349
	Royal Dutch Shell PLC, Class B (ADR)	2,243,500	125,636
	Other securities		338,857
			1,068,507
Industrials 5.26%	Lockheed Martin Corp.	1,462,000	362,825
	Boeing Co.	1,633,440	212,135
	Nielsen Holdings PLC	3,000,000	155,910
	General Electric Co.	3,500,000	110,180
	TransDigm Group Inc.[1]	383,000	100,993
	Other securities		86,721
			1,028,764

Common stocks (continued)		Shares	Value (000)
Materials 4.47%	E.I. du Pont de Nemours and Co.	5,640,000	$ 365,472
	LyondellBasell Industries NV	2,050,000	152,561
	Syngenta AG (ADR)	1,800,000	138,222
	Other securities		218,092
			874,347
Consumer staples 3.89%	Philip Morris International Inc.	4,882,000	496,597
	Other securities		264,709
			761,306
Telecommunication services 1.06%	AT&T Inc.	2,660,000	114,939
	Other securities		91,875
			206,814
Utilities 0.64%	Dominion Resources, Inc.	1,480,000	115,336
	Other securities		9,090
			124,426
Miscellaneous 4.33%	Other common stocks in initial period of acquisition		846,856
	Total common stocks (cost: $9,516,531,000)		12,368,847

Convertible stocks 0.03%			
Industrials 0.03%	Other securities		6,081
	Total convertible stocks (cost: $15,029,000)		6,081

Bonds, notes & other debt instruments 29.05%		Principal amount (000)	
U.S. Treasury bonds & notes 14.52%			
U.S. Treasury 11.69%	U.S. Treasury 0.625% 2017	$ 200,000	200,234
	U.S. Treasury 0.625% 2018	203,000	203,183
	U.S. Treasury 1.50% 2019	400,000	408,424
	U.S. Treasury 1.25% 2020[3]	327,000	331,902
	U.S. Treasury 1.625% 2020	125,000	128,585
	U.S. Treasury 0.75%–4.75% 2017–2046	978,407	1,012,418
			2,284,746
U.S. Treasury inflation-protected securities 2.83%	U.S. Treasury Inflation-Protected Security 0.625% 2024[4]	206,077	216,093
	U.S. Treasury Inflation-Protected Security 1.375% 2044[4]	131,206	152,110
	U.S. Treasury Inflation-Protected Securities 0.13%–1.00% 2021–2046[4]	177,500	186,353
			554,556
	Total U.S. Treasury bonds & notes		2,839,302
Corporate bonds & notes 8.69%			
Financials 1.59%	ACE INA Holdings Inc. 2.30%–4.35% 2020–2045	12,050	12,704
	JPMorgan Chase & Co. 1.35%–3.25% 2017–2026	9,265	9,506
	JPMorgan Chase & Co., Series Z, junior subordinated 5.30% (undated)	3,200	3,196
	Other securities		285,539
			310,945

Bonds, notes & other debt instruments		Principal amount (000)	Value (000)
Health care 1.48%	Johnson & Johnson 2.45% 2026	$ 1,285	$ 1,331
	Pfizer Inc. 1.95% 2021	2,500	2,534
	UnitedHealth Group Inc. 3.35% 2022	4,355	4,668
	Other securities		281,405
			289,938
Consumer discretionary 0.79%	Amazon.com, Inc. 4.80% 2034	8,000	9,444
	Comcast Corp. 3.15% 2026	3,915	4,169
	Home Depot, Inc. 2.00%–4.25% 2021–2046	5,500	6,067
	Other securities		135,321
			155,001
Industrials 0.60%	Lockheed Martin Corp. 3.10%–3.55% 2023–2026	9,000	9,819
	Other securities		108,135
			117,954
Consumer staples 0.37%	Philip Morris International Inc. 1.88%–4.25% 2021–2044	10,000	10,626
	Other securities		61,265
			71,891
Information technology 0.30%	Microsoft Corp. 4.20% 2035	6,000	6,753
	Other securities		51,981
			58,734
Other 3.56%	Other securities		694,377
	Total corporate bonds & notes		1,698,840
Mortgage-backed obligations 4.98%			
Federal agency mortgage-backed obligations 3.68%	Fannie Mae 0%–7.50% 2021–2047[5,6]	374,606	402,755
	Freddie Mac 3.50%–6.62% 2023–2046[5,7]	264,986	284,392
	Other securities		34,381
			721,528
Other mortgage-backed securities 0.73%	Fannie Mae 2.30%–3.51% 2022–2024[5,7]	47,582	51,483
	Freddie Mac 1.69%–3.53% 2021–2026[5,7]	79,478	84,811
	Other securities		10,104
			146,398
Other 0.57%	Other securities		105,514
	Total mortgage-backed obligations		973,440
Federal agency bonds & notes 0.26%			
	Fannie Mae 2.125% 2026	12,410	12,777
	Federal Home Loan Bank 0.875% 2018	17,140	17,215
	Freddie Mac 0.75% 2018	18,768	18,790
	Other securities		1,580
	Total federal agency bonds & notes		50,362
Other 0.60%			
	Other securities		116,907
	Total bonds, notes & other debt instruments (cost: $5,580,163,000)		5,678,851

Short-term securities 8.64%	Principal amount (000)	Value (000)
Federal Home Loan Bank 0.28%–0.53% due 7/6/2016–4/19/2017	$806,200	$ 805,690
Freddie Mac 0.35%–0.43% due 9/19/2016–11/17/2016	82,800	82,690
Microsoft Corp. 0.43%–0.46% due 8/3/2016–9/7/2016[8]	166,700	166,601
Pfizer Inc. 0.46%–0.52% due 7/25/2016–8/12/2016[8]	130,400	130,351
U.S. Treasury Bills 0.50% due 9/15/2016	30,500	30,487
Other securities		472,464
Total short-term securities (cost: $1,688,146,000)		1,688,283
Total investment securities 101.00% (cost: $16,799,869,000)		19,742,062
Other assets less liabilities (1.00)%		(195,721)
Net assets 100.00%		$19,546,341

This summary investment portfolio is designed to streamline the report and help investors better focus on the fund's principal holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings.

As permitted by U.S. Securities and Exchange Commission regulations, "Miscellaneous" securities include holdings in their first year of acquisition that have not previously been publicly disclosed.

"Other securities" includes all issues that are not disclosed separately in the summary investment portfolio, including loan participations and assignments, which may be subject to legal or contractual restrictions on resale. The total value of all such loans was $42,700,000, which represented .22% of the net assets of the fund. Some securities in "Other securities" (with an aggregate value of $8,538,000, an aggregate cost of $26,745,000, and which represented .04% of the net assets of the fund) were acquired from 3/10/2010 to 12/21/2015 through private placement transactions exempt from registration under the Securities Act of 1933, which may subject them to legal or contractual restrictions on resale.

Interest rate swaps

The fund has entered into interest rate swaps as shown in the following table. The average month-end notional amount of interest rate swaps while held was $388,417,000.

Pay/receive fixed rate	Clearinghouse	Floating rate index	Fixed rate	Expiration date	Notional (000)	Unrealized appreciation (depreciation) at 6/30/2016 (000)
Receive	LCH	3-month USD-LIBOR	0.921%	3/5/2017	$ 50,000	$ 86
Receive	LCH	3-month USD-LIBOR	1.929	9/29/2019	80,000	2,827
Receive	LCH	3-month USD-LIBOR	1.6365	10/16/2019	124,000	3,237
Pay	LCH	3-month USD-LIBOR	1.734	3/5/2020	23,000	(722)
Receive	LCH	3-month USD-LIBOR	1.212	2/8/2021	47,000	551
Pay	LCH	3-month USD-LIBOR	1.7475	2/8/2026	50,000	(1,832)
Receive	LCH	3-month USD-LIBOR	1.3675	6/28/2026	41,000	(25)
Pay	LCH	3-month USD-LIBOR	3.402	6/23/2044	18,000	(6,628)
Pay	LCH	3-month USD-LIBOR	2.945	10/16/2044	28,000	(7,367)
Receive	LCH	3-month USD-LIBOR	2.232	2/8/2046	10,000	963
						$(8,910)

The following footnotes apply to either the individual securities noted or one or more of the securities aggregated and listed as a single line item.

[1]Security did not produce income during the last 12 months.
[2]Valued under fair value procedures adopted by authority of the board of trustees. The total value of all such securities, including those in "Miscellaneous" and "Other securities," was $438,289,000, which represented 2.24% of the net assets of the fund. This amount includes $408,609,000 related to certain securities trading outside the U.S. whose values were adjusted as a result of significant market movements following the close of local trading.
[3]A portion of this security was pledged as collateral. The total value of pledged collateral was $6,023,000, which represented .03% of the net assets of the fund.
[4]Index-linked bond whose principal amount moves with a government price index.
[5]Principal payments may be made periodically. Therefore, the effective maturity date may be earlier than the stated maturity date.
[6]Purchased on a TBA basis.
[7]Coupon rate may change periodically.
[8]Acquired in a transaction exempt from registration under Rule 144A or Section 4(2) of the Securities Act of 1933. May be resold in the U.S. in transactions exempt from registration, normally to qualified institutional buyers. The total value of all such securities, including those in "Other securities," was $1,228,034,000, which represented 6.28% of the net assets of the fund.

Key to abbreviations
ADR = American Depositary Receipts
LCH = LCH.Clearnet
LIBOR = London Interbank Offered Rate
TBA = To be announced

See Notes to Financial Statements

Financial statements

Statements of assets and liabilities at June 30, 2016

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$5,210,346	$3,824,207	$21,107,039	$7,366,233	$2,773,486
Affiliated issuers	–	12,091	1,437	–	–
Cash	346	1,930	1,775	642	360
Cash denominated in currencies other than U.S. dollars	1,227	820	1,816	4,256	756
Unrealized appreciation on open forward currency contracts	–	4,683	–	4,735	61
Receivables for:					
Sales of investments	35,853	24,252	84,083	31,582	6,527
Sales of fund's shares	9,008	3,151	5,051	9,525	2,474
Dividends and interest	18,177	6,763	26,084	17,411	10,277
Closed forward currency contracts	–	–	–	–	3
Variation margin	–	–	–	–	–
Other	47	248	–	430	282
	5,275,004	3,878,145	21,227,285	7,434,814	2,794,226
Liabilities:					
Unrealized depreciation on open forward currency contracts	322	295	–	4,488	136
Payables for:					
Purchases of investments	76,121	18,538	69,455	47,641	8,396
Repurchases of fund's shares	2,581	2,007	23,666	3,887	2,163
Investment advisory services	2,259	2,250	5,728	3,031	1,607
Services provided by related parties	792	520	3,114	864	253
Trustees' deferred compensation	57	37	495	217	22
Closed forward currency contracts	38	60	–	233	38
Variation margin	–	–	–	–	–
Non-U.S. taxes	1,951	3,002	2,506	5,757	2,715
Other	245	67	286	138	175
	84,366	26,776	105,250	66,256	15,505
Net assets at June 30, 2016	$5,190,638	$3,851,369	$21,122,035	$7,368,558	$2,778,721
Net assets consist of:					
Capital paid in on shares of beneficial interest	$4,128,412	$3,820,845	$14,334,721	$7,129,906	$2,720,650
Undistributed (distributions in excess of) net investment income	17,224	7,475	90,956	50,256	(2,616)
Undistributed (accumulated) net realized gain (loss)	23,680	23,503	1,041,702	(29,249)	(119,444)
Net unrealized appreciation (depreciation)	1,021,322	(454)	5,654,656	217,645	180,131
Net assets at June 30, 2016	$5,190,638	$3,851,369	$21,122,035	$7,368,558	$2,778,721
Investment securities, at cost:					
Unaffiliated issuers	$4,188,568	$3,807,675	$15,452,608	$7,143,933	$2,591,611
Affiliated issuers	–	30,820	1,203	–	–
Cash denominated in currencies other than U.S. dollars, at cost	1,227	820	1,816	4,256	756

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$7,599,716	$1,865,577	$24,441,928	$1,099,631	$344,914	$19,742,062	$242,423	$11,725,512	$2,436,931
–	–	–	–	–	–	–	–	–
1,689	454	1,553	160	182	8,924	176	6,200	891
–	133	816	191	343	–	41	4,732	980
–	648	1,784	–	–	–	506	3,408	8,386
–	353	94,040	6,595	503	423,610	3,847	547,868	186,677
16,619	707	7,903	753	1,695	8,619	119	6,302	5,097
9,904	6,869	32,087	5,860	1,736	68,401	989	53,684	21,034
–	–	–	–	–	–	42	–	1,986
–	–	–	–	–	310	–	1,844	193
–	–	–	–	–	28	–	–	–
7,627,928	1,874,741	24,580,111	1,113,190	349,373	20,251,954	248,143	12,349,550	2,662,175
–	25	–	221	–	–	144	4,224	3,458
–	6,432	35,647	17,343	2,762	681,851	5,180	1,707,055	276,125
3,551	3,396	20,900	85	2,035	12,726	2	9,030	4,017
2,416	914	5,380	562	136	4,350	130	3,113	1,020
747	308	2,893	67	46	1,711	39	949	267
50	17	561	5	–*	191	1	84	17
–	33	–	–	–	–	86	274	2,920
–	–	–	–	–	165	–	1,541	53
207	567	458	341	43	2,933	19	–	255
45	31	331	83	168	1,686	8	277	142
7,016	11,723	66,170	18,707	5,190	705,613	5,609	1,726,547	288,274
$7,620,912	$1,863,018	$24,513,941	$1,094,483	$344,183	$19,546,341	$242,534	$10,623,003	$2,373,901
$5,978,584	$1,666,301	$18,774,184	$1,131,691	$343,533	$15,663,066	$221,949	$10,159,825	$2,333,281
87,846	23,405	205,449	19,251	377	177,952	986	89,995	10,801
148,048	(34,334)	874,412	(14,238)	(6,501)	772,167	(2,279)	97,435	1,246
1,406,434	207,646	4,659,896	(42,221)	6,774	2,933,156	21,878	275,748	28,573
$7,620,912	$1,863,018	$24,513,941	$1,094,483	$344,183	$19,546,341	$242,534	$10,623,003	$2,373,901
$6,193,276	$1,658,513	$19,783,656	$1,141,564	$338,098	$16,799,917	$220,902	$11,426,645	$2,405,647
–	–	–	–	–	–	–	–	–
–	133	816	191	343	–	41	4,767	979

Statements of assets and liabilities at June 30, 2016

	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$1,706,154	$391,846	$360,169	$3,071,391	$ 7,867
Affiliated issuers	–	–	–	–	159,181
Cash	4,456	394	140	4,708	–
Cash denominated in currencies other than U.S. dollars	–	–	–	–	–
Receivables for:					
Sales of investments	39,278	117,375	–	176,374	7
Sales of fund's shares	488	280	2,203	1,048	444
Dividends and interest	30,802	957	42	11,805	2
Deposits at brokers for futures contracts	–	–	–	–	2,986
Variation margin	82	248	–	2,617	25
Other	5	–	–	–	–
	1,781,265	511,100	362,554	3,267,943	170,512
Liabilities:					
Payables for:					
Purchases of investments	26,623	158,997	–	141,623	395
Repurchases of fund's shares	2,453	109	101	1,522	27
Investment advisory services	669	119	93	856	14
Services provided by related parties	180	18	68	363	135
Trustees' deferred compensation	53	2	21	57	–*
Variation margin	–	91	–	1,728	843
Non-U.S. taxes	7	–	–	–	–
Bank overdraft	–	–	–	–	–
Other	199	7	7	53	4
	30,184	159,343	290	146,202	1,418
Net assets at June 30, 2016	$1,751,081	$351,757	$362,264	$3,121,741	$169,094
Net assets consist of:					
Capital paid in on shares of beneficial interest	$2,023,789	$341,195	$362,582	$3,013,906	$187,234
Undistributed (distributions in excess of) net investment income	52,833	2,233	(345)	15,898	(124)
Undistributed (accumulated) net realized gain (loss)	(223,258)	5,158	–	44,247	4,473
Net unrealized appreciation (depreciation)	(102,283)	3,171	27	47,690	(22,489)
Net assets at June 30, 2016	$1,751,081	$351,757	$362,264	$3,121,741	$169,094
Investment securities, at cost:					
Unaffiliated issuers	$1,808,615	$384,968	$360,142	$2,986,923	$ 7,867
Affiliated issuers	–	–	–	–	180,212
Cash denominated in currencies other than U.S. dollars, at cost	–	–	–	–	–

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ –	$ 6,943	$ 5,878	$ 159,495
85,818	180,408	129,200	2,918,872
–	–	–	–
–	–	–	–
–	434	–	7,026
267	1,067	389	3,369
1	2	1	29
4,778	2,533	1,936	3,074
198	10	17	29
–	–	–	–
91,062	191,397	137,421	3,091,894
248	934	360	1,959
–*	529	2	8,817
7	15	11	249
74	146	111	2,262
–*	–*	–*	6
792	704	544	1,902
–	–	–	–
22	–	–	–
2	5	3	545
1,145	2,333	1,031	15,740
$ 89,917	$189,064	$136,390	$3,076,154
$104,211	$194,513	$149,119	$3,116,487
(120)	174	(1)	1,191
1,400	9,614	9,532	42,524
(15,574)	(15,237)	(22,260)	(84,048)
$ 89,917	$189,064	$136,390	$3,076,154
$ –	$ 6,943	$ 5,878	$ 159,495
100,723	193,956	150,009	3,000,755
–	–	–	–

Statements of assets and liabilities at June 30, 2016

		Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized						
Class 1:	Net assets	$1,563,735	$1,501,196	$6,748,085	$3,435,489	$1,635,970
	Shares outstanding	67,249	78,599	108,082	211,202	84,761
	Net asset value per share	$23.25	$19.10	$62.44	$16.27	$19.30
Class 2:	Net assets	$3,539,166	$2,313,915	$13,781,270	$3,850,314	$934,490
	Shares outstanding	153,619	124,449	222,116	237,731	48,887
	Net asset value per share	$23.04	$18.59	$62.05	$16.20	$19.12
Class 3:	Net assets			$183,123	$28,082	
	Shares outstanding			2,918	1,724	
	Net asset value per share			$62.75	$16.29	
Class 4:	Net assets	$87,737	$36,258	$409,557	$54,673	$208,261
	Shares outstanding	3,817	1,932	6,653	3,398	10,917
	Net asset value per share	$22.99	$18.77	$61.56	$16.09	$19.08

		High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized						
Class 1:	Net assets	$944,872	$276,938	$38,290	$1,461,726	
	Shares outstanding	95,556	25,684	3,401	116,612	
	Net asset value per share	$9.89	$10.78	$11.26	$12.53	
Class 2:	Net assets	$782,977	$63,554	$307,937	$1,581,363	
	Shares outstanding	80,353	5,911	28,005	127,495	
	Net asset value per share	$9.74	$10.75	$11.00	$12.40	
Class 3:	Net assets	$12,030		$4,962	$10,996	
	Shares outstanding	1,213		447	876	
	Net asset value per share	$9.92		$11.11	$12.55	
Class 4:	Net assets	$11,202	$11,265	$11,075	$67,656	
	Shares outstanding	1,072	1,055	994	5,449	
	Net asset value per share	$10.45	$10.67	$11.14	$12.42	
Class P1:	Net assets					$618
	Shares outstanding					61
	Net asset value per share					$10.13
Class P2:	Net assets					$168,476
	Shares outstanding					16,720
	Net asset value per share					$10.08

*Amount less than one thousand.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$4,215,511	$429,595	$11,308,944	$808,337	$123,649	$11,897,640	$60,035	$6,390,901	$1,161,314
331,301	34,248	272,092	54,656	12,672	566,389	5,400	570,796	97,830
$12.72	$12.54	$41.56	$14.79	$9.76	$21.01	$11.12	$11.20	$11.87
$3,331,392	$1,423,582	$12,612,139	$251,590	$3	$5,029,366	$177,738	$4,144,582	$1,201,452
264,650	113,771	306,450	17,078	–*	241,700	16,032	374,885	102,011
$12.59	$12.51	$41.16	$14.73	$9.76	$20.81	$11.09	$11.06	$11.78
		$155,419			$36,338			
		3,736			1,729			
		$41.60			$21.01			
$74,009	$9,841	$437,439	$34,556	$220,531	$2,582,997	$4,761	$87,520	$11,135
5,876	792	10,698	2,354	22,636	124,546	431	7,900	950
$12.60	$12.42	$40.89	$14.68	$9.74	$20.74	$11.04	$11.08	$11.72

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$146	$263	$1,030	$972,935
16	24	98	83,925
$8.82	$11.01	$10.46	$11.59
$89,771	$188,801	$135,360	$2,103,219
10,232	17,243	13,002	181,706
$8.77	$10.95	$10.41	$11.57

Statements of operations for the six months ended June 30, 2016

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 50,322	$ 29,570	$ 154,315	$ 100,614	$ 24,204
Interest	709	2,995	2,135	4,610	5,973
	51,031	32,565	156,450	105,224	30,177
Fees and expenses*:					
Investment advisory services	13,524	13,624	33,880	18,055	9,433
Distribution services	4,497	2,926	17,444	4,808	1,361
Insurance administrative services	106	42	477	61	227
Transfer agent services	–†	–†	1	1	–†
Administrative services	256	195	1,024	359	130
Reports to shareholders	136	73	587	187	65
Registration statement and prospectus	19	7	42	13	41
Trustees' compensation	23	17	90	31	12
Auditing and legal	27	18	24	36	20
Custodian	300	359	202	702	499
Other	12	31	17	14	14
Total fees and expenses before waivers/reimbursements	18,900	17,292	53,788	24,267	11,802
Less waivers/reimbursements of fees and expenses:					
Investment advisory services waivers	–	–	–	–	–
Miscellaneous fee reimbursements	–	–	–	–	–
Total waivers/reimbursements of fees and expenses	–	–	–	–	–
Total fees and expenses after waivers/reimbursements	18,900	17,292	53,788	24,267	11,802
Net investment income (loss)	32,131	15,273	102,662	80,957	18,375
Net realized gain (loss) and unrealized (depreciation) appreciation:					
Net realized gain (loss) on*:					
Investments	30,890	(55,904)	1,209,114	(16,164)	(44,016)
Forward currency contracts	(3,311)	1,707	–	(4,878)	(338)
Interest rate swaps	–	–	–	–	–
Currency transactions	371	624	(355)	(200)	159
	27,950	(53,573)	1,208,759	(21,242)	(44,195)
Net unrealized (depreciation) appreciation on:					
Investments	(250,988)	(129,899)	(1,127,972)	(142,019)	86,789
Forward currency contracts	268	3,887	–	(170)	(104)
Interest rate swaps	–	–	–	–	–
Currency translations	137	282	35	604	175
	(250,583)	(125,730)	(1,127,937)	(141,585)	86,860
Net realized gain (loss) and unrealized (depreciation) appreciation	(222,633)	(179,303)	80,822	(162,827)	42,665
Net (decrease) increase in net assets resulting from operations	$(190,502)	$(164,030)	$ 183,484	$ (81,870)	$ 61,040

See end of statements of operations for footnotes.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$105,700	$29,528	$ 244,974	$ 23,600	$ 5,713	$140,710	$ 2,234	$ 16	$ –
859	1,040	6,833	1,102	395	76,948	923	111,704	31,872
106,559	30,568	251,807	24,702	6,108	217,658	3,157	111,720	31,872
13,935	5,362	31,744	3,193	693	25,324	740	18,304	6,030
4,053	1,764	16,028	348	225	9,139	215	5,199	1,495
62	8	509	41	225	3,026	3	90	10
–†	–†	1	–†	–†	1	–†	–†	–†
351	89	1,176	50	14	920	11	503	114
118	26	666	9	2	461	2	209	37
73	3	44	11	18	266	1	14	4
30	7	102	4	1	79	1	42	9
9	7	29	7	3	22	4	13	6
137	123	144	117	13	127	13	64	231
6	8	19	3	1	22	11	30	19
18,774	7,397	50,462	3,783	1,195	39,387	1,001	24,468	7,955
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
18,774	7,397	50,462	3,783	1,195	39,387	1,001	24,468	7,955
87,785	23,171	201,345	20,919	4,913	178,271	2,156	87,252	23,917
128,048	(2,747)	896,071	(16,634)	(4,760)	777,108	(2,430)	122,972	(7,451)
–	(656)	–	–	–	–	282	(27,272)	12,814
–	–	–	–	–	(1,972)	–	6,950	(1,761)
23	(208)	(2,793)	114	(33)	(103)	(22)	1,842	(1,143)
128,071	(3,611)	893,278	(16,520)	(4,793)	775,033	(2,170)	104,492	2,459
465,986	14,113	(340,345)	8,542	15,709	(80,304)	7,628	378,301	153,787
–	565	1,784	(221)	–	–	298	216	2,262
–	–	–	–	–	(4,158)	–	(23,945)	(7,367)
5	27	(87)	36	(36)	(8)	11	(87)	35
465,991	14,705	(338,648)	8,357	15,673	(84,470)	7,937	354,485	148,717
594,062	11,094	554,630	(8,163)	10,880	690,563	5,767	458,977	151,176
$681,847	$34,265	$ 755,975	$ 12,756	$15,793	$868,834	$ 7,923	$546,229	$175,093

Statements of operations for the six months ended June 30, 2016

	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 221	$ –	$ –	$ –	$ 351
Interest	59,698	3,140	731	23,775	7
	59,919	3,140	731	23,775	358
Fees and expenses*:					
Investment advisory services	4,017	723	583	5,144	114
Distribution services	972	95	406	2,034	190
Insurance administrative services	8	16	16	81	190
Transfer agent services	–†	–†	–†	–†	–†
Administrative services	86	17	18	152	–
Accounting and administrative services	–	–	–	–	27
Reports to shareholders	28	2	6	47	2
Registration statement and prospectus	11	–†	1	6	7
Trustees' compensation	7	1	1	13	1
Auditing and legal	15	3	3	6	1
Custodian	7	9	1	13	6
Other	20	10	18	16	63
Total fees and expenses before waivers/reimbursements	5,171	876	1,053	7,512	601
Less waivers/reimbursements of fees and expenses:					
Investment advisory services waivers	–	–	–	–	38
Miscellaneous fee reimbursements	–	–	–	–	84
Total waivers/reimbursements of fees and expenses	–	–	–	–	122
Total fees and expenses after waivers/reimbursements	5,171	876	1,053	7,512	479
Net investment income (loss)	54,748	2,264	(322)	16,263	(121)
Net realized gain (loss) and unrealized (depreciation) appreciation:					
Net realized gain (loss) on*:					
Investments	(67,177)	2,088	–	41,371	(2,658)
Forward currency contracts	21	–	–	–	–
Interest rate swaps	(969)	2,523	–	8,053	–
Credit default swaps	(1,183)	–	–	–	–
Futures contracts	–	1,073	–	4,258	(4,811)
Currency transactions	(88)	–	–	–	8
Capital gain distributions received	–	–	–	–	13,899
	(69,396)	5,684	–	53,682	6,438
Net unrealized (depreciation) appreciation on:					
Investments	160,979	6,728	1	89,954	(8,710)
Forward currency contracts	(38)	–	–	–	–
Interest rate swaps	274	(6,139)	–	(55,853)	–
Credit default swaps	(527)	–	–	–	–
Futures contracts	–	1,276	–	17,848	(1,415)
Currency translations	112	–	–	–	–
	160,800	1,865	1	51,949	(10,125)
Net realized gain (loss) and unrealized (depreciation) appreciation	91,404	7,549	1	105,631	(3,687)
Net (decrease) increase in net assets resulting from operations	$146,152	$ 9,813	$ (321)	$121,894	$ (3,808)

*Additional information related to non-U.S. taxes, affiliated transactions and class-specific fees and expenses is included in the Notes to Financial Statements.
† Amount less than one thousand.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ 150	$ 682	$ 395	$ 8,997
3	8	6	159
153	690	401	9,156
64	120	95	2,106
107	199	158	2,474
107	199	159	3,511
–†	–†	–†	–†
–	–	–	–
26	27	27	58
1	2	1	34
5	5	5	76
–†	1	1	11
1	1	1	3
6	6	6	6
20	70	48	233
337	630	501	8,512
21	40	32	702
47	88	70	–
68	128	102	702
269	502	399	7,810
(116)	188	2	1,346
(3,209)	(721)	(1,685)	393
–	–	–	–
–	–	–	–
–	–	–	–
(2,203)	(3,223)	(2,578)	(28,244)
38	2	6	32
7,236	13,693	14,044	68,888
1,862	9,751	9,787	41,069
(4,256)	1,703	(8,199)	55,885
–	–	–	–
–	–	–	–
–	–	–	–
(503)	(1,618)	(1,325)	(639)
–	–	–	–
(4,759)	85	(9,524)	55,246
(2,897)	9,836	263	96,315
$(3,013)	$10,024	$ 265	$ 97,661

Statements of changes in net assets

	Global Growth Fund		Global Small Capitalization Fund		Growth Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ 32,131	$ 41,258	$ 15,273	$ (387)	$ 102,662	$ 156,971
Net realized gain (loss)	27,950	454,855	(53,573)	817,379	1,208,759	1,899,173
Net unrealized (depreciation) appreciation	(250,583)	(109,786)	(125,730)	(798,992)	(1,127,937)	(519,610)
Net (decrease) increase in net assets resulting from operations	(190,502)	386,327	(164,030)	18,000	183,484	1,536,534
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(14,651)	(61,500)	(893)	–	(41,568)	(151,371)
Distributions from net realized gain on investments	(443,911)	(539,532)	(724,863)	(331,551)	(1,900,853)	(4,626,506)
Total dividends and distributions paid to shareholders	(458,562)	(601,032)	(725,756)	(331,551)	(1,942,421)	(4,777,877)
Net capital share transactions	306,070	179,492	509,652	384,510	1,083,288	2,276,062
Total (decrease) increase in net assets	(342,994)	(35,213)	(380,134)	70,959	(675,649)	(965,281)
Net assets:						
Beginning of period	5,533,632	5,568,845	4,231,503	4,160,544	21,797,684	22,762,965
End of period	$5,190,638	$5,533,632	$3,851,369	$4,231,503	$21,122,035	$21,797,684
Undistributed (distributions in excess of) net investment income	$17,224	$(256)	$7,475	$(6,905)	$90,956	$29,862

	International Growth and Income Fund		Capital Income Builder		Asset Allocation Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ 20,919	$ 26,405	$ 4,913	$ 3,949	$ 178,271	$ 317,583
Net realized gain (loss)	(16,520)	7,489	(4,793)	(1,225)	775,033	471,975
Net unrealized (depreciation) appreciation	8,357	(92,050)	15,673	(7,839)	(84,470)	(523,714)
Net (decrease) increase in net assets resulting from operations	12,756	(58,156)	15,793	(5,115)	868,834	265,844
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(2,710)	(24,236)	(4,244)	(4,288)	(56,654)	(334,403)
Distributions from net realized gain on investments	(4,688)	(21,506)	–	–	(465,865)	(1,266,708)
Total dividends and distributions paid to shareholders	(7,398)	(45,742)	(4,244)	(4,288)	(522,519)	(1,601,111)
Net capital share transactions	96,246	88,567	95,629	171,242	829,459	2,142,966
Total (decrease) increase in net assets	101,604	(15,331)	107,178	161,839	1,175,774	807,699
Net assets:						
Beginning of period	992,879	1,008,210	237,005	75,166	18,370,567	17,562,868
End of period	$1,094,483	$ 992,879	$344,183	$237,005	$19,546,341	$18,370,567
Undistributed (distributions in excess of) net investment income	$19,251	$1,042	$377	$(292)	$177,952	$56,335

See end of statements of changes in net assets for footnotes.

See Notes to Financial Statements

(dollars in thousands)

International Fund		New World Fund		Blue Chip Income and Growth Fund		Global Growth and Income Fund		Growth-Income Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ 80,957	$ 101,049	$ 18,375	$ 21,693	$ 87,785	$ 150,411	$ 23,171	$ 32,504	$ 201,345	$ 362,367
(21,242)	671,574	(44,195)	(83,494)	128,071	617,232	(3,611)	62,422	893,278	2,678,192
(141,585)	(1,114,934)	86,860	(22,006)	465,991	(966,960)	14,705	(115,761)	(338,648)	(2,629,717)
(81,870)	(342,311)	61,040	(83,807)	681,847	(199,317)	34,265	(20,835)	755,975	410,842
(11,423)	(129,375)	(2,164)	(19,569)	(28,164)	(147,049)	(5,261)	(36,339)	(69,903)	(352,790)
(637,485)	(446,067)	–	(149,097)	(595,206)	(712,444)	–	–	(2,694,335)	(3,606,146)
(648,908)	(575,442)	(2,164)	(168,666)	(623,370)	(859,493)	(5,261)	(36,339)	(2,764,238)	(3,958,936)
616,686	688,549	26,064	364,776	664,161	684,200	57,232	(52,395)	2,308,811	2,397,939
(114,092)	(229,204)	84,940	112,303	722,638	(374,610)	86,236	(109,569)	300,548	(1,150,155)
7,482,650	7,711,854	2,693,781	2,581,478	6,898,274	7,272,884	1,776,782	1,886,351	24,213,393	25,363,548
$7,368,558	$ 7,482,650	$2,778,721	$2,693,781	$7,620,912	$6,898,274	$1,863,018	$1,776,782	$24,513,941	$24,213,393
$50,256	$(19,278)	$(2,616)	$(18,827)	$87,846	$28,224	$23,405	$5,495	$205,449	$74,007

Global Balanced Fund		Bond Fund		Global Bond Fund		High-Income Bond Fund		Mortgage Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ 2,156	$ 3,604	$ 87,252	$ 180,900	$ 23,917	$ 54,947	$ 54,748	$ 116,865	$ 2,264	$ 2,886
(2,170)	201	104,492	66,981	2,459	(73,021)	(69,396)	(76,908)	5,684	5,622
7,937	(5,965)	354,485	(215,539)	148,717	(80,680)	160,800	(174,986)	1,865	(1,739)
7,923	(2,160)	546,229	32,342	175,093	(98,754)	146,152	(135,029)	9,813	6,769
–	(2,403)	(58,633)	(182,773)	–	(1,846)	(20,488)	(114,287)	(835)	(5,398)
–	(2,968)	(35,948)	(192,440)	(4,207)	(69,034)	–	–	(3,533)	(4,268)
–	(5,371)	(94,581)	(375,213)	(4,207)	(70,880)	(20,488)	(114,287)	(4,368)	(9,666)
15,347	11,046	246,456	697,150	(42,536)	(169,118)	(169,815)	82,072	4,182	219
23,270	3,515	698,104	354,279	128,350	(338,752)	(44,151)	(167,244)	9,627	(2,678)
219,264	215,749	9,924,899	9,570,620	2,245,551	2,584,303	1,795,232	1,962,476	342,130	344,808
$242,534	$219,264	$10,623,003	$9,924,899	$2,373,901	$2,245,551	$1,751,081	$1,795,232	$351,757	$342,130
$986	$(1,170)	$89,995	$61,376	$10,801	$(13,116)	$52,833	$18,573	$2,233	$804

Statements of changes in net assets

	Ultra-Short Bond Fund (formerly Cash Management Fund)		U.S. Government/ AAA-Rated Securities Fund		Managed Risk Growth Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ (322)	$ (1,713)	$ 16,263	$ 29,322	$ (121)	$ 351
Net realized gain (loss)	–	1	53,682	73,799	6,438	13,382
Net unrealized (depreciation) appreciation	1	10	51,949	(45,379)	(10,125)	(13,947)
Net (decrease) increase in net assets resulting from operations	(321)	(1,702)	121,894	57,742	(3,808)	(214)
Dividends and distributions paid to shareholders:						
Dividends from net investment income	–	–	(7,777)	(48,582)	(331)	–
Distributions from net realized gain on investments	–	–	(60,973)	(27,147)	(15,012)	–
Total dividends and distributions paid to shareholders	–	–	(68,750)	(75,729)	(15,343)	–
Net capital share transactions	(851)	(29,927)	6,711	(393,940)	42,413	66,782
Total (decrease) increase in net assets	(1,172)	(31,629)	59,855	(411,927)	23,262	66,568
Net assets:						
Beginning of period	363,436	395,065	3,061,886	3,473,813	145,832	79,264
End of period	$362,264	$363,436	$3,121,741	$3,061,886	$169,094	$145,832
Undistributed (distributions in excess of) net investment income	$(345)	$(23)	$15,898	$7,412	$(124)	$328

*Unaudited.

See Notes to Financial Statements

(dollars in thousands)

Managed Risk International Fund		Managed Risk Blue Chip Income and Growth Fund		Managed Risk Growth-Income Fund		Managed Risk Asset Allocation Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ (116)	$ 904	$ 188	$ 1,959	$ 2	$ 1,056	$ 1,346	$ 31,209
1,862	1,838	9,751	7,704	9,787	8,928	41,069	111,792
(4,759)	(9,188)	85	(19,476)	(9,524)	(14,317)	55,246	(170,931)
(3,013)	(6,446)	10,024	(9,813)	265	(4,333)	97,661	(27,930)
(843)	(14)	(2,237)	(530)	(1,331)	(67)	(34,288)	(38,084)
(2,185)	–	(5,924)	–	(8,465)	–	(93,578)	(48,390)
(3,028)	(14)	(8,161)	(530)	(9,796)	(67)	(127,866)	(86,474)
12,798	43,513	49,796	49,641	23,252	51,303	441,340	722,454
6,757	37,053	51,659	39,298	13,721	46,903	411,135	608,050
83,160	46,107	137,405	98,107	122,669	75,766	2,665,019	2,056,969
$89,917	$83,160	$189,064	$137,405	$136,390	$122,669	$3,076,154	$2,665,019
$(120)	$839	$174	$2,223	$(1)	$1,328	$1,191	$34,133

Notes to financial statements

unaudited

1. Organization

American Funds Insurance Series (the "series") is registered under the Investment Company Act of 1940 as an open-end, diversified management investment company with 28 different funds (the "funds"). Twenty-three funds in the series are covered in this report. The other five funds in the series are covered in a separate report. The assets of each fund are segregated, with each fund accounted for separately. Capital Research and Management Company ("CRMC") is the series' investment adviser. Milliman Financial Risk Management LLC ("Milliman FRM") is the subadviser for the risk management strategy for eight of the funds (the "managed risk funds"), five of which are covered in this report.

The managed risk funds covered in this report are Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund. The managed risk funds invest in other funds within the series (the "underlying funds") and employ Milliman FRM to implement the risk management strategy, which consists of using hedging instruments – primarily short positions on exchange-traded futures contracts – to attempt to stabilize the volatility of the funds around target volatility levels and reduce the downside exposure of the funds during periods of significant market declines.

Shareholders approved a proposal to reorganize the series from a Massachusetts business trust to a Delaware statutory trust. The reorganization may be completed in the next 12 months; however, the series reserves the right to delay the implementation.

The investment objectives for each fund covered in this report are as follows:

Global Growth Fund – Seeks to provide long-term growth of capital.

Global Small Capitalization Fund – Seeks to provide long-term growth of capital.

Growth Fund – Seeks to provide growth of capital.

International Fund – Seeks to provide long-term growth of capital.

New World Fund – Seeks long-term capital appreciation.

Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing.

Global Growth and Income Fund – Seeks to provide long-term growth of capital while providing current income.

Growth-Income Fund – Seeks to achieve long-term growth of capital and income.

International Growth and Income Fund – Seeks to provide long-term growth of capital while providing current income.

Capital Income Builder – Seeks to provide a level of current income that exceeds the average yield on U.S. stocks generally and to provide a growing stream of income over the years. Secondarily, seeks to provide growth of capital.

Asset Allocation Fund – Seeks to provide high total return consistent with preservation of capital over the long term.

Global Balanced Fund – Seeks the balanced accomplishment of three objectives: long-term growth of capital, conservation of principal and current income.

Bond Fund – Seeks to provide as high a level of current income as is consistent with the preservation of capital.

Global Bond Fund – Seeks to provide, over the long term, a high level of total return consistent with prudent investment management.

High-Income Bond Fund – Seeks to provide a high level of current income and, secondarily, capital appreciation.

Mortgage Fund – Seeks to provide current income and preservation of capital.

Ultra-Short Bond Fund – On May 1, 2016, the fund changed its name from Cash Management Fund to Ultra-Short Bond Fund in accordance with a resolution approved by shareholders on December 4, 2015, to convert the fund to an ultra-short-term bond fund. The fund seeks to provide current income, consistent with the maturity and quality standards applicable to the fund, and preservation of capital and liquidity.

U.S. Government/AAA-Rated Securities Fund – Seeks to provide a high level of current income consistent with preservation of capital.

Managed Risk Growth Fund – Seeks to provide growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk International Fund – Seeks to provide long-term growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing, in each case while seeking to manage volatility and provide downside protection.

Managed Risk Growth-Income Fund – Seeks to achieve long-term growth of capital and income while seeking to manage volatility and provide downside protection.

Managed Risk Asset Allocation Fund – Seeks to provide high total return consistent with preservation of capital over the long term while seeking to manage volatility and provide downside protection.

Each fund in the series, except the managed risk funds, offers either three or four share classes (Classes 1, 2, 3 or 4); the managed risk funds offer two share classes (Classes P1 and P2). Holders of all share classes of each fund have equal pro rata rights to assets, dividends and liquidation proceeds of each fund held. Each share class of each fund has identical voting rights, except for the exclusive right to vote on matters affecting only its class. Share classes have different fees and expenses ("class-specific fees and expenses"), primarily due to different arrangements for certain distribution expenses. Differences in class-specific fees and expenses will result in differences in net investment income and, therefore, the payment of different per-share dividends by each class of each fund.

2. Significant accounting policies

Each fund is an investment company that applies the accounting and reporting guidance issued in Topic 946 by the U.S. Financial Accounting Standards Board. Each fund's financial statements have been prepared to comply with U.S. generally accepted accounting principles ("U.S. GAAP"). These principles require the series' investment adviser to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Subsequent events, if any, have been evaluated through the date of issuance in the preparation of the financial statements. The funds follow the significant accounting policies described in this section, as well as the valuation policies described in the next section on valuation.

Security transactions and related investment income – Security transactions are recorded by the funds as of the date the trades are executed with brokers. Realized gains and losses from security transactions are determined based on the specific identified cost of the securities. In the event a security is purchased with a delayed payment date, the funds will segregate liquid assets sufficient to meet their payment obligations. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Market discounts, premiums and original issue discounts on fixed-income securities are amortized daily over the expected life of the security.

Fees and expenses – The fees and expenses of the underlying funds held by the managed risk funds are not included in the fees and expenses reported for each of the managed risk funds; however, they are indirectly reflected in the valuation of each of the underlying funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables.

Class allocations – Income, fees and expenses (other than class-specific fees and expenses) and realized and unrealized gains and losses are allocated daily among the various share classes of each fund based on their relative net assets. Class-specific fees and expenses, such as distribution expenses, are accrued daily and charged directly to the respective share class of each fund.

Dividends and distributions to shareholders – Dividends and distributions to shareholders are recorded on each fund's ex-dividend date.

Currency translation – Assets and liabilities, including investment securities, denominated in currencies other than U.S. dollars are translated into U.S. dollars at the exchange rates supplied by one or more pricing vendors on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the exchange rates on the dates of such transactions. The effects of changes in exchange rates on investment securities are included with the net realized gain or loss and net unrealized appreciation or depreciation on investments in the funds' statements of operations. The realized gain or loss and unrealized appreciation or depreciation resulting from all other transactions denominated in currencies other than U.S. dollars are disclosed separately.

3. Valuation

CRMC, the series' investment adviser, values the funds' investments at fair value as defined by U.S. GAAP. The net asset value of each share class of each fund is generally determined as of approximately 4:00 p.m. New York time each day the New York Stock Exchange is open.

Methods and inputs – The series' investment adviser uses the following methods and inputs to establish the fair value of each fund's assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve.

Equity securities are generally valued at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market on which the security trades. The value of an underlying fund is based on its reported net asset value.

Fixed-income securities, including short-term securities, are generally valued at prices obtained from one or more pricing vendors. Vendors value such securities based on one or more of the inputs described in the following table. The table provides examples of inputs that are commonly relevant for valuing particular classes of fixed-income securities in which the funds are authorized to invest. However, these classifications are not exclusive and any of the inputs may be used to value any other class of fixed-income security.

Fixed-income class	Examples of standard inputs
All	Benchmark yields, transactions, bids, offers, quotations from dealers and trading systems, new issues, spreads and other relationships observed in the markets among comparable securities; and proprietary pricing models such as yield measures calculated using factors such as cash flows, financial or collateral performance and other reference data (collectively referred to as "standard inputs")
Corporate bonds & notes; convertible securities	Standard inputs and underlying equity of the issuer
Bonds & notes of governments & government agencies	Standard inputs and interest rate volatilities
Mortgage-backed; asset-backed obligations	Standard inputs and cash flows, prepayment information, default rates, delinquency and loss assumptions, collateral characteristics, credit enhancements and specific deal information
Municipal securities	Standard inputs and, for certain distressed securities, cash flows or liquidation values using a net present value calculation based on inputs that include, but are not limited to, financial statements and debt contracts

When the series' investment adviser deems it appropriate to do so (such as when vendor prices are unavailable or not deemed to be representative), fixed-income securities will be valued in good faith at the mean quoted bid and ask prices that are reasonably and timely available (or bid prices, if ask prices are not available) or at prices for securities of comparable maturity, quality and type.

Securities with both fixed-income and equity characteristics, or equity securities traded principally among fixed-income dealers, are generally valued in the manner described for either equity or fixed-income securities, depending on which method is deemed most appropriate by the series' investment adviser. The Government Cash Management Fund held by the managed risk funds is managed to maintain a $1.00 net asset value per share. The net asset value of each share class of each managed risk fund is calculated based on the reported net asset values of the underlying funds in which each fund invests.

Forward currency contracts are valued at the mean of representative quoted bid and ask prices, generally based on prices supplied by one or more pricing vendors. Interest rate swaps and credit default swaps are generally valued by pricing vendors based on market inputs that include the index and term of index, reset frequency, payer/receiver, currency and pay frequency. Exchange-traded futures are generally valued at the official settlement price of, or the last reported sale price on, the exchange or market on which such instruments are traded, as of the close of business on the day the futures are being valued or, lacking any sales, at the last available bid price. Prices for each future are taken from the exchange or market on which the security trades.

Securities and other assets for which representative market quotations are not readily available or are considered unreliable by the series' investment adviser are fair valued as determined in good faith under fair value guidelines adopted by authority of the series' board of trustees as further described. The investment adviser follows fair valuation guidelines, consistent with U.S. Securities and Exchange Commission rules and guidance, to consider relevant principles and factors when making fair value determinations. The investment adviser considers relevant indications of value that are reasonably and timely available to it in determining the fair value to be assigned to a particular security, such as the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; significant events occurring after the close of trading in the security; and changes in overall market conditions. In addition, the closing prices of equity securities and futures that trade in markets outside U.S. time zones may be adjusted to reflect significant events that occur after the close of local trading but before the net asset value of each share class of each fund is determined. Fair valuations and valuations of investments and futures that are not actively trading involve judgment and may differ materially from valuations that would have been used had greater market activity occurred.

Processes and structure — The series' board of trustees has delegated authority to the series' investment adviser to make fair value determinations, subject to board oversight. The investment adviser has established a Joint Fair Valuation Committee (the "Fair Valuation Committee") to administer, implement and oversee the fair valuation process, and to make fair value decisions. The Fair Valuation Committee regularly reviews its own fair value decisions, as well as decisions made under its standing instructions to the investment adviser's valuation teams. The Fair Valuation Committee reviews changes in fair value measurements from period to period and may, as deemed appropriate, update the fair valuation guidelines to better reflect the results of back testing and address new or evolving issues. The Fair Valuation Committee reports any changes to the fair valuation guidelines to the board of trustees with supplemental information to support the changes. The series' board and audit committee also regularly review reports that describe fair value determinations and methods.

The series' investment adviser has also established a Fixed-Income Pricing Review Group to administer and oversee the fixed-income valuation process, including the use of fixed-income pricing vendors. This group regularly reviews pricing vendor information and market data. Pricing decisions, processes and controls over security valuation are also subject to additional internal reviews, including an annual control self-evaluation program facilitated by the investment adviser's compliance group.

Classifications — The series' investment adviser classifies the funds' assets and liabilities into three levels based on the inputs used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Certain securities trading outside the U.S. may transfer between Level 1 and Level 2 due to valuation adjustments resulting from significant market movements following the close of local trading. Level 3 values are based on significant unobservable inputs that reflect the investment adviser's determination of assumptions that market participants might reasonably use in valuing the securities.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. For example, U.S. government securities are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. The following tables present the funds' valuation levels as of June 30, 2016 (dollars in thousands):

Global Growth Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 633,369	$ 631,466	$–	$1,264,835
Consumer discretionary	805,224	282,754	–	1,087,978
Health care	490,154	408,056	–	898,210
Financials	153,037	359,249	–	512,286
Consumer staples	50,742	284,580	–	335,322
Industrials	80,217	153,323	–	233,540
Energy	112,190	68,184	–	180,374
Telecommunication services	–	76,297	–	76,297
Other	25,901	24,029	–	49,930
Miscellaneous	83,928	173,305	–	257,233
Bonds, notes & other debt instruments	–	2,007	–	2,007
Short-term securities	–	312,334	–	312,334
Total	$2,434,762	$2,775,584	$–	$5,210,346

	Other investments†			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Unrealized depreciation on open forward currency contracts	$–	$(322)	$–	$(322)

*Securities with a value of $2,461,243,000, which represented 47.42% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Global Small Capitalization Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer discretionary	$ 315,634	$ 340,036	$ 4	$ 655,674
Information technology	316,427	206,663	–	523,090
Health care	429,474	80,655	–	510,129
Industrials	95,239	183,490	–	278,729
Financials	90,951	174,719	–	265,670
Consumer staples	84,702	173,896	–	258,598
Energy	179,463	42,776	8,828	231,067
Materials	106,972	73,029	–	180,001
Utilities	–	83,655	31	83,686
Telecommunication services	–	11,560	–	11,560
Miscellaneous	96,227	91,281	–	187,508
Rights & warrants	208	–	39	247
Bonds, notes & other debt instruments	–	121,812	–	121,812
Short-term securities	–	528,527	–	528,527
Total	$1,715,297	$2,112,099	$8,902	$3,836,298

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$4,683	$–	$4,683
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(295)	–	(295)
Total	$–	$4,388	$–	$4,388

*Securities with a value of $1,455,844,000, which represented 37.80% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Growth Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 4,216,815	$ 730,538	$ –	$ 4,947,353
Consumer discretionary	4,570,452	27,481	–	4,597,933
Health care	3,020,880	9,626	–	3,030,506
Financials	1,885,682	117,048	–	2,002,730
Energy	1,842,346	–	–	1,842,346
Consumer staples	1,412,858	151,043	–	1,563,901
Industrials	1,005,249	167,972	–	1,173,221
Telecommunication services	211,039	13,090	–	224,129
Other	266,609	1,437	–	268,046
Miscellaneous	396,414	80,345	–	476,759
Convertible stocks	–	–	13,104	13,104
Convertible bonds	–	5,300	–	5,300
Short-term securities	–	963,148	–	963,148
Total	$18,828,344	$2,267,028	$13,104	$21,108,476

*Securities with a value of $1,297,142,000, which represented 6.14% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

International Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 41,252	$1,173,335	$–	$1,214,587
Information technology	192,494	750,242	–	942,736
Health care	59,207	823,249	–	882,456
Consumer discretionary	56,435	777,132	–	833,567
Industrials	21,050	636,023	–	657,073
Consumer staples	28,049	568,308	–	596,357
Materials	85,955	421,136	–	507,091
Utilities	–	392,038	–	392,038
Energy	75,473	240,981	–	316,454
Telecommunication services	–	240,610	–	240,610
Miscellaneous	12,908	233,877	–	246,785
Bonds, notes & other debt instruments	–	73,875	–	73,875
Short-term securities	–	462,604	–	462,604
Total	$572,823	$6,793,410	$–	$7,366,233

See next page for footnote.

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 4,735	$–	$ 4,735
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(4,488)	–	(4,488)
Total	$–	$ 247	$–	$ 247

*Securities with a value of $6,032,519,000, which represented 81.87% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

New World Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer discretionary	$161,379	$ 273,043	$ –	$ 434,422
Information technology	161,527	258,347	–	419,874
Financials	180,607	174,977	29	355,613
Health care	95,909	140,791	–	236,700
Industrials	58,060	122,221	–	180,281
Energy	64,986	96,865	–	161,851
Consumer staples	58,470	96,273	–	154,743
Telecommunication services	4,942	49,092	–	54,034
Materials	28,672	22,498	885	52,055
Utilities	–	37,613	–	37,613
Miscellaneous	24,394	105,934	–	130,328
Rights & warrants	–	33,559	11,234	44,793
Convertible bonds	–	6,581	–	6,581
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	140,911	–	140,911
Corporate bonds & notes	–	14,493	–	14,493
U.S. Treasury bonds & notes	–	1,505	–	1,505
Short-term securities	–	347,689	–	347,689
Total	$838,946	$1,922,392	$12,148	$2,773,486

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 61	$–	$ 61
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(136)	–	(136)
Total	$–	$ (75)	$–	$ (75)

*Securities with a value of $1,363,311,000, which represented 49.06% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Blue Chip Income and Growth Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks:				
Health care	$1,231,149	$ –	$–	$1,231,149
Information technology	1,019,138	–	–	1,019,138
Industrials	969,593	–	–	969,593
Consumer staples	801,252	–	–	801,252
Telecommunication services	745,097	–	–	745,097
Energy	729,912	–	–	729,912
Materials	408,076	–	–	408,076
Financials	353,080	–	–	353,080
Consumer discretionary	313,550	–	–	313,550
Utilities	309,139	–	–	309,139
Miscellaneous	291,024	–	–	291,024
Short-term securities	–	428,706	–	428,706
Total	$7,171,010	$428,706	$–	$7,599,716

Global Growth and Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 213,178	$ 62,313	$–	$ 275,491
Information technology	114,440	126,613	–	241,053
Consumer discretionary	107,519	129,175	–	236,694
Health care	116,060	58,310	–	174,370
Consumer staples	99,659	71,519	–	171,178
Industrials	105,872	48,016	–	153,888
Energy	82,249	14,801	–	97,050
Utilities	32,164	59,857	–	92,021
Materials	46,134	34,549	–	80,683
Telecommunication services	31,918	36,461	–	68,379
Miscellaneous	58,441	29,854	–	88,295
Preferred securities	459	–	–	459
Bonds, notes & other debt instruments	–	41,296	–	41,296
Short-term securities	–	144,720	–	144,720
Total	$1,008,093	$857,484	$–	$1,865,577

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$648	$–	$648
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(25)	–	(25)
Total	$–	$623	$–	$623

*Securities with a value of $671,468,000, which represented 36.04% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

†Forward currency contracts are not included in the investment portfolio.

Growth-Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Health care	$ 3,933,566	$ 77,772	$–	$ 4,011,338
Information technology	3,569,287	96,727	–	3,666,014
Consumer discretionary	2,991,538	202,180	–	3,193,718
Financials	2,344,062	130,406	–	2,474,468
Consumer staples	1,913,375	215,721	–	2,129,096
Energy	1,741,794	304,888	–	2,046,682
Industrials	1,821,208	122,606	–	1,943,814
Materials	1,177,239	91,748	–	1,268,987
Telecommunication services	699,018	–	–	699,018
Utilities	264,800	–	–	264,800
Miscellaneous	758,270	160,758	–	919,028
Convertible stocks	5,178	5,157	–	10,335
Convertible bonds	–	129,071	–	129,071
Bonds, notes & other debt instruments	–	297,947	–	297,947
Short-term securities	–	1,387,612	–	1,387,612
Total	$21,219,335	$3,222,593	$–	$24,441,928

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$1,784	$–	$1,784

*Securities with a value of $1,312,902,000, which represented 5.36% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

International Growth and Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 18,481	$173,704	$–	$ 192,185
Consumer staples	42,753	142,107	–	184,860
Utilities	–	136,403	–	136,403
Consumer discretionary	–	97,001	–	97,001
Health care	6,580	88,566	–	95,146
Industrials	–	86,604	–	86,604
Energy	29,021	51,929	–	80,950
Telecommunication services	2,471	38,634	–	41,105
Information technology	–	32,967	–	32,967
Materials	3,265	14,229	–	17,494
Miscellaneous	5,680	3,103	–	8,783
Convertible bonds	–	2,438	–	2,438
Bonds, notes & other debt instruments	–	31,418	–	31,418
Short-term securities	–	92,277	–	92,277
Total	$108,251	$991,380	$–	$1,099,631

	Other investments†			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Unrealized depreciation on open forward currency contracts	$–	$(221)	$–	$(221)

*Securities with a value of $851,908,000, which represented 77.84% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Capital Income Builder

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer staples	$ 36,848	$ 17,038	$–	$ 53,886
Financials	22,826	17,597	–	40,423
Telecommunication services	13,580	19,795	–	33,375
Utilities	6,816	24,486	–	31,302
Energy	20,943	5,856	–	26,799
Health care	12,424	10,837	–	23,261
Information technology	14,951	6,566	–	21,517
Consumer discretionary	8,263	9,749	–	18,012
Industrials	5,943	10,720	–	16,663
Materials	3,946	4,449	–	8,395
Miscellaneous	2,601	2,093	–	4,694
Convertible stocks	1,370	–	–	1,370
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	–	19,296	–	19,296
Mortgage-backed obligations	–	18,612	–	18,612
Corporate bonds & notes	–	10,276	–	10,276
Asset-backed obligations	–	4,334	–	4,334
Short-term securities	–	12,699	–	12,699
Total	$150,511	$194,403	$–	$344,914

*Securities with a value of $129,186,000, which represented 37.53% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

Asset Allocation Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 2,928,299	$ 137,512	$ –	$ 3,065,811
Health care	1,589,929	–	184	1,590,113
Consumer discretionary	1,404,836	50,565	–	1,455,401
Financials	1,346,502	–	–	1,346,502
Energy	1,068,507	–	–	1,068,507
Industrials	983,264	45,500	–	1,028,764
Materials	873,406	–	941	874,347
Consumer staples	761,306	–	–	761,306
Telecommunication services	206,814	–	–	206,814
Utilities	124,426	–	–	124,426
Miscellaneous	661,821	183,510	1,525	846,856
Convertible stocks	–	6,081	–	6,081
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	–	2,839,302	–	2,839,302
Corporate bonds & notes	–	1,687,339	11,501	1,698,840
Mortgage-backed obligations	–	973,440	–	973,440
Federal agency bonds & notes	–	50,362	–	50,362
Other	–	116,907	–	116,907
Short-term securities	–	1,688,283	–	1,688,283
Total	$11,949,110	$7,778,801	$14,151	$19,742,062

See next page for footnote.

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$–	$ 7,664	$–	$ 7,664
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(16,574)	–	(16,574)
Total	$–	$ (8,910)	$–	$ (8,910)

*Securities with a value of $408,609,000, which represented 2.09% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Interest rate swaps are not included in the investment portfolio.

Global Balanced Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Industrials	$ 8,388	$ 15,018	$–	$ 23,406
Health care	17,229	4,768	–	21,997
Consumer staples	12,655	8,686	–	21,341
Information technology	7,899	10,604	–	18,503
Energy	9,837	3,503	–	13,340
Financials	5,791	6,999	–	12,790
Consumer discretionary	8,153	3,359	–	11,512
Materials	8,005	2,484	–	10,489
Utilities	–	3,061	–	3,061
Telecommunication services	1,555	568	–	2,123
Convertible bonds	–	276	–	276
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	39,953	–	39,953
U.S. Treasury bonds & notes	–	23,032	–	23,032
Corporate bonds & notes	–	15,946	–	15,946
Mortgage-backed obligations	–	5,232	–	5,232
Asset-backed obligations	–	325	–	325
Short-term securities	–	19,097	–	19,097
Total	$79,512	$162,911	$–	$242,423

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 506	$–	$ 506
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(144)	–	(144)
Total	$–	$ 362	$–	$ 362

*Securities with a value of $59,050,000, which represented 24.35% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	$ –	$ 3,795,950	$ –	$ 3,795,950
Corporate bonds & notes	–	3,068,655	372	3,069,027
Mortgage-backed obligations	–	2,365,535	–	2,365,535
Bonds & notes of governments & government agencies outside the U.S.	–	471,822	–	471,822
Asset-backed obligations	–	154,015	–	154,015
Municipals	–	101,976	–	101,976
Federal agency bonds & notes	–	75,611	–	75,611
Common stocks	149	–	655	804
Short-term securities	–	1,690,772	–	1,690,772
Total	$149	$11,724,336	$1,027	$11,725,512

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 3,408	$–	$ 3,408
Unrealized appreciation on interest rate swaps	–	34,915	–	34,915
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(4,224)	–	(4,224)
Unrealized depreciation on interest rate swaps	–	(57,023)	–	(57,023)
Total	$–	$(22,924)	$–	$(22,924)

*Forward currency contracts and interest rate swaps are not included in the investment portfolio.

Global Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Euros	$ –	$ 282,156	$ –	$ 282,156
Japanese yen	–	222,772	–	222,772
Mexican pesos	–	120,933	–	120,933
Polish zloty	–	97,636	–	97,636
Hungarian forints	–	80,932	–	80,932
Danish kroner	–	77,535	–	77,535
British pounds	–	64,039	–	64,039
Malaysian ringgits	–	51,681	–	51,681
Indian rupees	–	32,166	–	32,166
U.S. dollars	–	1,198,887	159	1,199,046
Other	–	54,814	–	54,814
Convertible stocks	–	208	–	208
Common stocks	411	173	459	1,043
Short-term securities	–	151,970	–	151,970
Total	$411	$2,435,902	$618	$2,436,931

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 8,386	$–	$ 8,386
Unrealized appreciation on interest rate swaps	–	1,239	–	1,239
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(3,458)	–	(3,458)
Unrealized depreciation on interest rate swaps	–	(8,541)	–	(8,541)
Total	$–	$(2,374)	$–	$(2,374)

*Forward currency contracts and interest rate swaps are not included in the investment portfolio.

High-Income Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Corporate bonds & notes	$ –	$1,560,425	$11,274	$1,571,699
Asset-backed obligations	–	11,915	–	11,915
Other	–	14,181	–	14,181
Convertible bonds	–	4,003	–	4,003
Convertible stocks	3,763	3,698	–	7,461
Preferred securities	2,226	–	–	2,226
Common stocks	10,452	2,249	3,682	16,383
Short-term securities	–	78,286	–	78,286
Total	$16,441	$1,674,757	$14,956	$1,706,154

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on credit default swaps	$–	$179	$–	$179

*Credit default swaps are not included in the investment portfolio.

Mortgage Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Mortgage-backed obligations	$–	$257,935	$ –	$257,935
U.S. Treasury bonds & notes	–	35,365	–	35,365
Asset-backed obligations	–	33,300	1,867	35,167
Federal agency bonds & notes	–	15,548	–	15,548
Short-term securities	–	47,831	–	47,831
Total	$–	$389,979	$1,867	$391,846

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$ –	$ 3,940	$–	$ 3,940
Unrealized appreciation on futures contracts	1,794	–	–	1,794
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(8,924)	–	(8,924)
Unrealized depreciation on futures contracts	(518)	–	–	(518)
Total	$1,276	$(4,984)	$–	$(3,708)

*Interest rate swaps and futures contracts are not included in the investment portfolio.

Ultra-Short Bond Fund

At June 30, 2016, all of the fund's investment securities were classified as Level 2.

U.S. Government/AAA-Rated Securities Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	$–	$1,325,445	$–	$1,325,445
Federal agency bonds & notes	–	860,767	–	860,767
Mortgage-backed obligations	–	685,174	–	685,174
Short-term securities	–	200,005	–	200,005
Total	$–	$3,071,391	$–	$3,071,391

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$ –	$ 45,400	$–	$ 45,400
Unrealized appreciation on futures contracts	20,177	–	–	20,177
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(100,025)	–	(100,025)
Unrealized depreciation on futures contracts	(2,329)	–	–	(2,329)
Total	$17,848	$ (54,625)	$–	$ (36,777)

*Interest rate swaps and futures contracts are not included in the investment portfolio.

Managed Risk Growth Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk International Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Blue Chip Income and Growth Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Growth-Income Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Asset Allocation Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

4. Risk factors

Investing in the funds may involve certain risks including, but not limited to, those described below.

Market conditions – The prices of, and the income generated by, the common stocks, bonds and other securities held by a fund may decline – sometimes rapidly or unpredictably – due to various factors, including events or conditions affecting the general economy or particular industries; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency exchange, interest rate and commodity price fluctuations.

Issuer risks –The prices of, and the income generated by, securities held by a fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance and strategic initiatives such as mergers, acquisitions or dispositions, and the market response to any such initiatives.

Investing in growth-oriented stocks – Growth-oriented common stocks and other equity-type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) may involve larger price swings and greater potential for loss than other types of investments. These risks may be even greater in the case of smaller capitalization stocks.

Investing in income-oriented stocks – Income provided by a fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests.

Investing in small companies – Investing in smaller companies may pose additional risks. For example, it is often more difficult to value or dispose of small company stocks and more difficult to obtain information about smaller companies than about larger companies. Furthermore, smaller companies often have limited product lines, operating histories, markets and/or financial resources, may be dependent on one or a few key persons for management, and can be more susceptible to losses. Moreover, the prices of their stocks maybe more volatile than stocks of larger, more established companies.

Investing outside the U.S. – Securities of issuers domiciled outside the U.S., or with significant operations or revenues outside the U.S., may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism and war) in the countries or regions in which the issuers operate or generate revenue. These securities may also lose value due to changes in foreign currency exchange rates against the U.S. dollar and/or currencies of other countries. Issuers of these securities may be more susceptible to actions of foreign governments, such as the imposition of price controls or punitive taxes, that could adversely impact revenues. Securities markets in certain countries may be more volatile and/or less liquid than those in the U.S. Investments outside the U.S. may also be subject to different accounting practices and different regulatory, legal and reporting standards and practices, and may be more difficult to value, than those in the U.S. In addition, the value of investments outside the U.S. may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities purchased or sold by the fund. The risks of investing outside the U.S. may be heightened in connection with investments in emerging markets.

Investing in developing countries – Investing in countries with developing economies and/or markets may involve risks in addition to and greater than those generally associated with investing in developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating the fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Investing in emerging markets – Investing in emerging markets may involve risks in addition to and greater than those generally associated with investing in the securities markets of developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating a fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Investing in debt instruments – The prices of, and the income generated by, bonds and other debt securities held by a fund may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities.

Rising interest rates will generally cause the prices of bonds and other debt securities to fall. Falling interest rates may cause an issuer to redeem, call or refinance a debt security before its stated maturity, which may result in a fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities.

Bonds and other debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities. Credit risk is gauged, in part, by the credit ratings of the debt securities in which a fund invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees as to credit quality or an evaluation of market risk. The funds' investment adviser relies on its own credit analysts to research issuers and issues in seeking to mitigate various credit and default risks.

Investing in lower rated debt instruments — Lower rated bonds and other lower rated debt securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer's creditworthiness than those of higher quality debt securities. The market prices of these securities may fluctuate more than the prices of higher quality debt securities and may decline significantly in periods of general economic difficulty. These risks may be increased with respect to investments in junk bonds.

Investing in derivatives — The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional cash securities, such as stocks and bonds. Changes in the value of a derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and a derivative instrument may expose a fund to losses in excess of its initial investment. Derivatives may be difficult for a fund to buy or sell at an opportune time or price and may be difficult to terminate or otherwise offset. A fund's use of derivatives may result in losses to the fund, and investing in derivatives may reduce a fund's returns and increase a fund's price volatility. A fund's counterparty to a derivative transaction (including, if applicable, the fund's clearing broker, the derivatives exchange or the clearinghouse) may be unable or unwilling to honor its financial obligations in respect of the transaction.

Thinly traded securities — There may be little trading in the secondary market for particular bonds, other debt securities or derivatives, which may make them more difficult to value, acquire or sell.

Currency — The prices of, and the income generated by, most debt securities held by a fund may also be affected by changes in relative currency values. If the U.S. dollar appreciates against foreign currencies, the value in U.S. dollars of a fund's securities denominated in such currencies would generally fall and vice versa. U.S. dollar-denominated securities of foreign issuers may also be affected by changes in relative currency values.

Investing in mortgage-related securities and other asset-backed securities — Mortgage-related securities, such as mortgage-backed securities, and other asset-backed securities, include debt obligations that represent interests in pools of mortgages or other income-bearing assets, such as consumer loans or receivables. Such securities often involve risks that are different from or more acute than the risks associated with investing in other types of debt securities. Mortgage-backed and other asset-backed securities are subject to changes in the payment patterns of borrowers of the underlying debt. When interest rates fall, borrowers are more likely to refinance or prepay their debt before its stated maturity. This may result in a fund having to reinvest the proceeds in lower yielding securities, effectively reducing a fund's income. Conversely, if interest rates rise and borrowers repay their debt more slowly than expected, the time in which the mortgage-backed and other asset-backed securities are paid off could be extended, reducing a fund's cash available for reinvestment in higher yielding securities.

Investing in future delivery contracts — Contracts for future delivery of mortgage-related securities, such as to be announced contracts and mortgage dollar rolls, involve a fund selling mortgage-related securities and simultaneously contracting to repurchase similar securities for delivery at a future date at a predetermined price. This can increase a fund's market exposure, and the market price of the securities the fund contracts to repurchase could drop below their purchase price. While a fund can preserve and generate capital through the use of such contracts by, for example, realizing the difference between the sale price and the future purchase price, the income generated by the fund may be reduced by engaging in such transactions. In addition, these transactions may increase the turnover rate of a fund.

Investing in inflation linked bonds — The values of inflation linked bonds generally fluctuate in response to changes in real interest rates – i.e., rates of interest after factoring in inflation. A rise in real interest rates may cause the prices of inflation linked securities to fall, while a decline in real interest rates may cause the prices to increase. Inflation linked bonds may experience greater losses than other debt securities with similar durations when real interest rates rise faster than nominal interest rates. There can be no assurance that the value of an inflation linked security will be directly correlated to changes in interest rates; for example, if interest rates rise for reasons other than inflation, the increase may not be reflected in the security's inflation measure.

Investing in inflation linked bonds may also reduce a fund's distributable income during periods of extreme deflation. If prices for goods and services decline throughout the economy, the principal and income on inflation linked securities may decline and result in losses to a fund.

Investing in securities backed by the U.S. government — Securities backed by the U.S. Treasury or the full faith and credit of the U.S. government are guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates. Securities issued by government-sponsored entities and federal agencies and instrumentalities that are not backed by the full faith and credit of the U.S. government are neither issued nor guaranteed by the U.S. government.

Investing in repurchase agreements – Upon entering into a repurchase agreement, a fund purchases a security from a bank or broker-dealer, which simultaneously commits to repurchase the security within a specified time at the fund's cost with interest. The security purchased by the fund constitutes collateral for the seller's repurchase obligation. If the party agreeing to repurchase should default, the fund may seek to sell the security it holds as collateral. The fund may incur a loss if the value of the collateral securing the repurchase obligation has fallen below the repurchase price. The fund may also incur disposition costs and encounter procedural delays in connection with liquidating the collateral.

Interest rate risk – The values and liquidity of the securities held by a fund may be affected by changing interest rates. For example, the values of these securities may decline when interest rates rise and increase when interest rates fall. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities. A fund may invest in variable and floating rate securities. Although such securities are generally less sensitive to interest rate changes, the value of variable and floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates. Conversely, floating rate securities will not generally increase in value if interest rates decline. During periods of extremely low short-term interest rates, a fund may not be able to maintain a positive yield, and, given the historically low interest rate environment, risks associated with rising rates are currently heightened.

Credit and liquidity support – Changes in the credit quality of banks and financial institutions providing credit and liquidity support features with respect to securities held by a fund could cause the values of these securities to decline.

Asset allocation – A fund's percentage allocation to equity securities, debt securities and money market instruments could cause the fund to underperform relative to relevant benchmarks and other funds with similar investment objectives.

Nondiversification – As nondiversified funds, certain funds have the ability to invest a larger percentage of their assets in the securities of a smaller number of issuers than diversified funds. Although the funds do not intend to limit their investments to the securities of a small number of issuers, if they were to do so, poor performance by a single large holding would adversely impact the funds' investment results more than if the funds were invested in a larger number of issuers.

Management – The investment adviser to the funds actively manages the funds' investments. Consequently, the funds are subject to the risk that the methods and analyses employed by the investment adviser in this process may not produce the desired results. This could cause the funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Investing in the managed risk funds may involve additional risks including, but not limited to, those described below.

Fund structure – The managed risk funds invest in underlying funds and incur expenses related to those underlying funds. In addition, investors in the managed risk funds will incur fees to pay for certain expenses related to the operations of the managed risk funds. An investor holding the underlying fund directly would incur lower overall expenses but would not receive the benefit of the risk management strategy of the managed risk fund.

Management – The managed risk funds are subject to the risk that the methods employed by the subadviser in implementing the managed risk strategy may not produce the desired results. This could cause the managed risk funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Underlying fund risks – Because the managed risk funds' investments consist of individual underlying funds, the managed risk funds' risks are directly related to the risks of the respective underlying fund in which each managed fund invests. For this reason, it is important to understand the risks associated with investing both in the managed risk fund and the respective underlying fund.

Investing in futures contracts – In addition to the risks generally associated with investing in derivative instruments, futures contracts are subject to the creditworthiness of the clearing organizations, exchanges and futures commission merchants with which a fund transacts. Additionally, although futures require only a small initial investment in the form of a deposit of initial margin, the amount of a potential loss on a futures contract could greatly exceed the initial amount invested. While futures contracts are generally liquid instruments, under certain market conditions, futures may be deemed to be illiquid. For example a fund may be temporarily prohibited from closing out its position in a futures contract if intraday price change limits or limits on trading volume imposed by the applicable futures exchange are triggered. If a fund is unable to close out a position on a futures contract, the fund would remain subject to the risk of adverse price movements until the fund is able to close out the futures position. The ability of a fund to successfully utilize futures contracts may depend in part upon the ability of the fund's investment adviser or subadviser to accurately forecast interest rates and other economic factors and to assess and predict the impact of such economic factors on the futures in which the fund invests. If the investment adviser or subadviser incorrectly forecasts economic developments or incorrectly predicts the impact of such developments on the futures in which it invests, a fund could be exposed to the risk of loss.

Hedging – There may be imperfect or even negative correlation between the prices of the futures contracts and the prices of the underlying securities. For example, futures contracts may not provide an effective hedge because changes in futures contract prices may not track those of the underlying securities or indexes they are intended to hedge. In addition, there are significant differences between the securities and futures markets that could result in an imperfect correlation between the markets, causing a given hedge not to achieve its objectives. The degree of imperfection of correlation depends on circumstances such as variations in speculative market demand for futures, including technical influences in futures trading, and differences between the financial instruments being hedged and the instruments underlying the standard contracts available for trading. A decision as to whether, when and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected interest rate trends. In addition, the fund's investment in exchange-traded futures and their resulting costs could limit the fund's gains in rising markets relative to those of the underlying fund, or to those of unhedged funds in general.

Short positions – Losses from short positions in futures contracts occur when the underlying index increases in value. As the underlying index increases in value, the holder of the short position in the corresponding futures contract is required to pay the difference in value of the futures contract resulting from the increase in the index on a daily basis. Losses from a short position in an index futures contract could potentially be very large if the value of the underlying index rises dramatically in a short period of time.

5. Certain investment techniques

Index-linked bonds – Some of the funds have invested in index-linked bonds, which are fixed-income securities whose principal value is periodically adjusted to a government price index. Over the life of an index-linked bond, interest is paid on the adjusted principal value. Increases or decreases in the principal value of index-linked bonds are recorded as interest income in the fund's statement of operations.

Mortgage dollar rolls – Some of the funds have entered into mortgage dollar roll transactions in which the fund sells a mortgage-backed security to a counterparty and simultaneously enters into an agreement with the same counterparty to buy back a similar security on a specific future date at a predetermined price. Mortgage dollar rolls are accounted for as purchase and sale transactions, which may increase the funds' portfolio turnover rates.

Loan transactions – Some of the funds have entered into loan transactions in which the fund acquires a loan either through an agent, by assignment from another holder, or as a participation interest in another holder's portion of a loan. The loan is often administered by a financial institution that acts as agent for the holders of the loan, and the fund may be required to receive approval from the agent and/or borrower prior to the sale of the investment. The loan's interest rate and maturity date may change based on the terms of the loan, including potential early payments of principal.

Unfunded commitments – Asset Allocation Fund, Global Bond Fund and High-Income Bond Fund have participated in a transaction that involves unfunded commitments, which may obligate each fund to purchase additional shares of the applicable issuer. Under the terms of the commitments, which will expire no later than April 1, 2021, the maximum potential exposure of Asset Allocation Fund, Global Bond Fund and High-Income Bond Fund as of June 30, 2016 was $471,000, $109,000 and $719,000, respectively. Should such commitments become due in full, these amounts would represent less than 0.01% of the net assets of Asset Allocation Fund and 0.04% of the net assets of Global Bond Fund and High-Income Bond Fund, in each case as of June 30, 2016.

Short-term securities – The managed risk funds hold shares of the Government Cash Management Fund, a cash management vehicle offered by the Bank of New York Mellon ("BNY Mellon"), the funds' custodian bank. The Government Cash Management Fund is managed by the Dreyfus Corporation.

Forward currency contracts – Some of the funds have entered into forward currency contracts, which represent agreements to exchange currencies on specific future dates at predetermined rates. The series' investment adviser uses forward currency contracts to manage the fund's exposure to changes in exchange rates. Upon entering into these contracts, risks may arise from the potential inability of counterparties to meet the terms of their contracts and from possible movements in exchange rates.

On a daily basis, the series' investment adviser values forward currency contracts based on the applicable exchange rates and records unrealized appreciation or depreciation for open forward currency contracts in each fund's statement of assets and liabilities. Realized gains or losses are recorded at the time the forward contract is closed or offset by another contract with the same broker for the same settlement date and currency. Closed forward currency contracts that have not reached their settlement date are included in the respective receivables or payables for closed forward currency contracts in each fund's statement of assets and liabilities. Net realized gains or losses from closed forward currency contracts and net unrealized appreciation or depreciation from open forward currency contracts are recorded in each fund's statement of operations. As of June 30, 2016, Global Growth Fund, Global Small Capitalization

Fund, International Fund, New World Fund, Global Growth and Income Fund, Growth-Income Fund, International Growth and Income Fund, Global Balanced Fund, Bond Fund and Global Bond Fund had open forward currency contracts. As of June 30, 2016, High-Income Bond Fund did not have any open forward currency contracts. The average month-end notional amount of open forward currency contracts while held by High-Income Bond Fund was $2,585,000.

Interest rate swaps — Some of the funds have entered into interest rate swaps, which are agreements to exchange one stream of future interest payments for another based on a specified notional amount. Typically, interest rate swaps exchange a fixed interest rate for a payment that floats relative to a benchmark or vice versa. The series' investment adviser uses interest rate swaps to manage the interest rate sensitivity of the fund by increasing or decreasing the duration of the fund or a portion of the fund's portfolio. Risks may arise as a result of the series' investment adviser incorrectly anticipating changes in interest rates, increased volatility, reduced liquidity and the potential inability of counterparties to meet the terms of their agreements.

Upon entering into an interest rate swap contract, the fund is required to deposit cash, U.S. government securities or other liquid securities, which is known as "initial margin." Generally, the initial margin required for a particular interest rate swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract.

On a daily basis, the series' investment adviser records daily interest accruals related to the exchange of future payments as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a "variation margin" based on the increase or decrease in the value of the interest rate swaps, including accrued interest, and records variation margin on interest rate swaps in each fund's statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the interest rate swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from interest rate swaps are recorded in each fund's statement of operations. As of June 30, 2016, Asset Allocation Fund, Bond Fund, Global Bond Fund, Mortgage Fund and U.S. Government/AAA-Rated Securities Fund had open interest rate swaps. As of June 30, 2016, High-Income Bond Fund did not have any open interest rate swaps. The average month-end notional amount of open interest rate swaps while held by High-Income Bond Fund was $31,888,000.

Credit default swap indices — Some of the funds have entered into centrally cleared credit default swap agreements on credit indices ("CDSI") that involve one party (the protection buyer) making a stream of payments to another party (the protection seller) in exchange for the right to receive a specified return upon the occurrence of a credit event, such as a default or restructuring, with respect to any of the underlying issuers (reference obligations) in the referenced index. The series' investment adviser uses credit default swaps to assume exposure to a diversified portfolio of credits or to hedge against existing credit risks.

CDSI are portfolios of credit instruments or exposures designed to be representative of some part of the credit market, such as the high-yield or investment-grade credit market. CDSI are generally traded using standardized terms, including a fixed spread and standard maturity dates, and reference all the names in the index. If there is a credit event, it is settled based on that name's weight in the index. The composition of the underlying issuers or obligations within a particular index may change periodically, usually every six months. A specified credit event may affect all or individual underlying reference obligations included in the index, and will be settled based upon the relative weighting of the affected obligation(s) within the index. The value of each CDSI can be used as a measure of the current payment/performance risk of the CDSI and represents the likelihood of an expected liability or profit should the notional amount of the CDSI be closed or sold as of the period end. An increasing value, as compared to the notional amount of the CDSI, represents a deterioration of the referenced indices' credit soundness and a greater likelihood of risk of default or other credit event occurring as defined under the terms of the agreement. When a fund provides sell protection, its maximum exposure is the notional amount of the credit default swap agreement.

Upon entering into a centrally cleared CDSI contract, the fund is required to deposit with a derivatives clearing member ("DCM") in a segregated account in the name of the DCM an amount of cash, U.S. government securities or other liquid securities, which is known as initial margin. Generally, the initial margin required for a particular credit default swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract. Securities deposited as initial margin are designated on the investment portfolio.

On a daily basis, interest accruals related to the exchange of future payments are recorded as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a variation margin based on the increase or decrease in the value of the centrally cleared swaps, and records variation margin in each fund's statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from credit default swaps are recorded in each fund's statement of operations. As of June 30, 2016, High-Income Bond Fund had open credit default swaps.

Futures contracts – The managed risk funds have entered into futures contracts, which provide for the future sale by one party and purchase by another party of a specified amount of a specific financial instrument for a specified price, date, time and place designated at the time the contract is made. Futures contracts are used to strategically manage portfolio volatility and downside equity risk.

Upon entering into futures contracts, and to maintain the fund's open positions in futures contracts, the fund is required to deposit with a futures broker, or FCM, in a segregated account in the name of the FCM an amount of cash, U.S. government securities, suitable money market instruments, or other liquid securities, known as "initial margin." The margin required for a particular futures contract is set by the exchange on which the contract is traded to serve as collateral, and may be significantly modified from time to time by the exchange during the term of the contract. When initial margin is deposited with brokers, a receivable is recorded in the fund's statement of assets and liabilities.

On a daily basis, each fund pays or receives variation margin based on the increase or decrease in the value of the futures contracts and records variation margin on futures contracts in each fund's statement of assets and liabilities. In addition, each fund segregates liquid assets equivalent to the fund's outstanding obligations under the contract in excess of the initial margin and variation margin, if any. Futures contracts may involve a risk of loss in excess of the variation margin shown on each fund's statement of assets and liabilities. Each fund records realized gains or losses at the time the futures contract is closed or expires. Net realized gains or losses and net unrealized appreciation or depreciation from futures contracts are recorded in each fund's statement of operations. As of June 30, 2016, Mortgage Fund, U.S. Government/AAA-Rated Securities Fund, Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund held futures contracts.

The following tables present the financial statement impacts resulting from the funds' use of forward currency contracts, interest rate swaps, credit default swaps and/or futures contracts as of June 30, 2016 (dollars in thousands):

			Global Growth Fund	Global Small Capitalization Fund	International Fund
Assets	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$4,683	$ 4,735
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ –	$4,683	$ 4,735
Liabilities	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 322	$ 295	$ 4,488
Forward currency	Currency	Payables for closed forward currency contracts	38	60	233
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 360	$ 355	$ 4,721
Net realized (loss) gain	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net realized (loss) gain on forward currency contracts	$(3,311)	$1,707	$(4,878)
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(3,311)	$1,707	$(4,878)
Net unrealized appreciation (depreciation)	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net unrealized appreciation (depreciation) on forward currency contracts	$ 268	$3,887	$ (170)
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$ 268	$3,887	$ (170)

Assets	Risk type	Location on statements of assets and liabilities	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 61	$ 648	$1,784
Forward currency	Currency	Receivables for closed forward currency contracts	3	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 64	$ 648	$1,784

Liabilities	Risk type	Location on statements of assets and liabilities	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 136	$ 25	$ –
Forward currency	Currency	Payables for closed forward currency contracts	38	33	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 174	$ 58	$ –

Net realized (loss)	Risk type	Location on statements of operations	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Net realized loss on forward currency contracts	$(338)	$(656)	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(338)	$(656)	$ –

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Net unrealized (depreciation) appreciation on forward currency contracts	$(104)	$ 565	$1,784
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(104)	$ 565	$1,784

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	International Growth and Income Fund	Asset Allocation Fund	Global Balanced Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$506
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	42
Interest rate swaps	Interest	Net unrealized appreciation*	–	7,664	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ –	$ 7,664	$548

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 221	$ –	$144
Forward currency	Currency	Payables for closed forward currency contracts	–	–	86
Interest rate swaps	Interest	Net unrealized depreciation*	–	16,574	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 221	$16,574	$230

Net realized gain (loss)	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$282
Interest rate swaps	Interest	Net realized loss on interest rate swaps	–	(1,972)	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$ –	$ (1,972)	$282

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized (depreciation) appreciation on forward currency contracts	$(221)	$ –	$298
Interest rate swaps	Interest	Net unrealized depreciation on interest rate swaps	–	(4,158)	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(221)	$ (4,158)	$298

Assets	Risk type	Location on statements of assets and liabilities	Bond Fund	Global Bond Fund	High-Income Bond Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 3,408	$ 8,386	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	1,986	–
Interest rate swaps	Interest	Net unrealized appreciation*	34,915	1,239	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	179
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 38,323	$11,611	$ 179

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 4,224	$ 3,458	$ –
Forward currency	Currency	Payables for closed forward currency contracts	274	2,920	–
Interest rate swaps	Interest	Net unrealized depreciation*	57,023	8,541	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 61,521	$14,919	$ –

Net realized (loss) gain	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized (loss) gain on forward currency contracts	$(27,272)	$12,814	$ 21
Interest rate swaps	Interest	Net realized gain (loss) on interest rate swaps	6,950	(1,761)	(969)
Credit default swaps	Credit	Net realized loss on credit default swaps	–	–	(1,183)
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(20,322)	$11,053	$(2,131)

Net unrealized appreciation (depreciation)	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation (depreciation) on forward currency contracts	$ 216	$ 2,262	$ (38)
Interest rate swaps	Interest	Net unrealized (depreciation) appreciation on interest rate swaps	(23,945)	(7,367)	274
Credit default swaps	Credit	Net unrealized depreciation on credit default swaps	–	–	(527)
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(23,729)	$ (5,105)	$ (291)

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	3,940	45,400	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	1,794	20,177	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	79
			$ 5,734	$ 65,577	$ 79

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	8,924	100,025	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	518	2,329	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	1,535
Futures contracts	Currency	Net unrealized depreciation*	–	–	2
			$ 9,442	$102,354	$ 1,537

Net realized gain (loss)	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	2,523	8,053	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	1,073	4,258	–
Futures contracts	Equity	Net realized loss on futures contracts	–	–	(4,735)
Futures contracts	Currency	Net realized loss on futures contracts	–	–	(76)
			$ 3,596	$ 12,311	$(4,811)

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net unrealized depreciation on interest rate swaps	(6,139)	(55,853)	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	1,276	17,848	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	–	–	(1,472)
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	57
			$(4,863)	$ (38,005)	$(1,415)

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	103	–	–
Futures contracts	Currency	Net unrealized appreciation*	721	23	23
			$ 824	$ 23	$ 23

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	1,323	1,712	1,474
Futures contracts	Currency	Net unrealized depreciation*	170	–	–
			$ 1,493	$ 1,712	$ 1,474

Net realized (loss) gain	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized loss on futures contracts	(1,211)	(3,237)	(2,538)
Futures contracts	Currency	Net realized (loss) gain on futures contracts	(992)	14	(40)
			$(2,203)	$(3,223)	$(2,578)

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	(998)	(1,619)	(1,323)
Futures contracts	Currency	Net unrealized appreciation (depreciation) on futures contracts	495	1	(2)
			$ (503)	$(1,618)	$(1,325)

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk Asset Allocation Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–
Interest rate swaps	Interest	Net unrealized appreciation*	–
Credit default swaps	Credit	Net unrealized appreciation*	–
Futures contracts	Interest	Net unrealized appreciation*	–
Futures contracts	Equity	Net unrealized appreciation*	–
Futures contracts	Currency	Net unrealized appreciation*	35
			$ 35

Liabilities	Risk type	Location on statements of assets and liabilities	
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–
Interest rate swaps	Interest	Net unrealized depreciation*	–
Credit default swaps	Credit	Net unrealized depreciation*	–
Futures contracts	Interest	Net unrealized depreciation*	–
Futures contracts	Equity	Net unrealized depreciation*	2,200
Futures contracts	Currency	Net unrealized depreciation*	–
			$ 2,200

Net realized loss	Risk type	Location on statements of operations	
Forward currency	Currency	Net realized gain on forward currency contracts	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–
Futures contracts	Interest	Net realized gain on futures contracts	–
Futures contracts	Equity	Net realized loss on futures contracts	(27,934)
Futures contracts	Currency	Net realized loss on futures contracts	(310)
			$(28,244)

Net unrealized depreciation	Risk type	Location on statements of operations	
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	(626)
Futures contracts	Currency	Net unrealized depreciation on futures contracts	(13)
			$ (639)

*Includes cumulative appreciation/depreciation on interest rate swaps, credit default swaps and/or futures contracts as reported in the applicable table(s) following each fund's investment portfolio. Only current day's variation margin is reported within the statements of assets and liabilities.

Collateral – Funds that invest in forward currency contracts, interest rate swaps, credit default swaps, futures contracts and/or future delivery contracts participate in a collateral program. For forward currency contracts, the program calls for the fund to either receive or pledge collateral based on the net gain or loss on unsettled forward currency contracts by counterparty. For interest rate swaps, credit default swaps and futures contracts, the program calls for the fund to pledge collateral for initial and variation margin by contract. For future delivery contracts, the program calls for the fund to either receive or pledge collateral based on the net gain or loss on unsettled contracts by certain counterparties. The purpose of the collateral is to cover potential losses that could occur in the event that either party cannot meet its contractual obligations.

Rights of offset – Funds that hold forward currency contracts have enforceable master netting agreements with certain counterparties, where amounts payable by each party to the other in the same currency (with the same settlement date and with the same counterparty) are settled net of each party's payment obligation. If an early termination date occurs under these agreements following an event of default or termination event, all obligations of each party to its counterparty are settled net through a single payment in a single currency ("close-out netting"). For financial reporting purposes, the funds do not offset financial assets and financial liabilities that are subject to these master netting arrangements in the statements of assets and liabilities.

The following tables present each fund's forward currency contracts by counterparty that are subject to master netting agreements but that are not offset in the funds' statements of assets and liabilities. The net amount column shows the impact of offsetting on the funds' statement of assets and liabilities as of June 30, 2016 if close-out netting was exercised (dollars in thousands):

Global Growth Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Liabilities:					
Bank of America, N.A.	$360	$–	$(287)	$–	$73

Global Small Capitalization Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 161	$(134)	$ –	$–	$ 27
Citibank	1,327	–	(1,327)	–	–
HSBC Bank	2,861	(69)	(2,689)	–	103
JPMorgan Chase	182	–	(182)	–	–
UBS AG	152	(152)	–	–	–
Total	$4,683	$(355)	$(4,198)	$–	$130
Liabilities:					
Barclays Bank PLC	$ 134	$(134)	$ –	$–	$ –
HSBC Bank	69	(69)	–	–	–
UBS AG	152	(152)	–	–	–
Total	$ 355	$(355)	$ –	$–	$ –

See end of tables for footnote.

International Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 282	$(282)	$ –	$–	$ –
HSBC Bank	352	(78)	(274)	–	–
JPMorgan Chase	292	(40)	(252)	–	–
UBS AG	3,809	(91)	(3,636)	–	82
Total	$4,735	$(491)	$(4,162)	$–	$ 82
Liabilities:					
Bank of America, N.A.	$ 960	$ –	$ (581)	$–	$379
Barclays Bank PLC	3,516	(282)	(3,123)	–	111
Citibank	36	–	–	–	36
HSBC Bank	78	(78)	–	–	–
JPMorgan Chase	40	(40)	–	–	–
UBS AG	91	(91)	–	–	–
Total	$4,721	$(491)	$(3,704)	$–	$526

New World Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Citibank	$ 3	$ (3)	$–	$–	$ –
HSBC Bank	23	–	–	–	23
JPMorgan Chase	38	(38)	–	–	–
Total	$ 64	$(41)	$–	$–	$ 23
Liabilities:					
Bank of America, N.A.	$ 73	$ –	$–	$–	$ 73
Citibank	36	(3)	–	–	33
JPMorgan Chase	43	(38)	–	–	5
UBS AG	22	–	–	–	22
Total	$174	$(41)	$–	$–	$133

Global Growth and Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$498	$(33)	$(465)	$–	$ –
Citibank	150	–	–	–	150
Total	$648	$(33)	$(465)	$–	$150
Liabilities:					
Bank of America, N.A.	$ 33	$(33)	$ –	$–	$ –
HSBC Bank	25	–	–	–	25
Total	$ 58	$(33)	$ –	$–	$ 25

Growth-Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 449	$–	$(336)	$–	$113
HSBC Bank	444	–	(331)	–	113
JPMorgan Chase	447	–	–	–	447
UBS AG	444	–	(321)	–	123
Total	$1,784	$–	$(988)	$–	$796

International Growth and Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Liabilities:					
Bank of America, N.A.	$221	$–	$–	$–	$221

Global Balanced Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$122	$ (8)	$–	$–	$114
Citibank	69	(30)	–	–	39
HSBC Bank	213	(26)	–	–	187
JPMorgan Chase	56	(56)	–	–	–
UBS AG	88	(30)	–	–	58
Total	$548	$(150)	$–	$–	$398
Liabilities:					
Bank of America, N.A.	$ 32	$ –	$–	$–	$ 32
Bank of New York Mellon	6	–	–	–	6
Barclays Bank PLC	8	(8)	–	–	–
Citibank	30	(30)	–	–	–
HSBC Bank	26	(26)	–	–	–
JPMorgan Chase	98	(56)	–	–	42
UBS AG	30	(30)	–	–	–
Total	$230	$(150)	$–	$–	$ 80

See end of tables for footnote.

Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 624	$ (624)	$ –	$–	$ –
Barclays Bank PLC	71	(1)	–	–	70
Citibank	1,086	–	(580)	–	506
HSBC Bank	1,096	–	(718)	–	378
UBS AG	531	(531)	–	–	–
Total	$3,408	$(1,156)	$(1,298)	$–	$954
Liabilities:					
Bank of America, N.A.	$3,420	$ (624)	$(2,617)	$–	$179
Barclays Bank PLC	1	(1)	–	–	–
JPMorgan Chase	296	–	–	–	296
UBS AG	781	(531)	(250)	–	–
Total	$4,498	$(1,156)	$(2,867)	$–	$475

Global Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 491	$ (490)	$ –	$–	$1
Barclays Bank PLC	1,189	(1,088)	(101)	–	–
Citibank	1,478	(1,011)	(467)	–	–
HSBC Bank	4,369	(1,237)	(3,132)	–	–
JPMorgan Chase	1,195	(1,195)	–	–	–
UBS AG	1,651	(625)	(1,026)	–	–
Total	$10,373	$ 5,646	$(4,726)	$–	$1
Liabilities:					
Bank of America, N.A.	$ 490	$ (490)	$ –	$–	$–
Barclays Bank PLC	1,088	(1,088)	–	–	–
Citibank	1,011	(1,011)	–	–	–
HSBC Bank	1,237	(1,237)	–	–	–
JPMorgan Chase	1,929	(1,195)	(734)	–	–
UBS AG	625	(625)	–	–	–
Total	$ 6,380	$(5,646)	$ (734)	$–	$–

*Non-cash collateral is shown on a settlement basis.

6. Taxation and distributions

Federal income taxation – Each fund complies with the requirements under Subchapter M of the Internal Revenue Code applicable to mutual funds and intends to distribute substantially all of its net taxable income and net capital gains each year. The funds are not subject to income taxes to the extent such distributions are made. Therefore, no federal income tax provision is required.

As of and during the period ended June 30, 2016, none of the funds had a liability for any unrecognized tax benefits. Each fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statements of operations. During the period, none of the funds incurred any significant interest or penalties.

The funds are not subject to examination by U.S. federal tax authorities for tax years before 2012. Managed Risk Asset Allocation Fund is not subject to examination by U.S. federal tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by U.S. federal tax authorities for tax years before 2013, the year the funds commenced operations. Capital Income Builder is not subject to examination by U.S. federal tax authorities for tax years before 2014, the year the fund commenced operations.

The funds are not subject to examination by state tax authorities for tax years before 2011. Global Balanced Fund and Mortgage Fund are not subject to examination by state tax authorities for tax years before 2011, the year the funds commenced operations. Managed Risk Asset Allocation Fund is not subject to examination by state tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by state tax authorities for tax years before 2013, the year the funds commenced operations. Capital Income Builder is not subject to examination by state tax authorities for tax years before 2014, the year the fund commenced operations.

The following funds are not subject to examination by tax authorities outside the U.S. for the years indicated: Global Growth Fund, Global Small Capitalization Fund, International Fund, New World Fund and Global Growth and Income Fund for tax years before 2009; Growth Fund and Growth-Income Fund for tax years before 2010; International Growth and Income Fund and Global Balanced Fund for tax years before 2011; and Asset Allocation Fund, Bond Fund and Global Bond Fund for tax years before 2015. All other funds are not subject to examination by tax authorities outside the U.S.

Non-U.S. taxation — Dividend and interest income are recorded net of non-U.S. taxes paid. The funds may file withholding tax reclaims in certain jurisdictions to recover a portion of amounts previously withheld. As a result of recent rulings from European courts, some of the funds filed for additional reclaims related to prior years. These reclaims are recorded when the amount is known and there are no significant uncertainties on collectability. Gains realized by the funds on the sale of securities in certain countries are subject to non-U.S. taxes. The funds record a liability based on unrealized gains to provide for potential non-U.S. taxes payable upon the sale of these securities.

Distributions — Distributions paid to shareholders are based on net investment income and net realized gains determined on a tax basis, which may differ from net investment income and net realized gains for financial reporting purposes. These differences are due primarily to different treatment for items such as currency gains and losses; short-term capital gains and losses; capital losses related to sales of certain securities within 30 days of purchase; unrealized appreciation of certain investments in securities outside the U.S.; deferred expenses; cost of investments sold; non-U.S. taxes on capital gains; paydowns on fixed-income securities; net capital losses; net operating losses; amortization of premiums and discounts; and income on certain investments. The fiscal year in which amounts are distributed may differ from the year in which the net investment income and net realized gains are recorded by the funds for financial reporting purposes.

As indicated in the tables in this section, some of the funds had capital loss carryforwards available at December 31, 2015. These will be used to offset any capital gains realized by the funds in the current year or in subsequent years through the expiration dates. Funds with capital loss carryforwards will not make distributions from capital gains while a capital loss carryforward remains.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

Additional tax basis disclosures are as follows (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 32,894	$ 11,421	$ 41,300	$ 11,250	$ 2,125	$ 89,456
Undistributed long-term capital gain	425,513	714,068	1,900,761	637,417	–	533,399
Capital loss carryforward:						
No expiration	–	–	–	–	(72,641)	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	1,193,441	671,515	6,231,767	883,993	385,792	1,616,292
Gross unrealized depreciation on investment securities	(191,219)	(603,637)	(754,995)	(699,526)	(227,453)	(189,251)
Net unrealized appreciation (depreciation) on investment securities	1,002,222	67,878	5,476,772	184,467	158,339	1,427,041
Cost of investment securities	4,208,124	3,768,420	15,631,704	7,181,766	2,615,147	6,172,675

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 5,232	$ 199,886	$ 2,684	$ 21	$ 58,950	$ –
Late year ordinary loss deferral*	–	–	–	–	–	(355)
Undistributed long-term capital gain	–	2,563,501	4,647	–	463,050	–
Post-October capital loss deferral*	(12,225)	–	–	–	–	(855)
Capital loss carryforward:						
No expiration	–	–	–	(1,684)	–	–
Expiring 2017	(17,429)	–	–	–	–	–
Expiring 2018	(297)	–	–	–	–	–
	(17,726)	–	–	(1,684)	–	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	283,796	5,917,391	73,779	20,434	3,402,237	30,109
Gross unrealized depreciation on investment securities	(77,167)	(1,272,453)	(115,027)	(14,211)	(462,344)	(8,605)
Net unrealized appreciation (depreciation) on investment securities	206,629	4,644,938	(41,248)	6,223	2,939,893	21,504
Cost of investment securities	1,658,948	19,796,990	1,140,879	338,691	16,802,169	220,919

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund	U.S. Government/ AAA-Rated Securities Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 74,947	$ –	$ 20,431	$ 4,155	$ –	$ 51,560
Late year ordinary loss deferral*	–	(7,647)	–	–	–	–
Undistributed long-term capital gain	18,561	1,747	–	185	–	17,063
Post-October capital loss deferral*	–	(655)	–	–	–	–
Capital loss carryforward:						
No expiration	–	–	(97,754)	–	–	–
Expiring 2017	–	–	(45,026)	–	–	–
	–	–	(142,780)	–	–	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	344,534	98,964	32,698	6,584	28	75,418
Gross unrealized depreciation on investment securities	(49,639)	(68,598)	(147,966)	(232)	(1)	(528)
Net unrealized appreciation (depreciation) on investment securities	294,895	30,366	(115,268)	6,352	27	74,890
Cost of investment securities	11,430,617	2,406,565	1,821,422	385,494	360,142	2,996,501

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
As of December 31, 2015:					
Undistributed ordinary income	$ 328	$ 839	$ 2,223	$ 1,328	$ 34,133
Undistributed long-term capital gain	14,998	2,179	5,911	8,464	93,485
As of June 30, 2016:					
Gross unrealized appreciation on investment securities	–	–	–	–	–
Gross unrealized depreciation on investment securities	(25,699)	(18,829)	(14,464)	(22,879)	(81,939)
Net unrealized appreciation (depreciation) on investment securities	(25,699)	(18,829)	(14,464)	(22,879)	(81,939)
Cost of investment securities	192,747	104,647	201,815	157,957	3,160,306

*These deferrals are considered incurred in the subsequent year.

The tax character of distributions paid to shareholders of each fund was as follows (dollars in thousands):

Global Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$10,322	$126,735	$137,057	$ 34,454	$137,198	$171,652
Class 2	22,076	291,772	313,848	74,382	349,551	423,933
Class 4	510	7,147	7,657	1,272	4,175	5,447
Total	$32,908	$425,654	$458,562	$110,108	$490,924	$601,032

Global Small Capitalization Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total distributions paid
Class 1	$ 4,976	$273,687	$278,663	$14,631	$107,277	$121,908
Class 2	6,472	433,806	440,278	24,973	183,098	208,071
Class 4	100	6,715	6,815	189	1,383	1,572
Total	$11,548	$714,208	$725,756	$39,793	$291,758	$331,551

Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$15,245	$ 603,135	$ 618,380	$ 59,092	$1,460,328	$1,519,420
Class 2	25,371	1,244,603	1,269,974	88,259	3,114,763	3,203,022
Class 3	352	16,336	16,688	1,311	42,040	43,351
Class 4	600	36,779	37,379	2,709	9,375	12,084
Total	$41,568	$1,900,853	$1,942,421	$151,371	$4,626,506	$4,777,877

International Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 6,133	$296,124	$302,257	$ 63,527	$196,800	$260,327
Class 2	5,192	334,251	339,443	64,651	245,172	309,823
Class 3	40	2,445	2,485	540	2,060	2,600
Class 4	58	4,665	4,723	657	2,035	2,692
Total	$11,423	$637,485	$648,908	$129,375	$446,067	$575,442

New World Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,608	$–	$1,608	$33,998	$ 63,241	$ 97,239
Class 2	491	–	491	20,466	43,910	64,376
Class 4	65	–	65	2,315	4,736	7,051
Total	$2,164	$–	$2,164	$56,779	$111,887	$168,666

Blue Chip Income and Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$49,881	$292,080	$341,961	$104,537	$336,268	$440,805
Class 2	38,963	236,696	275,659	88,048	328,339	416,387
Class 4	817	4,933	5,750	650	1,651	2,301
Total	$89,661	$533,709	$623,370	$193,235	$666,258	$859,493

Global Growth and Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$1,361	$–	$1,361	$ 6,244	$–	$ 6,244
Class 2	3,873	–	3,873	30,016	–	30,016
Class 4	27	–	27	79	–	79
Total	$5,261	$–	$5,261	$36,339	$–	$36,339

Growth-Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 94,265	$1,172,061	$1,266,326	$211,212	$1,523,989	$1,735,201
Class 2	101,489	1,329,722	1,431,211	227,897	1,955,599	2,183,496
Class 3	1,258	16,262	17,520	2,968	24,839	27,807
Class 4	3,347	45,834	49,181	5,428	7,004	12,432
Total	$200,359	$2,563,879	$2,764,238	$447,505	$3,511,431	$3,958,936

International Growth and Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$2,107	$3,459	$5,566	$17,822	$15,393	$33,215
Class 2	540	1,080	1,620	5,743	5,535	11,278
Class 4	63	149	212	671	578	1,249
Total	$2,710	$4,688	$7,398	$24,236	$21,506	$45,742

Capital Income Builder

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$1,652	$–	$1,652	$1,286	$–	$1,286
Class 2	–*	–	–*	–*	–	–*
Class 4	2,592	–	2,592	3,002	–	3,002
Total	$4,244	$–	$4,244	$4,288	$–	$4,288

See end of tables for footnote.

Asset Allocation Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$38,474	$280,306	$318,780	$310,613	$ 785,247	$1,095,860
Class 2	14,389	120,303	134,692	126,004	335,062	461,066
Class 3	106	859	965	927	2,404	3,331
Class 4	6,409	61,673	68,082	36,628	4,226	40,854
Total	$59,378	$463,141	$522,519	$474,172	$1,126,939	$1,601,111

Global Balanced Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$–	$–	$–	$ 596	$ 605	$1,201
Class 2	–	–	–	1,802	2,359	4,161
Class 4	–	–	–	5	4	9
Total	$–	$–	$–	$2,403	$2,968	$5,371

Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$46,350	$11,305	$57,655	$195,551	$20,064	$215,615
Class 2	28,742	7,465	36,207	141,408	16,478	157,886
Class 4	569	150	719	1,556	156	1,712
Total	$75,661	$18,920	$94,581	$338,515	$36,698	$375,213

Global Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,163	$ 872	$2,035	$21,903	$12,052	$33,955
Class 2	1,230	923	2,153	23,532	13,266	36,798
Class 4	11	8	19	81	46	127
Total	$2,404	$1,803	$4,207	$45,516	$25,364	$70,880

High-Income Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$11,106	$–	$11,106	$ 65,080	$–	$ 65,080
Class 2	9,108	–	9,108	48,382	–	48,382
Class 3	146	–	146	742	–	742
Class 4	128	–	128	83	–	83
Total	$20,488	$–	$20,488	$114,287	$–	$114,287

Mortgage Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$3,320	$152	$3,472	$7,999	$–	$7,999
Class 2	740	35	775	1,499	–	1,499
Class 4	115	6	121	168	–	168
Total	$4,175	$193	$4,368	$9,666	$–	$9,666

U.S. Government/AAA-Rated Securities Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$24,402	$ 7,982	$32,384	$35,624	$1,712	$37,336
Class 2	25,935	8,728	34,663	35,376	1,904	37,280
Class 3	181	60	241	253	13	266
Class 4	1,091	371	1,462	821	26	847
Total	$51,609	$17,141	$68,750	$72,074	$3,655	$75,729

Managed Risk Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total distributions paid
Class P1	$ 3	$ 57	$ 60	$–	$–	$–
Class P2	328	14,955	15,283	–	–	–
Total	$331	$15,012	$15,343	$–	$–	$–

Managed Risk International Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 2	$ 4	$ 6	$ –*	$–	$ –*
Class P2	841	2,181	3,022	14	–	14
Total	$843	$2,185	$3,028	$14	$–	$14

Managed Risk Blue Chip Income and Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 3	$ 9	$ 12	$ 1	$–	$ 1
Class P2	2,234	5,915	8,149	529	–	529
Total	$2,237	$5,924	$8,161	$530	$–	$530

See end of tables for footnote.

Managed Risk Growth-Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 11	$ 64	$ 75	$ 3	$–	$ 3
Class P2	1,320	8,401	9,721	64	–	64
Total	$1,331	$8,465	$9,796	$67	$–	$67

Managed Risk Asset Allocation Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class P1	$11,051	$29,417	$ 40,468	$ 9,630	$ 8,843	$18,473
Class P2	23,237	64,161	87,398	28,454	39,547	68,001
Total	$34,288	$93,578	$127,866	$38,084	$48,390	$86,474

*Amount less than one thousand.

7. Fees and transactions

CRMC, the series' investment adviser, is the parent company of American Funds Distributors,® Inc. ("AFD"), the distributor of the series' shares, and American Funds Service Company® ("AFS"), the series' transfer agent. CRMC, AFD and AFS are considered related parties to the series.

Investment advisory services – The series has an investment advisory and service agreement with CRMC that provides for monthly fees accrued daily. These fees are based on annual rates that generally decrease as average net asset levels increase. CRMC receives investment advisory fees from the underlying funds held by the managed risk funds. Effective January 1, 2016, CRMC reduced the investment advisory services fee from an annual rate of 0.250% of average daily net assets to 0.150% of average daily net assets for the managed risk funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables. Subadvisory fees for the managed risk funds are paid by CRMC to Milliman FRM. The managed risk funds are not responsible for paying any subadvisory fees.

Investment advisory services waivers – The series' board of trustees approved an amended agreement for Asset Allocation Fund effective February 1, 2016, decreasing the annual rate on average daily net assets in excess of $21 billion to 0.240%. CRMC is waiving a portion of its investment advisory services fees for each of the managed risk funds. Investment advisory services fees are presented in each fund's statement of operations gross of the waivers from CRMC. For the six months ended June 30, 2016, total investment advisory services fees waived by CRMC were $833,000.

The range of rates and asset levels, and the current annualized rates of average net assets for each fund before and after any investment advisory services waivers (if applicable), are as follows:

Fund	Rates		Net asset level (in billions)		For the period ended June 30, 2016, before waiver	For the period ended June 30, 2016, after waiver
	Beginning with	Ending with	Up to	In excess of		
Global Growth Fund	0.690%	0.460%	$0.6	$ 5.0	0.528%	0.528%
Global Small Capitalization Fund	0.800	0.635	0.6	5.0	0.700	0.700
Growth Fund	0.500	0.280	0.6	34.0	0.331	0.331
International Fund	0.690	0.430	0.5	21.0	0.503	0.503
New World Fund	0.850	0.620	0.5	2.5	0.725	0.725
Blue Chip Income and Growth Fund	0.500	0.360	0.6	6.5	0.397	0.397
Global Growth and Income Fund	0.690	0.480	0.6	3.0	0.604	0.604
Growth-Income Fund	0.500	0.219	0.6	34.0	0.270	0.270
International Growth and Income Fund	0.690	0.530	0.5	1.0	0.640	0.640
Capital Income Builder Fund	0.500		all		0.500	0.500
Asset Allocation Fund	0.500	0.240	0.6	21.0	0.275	0.275
Global Balanced Fund	0.660	0.510	0.5	1.0	0.660	0.660
Bond Fund	0.480	0.330	0.6	8.0	0.364	0.364
Global Bond Fund	0.570	0.450	1.0	3.0	0.531	0.531
High-Income Bond Fund	0.500	0.420	0.6	2.0	0.465	0.465
Mortgage Fund	0.420	0.290	0.6	3.0	0.420	0.420
Ultra-Short Bond Fund	0.320	0.270	1.0	2.0	0.320	0.320
U.S. Government/AAA-Rated Securities Fund	0.420	0.290	0.6	3.0	0.338	0.338
Managed Risk Growth Fund	0.150		all		0.150	0.100
Managed Risk International Fund	0.150		all		0.150	0.100
Managed Risk Blue Chip Income and Growth Fund	0.150		all		0.150	0.100
Managed Risk Growth-Income Fund	0.150		all		0.150	0.100
Managed Risk Asset Allocation Fund	0.150		all		0.150	0.100

Distribution services – The series has plans of distribution for all share classes except Class 1. Under the plans, the board of trustees approves certain categories of expenses that are used to finance activities primarily intended to sell fund shares. The plans provide for payments to pay service fees to firms that have entered into agreements with the series. These payments, based on an annualized percentage of average daily net assets, range from 0.18% to 0.50% as noted in the table below. In some cases, the board of trustees has limited the amounts that may be paid to less than the maximum allowed by the plans.

Share class	Currently approved limits	Plan limits
Class 2	0.25%	0.25%
Class 3	0.18	0.18
Class 4	0.25	0.25
Class P1	0.00	0.25
Class P2	0.25	0.50

Insurance administrative services – The series has an insurance administrative services plan for Class 4, P1 and P2 shares. Under the plan, these share classes pay 0.25% of each insurance company's respective average daily net assets in each share class to compensate the insurance companies for services provided to their separate accounts and contractholders for which the shares of the fund are beneficially owned as underlying investments of such contractholders' annuities. These services include, but are not limited to, maintenance, shareholder communications and transactional services. The insurance companies are not related parties to the series.

Transfer agent services – The series has a shareholder services agreement with AFS under which the funds compensate AFS for providing transfer agent services to all of the funds' share classes. These services include recordkeeping, shareholder communications and transaction processing. In addition, the managed risk funds reimburse AFS for amounts paid to third parties for performing transfer agent services on behalf of fund shareholders.

Administrative services – The series has an administrative services agreement with CRMC to provide administrative services to all of the funds' share classes. The services include, but are not limited to, coordinating, monitoring, assisting and overseeing third parties that provide services to fund shareholders. Under the agreement, each share class of each fund, except the managed risk funds, pays an annual fee of 0.01% based on its respective average daily net assets to compensate CRMC for providing administrative services. For the

managed risk funds, CRMC receives administrative services fees of 0.01% of average daily net assets from Class 1 shares of the underlying funds for administrative services provided to the series.

Accounting and administrative services – The managed risk funds have a subadministration agreement with BNY Mellon under which the fund compensates BNY Mellon for providing accounting and administrative services to each of the managed risk funds' share classes. These services include, but are not limited to, fund accounting (including calculation of net asset value), financial reporting and tax services. BNY Mellon is not a related party to the managed risk funds.

Reimbursement of fees and expenses – CRMC is currently reimbursing a portion of other expenses for each of the managed risk funds so that each fund's expenses do not exceed 0.28% of its respective average daily net assets. Other expenses exclude investment advisory services and distribution services fees. For the six months ended June 30, 2016, total expenses reimbursed by CRMC were $289,000.

Class-specific expenses under the agreements described above were as follows (dollars in thousands):

Global Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 76
Class 2	4,392	–	176
Class 4	105	106	4
Total class-specific expenses	$4,497	$106	$256

New World Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 76
Class 2	1,134	–	45
Class 4	227	227	9
Total class-specific expenses	$1,361	$227	$130

Global Small Capitalization Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 78
Class 2	2,884	–	115
Class 4	42	42	2
Total class-specific expenses	$2,926	$42	$195

Blue Chip Income and Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$189
Class 2	3,991	–	160
Class 4	62	62	2
Total class-specific expenses	$4,053	$62	$351

Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 324
Class 2	16,807	–	672
Class 3	160	–	9
Class 4	477	477	19
Total class-specific expenses	$17,444	$477	$1,024

Global Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$18
Class 2	1,756	–	70
Class 4	8	8	1
Total class-specific expenses	$1,764	$8	$89

International Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$166
Class 2	4,722	–	189
Class 3	26	–	2
Class 4	60	61	2
Total class-specific expenses	$4,808	$61	$359

Growth-Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 533
Class 2	15,382	–	615
Class 3	137	–	8
Class 4	509	509	20
Total class-specific expenses	$16,028	$509	$1,176

International Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$36
Class 2	307	–	12
Class 4	41	41	2
Total class-specific expenses	$348	$41	$50

Capital Income Builder

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 5
Class 2	–*	–	–
Class 4	225	225	9
Total class-specific expenses	$225	$225	$14

Asset Allocation Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$554
Class 2	6,081	–	243
Class 3	32	–	2
Class 4	3,026	3,026	121
Total class-specific expenses	$9,139	$3,026	$920

Global Balanced Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$ 3
Class 2	212	–	8
Class 4	3	3	–*
Total class-specific expenses	$215	$3	$11

Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$295
Class 2	5,108	–	204
Class 4	91	90	4
Total class-specific expenses	$5,199	$90	$503

See end of tables for footnote.

Global Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 54
Class 2	1,485	–	59
Class 4	10	10	1
Total class-specific expenses	$1,495	$10	$114

High-Income Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$47
Class 2	954	–	38
Class 3	11	–	1
Class 4	7	8	–*
Total class-specific expenses	$972	$8	$86

Mortgage Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$13
Class 2	80	–	3
Class 4	15	16	1
Total class-specific expenses	$95	$16	$17

Ultra-Short Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 2
Class 2	385	–	15
Class 3	5	–	–*
Class 4	16	16	1
Total class-specific expenses	$406	$16	$18

U.S. Government/AAA-Rated Securities Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 71
Class 2	1,943	–	78
Class 3	10	–	–*
Class 4	81	81	3
Total class-specific expenses	$2,034	$81	$152

Managed Risk Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	190	190
Total class-specific expenses	$190	$190

Managed Risk Growth-Income Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ 1
Class P2	158	158
Total class-specific expenses	$158	$159

Managed Risk International Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	107	107
Total class-specific expenses	$107	$107

Managed Risk Asset Allocation Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$1,037
Class P2	2,474	2,474
Total class-specific expenses	$2,474	$3,511

Managed Risk Blue Chip Income and Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	199	199
Total class-specific expenses	$199	$199

*Amount less than one thousand.

Trustees' deferred compensation – Trustees who are unaffiliated with CRMC may elect to defer the cash payment of part or all of their compensation. These deferred amounts, which remain as liabilities of the funds, are treated as if invested in one or more of the American Funds. These amounts represent general, unsecured liabilities of the funds and vary according to the total returns of the selected funds. Trustees' compensation, shown on the accompanying financial statements, reflects current fees (either paid in cash or deferred) and a net increase in the value of the deferred amounts as follows (dollars in thousands):

	Current fees	Increase in value of deferred amounts	Total trustees' compensation
Global Growth Fund	$22	$1	$ 23
Global Small Capitalization Fund	16	1	17
Growth Fund	87	3	90
International Fund	30	1	31
New World Fund	11	1	12
Blue Chip Income and Growth Fund	29	1	30
Global Growth and Income Fund	7	–*	7
Growth-Income Fund	99	3	102
International Growth and Income Fund	4	–*	4
Capital Income Builder	1	–*	1
Asset Allocation Fund	76	3	79
Global Balanced Fund	1	–*	1
Bond Fund	41	1	42
Global Bond Fund	9	–*	9
High-Income Bond Fund	7	–*	7
Mortgage Fund	1	–*	1
Ultra-Short Bond Fund	1	–*	1
U.S. Government/AAA-Rated Securities Fund	13	–*	13
Managed Risk Growth Fund	1	–*	1
Managed Risk International Fund	–*	–*	–*
Managed Risk Blue Chip Income and Growth Fund	1	–*	1
Managed Risk Growth-Income Fund	1	–*	1
Managed Risk Asset Allocation Fund	11	–*	11

*Amount less than one thousand.

Affiliated officers and trustees – Officers and certain trustees of the series are or may be considered to be affiliated with CRMC, AFD and AFS. No affiliated officers or trustees received any compensation directly from any fund in the series.

Security transactions with related funds – The funds may purchase from, or sell securities to, other CRMC-managed funds (or funds managed by certain affiliates of CRMC) under procedures adopted by the fund's board of trustees. The funds involved in such transactions are considered related by virtue of having a common investment adviser (or affiliated investment advisers), common trustees and/or common officers. When such transactions occur, each transaction is executed at the current market price of the security and no brokerage commissions or fees are paid in accordance with Rule 17a-7 of the 1940 Act. During the six months ended June 30, 2016, such purchase and sale transactions occurred between Global Growth Fund and related funds in the amounts of $652,454,000 and $819,688,000, respectively.

8. Committed line of credit

Global Small Capitalization Fund and High-Income Bond Fund participate with other funds managed by CRMC in a $500 million credit facility (the "line of credit") to be utilized for temporary purposes to fund shareholder redemptions. Each fund has agreed to pay commitment fees on its pro-rata portion of the line of credit, which are reflected in other expenses in each fund's statement of operations. During the period, neither fund borrowed on this line of credit.

9. Capital share transactions

Capital share transactions in the funds were as follows (dollars and shares in thousands):

Global Growth Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$108,950	4,449	$137,056	5,951	$(117,777)	(4,763)	$128,229	5,637
Class 2	54,049	2,228	313,848	13,753	(198,489)	(8,096)	169,408	7,885
Class 4	17,945	740	7,657	336	(17,169)	(708)	8,433	368
Total net increase (decrease)	$180,944	7,417	$458,561	20,040	$(333,435)	(13,567)	$306,070	13,890
Year ended December 31, 2015								
Class 1	$242,608	8,797	$171,652	6,332	$(284,375)	(10,186)	$129,885	4,943
Class 2	63,278	2,321	423,933	15,756	(513,101)	(18,595)	(25,890)	(518)
Class 4	80,540	2,928	5,447	203	(10,490)	(389)	75,497	2,742
Total net increase (decrease)	$386,426	14,046	$601,032	22,291	$(807,966)	(29,170)	$179,492	7,167

Global Small Capitalization Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 87,982	4,003	$278,663	14,598	$(227,864)	(9,895)	$138,781	8,706
Class 2	35,976	1,678	440,277	23,696	(116,372)	(5,219)	359,881	20,155
Class 4	8,676	397	6,815	364	(4,501)	(211)	10,990	550
Total net increase (decrease)	$132,634	6,078	$725,755	38,658	$(348,737)	(15,325)	$509,652	29,411
Year ended December 31, 2015								
Class 1	$513,999	19,169	$121,908	4,341	$(211,242)	(7,700)	$424,665	15,810
Class 2	80,928	3,206	208,071	7,558	(354,071)	(13,220)	(65,072)	(2,456)
Class 4	29,896	1,122	1,572	57	(6,551)	(252)	24,917	927
Total net increase (decrease)	$624,823	23,497	$331,551	11,956	$(571,864)	(21,172)	$384,510	14,281

Growth Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 254,509	3,981	$ 616,334	9,912	$ (373,808)	(5,719)	$ 497,035	8,174
Class 2	97,736	1,528	1,269,974	20,550	(835,655)	(12,899)	532,055	9,179
Class 3	1,102	18	16,688	267	(12,803)	(199)	4,987	86
Class 4	36,211	570	37,379	609	(24,379)	(383)	49,211	796
Total net increase (decrease)	$ 389,558	6,097	$1,940,375	31,338	$(1,246,645)	(19,200)	$1,083,288	18,235
Year ended December 31, 2015								
Class 1	$ 545,748	7,598	$1,516,077	22,116	$(1,366,376)	(18,624)	$ 695,449	11,090
Class 2	178,141	2,443	3,203,022	46,982	(2,197,881)	(29,528)	1,183,282	19,897
Class 3	783	11	43,350	629	(28,825)	(389)	15,308	251
Class 4	382,752	5,567	12,085	178	(12,814)	(184)	382,023	5,561
Total net increase (decrease)	$1,107,424	15,619	$4,774,534	69,905	$(3,605,896)	(48,725)	$2,276,062	36,799

International Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$199,830	11,732	$302,258	19,034	$(158,313)	(9,159)	$343,775	21,607
Class 2	119,738	7,078	339,443	21,470	(199,625)	(11,558)	259,556	16,990
Class 3	3	–[†]	2,485	156	(3,014)	(176)	(526)	(20)
Class 4	13,143	778	4,722	301	(3,984)	(236)	13,881	843
Total net increase (decrease)	$332,714	19,588	$648,908	40,961	$(364,936)	(21,129)	$616,686	39,420
Year ended December 31, 2015								
Class 1	$613,096	30,399	$260,327	13,102	$(308,218)	(15,161)	$565,205	28,340
Class 2	243,300	12,263	309,824	15,584	(460,836)	(22,675)	92,288	5,172
Class 3	591	29	2,600	130	(5,955)	(292)	(2,764)	(133)
Class 4	37,705	1,848	2,691	136	(6,576)	(332)	33,820	1,652
Total net increase (decrease)	$894,692	44,539	$575,442	28,952	$(781,585)	(38,460)	$688,549	35,031

New World Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$152,463	8,122	$ 1,608	86	$(115,199)	(6,216)	$ 38,872	1,992
Class 2	19,890	1,097	491	27	(65,609)	(3,593)	(45,228)	(2,469)
Class 4	38,035	2,083	65	3	(5,680)	(315)	32,420	1,771
Total net increase (decrease)	$210,388	11,302	$ 2,164	116	$(186,488)	(10,124)	$ 26,064	1,294
Year ended December 31, 2015								
Class 1	$250,385	12,453	$ 97,239	4,794	$ (74,017)	(3,664)	$273,607	13,583
Class 2	52,944	2,691	64,376	3,193	(146,327)	(7,294)	(29,007)	(1,410)
Class 4	120,968	6,065	7,051	351	(7,843)	(403)	120,176	6,013
Total net increase (decrease)	$424,297	21,209	$168,666	8,338	$(228,187)	(11,361)	$364,776	18,186

Blue Chip Income and Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class 1	$338,238	25,928	$338,947	27,224	$(130,120)	(10,125)	$547,065	43,027
Class 2	19,292	1,498	275,658	22,375	(220,625)	(17,292)	74,325	6,581
Class 4	44,683	3,463	5,751	467	(7,663)	(599)	42,771	3,331
Total net increase (decrease)	$402,213	30,889	$620,356	50,066	$(358,408)	(28,016)	$664,161	52,939
Year ended December 31, 2015								
Class 1	$452,522	32,801	$437,325	32,701	$(252,335)	(18,381)	$637,512	47,121
Class 2	32,390	2,382	416,386	31,379	(427,875)	(31,163)	20,901	2,598
Class 4	28,833	2,128	2,302	174	(5,348)	(390)	25,787	1,912
Total net increase (decrease)	$513,745	37,311	$856,013	64,254	$(685,558)	(49,934)	$684,200	51,631

See end of tables for footnotes.

Global Growth and Income Fund

	Sales*		Reinvestments of dividends		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$145,461	12,035	$ 1,285	105	$ (20,097)	(1,645)	$ 126,649	10,495
Class 2	13,812	1,143	3,873	316	(92,043)	(7,601)	(74,358)	(6,142)
Class 4	6,313	522	27	2	(1,399)	(116)	4,941	408
Total net increase (decrease)	$165,586	13,700	$ 5,185	423	$(113,539)	(9,362)	$ 57,232	4,761
Year ended December 31, 2015								
Class 1	$123,370	9,539	$ 5,769	464	$ (24,549)	(1,895)	$ 104,590	8,108
Class 2	31,965	2,464	30,016	2,406	(222,457)	(17,093)	(160,476)	(12,223)
Class 4	7,444	579	79	6	(4,032)	(318)	3,491	267
Total net increase (decrease)	$162,779	12,582	$35,864	2,876	$(251,038)	(19,306)	$ (52,395)	(3,848)

Growth-Income Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 581,154	13,271	$1,261,227	30,590	$ (378,230)	(8,506)	$1,464,151	35,355
Class 2	65,168	1,492	1,431,211	35,053	(722,682)	(16,413)	773,697	20,132
Class 3	918	21	17,520	425	(11,546)	(262)	6,892	184
Class 4	32,935	762	49,181	1,212	(18,045)	(414)	64,071	1,560
Total net increase (decrease)	$ 680,175	15,546	$2,759,139	67,280	$(1,130,503)	(25,595)	$2,308,811	57,231
Year ended December 31, 2015								
Class 1	$1,314,853	26,814	$1,729,526	36,549	$(1,566,420)	(31,547)	$1,477,959	31,816
Class 2	145,682	2,979	2,183,497	46,507	(1,808,597)	(36,727)	520,582	12,759
Class 3	517	9	27,807	587	(26,339)	(533)	1,985	63
Class 4	400,638	8,616	12,432	270	(15,657)	(325)	397,413	8,561
Total net increase (decrease)	$1,861,690	38,418	$3,953,262	83,913	$(3,417,013)	(69,132)	$2,397,939	53,199

International Growth and Income Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 93,560	6,382	$ 5,566	387	$ (1,727)	(119)	$97,399	6,650
Class 2	7,324	513	1,620	113	(12,156)	(837)	(3,212)	(211)
Class 4	4,095	283	212	14	(2,248)	(155)	2,059	142
Total net increase (decrease)	$104,979	7,178	$ 7,398	514	$(16,131)	(1,111)	$96,246	6,581
Year ended December 31, 2015								
Class 1	$ 15,184	932	$33,215	2,124	$ (9,326)	(556)	$39,073	2,500
Class 2	42,188	2,495	11,279	722	(19,855)	(1,216)	33,612	2,001
Class 4	17,667	1,083	1,248	81	(3,033)	(190)	15,882	974
Total net increase (decrease)	$ 75,039	4,510	$45,742	2,927	$(32,214)	(1,962)	$88,567	5,475

Capital Income Builder

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends Amount	Reinvestments of dividends Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class 1	$ 45,611	4,816	$1,652	173	$ (7,275)	(786)	$ 39,988	4,203
Class 2	2	–†	–†	–†	–†	–†	2	–†
Class 4	58,358	6,148	2,592	272	(5,311)	(564)	55,639	5,856
Total net increase (decrease)	$103,971	10,964	$4,244	445	$(12,586)	(1,350)	$ 95,629	10,059
Year ended December 31, 2015								
Class 1	$ 61,778	6,412	$1,286	136	$ (1,229)	(132)	$ 61,835	6,416
Class 2	–	–	–†	–†	–	–	–†	–†
Class 4	111,713	11,396	3,002	315	(5,308)	(549)	109,407	11,162
Total net increase (decrease)	$173,491	17,808	$4,288	451	$ (6,537)	(681)	$171,242	17,578

Asset Allocation Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 646,741	31,583	$ 318,780	15,334	$ (200,241)	(9,770)	$ 765,280	37,147
Class 2	66,976	3,286	134,692	6,539	(265,129)	(13,069)	(63,461)	(3,244)
Class 3	570	27	965	46	(2,051)	(100)	(516)	(27)
Class 4	114,246	5,626	68,082	3,316	(54,172)	(2,716)	128,156	6,226
Total net increase (decrease)	$ 828,533	40,522	$ 522,519	25,235	$ (521,593)	(25,655)	$ 829,459	40,102
Year ended December 31, 2015								
Class 1	$1,535,220	71,399	$1,095,859	52,092	$(2,848,179)	(133,856)	$ (217,100)	(10,365)
Class 2	124,804	5,833	461,066	22,110	(682,572)	(32,022)	(96,702)	(4,079)
Class 3	856	40	3,331	159	(4,803)	(223)	(616)	(24)
Class 4	2,429,290	115,496	40,855	1,991	(12,761)	(607)	2,457,384	116,880
Total net increase (decrease)	$4,090,170	192,768	$1,601,111	76,352	$(3,548,315)	(166,708)	$2,142,966	102,412

Global Balanced Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$11,434	1,066	$ –	–	$ (960)	(88)	$10,474	978
Class 2	9,821	904	–	–	(8,905)	(836)	916	68
Class 4	4,168	390	–	–	(211)	(20)	3,957	370
Total net increase (decrease)	$25,423	2,360	$ –	–	$(10,076)	(944)	$15,347	1,416
Year ended December 31, 2015								
Class 1	$16,784	1,513	$1,201	111	$ (5,668)	(512)	$12,317	1,112
Class 2	15,210	1,360	4,161	386	(21,309)	(1,924)	(1,938)	(178)
Class 4	659	60	9	1	(1)	–†	667	61
Total net increase (decrease)	$32,653	2,933	$5,371	498	$(26,978)	(2,436)	$11,046	995

See end of tables for footnotes.

Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 594,756	53,787	$ 57,082	5,143	$(257,822)	(23,636)	$ 394,016	35,294
Class 2	67,010	6,159	36,207	3,303	(275,636)	(25,511)	(172,419)	(16,049)
Class 4	30,809	2,828	719	65	(6,669)	(610)	24,859	2,283
Total net increase (decrease)	$ 692,575	62,774	$ 94,008	8,511	$(540,127)	(49,757)	$ 246,456	21,528
Year ended December 31, 2015								
Class 1	$1,036,298	93,861	$213,571	19,839	$(300,859)	(27,378)	$ 949,010	86,322
Class 2	110,070	10,143	157,887	14,830	(551,976)	(50,779)	(284,019)	(25,806)
Class 4	43,727	4,005	1,711	160	(13,279)	(1,216)	32,159	2,949
Total net increase (decrease)	$1,190,095	108,009	$373,169	34,829	$(866,114)	(79,373)	$ 697,150	63,465

Global Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$100,631	8,721	$ 2,035	174	$ (54,749)	(4,821)	$ 47,917	4,074
Class 2	12,812	1,114	2,153	185	(110,232)	(9,776)	(95,267)	(8,477)
Class 4	6,566	576	19	2	(1,771)	(156)	4,814	422
Total net increase (decrease)	$120,009	10,411	$ 4,207	361	$(166,752)	(14,753)	$ (42,536)	(3,981)
Year ended December 31, 2015								
Class 1	$165,830	14,553	$33,954	3,037	$(282,448)	(25,245)	$ (82,664)	(7,655)
Class 2	33,635	2,962	36,798	3,309	(158,924)	(14,073)	(88,491)	(7,802)
Class 4	3,452	304	128	12	(1,543)	(134)	2,037	182
Total net increase (decrease)	$202,917	17,819	$70,880	6,358	$(442,915)	(39,452)	$(169,118)	(15,275)

High-Income Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends Amount	Reinvestments of dividends Shares	Repurchases* Amount	Repurchases* Shares	Net (decrease) increase Amount	Net (decrease) increase Shares
Six months ended June 30, 2016								
Class 1	$ 25,744	2,746	$ 11,106	1,136	$(177,538)	(18,998)	$(140,688)	(15,116)
Class 2	12,012	1,324	9,108	945	(59,374)	(6,367)	(38,254)	(4,098)
Class 3	1,712	187	146	15	(2,335)	(248)	(477)	(46)
Class 4	16,896	1,662	128	12	(7,420)	(717)	9,604	957
Total net increase (decrease)	$ 56,364	5,919	$ 20,488	2,108	$(246,667)	(26,330)	$(169,815)	(18,303)
Year ended December 31, 2015								
Class 1	$223,032	21,529	$ 65,080	6,936	$(148,108)	(14,222)	$ 140,004	14,243
Class 2	32,524	3,169	48,382	5,222	(137,078)	(13,259)	(56,172)	(4,868)
Class 3	2,044	194	742	79	(5,538)	(528)	(2,752)	(255)
Class 4	16,932	1,527	83	8	(16,023)	(1,447)	992	88
Total net increase (decrease)	$274,532	26,419	$114,287	12,245	$(306,747)	(29,456)	$ 82,072	9,208

Mortgage Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$19,668	1,818	$3,473	324	$(22,478)	(2,088)	$ 663	54
Class 2	13,683	1,276	775	73	(10,632)	(989)	3,826	360
Class 4	11,758	1,102	120	11	(12,185)	(1,143)	(307)	(30)
Total net increase (decrease)	$45,109	4,196	$4,368	408	$(45,295)	(4,220)	$ 4,182	384
Year ended December 31, 2015								
Class 1	$41,987	3,898	$7,999	754	$(67,729)	(6,313)	$(17,743)	(1,661)
Class 2	10,830	1,011	1,499	142	(5,502)	(512)	6,827	641
Class 4	15,842	1,482	168	16	(4,875)	(457)	11,135	1,041
Total net increase (decrease)	$68,659	6,391	$9,666	912	$(78,106)	(7,282)	$ 219	21

Ultra-Short Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net (decrease) increase Amount	Net (decrease) increase Shares
Six months ended June 30, 2016								
Class 1	$ 7,395	657	$–	–	$ (8,547)	(759)	$ (1,152)	(102)
Class 2	71,334	6,485	–	–	(65,236)	(5,931)	6,098	554
Class 3	1,996	180	–	–	(3,102)	(279)	(1,106)	(99)
Class 4	8,089	725	–	–	(12,780)	(1,146)	(4,691)	(421)
Total net increase (decrease)	$ 88,814	8,047	$–	–	$ (89,665)	(8,115)	$ (851)	(68)
Year ended December 31, 2015								
Class 1	$ 19,088	1,694	$–	–	$ (28,360)	(2,517)	$ (9,272)	(823)
Class 2	133,190	12,075	–	–	(161,001)	(14,591)	(27,811)	(2,516)
Class 3	4,437	398	–	–	(5,921)	(532)	(1,484)	(134)
Class 4	30,215	2,699	–	–	(21,575)	(1,926)	8,640	773
Total net increase (decrease)	$186,930	16,866	$–	–	$(216,857)	(19,566)	$(29,927)	(2,700)

U.S. Government/AAA-Rated Securities Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 49,064	3,903	$32,384	2,606	$ (70,689)	(5,660)	$ 10,759	849
Class 2	38,187	3,061	34,662	2,818	(96,947)	(7,813)	(24,098)	(1,934)
Class 3	979	78	242	19	(1,400)	(111)	(179)	(14)
Class 4	46,742	3,765	1,462	119	(27,975)	(2,242)	20,229	1,642
Total net increase (decrease)	$134,972	10,807	$68,750	5,562	$(197,011)	(15,826)	$ 6,711	543
Year ended December 31, 2015								
Class 1	$ 70,484	5,630	$37,336	3,026	$(397,508)	(31,768)	$(289,688)	(23,112)
Class 2	24,610	1,988	37,280	3,053	(190,136)	(15,348)	(128,246)	(10,307)
Class 3	1,477	118	266	21	(3,640)	(290)	(1,897)	(151)
Class 4	50,075	4,027	847	69	(25,031)	(2,017)	25,891	2,079
Total net increase (decrease)	$146,646	11,763	$75,729	6,169	$(616,315)	(49,423)	$(393,940)	(31,491)

See end of tables for footnotes.

Managed Risk Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 279	26	$ 60	6	$ (82)	(8)	$ 257	24
Class P2	32,390	3,000	15,283	1,507	(5,517)	(508)	42,156	3,999
Total net increase (decrease)	$32,669	3,026	$15,343	1,513	$(5,599)	(516)	$42,413	4,023
Year ended December 31, 2015								
Class P1	$ 308	27	$ –	–	$ (70)	(6)	$ 238	21
Class P2	74,489	6,445	–	–	(7,945)	(689)	66,544	5,756
Total net increase (decrease)	$74,797	6,472	$ –	–	$(8,015)	(695)	$66,782	5,777

Managed Risk International Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 38	4	$ 6	–†	$ (41)	(4)	$ 3	–†
Class P2	14,456	1,594	3,022	346	(4,683)	(513)	12,795	1,427
Total net increase (decrease)	$14,494	1,598	$3,028	346	$(4,724)	(517)	$12,798	1,427
Year ended December 31, 2015								
Class P1	$ 44	5	$ –†	–†	$ –†	–†	$ 44	5
Class P2	46,083	4,510	14	2	(2,628)	(265)	43,469	4,247
Total net increase (decrease)	$46,127	4,515	$ 14	2	$(2,628)	(265)	$43,513	4,252

Managed Risk Blue Chip Income and Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class P1	$ 60	6	$ 12	1	$ (3)	–†	$ 69	7
Class P2	47,786	4,303	8,149	750	(6,208)	(560)	49,727	4,493
Total net increase (decrease)	$47,846	4,309	$8,161	751	$ (6,211)	(560)	$49,796	4,500
Year ended December 31, 2015								
Class P1	$ 2	–†	$ 1	–†	$ (22)	(1)	$ (19)	(1)
Class P2	70,110	6,160	529	48	(20,979)	(1,845)	49,660	4,363
Total net increase (decrease)	$70,112	6,160	$ 530	48	$(21,001)	(1,846)	$49,641	4,362

Managed Risk Growth-Income Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 431	39	$ 75	7	$ (142)	(13)	$ 364	33
Class P2	20,438	1,865	9,721	930	(7,271)	(664)	22,888	2,131
Total net increase (decrease)	$20,869	1,904	$9,796	937	$(7,413)	(677)	$23,252	2,164
Year ended December 31, 2015								
Class P1	$ 623	53	$ 3	–†	$ (17)	(1)	$ 609	52
Class P2	57,640	4,977	64	6	(7,010)	(604)	50,694	4,379
Total net increase (decrease)	$58,263	5,030	$ 67	6	$(7,027)	(605)	$51,303	4,431

Managed Risk Asset Allocation Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$242,574	20,918	$ 40,468	3,519	$ (13,834)	(1,206)	$269,208	23,231
Class P2	150,281	12,978	87,398	7,607	(65,547)	(5,634)	172,132	14,951
Total net increase (decrease)	$392,855	33,896	$127,866	11,126	$ (79,381)	(6,840)	$441,340	38,182
Year ended December 31, 2015								
Class P1	$452,013	37,546	$ 18,473	1,532	$ (10,594)	(913)	$459,892	38,165
Class P2	355,940	29,485	68,001	5,622	(161,379)	(13,400)	262,562	21,707
Total net increase (decrease)	$807,953	67,031	$ 86,474	7,154	$(171,973)	(14,313)	$722,454	59,872

*Includes exchanges between share classes of the fund.
†Amount less than one thousand.

10. Investment transactions and other disclosures

The following tables present additional information for each of the funds for the six months ended June 30, 2016 (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
Purchases of investment securities*	$650,450	$550,989	$3,241,873	$1,236,387	$402,385	$805,631
Sales of investment securities*	819,688	714,085	4,297,569	1,052,064	308,670	824,179
Non-U.S. taxes paid on dividend income	5,076	1,592	5,059	7,307	2,097	896
Non-U.S. taxes paid on interest income	–	–	–	–	81	–
Non-U.S. taxes paid on realized gains	–	–	–	–	139	–
Non-U.S. taxes provided on unrealized gains	–	2,892	–	5,095	1,952	–
Dividends from affiliated issuers	–	–	1,709	–	–	–
Net realized (loss) gain from affiliated issuers	–	(10,556)	20,124	–	–	–

See end of tables for footnote.

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
Purchases of investment securities*	$606,501	$3,182,522	$246,854	$142,321	$8,746,136	$68,014
Sales of investment securities*	553,973	3,327,293	129,092	54,633	8,753,088	64,511
Non-U.S. taxes paid on dividend income	1,870	4,255	2,019	259	4,438	135
Non-U.S. taxes paid on interest income	–	–	48	–	–	7
Non-U.S. taxes paid on realized gains	8	–	2	–	–	1
Non-U.S. taxes provided on unrealized gains	32	122	25	–	108	3
Dividends from affiliated issuers	–	–	–	–	–	–
Net realized (loss) gain from affiliated issuers	–	–	–	–	–	–

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund	U.S. Government/ AAA-Rated Securities Fund
Purchases of investment securities*	$17,813,968	$1,744,500	$852,950	$1,652,548	$–	$5,463,071
Sales of investment securities*	17,288,914	1,704,205	897,232	1,634,050	–	5,724,865
Non-U.S. taxes paid on dividend income	–	–	–	–	–	–
Non-U.S. taxes paid on interest income	30	64	6	–	–	–
Non-U.S. taxes paid on realized gains	69	57	–	–	–	–
Non-U.S. taxes provided on unrealized gains	10	188	6	–	–	–
Dividends from affiliated issuers	–	–	–	–	–	–
Net realized (loss) gain from affiliated issuers	–	–	–	–	–	–

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
Purchases of investment securities*	$48,041	$29,370	$62,201	$35,901	$382,443
Sales of investment securities*	13,046	12,387	10,770	11,369	13,027
Non-U.S. taxes paid on dividend income	–	–	–	–	–
Non-U.S. taxes paid on interest income	–	–	–	–	–
Non-U.S. taxes paid on realized gains	–	–	–	–	–
Non-U.S. taxes provided on unrealized gains	–	–	–	–	–
Dividends from affiliated issuers	351	150	682	395	8,997
Net realized (loss) gain from affiliated issuers	(2,658)	(3,209)	(721)	(1,685)	393

*Excludes short-term securities and U.S. government obligations, if any.

11. Ownership concentration

At June 30, 2016, CRMC held aggregate ownership of 14% of the outstanding shares of Global Balanced Fund. The ownership represents the seed money invested in the fund when the fund began operations. In addition, American Funds Insurance Series - Portfolio Series - Managed Risk Global Allocation Portfolio and American Funds Insurance Series - Portfolio Series - Managed Risk Growth and Income Portfolio held 11% and 28% of the outstanding shares of Global Balanced Fund and Capital Income Builder, respectively.

Financial highlights

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
Global Growth Fund												
Class 1:												
6/30/16[2,3]	$26.39	$ .18	$ (1.08)	$ (.90)	$ (.08)	$ (2.16)	$ (2.24)	$23.25	(3.31)%[4]	$ 1,564	.56%[5]	1.44%[5]
12/31/15	27.48	.25	1.80	2.05	(.35)	(2.79)	(3.14)	26.39	7.24	1,626	.55	.90
12/31/14	30.11	.31[6]	.40	.71	(.40)	(2.94)	(3.34)	27.48	2.52	1,558	.55	1.08[6]
12/31/13	23.58	.31	6.62	6.93	(.40)	–	(.40)	30.11	29.51	1,508	.55	1.17
12/31/12	19.40	.30	4.14	4.44	(.26)	–	(.26)	23.58	22.89	1,466	.56	1.38
12/31/11	21.61	.29	(2.16)	(1.87)	(.34)	–	(.34)	19.40	(8.66)	1,277	.55	1.37
Class 2:												
6/30/16[2,3]	26.19	.14	(1.06)	(.92)	(.07)	(2.16)	(2.23)	23.04	(3.42)[4]	3,539	.81[5]	1.18[5]
12/31/15	27.30	.18	1.78	1.96	(.28)	(2.79)	(3.07)	26.19	6.94	3,817	.80	.66
12/31/14	29.92	.24[6]	.41	.65	(.33)	(2.94)	(3.27)	27.30	2.31	3,992	.80	.85[6]
12/31/13	23.44	.24	6.58	6.82	(.34)	–	(.34)	29.92	29.18	4,379	.80	.91
12/31/12	19.29	.24	4.11	4.35	(.20)	–	(.20)	23.44	22.56	3,723	.81	1.13
12/31/11	21.48	.24	(2.15)	(1.91)	(.28)	–	(.28)	19.29	(8.89)	3,535	.80	1.13
Class 4:												
6/30/16[2,3]	26.16	.11	(1.06)	(.95)	(.06)	(2.16)	(2.22)	22.99	(3.54)[4]	88	1.06[5]	.95[5]
12/31/15	27.34	.09	1.81	1.90	(.29)	(2.79)	(3.08)	26.16	6.69	91	1.05	.34
12/31/14	30.07	.07[6]	.50	.57	(.36)	(2.94)	(3.30)	27.34	2.01	19	1.05	.26[6]
12/31/13	23.58	.13	6.77	6.90	(.41)	–	(.41)	30.07	29.36	1	1.06	.43
12/31/12[3,7]	23.53	.01	.29	.30	(.25)	–	(.25)	23.58	1.27[4,8]	–[9]	.02[4,8]	.04[4,8]
Global Small Capitalization Fund												
Class 1:												
6/30/16[2,3]	$24.41	$ .11	$ (1.06)	$ (.95)	$ (.01)	$ (4.35)	$ (4.36)	$19.10	(3.85)%[4]	$ 1,501	.74%[5]	.94%[5]
12/31/15	26.09	.04	.36	.40	–	(2.08)	(2.08)	24.41	.50	1,706	.73	.15
12/31/14	25.69	.09	.52	.61	(.09)	(.12)	(.21)	26.09	2.36	1,411	.74	.34
12/31/13	20.16	.04	5.70	5.74	(.21)	–	(.21)	25.69	28.60	1,241	.74	.17
12/31/12	17.28	.09	3.09	3.18	(.30)	–	(.30)	20.16	18.51	1,019	.75	.46
12/31/11	21.67	.07	(4.14)	(4.07)	(.32)	–	(.32)	17.28	(18.94)	795	.74	.36
Class 2:												
6/30/16[2,3]	23.90	.08	(1.04)	(.96)	–	(4.35)	(4.35)	18.59	(3.99)[4]	2,314	.99[5]	.69[5]
12/31/15	25.64	(.03)	.37	.34	–	(2.08)	(2.08)	23.90	.27	2,492	.98	(.10)
12/31/14	25.25	.03	.51	.54	(.03)	(.12)	(.15)	25.64	2.12	2,738	.99	.10
12/31/13	19.86	(.01)	5.60	5.59	(.20)	–	(.20)	25.25	28.28	2,955	.99	(.05)
12/31/12	17.04	.04	3.03	3.07	(.25)	–	(.25)	19.86	18.18	2,603	1.00	.20
12/31/11	21.35	.02	(4.06)	(4.04)	(.27)	–	(.27)	17.04	(19.14)	2,450	.99	.10
Class 4:												
6/30/16[2,3]	24.11	.05	(1.04)	(.99)	–	(4.35)	(4.35)	18.77	(4.08)[4]	36	1.24[5]	.44[5]
12/31/15	25.92	(.10)	.37	.27	–	(2.08)	(2.08)	24.11	(.02)	34	1.23	(.37)
12/31/14	25.57	(.05)	.54	.49	(.02)	(.12)	(.14)	25.92	1.88	12	1.24	(.17)
12/31/13	20.16	(.12)	5.74	5.62	(.21)	–	(.21)	25.57	28.01	4	1.24	(.50)
12/31/12[3,7]	19.68	.01	.54	.55	(.07)	–	(.07)	20.16	2.80[4,8]	–[9]	.04[4,8]	.04[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Growth Fund												
Class 1:												
6/30/16[2,3]	$68.02	$ .38	$ .33	$ .71	$ (.16)	$ (6.13)	$ (6.29)	$62.44	1.08%[4]	$ 6,748	.35%[5]	1.18%[5]
12/31/15	80.15	.64	5.08	5.72	(.61)	(17.24)	(17.85)	68.02	7.12	6,796	.35	.87
12/31/14	78.54	.88[6]	5.79	6.67	(1.16)	(3.90)	(5.06)	80.15	8.78	7,118	.35	1.12[6]
12/31/13	60.90	.64	17.84	18.48	(.84)	–	(.84)	78.54	30.43	7,003	.35	.93
12/31/12	52.07	.63	8.83	9.46	(.63)	–	(.63)	60.90	18.19	7,116	.35	1.10
12/31/11	54.78	.45	(2.68)	(2.23)	(.48)	–	(.48)	52.07	(4.06)	7,426	.34	.81
Class 2:												
6/30/16[2,3]	67.69	.30	.32	.62	(.13)	(6.13)	(6.26)	62.05	.95[4]	13,781	.60[5]	.93[5]
12/31/15	79.84	.46	5.06	5.52	(.43)	(17.24)	(17.67)	67.69	6.86	14,414	.60	.62
12/31/14	77.94	.68[6]	5.75	6.43	(.63)	(3.90)	(4.53)	79.84	8.51	15,413	.60	.87[6]
12/31/13	60.45	.47	17.68	18.15	(.66)	–	(.66)	77.94	30.11	16,334	.60	.68
12/31/12	51.68	.47	8.77	9.24	(.47)	–	(.47)	60.45	17.89	14,911	.60	.83
12/31/11	54.35	.30	(2.63)	(2.33)	(.34)	–	(.34)	51.68	(4.27)	16,701	.59	.55
Class 3:												
6/30/16[2,3]	68.37	.32	.32	.64	(.13)	(6.13)	(6.26)	62.75	.98[4]	183	.53[5]	.99[5]
12/31/15	80.47	.51	5.11	5.62	(.48)	(17.24)	(17.72)	68.37	6.92	194	.53	.69
12/31/14	78.62	.74[6]	5.79	6.53	(.78)	(3.90)	(4.68)	80.47	8.58	208	.53	.94[6]
12/31/13	60.97	.52	17.84	18.36	(.71)	–	(.71)	78.62	30.20	216	.53	.75
12/31/12	52.13	.53	8.83	9.36	(.52)	–	(.52)	60.97	17.97	189	.53	.92
12/31/11	54.82	.34	(2.66)	(2.32)	(.37)	–	(.37)	52.13	(4.21)	189	.52	.62
Class 4:												
6/30/16[2,3]	67.26	.22	.31	.53	(.10)	(6.13)	(6.23)	61.56	.83[4]	410	.85[5]	.69[5]
12/31/15	79.74	.29	5.02	5.31	(.55)	(17.24)	(17.79)	67.26	6.59	394	.85	.42
12/31/14	78.32	.37[6]	5.87	6.24	(.92)	(3.90)	(4.82)	79.74	8.25	24	.85	.47[6]
12/31/13	60.90	.29	17.90	18.19	(.77)	–	(.77)	78.32	29.96	5	.85	.40
12/31/12[3,7]	60.55	.03	.78	.81	(.46)	–	(.46)	60.90	1.33[4,8]	–[9]	.02[4,8]	.05[4,8]
International Fund												
Class 1:												
6/30/16[2,3]	$18.08	$ .21	$ (.44)	$ (.23)	$ (.03)	$ (1.55)	$ (1.58)	$16.27	(1.08)%[4]	$ 3,436	.54%[5]	2.40%[5]
12/31/15	20.35	.29	(1.03)	(.74)	(.35)	(1.18)	(1.53)	18.08	(4.25)	3,427	.54	1.41
12/31/14	21.22	.30	(.81)	(.51)	(.36)	–	(.36)	20.35	(2.41)	3,282	.54	1.43
12/31/13	17.68	.27	3.59	3.86	(.32)	–	(.32)	21.22	21.91	3,324	.54	1.41
12/31/12	15.21	.30	2.47	2.77	(.30)	–	(.30)	17.68	18.21	3,618	.54	1.81
12/31/11	18.05	.35	(2.84)	(2.49)	(.35)	–	(.35)	15.21	(13.76)	3,314	.53	2.03
Class 2:												
6/30/16[2,3]	18.02	.18	(.43)	(.25)	(.02)	(1.55)	(1.57)	16.20	(1.18)[4]	3,850	.79[5]	2.14[5]
12/31/15	20.29	.24	(1.03)	(.79)	(.30)	(1.18)	(1.48)	18.02	(4.53)	3,978	.79	1.17
12/31/14	21.15	.25	(.81)	(.56)	(.30)	–	(.30)	20.29	(2.65)	4,374	.79	1.19
12/31/13	17.62	.22	3.58	3.80	(.27)	–	(.27)	21.15	21.64	5,916	.79	1.15
12/31/12	15.16	.26	2.45	2.71	(.25)	–	(.25)	17.62	17.91	5,465	.79	1.57
12/31/11	17.98	.31	(2.82)	(2.51)	(.31)	–	(.31)	15.16	(13.96)	5,210	.78	1.81
Class 3:												
6/30/16[2,3]	18.11	.19	(.43)	(.24)	(.03)	(1.55)	(1.58)	16.29	(1.17)[4]	28	.72[5]	2.19[5]
12/31/15	20.38	.25	(1.03)	(.78)	(.31)	(1.18)	(1.49)	18.11	(4.44)	32	.72	1.24
12/31/14	21.24	.27	(.82)	(.55)	(.31)	–	(.31)	20.38	(2.56)	38	.72	1.28
12/31/13	17.70	.23	3.59	3.82	(.28)	–	(.28)	21.24	21.67	46	.72	1.22
12/31/12	15.23	.27	2.47	2.74	(.27)	–	(.27)	17.70	17.97	44	.72	1.65
12/31/11	18.05	.33	(2.83)	(2.50)	(.32)	–	(.32)	15.23	(13.85)	43	.71	1.90
Class 4:												
6/30/16[2,3]	17.93	.16	(.43)	(.27)	(.02)	(1.55)	(1.57)	16.09	(1.33)[4]	55	1.04[5]	1.94[5]
12/31/15	20.23	.17	(1.00)	(.83)	(.29)	(1.18)	(1.47)	17.93	(4.75)	46	1.04	.88
12/31/14	21.16	.07	(.68)	(.61)	(.32)	–	(.32)	20.23	(2.88)	18	1.04	.31
12/31/13	17.68	(.01)	3.79	3.78	(.30)	–	(.30)	21.16	21.48	2	1.04	(.07)
12/31/12[3,7]	17.79	.01	.16	.17	(.28)	–	(.28)	17.68	.98[4,8]	–[9]	.02[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
New World Fund												
Class 1:												
6/30/16[2,3]	$18.87	$ .14	$ .31	$ .45	$ (.02)	$ –	$ (.02)	$19.30	2.38%[4]	$ 1,636	.78%[5]	1.54%[5]
12/31/15	20.72	.19	(.71)	(.52)	(.17)	(1.16)	(1.33)	18.87	(2.96)	1,562	.79	.92
12/31/14	25.08	.29[6]	(1.92)	(1.63)	(.29)	(2.44)	(2.73)	20.72	(7.63)	1,433	.78	1.23[6]
12/31/13	22.93	.34	2.31	2.65	(.39)	(.11)	(.50)	25.08	11.66	1,388	.78	1.45
12/31/12	19.65	.33	3.23	3.56	(.28)	–	(.28)	22.93	18.13	1,140	.79	1.54
12/31/11	23.28	.36	(3.55)	(3.19)	(.44)	–	(.44)	19.65	(13.75)	826	.78	1.62
Class 2:												
6/30/16[2,3]	18.71	.11	.31	.42	(.01)	–	(.01)	19.12	2.25[4]	935	1.03[5]	1.27[5]
12/31/15	20.54	.14	(.69)	(.55)	(.12)	(1.16)	(1.28)	18.71	(3.14)	961	1.04	.68
12/31/14	24.88	.24[6]	(1.91)	(1.67)	(.23)	(2.44)	(2.67)	20.54	(7.87)	1,084	1.03	1.01[6]
12/31/13	22.75	.28	2.29	2.57	(.33)	(.11)	(.44)	24.88	11.38	1,307	1.03	1.22
12/31/12	19.50	.28	3.19	3.47	(.22)	–	(.22)	22.75	17.82	1,378	1.04	1.31
12/31/11	23.09	.30	(3.51)	(3.21)	(.38)	–	(.38)	19.50	(13.95)	1,350	1.03	1.37
Class 4:												
6/30/16[2,3]	18.69	.10	.30	.40	(.01)	–	(.01)	19.08	2.12[4]	208	1.29[5]	1.09[5]
12/31/15	20.56	.08	(.68)	(.60)	(.11)	(1.16)	(1.27)	18.69	(3.37)	171	1.29	.39
12/31/14	24.99	.09[6]	(1.83)	(1.74)	(.25)	(2.44)	(2.69)	20.56	(8.13)	64	1.28	.40[6]
12/31/13	22.93	.14	2.41	2.55	(.38)	(.11)	(.49)	24.99	11.20	8	1.29	.56
12/31/12[3,7]	22.83	.01	.35	.36	(.26)	–	(.26)	22.93	1.58[4,8]	–[9]	.04[4,8]	.04[4,8]
Blue Chip Income and Growth Fund												
Class 1:												
6/30/16[2,3]	$12.62	$ .17	$ 1.06	$ 1.23	$ (.05)	$ (1.08)	$ (1.13)	$12.72	10.01%[4]	$ 4,216	.42%[5]	2.62%[5]
12/31/15	14.69	.31	(.64)	(.33)	(.29)	(1.45)	(1.74)	12.62	(2.72)	3,638	.41	2.23
12/31/14	13.12	.46[6]	1.59	2.05	(.48)	–	(.48)	14.69	15.69	3,542	.42	3.31[6]
12/31/13	10.05	.27	3.06	3.33	(.26)	–	(.26)	13.12	33.26	2,814	.42	2.27
12/31/12	9.00	.24	1.04	1.28	(.23)	–	(.23)	10.05	14.18	1,357	.43	2.41
12/31/11	9.25	.19	(.25)	(.06)	(.19)	–	(.19)	9.00	(.63)	992	.42	2.08
Class 2:												
6/30/16[2,3]	12.51	.15	1.06	1.21	(.05)	(1.08)	(1.13)	12.59	9.89[4]	3,331	.67[5]	2.37[5]
12/31/15	14.57	.27	(.62)	(.35)	(.26)	(1.45)	(1.71)	12.51	(2.93)	3,228	.66	1.97
12/31/14	13.02	.44[6]	1.55	1.99	(.44)	–	(.44)	14.57	15.36	3,722	.67	3.14[6]
12/31/13	9.97	.23	3.05	3.28	(.23)	–	(.23)	13.02	33.00	3,755	.67	2.03
12/31/12	8.93	.21	1.03	1.24	(.20)	–	(.20)	9.97	13.88	3,382	.68	2.17
12/31/11	9.18	.17	(.26)	(.09)	(.16)	–	(.16)	8.93	(.90)	3,340	.67	1.83
Class 4:												
6/30/16[2,3]	12.53	.13	1.07	1.20	(.05)	(1.08)	(1.13)	12.60	9.80[4]	74	.92[5]	2.09[5]
12/31/15	14.63	.24	(.63)	(.39)	(.26)	(1.45)	(1.71)	12.53	(3.21)	32	.91	1.75
12/31/14	13.12	.34[6]	1.63	1.97	(.46)	–	(.46)	14.63	15.13	9	.92	2.33[6]
12/31/13	10.05	.18	3.15	3.33	(.26)	–	(.26)	13.12	33.27	–[9]	.86	1.39
12/31/12[3,7]	10.20	.01	.03	.04	(.19)	–	(.19)	10.05	.38[4,8]	–[9]	.02[4,8]	.10[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Global Growth and Income Fund												
Class 1:												
6/30/16[2,3]	$12.35	$ .24	$ (.01)	$ .23	$ (.04)	$ –	$ (.04)	$12.54	1.87%[4]	$ 430	.63%[5]	3.89%[5]
12/31/15	12.78	.26	(.40)	(.14)	(.29)	–	(.29)	12.35	(1.14)	293	.64	2.04
12/31/14	12.53	.43[6]	.31	.74	(.49)	–	(.49)	12.78	6.00	200	.63	3.34[6]
12/31/13	10.56	.39	2.00	2.39	(.42)	–	(.42)	12.53	22.81	206	.62	3.35
12/31/12	9.20	.25	1.39	1.64	(.28)	–	(.28)	10.56	17.93	180	.62	2.56
12/31/11	9.96	.28	(.75)	(.47)	(.29)	–	(.29)	9.20	(4.68)	161	.61	2.86
Class 2:												
6/30/16[2,3]	12.33	.14	.07	.21	(.03)	–	(.03)	12.51	1.74[4]	1,423	.88[5]	2.28[5]
12/31/15	12.75	.24	(.41)	(.17)	(.25)	–	(.25)	12.33	(1.34)	1,479	.89	1.84
12/31/14	12.51	.41[6]	.29	.70	(.46)	–	(.46)	12.75	5.64	1,685	.88	3.22[6]
12/31/13	10.54	.36	2.00	2.36	(.39)	–	(.39)	12.51	22.54	1,822	.87	3.09
12/31/12	9.19	.23	1.38	1.61	(.26)	–	(.26)	10.54	17.56	1,837	.87	2.31
12/31/11	9.94	.25	(.74)	(.49)	(.26)	–	(.26)	9.19	(4.85)	1,839	.86	2.60
Class 4:												
6/30/16[2,3]	12.26	.14	.06	.20	(.04)	–	(.04)	12.42	1.60[4]	10	1.13[5]	2.30[5]
12/31/15	12.71	.19	(.39)	(.20)	(.25)	–	(.25)	12.26	(1.60)	5	1.14	1.46
12/31/14	12.50	.30[6]	.37	.67	(.46)	–	(.46)	12.71	5.41	1	1.13	2.30[6]
12/31/13	10.55	.28	2.09	2.37	(.42)	–	(.42)	12.50	22.60	1	1.12	2.27
12/31/12[3,7]	10.64	.01	.13	.14	(.23)	–	(.23)	10.55	1.27[4,8]	–[9]	.03[4,8]	.08[4,8]
Growth-Income Fund												
Class 1:												
6/30/16[2,3]	$45.40	$ .41	$ 1.01	$ 1.42	$ (.14)	$ (5.12)	$ (5.26)	$41.56	3.23%[4]	$11,309	.29%[5]	1.85%[5]
12/31/15	52.76	.79	.37	1.16	(.75)	(7.77)	(8.52)	45.40	1.72	10,747	.29	1.59
12/31/14	50.72	.81	4.57	5.38	(.80)	(2.54)	(3.34)	52.76	10.91	10,812	.29	1.56
12/31/13	38.48	.66	12.31	12.97	(.73)	–	(.73)	50.72	33.82	9,857	.29	1.49
12/31/12	33.27	.66	5.25	5.91	(.70)	–	(.70)	38.48	17.79	9,782	.29	1.79
12/31/11	34.47	.61	(1.18)	(.57)	(.63)	–	(.63)	33.27	(1.60)	9,496	.28	1.77
Class 2:												
6/30/16[2,3]	45.04	.35	1.01	1.36	(.12)	(5.12)	(5.24)	41.16	3.12[4]	12,612	.54[5]	1.60[5]
12/31/15	52.41	.66	.37	1.03	(.63)	(7.77)	(8.40)	45.04	1.45	12,895	.54	1.34
12/31/14	50.40	.67	4.55	5.22	(.67)	(2.54)	(3.21)	52.41	10.63	14,337	.54	1.31
12/31/13	38.24	.55	12.23	12.78	(.62)	–	(.62)	50.40	33.50	14,980	.54	1.25
12/31/12	33.07	.56	5.22	5.78	(.61)	–	(.61)	38.24	17.48	13,403	.54	1.53
12/31/11	34.25	.52	(1.16)	(.64)	(.54)	–	(.54)	33.07	(1.83)	13,235	.53	1.52
Class 3:												
6/30/16[2,3]	45.46	.37	1.02	1.39	(.13)	(5.12)	(5.25)	41.60	3.15[4]	155	.47[5]	1.67[5]
12/31/15	52.82	.70	.37	1.07	(.66)	(7.77)	(8.43)	45.46	1.53	161	.47	1.41
12/31/14	50.77	.71	4.59	5.30	(.71)	(2.54)	(3.25)	52.82	10.71	185	.47	1.38
12/31/13	38.52	.58	12.32	12.90	(.65)	–	(.65)	50.77	33.58	193	.47	1.32
12/31/12	33.30	.59	5.26	5.85	(.63)	–	(.63)	38.52	17.59	168	.47	1.60
12/31/11	34.49	.55	(1.18)	(.63)	(.56)	–	(.56)	33.30	(1.77)	172	.46	1.59
Class 4:												
6/30/16[2,3]	44.82	.29	1.01	1.30	(.11)	(5.12)	(5.23)	40.89	2.99[4]	438	.79[5]	1.35[5]
12/31/15	52.39	.58	.33	.91	(.71)	(7.77)	(8.48)	44.82	1.21	410	.79	1.25
12/31/14	50.56	.58	4.51	5.09	(.72)	(2.54)	(3.26)	52.39	10.34	30	.79	1.11
12/31/13	38.47	.45	12.33	12.78	(.69)	–	(.69)	50.56	33.32	3	.79	.96
12/31/12[3,7]	38.65	.01	.39	.40	(.58)	–	(.58)	38.47	1.02[4,8]	–[9]	.01[4,8]	.03[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
International Growth and Income Fund												
Class 1:												
6/30/16[2,3]	$14.72	$.31	$ (.14)	$ .17	$(.04)	$(.06)	$(.10)	$14.79	1.19%[4]	$808	.68%[5]	4.27%[5]
12/31/15	16.27	.42	(1.25)	(.83)	(.38)	(.34)	(.72)	14.72	(5.34)	707	.68	2.60
12/31/14	17.48	.58[6]	(1.09)	(.51)	(.53)	(.17)	(.70)	16.27	(2.93)	740	.68	3.32[6]
12/31/13	15.29	.44	2.50	2.94	(.47)	(.28)	(.75)	17.48	19.39	696	.69	2.63
12/31/12	13.40	.37	1.89	2.26	(.37)	–	(.37)	15.29	16.84	203	.74	2.50
12/31/11	15.25	.47	(1.77)	(1.30)	(.44)	(.11)	(.55)	13.40	(8.51)	35	.73	3.17
Class 2:												
6/30/16[2,3]	14.68	.28	(.14)	.14	(.03)	(.06)	(.09)	14.73	1.08[4]	252	.93[5]	3.96[5]
12/31/15	16.22	.38	(1.24)	(.86)	(.34)	(.34)	(.68)	14.68	(5.60)	254	.93	2.32
12/31/14	17.43	.56[6]	(1.10)	(.54)	(.50)	(.17)	(.67)	16.22	(3.15)	248	.93	3.21[6]
12/31/13	15.25	.38	2.51	2.89	(.43)	(.28)	(.71)	17.43	19.09	257	.94	2.28
12/31/12	13.37	.40	1.81	2.21	(.33)	–	(.33)	15.25	16.50	225	.99	2.77
12/31/11	15.21	.42	(1.75)	(1.33)	(.40)	(.11)	(.51)	13.37	(8.71)	199	.98	2.89
Class 4:												
6/30/16[2,3]	14.63	.27	(.13)	.14	(.03)	(.06)	(.09)	14.68	.98[4]	34	1.18[5]	3.76[5]
12/31/15	16.19	.33	(1.23)	(.90)	(.32)	(.34)	(.66)	14.63	(5.82)	32	1.18	2.02
12/31/14	17.45	.26[6]	(.85)	(.59)	(.50)	(.17)	(.67)	16.19	(3.39)	20	1.18	1.52[6]
12/31/13	15.29	.03	2.87	2.90	(.46)	(.28)	(.74)	17.45	19.16	1	1.19	.18
12/31/12[3,7]	15.56	.01	.09	.10	(.37)	–	(.37)	15.29	.62[4,8]	–[9]	.04[4,8]	.07[4,8]
Capital Income Builder												
Class 1:												
6/30/16[2,3]	$ 9.40	$.18	$ .33	$ .51	$(.15)	$ –	$(.15)	$ 9.76	5.47%[4]	$124	.54%[5]	3.90%[5]
12/31/15	9.81	.28	(.40)	(.12)	(.29)	–	(.29)	9.40	(1.23)	80	.56	2.88
12/31/14[3,10]	10.00	.19	(.18)	.01	(.19)	(.01)	(.20)	9.81	.12[4]	20	.56[5]	2.87[5]
Class 2:												
6/30/16[2,3]	9.40	.18	.33	.51	(.15)	–	(.15)	9.76	5.47[4,8]	–[9]	.50[5,8]	3.88[5,8]
12/31/15	9.81	.31	(.43)	(.12)	(.29)	–	(.29)	9.40	(1.23)[8]	–[9]	.46[8]	3.12[8]
12/31/14[3,10]	10.00	.20	(.19)	.01	(.19)	(.01)	(.20)	9.81	.12[4,8]	–[9]	.47[5,8]	2.94[5,8]
Class 4:												
6/30/16[2,3]	9.38	.16	.33	.49	(.13)	–	(.13)	9.74	5.24[4]	220	1.04[5]	3.35[5]
12/31/15	9.80	.25	(.42)	(.17)	(.25)	–	(.25)	9.38	(1.79)	157	1.05	2.55
12/31/14[3,10]	10.00	.14	(.16)	(.02)	(.17)	(.01)	(.18)	9.80	(.21)[4]	55	1.06[5]	2.08[5]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Asset Allocation Fund												
Class 1:												
6/30/16[2,3]	$20.62	$ .21	$ .76	$ .97	$ (.07)	$ (.51)	$ (.58)	$21.01	4.73%[4]	$11,898	.30%[5]	2.07%[5]
12/31/15	22.23	.40	(.02)	.38	(.40)	(1.59)	(1.99)	20.62	1.64	10,913	.29	1.85
12/31/14	22.49	.44	.81	1.25	(.39)	(1.12)	(1.51)	22.23	5.66	11,997	.30	1.95
12/31/13	18.43	.35	4.07	4.42	(.36)	–	(.36)	22.49	24.04	10,515	.31	1.71
12/31/12	16.17	.37	2.28	2.65	(.39)	–	(.39)	18.43	16.44	7,199	.31	2.11
12/31/11	16.28	.37	(.12)	.25	(.36)	–	(.36)	16.17	1.56	5,932	.31	2.25
Class 2:												
6/30/16[2,3]	20.45	.18	.75	.93	(.06)	(.51)	(.57)	20.81	4.58[4]	5,029	.55[5]	1.81[5]
12/31/15	22.06	.34	(.01)	.33	(.35)	(1.59)	(1.94)	20.45	1.40	5,008	.54	1.60
12/31/14	22.33	.37	.81	1.18	(.33)	(1.12)	(1.45)	22.06	5.40	5,494	.55	1.69
12/31/13	18.31	.30	4.03	4.33	(.31)	–	(.31)	22.33	23.69	5,760	.56	1.47
12/31/12	16.06	.33	2.27	2.60	(.35)	–	(.35)	18.31	16.19	5,225	.56	1.86
12/31/11	16.17	.33	(.13)	.20	(.31)	–	(.31)	16.06	1.30	5,151	.56	1.99
Class 3:												
6/30/16[2,3]	20.64	.19	.75	.94	(.06)	(.51)	(.57)	21.01	4.60[4]	36	.48[5]	1.88[5]
12/31/15	22.25	.36	(.02)	.34	(.36)	(1.59)	(1.95)	20.64	1.46	36	.47	1.67
12/31/14	22.51	.39	.81	1.20	(.34)	(1.12)	(1.46)	22.25	5.47	40	.48	1.76
12/31/13	18.45	.32	4.06	4.38	(.32)	–	(.32)	22.51	23.81	42	.49	1.54
12/31/12	16.18	.34	2.29	2.63	(.36)	–	(.36)	18.45	16.28	38	.49	1.93
12/31/11	16.29	.34	(.13)	.21	(.32)	–	(.32)	16.18	1.36	38	.49	2.05
Class 4:												
6/30/16[2,3]	20.40	.16	.74	.90	(.05)	(.51)	(.56)	20.74	4.45[4]	2,583	.80[5]	1.57[5]
12/31/15	22.11	.30	(.02)	.28	(.40)	(1.59)	(1.99)	20.40	1.14	2,414	.79	1.45
12/31/14	22.46	.34	.79	1.13	(.36)	(1.12)	(1.48)	22.11	5.16	32	.80	1.55
12/31/13	18.43	.27	4.12	4.39	(.36)	–	(.36)	22.46	23.89	1	.79	1.22
12/31/12[3,7]	18.52	.01	.21	.22	(.31)	–	(.31)	18.43	1.17[4,8]	–[9]	.01[4,8]	.08[4,8]
Global Balanced Fund												
Class 1:												
6/30/16[2,3]	$10.74	$ .11	$ .27	$ .38	$ –	$ –	$ –	$11.12	3.54%[4]	$ 60	.70%[5]	2.13%[5]
12/31/15	11.11	.20	(.28)	(.08)	(.14)	(.15)	(.29)	10.74	(.69)	47	.72	1.80
12/31/14	11.37	.25[6]	(.03)	.22	(.18)	(.30)	(.48)	11.11	1.87	37	.71	2.14[6]
12/31/13	10.34	.22	1.07	1.29	(.18)	(.08)	(.26)	11.37	12.56	36	.70	2.05
12/31/12	9.35	.20	.98	1.18	(.19)	–	(.19)	10.34	12.58	32	.72	2.00
12/31/11[3,11]	10.00	.13	(.72)	(.59)	(.06)	–	(.06)	9.35	(5.89)[4]	28	.69[5]	1.99[5]
Class 2:												
6/30/16[2,3]	10.72	.10	.27	.37	–	–	–	11.09	3.45[4]	178	.95[5]	1.86[5]
12/31/15	11.09	.18	(.28)	(.10)	(.12)	(.15)	(.27)	10.72	(.95)	171	.97	1.60
12/31/14	11.35	.22[6]	(.03)	.19	(.15)	(.30)	(.45)	11.09	1.63	179	.96	1.88[6]
12/31/13	10.33	.20	1.06	1.26	(.16)	(.08)	(.24)	11.35	12.23	156	.95	1.79
12/31/12	9.35	.17	.97	1.14	(.16)	–	(.16)	10.33	12.24	119	.97	1.76
12/31/11[3,11]	10.00	.09	(.69)	(.60)	(.05)	–	(.05)	9.35	(5.97)[4]	72	.94[5]	1.45[5]
Class 4:												
6/30/16[2,3]	10.69	.10	.25	.35	–	–	–	11.04	3.27[4]	5	1.20[5]	1.78[5]
12/31/15	11.09	.06	(.17)	(.11)	(.14)	(.15)	(.29)	10.69	(1.00)	1	1.34	.58
12/31/14	11.35	.24[6]	(.02)	.22	(.18)	(.30)	(.48)	11.09	1.88[8]	–[9]	.67[8]	2.07[6,8]
12/31/13	10.33	.22	1.06	1.28	(.18)	(.08)	(.26)	11.35	12.49[8]	–[9]	.71[8]	1.98[8]
12/31/12[3,7]	10.47	.01	.03	.04	(.18)	–	(.18)	10.33	.40[4,8]	–[9]	.03[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Bond Fund												
Class 1:												
6/30/16[2,3]	$10.70	$ .10	$ .50	$ .60	$ (.06)	$ (.04)	$ (.10)	$11.20	5.64%[4]	$ 6,391	.38%[5]	1.84%[5]
12/31/15	11.08	.22	(.17)	.05	(.21)	(.22)	(.43)	10.70	.45	5,731	.38	1.95
12/31/14	10.73	.23	.37	.60	(.25)	–[12]	(.25)	11.08	5.59	4,977	.39	2.03
12/31/13	11.29	.22	(.43)	(.21)	(.23)	(.12)	(.35)	10.73	(1.89)	4,506	.39	2.01
12/31/12	10.99	.25	.36	.61	(.31)	–	(.31)	11.29	5.58	3,917	.39	2.23
12/31/11	10.67	.32	.36	.68	(.36)	–	(.36)	10.99	6.41	4,354	.38	2.89
Class 2:												
6/30/16[2,3]	10.58	.09	.49	.58	(.06)	(.04)	(.10)	11.06	5.46[4]	4,145	.63[5]	1.59[5]
12/31/15	10.95	.18	(.15)	.03	(.18)	(.22)	(.40)	10.58	.28	4,135	.63	1.69
12/31/14	10.61	.20	.36	.56	(.22)	–[12]	(.22)	10.95	5.28	4,565	.64	1.79
12/31/13	11.17	.19	(.43)	(.24)	(.20)	(.12)	(.32)	10.61	(2.16)	4,763	.64	1.76
12/31/12	10.87	.22	.36	.58	(.28)	–	(.28)	11.17	5.37	5,044	.64	1.97
12/31/11	10.56	.29	.35	.64	(.33)	–	(.33)	10.87	6.10	4,984	.63	2.64
Class 4:												
6/30/16[2,3]	10.61	.07	.50	.57	(.06)	(.04)	(.10)	11.08	5.34[4]	87	.88[5]	1.34[5]
12/31/15	11.01	.16	(.16)	–	(.18)	(.22)	(.40)	10.61	(.08)	59	.88	1.47
12/31/14	10.69	.16	.39	.55	(.23)	–[12]	(.23)	11.01	5.15	29	.89	1.43
12/31/13	11.29	.17	(.43)	(.26)	(.22)	(.12)	(.34)	10.69	(2.34)	3	.89	1.58
12/31/12[3,7]	11.55	.01	(.02)	(.01)	(.25)	–	(.25)	11.29	(.04)[4,8]	–[9]	.02[4,8]	.10[4,8]
Global Bond Fund												
Class 1:												
6/30/16[2,3]	$11.01	$ .13	$ .75	$ .88	$ –	$ (.02)	$ (.02)	$11.87	8.01%[4]	$ 1,161	.57%[5]	2.24%[5]
12/31/15	11.77	.27	(.71)	(.44)	(.01)	(.31)	(.32)	11.01	(3.75)	1,032	.57	2.34
12/31/14	11.88	.29	(.08)	.21	(.21)	(.11)	(.32)	11.77	1.71	1,194	.57	2.35
12/31/13	12.32	.28	(.58)	(.30)	–	(.14)	(.14)	11.88	(2.40)	1,093	.56	2.37
12/31/12	11.96	.28	.48	.76	(.29)	(.11)	(.40)	12.32	6.43	959	.56	2.29
12/31/11	11.82	.36	.22	.58	(.37)	(.07)	(.44)	11.96	4.86	619	.56	2.97
Class 2:												
6/30/16[2,3]	10.93	.11	.76	.87	–	(.02)	(.02)	11.78	7.97[4]	1,202	.82[5]	1.99[5]
12/31/15	11.72	.24	(.71)	(.47)	(.01)	(.31)	(.32)	10.93	(4.07)	1,208	.82	2.09
12/31/14	11.81	.26	(.09)	.17	(.15)	(.11)	(.26)	11.72	1.39	1,386	.82	2.11
12/31/13	12.27	.25	(.57)	(.32)	–	(.14)	(.14)	11.81	(2.58)	1,496	.81	2.11
12/31/12	11.91	.25	.48	.73	(.26)	(.11)	(.37)	12.27	6.19	1,664	.81	2.06
12/31/11	11.78	.33	.21	.54	(.34)	(.07)	(.41)	11.91	4.54	1,639	.81	2.75
Class 4:												
6/30/16[2,3]	10.89	.10	.75	.85	–	(.02)	(.02)	11.72	7.82[4]	11	1.07[5]	1.75[5]
12/31/15	11.70	.21	(.71)	(.50)	–[12]	(.31)	(.31)	10.89	(4.27)	6	1.07	1.86
12/31/14	11.87	.20	(.05)	.15	(.21)	(.11)	(.32)	11.70	1.16	4	1.09	1.66
12/31/13	12.31	.27	(.57)	(.30)	–	(.14)	(.14)	11.87	(2.41)	–[9]	.79	2.25
12/31/12[3,7]	12.53	.01	(.04)	(.03)	(.19)	–	(.19)	12.31	(.28)[4,8]	–[9]	.02[4,8]	.11[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
High-Income Bond Fund												
Class 1:												
6/30/16[2,3]	$ 9.19	$ .30	$ .52	$ .82	$ (.12)	$ –	$ (.12)	$ 9.89	8.90%[4]	$ 945	.49%[5]	6.46%[5]
12/31/15	10.54	.64	(1.36)	(.72)	(.63)	–	(.63)	9.19	(6.94)	1,017	.48	6.12
12/31/14	11.13	.67	(.59)	.08	(.67)	–	(.67)	10.54	.80	1,017	.48	5.90
12/31/13	11.16	.75	.01	.76	(.79)	–	(.79)	11.13	6.89	856	.48	6.54
12/31/12	10.54	.81	.64	1.45	(.83)	–	(.83)	11.16	13.90	894	.48	7.25
12/31/11	11.20	.88	(.64)	.24	(.90)	–	(.90)	10.54	2.18	787	.47	7.70
Class 2:												
6/30/16[2,3]	9.06	.29	.50	.79	(.11)	–	(.11)	9.74	8.77[4]	783	.74[5]	6.20[5]
12/31/15	10.41	.60	(1.35)	(.75)	(.60)	–	(.60)	9.06	(7.30)	765	.73	5.85
12/31/14	10.99	.63	(.57)	.06	(.64)	–	(.64)	10.41	.63	929	.73	5.67
12/31/13	11.03	.71	.01	.72	(.76)	–	(.76)	10.99	6.60	1,061	.73	6.29
12/31/12	10.42	.78	.63	1.41	(.80)	–	(.80)	11.03	13.70	1,135	.73	7.00
12/31/11	11.08	.84	(.63)	.21	(.87)	–	(.87)	10.42	1.92	1,064	.72	7.44
Class 3:												
6/30/16[2,3]	9.22	.30	.51	.81	(.11)	–	(.11)	9.92	8.84[4]	12	.67[5]	6.27[5]
12/31/15	10.57	.62	(1.37)	(.75)	(.60)	–	(.60)	9.22	(7.13)	12	.66	5.91
12/31/14	11.16	.65	(.59)	.06	(.65)	–	(.65)	10.57	.59	16	.66	5.74
12/31/13	11.18	.73	.02	.75	(.77)	–	(.77)	11.16	6.77	19	.66	6.36
12/31/12	10.56	.80	.63	1.43	(.81)	–	(.81)	11.18	13.67	21	.66	7.07
12/31/11	11.22	.86	(.64)	.22	(.88)	–	(.88)	10.56	1.97	21	.65	7.51
Class 4:												
6/30/16[2,3]	9.73	.30	.54	.84	(.12)	–	(.12)	10.45	8.61[4]	11	.99[5]	5.87[5]
12/31/15	11.05	.62	(1.43)	(.81)	(.51)	–	(.51)	9.73	(7.42)	1	.98	5.51
12/31/14	11.12	.63	(.59)	.04	(.11)	–	(.11)	11.05	.35	–[9]	.98	5.49
12/31/13	11.16	.67	.08	.75	(.79)	–	(.79)	11.12	6.81	–[9]	.93	5.82
12/31/12[3,7]	11.80	.04	–[12]	.04	(.68)	–	(.68)	11.16	.34[4,8]	–[9]	.02[4,8]	.35[4,8]
Mortgage Fund												
Class 1:												
6/30/16[2,3]	$10.61	$ .07	$ .24	$ .31	$ (.03)	$ (.11)	$ (.14)	$10.78	2.90%[4]	$ 277	.44%[5]	1.38%[5]
12/31/15	10.70	.10	.13	.23	(.18)	(.14)	(.32)	10.61	2.09	272	.45	.89
12/31/14	10.23	.12	.45	.57	(.10)	–	(.10)	10.70	5.54	292	.45	1.12
12/31/13	10.47	.04	(.18)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)	198	.44	.35
12/31/12	10.37	.01	.25	.26	(.06)	(.10)	(.16)	10.47	2.57	87	.45	.08
12/31/11[3,11]	10.00	–[12]	.48	.48	(.01)	(.10)	(.11)	10.37	4.78	55	.42[5]	.04[5]
Class 2:												
6/30/16[2,3]	10.59	.06	.23	.29	(.02)	(.11)	(.13)	10.75	2.77[4]	64	.69[5]	1.13[5]
12/31/15	10.68	.07	.13	.20	(.15)	(.14)	(.29)	10.59	1.86	59	.70	.65
12/31/14	10.22	.10	.44	.54	(.08)	–	(.08)	10.68	5.23	52	.70	.91
12/31/13	10.46	–[12]	(.17)	(.17)	(.05)	(.02)	(.07)	10.22	(1.68)	49	.69	(.02)
12/31/12	10.36	(.02)	.26	.24	(.04)	(.10)	(.14)	10.46	2.38	49	.70	(.16)
12/31/11[3,11]	10.00	(.02)	.48	.46	–[12]	(.10)	(.10)	10.36	4.60	22	.67[5]	(.25)[5]
Class 4:												
6/30/16[2,3]	10.52	.04	.24	.28	(.02)	(.11)	(.13)	10.67	2.65[4]	11	.94[5]	.83[5]
12/31/15	10.65	.04	.14	.18	(.17)	(.14)	(.31)	10.52	1.62	11	.97	.37
12/31/14	10.23	.05	.46	.51	(.09)	–	(.09)	10.65	4.98	1	.94	.47
12/31/13	10.47	.02	(.16)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)[8]	–[9]	.38[8]	.23[8]
12/31/12[3,7]	10.60	–[12]	.01	.01	(.06)	(.08)	(.14)	10.47	.09[4,8]	–[9]	.02[4,8]	.04[4,8]

Period ended	Net asset value, beginning of period	Loss from investment operations[1]			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations					
Ultra-Short Bond Fund									
Class 1:									
6/30/16[2,3,13]	$11.26	$ –[12]	$ –[12]	$ –[12]	$11.26	.00%[4]	$ 38	.35%[5]	.06%[5]
12/31/15	11.28	(.03)	.01	(.02)	11.26	(.18)	39	.34	(.24)
12/31/14	11.31	(.03)	–	(.03)	11.28	(.27)	49	.34	(.26)
12/31/13	11.34	(.03)	–[12]	(.03)	11.31	(.27)	57	.34	(.24)
12/31/12	11.36	(.03)	.01	(.02)	11.34	(.18)	66	.34	(.22)
12/31/11	11.39	(.02)	(.01)	(.03)	11.36	(.26)	75	.33	(.21)
Class 2:									
6/30/16[2,3,13]	11.01	(.01)	–[12]	(.01)	11.00	(.09)[4]	308	.60[5]	(.19)[5]
12/31/15	11.06	(.05)	–[12]	(.05)	11.01	(.45)	302	.59	(.49)
12/31/14	11.12	(.06)	–	(.06)	11.06	(.54)	331	.59	(.51)
12/31/13	11.17	(.05)	–[12]	(.05)	11.12	(.45)	395	.59	(.49)
12/31/12	11.22	(.05)	–[12]	(.05)	11.17	(.45)	459	.59	(.47)
12/31/11	11.28	(.05)	(.01)	(.06)	11.22	(.53)	530	.58	(.47)
Class 3:									
6/30/16[2,3,13]	11.11	(.01)	.01	–	11.11	.00[4]	5	.53[5]	(.13)[5]
12/31/15	11.16	(.05)	–[12]	(.05)	11.11	(.45)	6	.52	(.42)
12/31/14	11.21	(.05)	–	(.05)	11.16	(.45)	8	.52	(.44)
12/31/13	11.26	(.05)	–[12]	(.05)	11.21	(.44)	8	.52	(.42)
12/31/12	11.30	(.05)	.01	(.04)	11.26	(.35)	11	.52	(.40)
12/31/11	11.34	(.04)	–[12]	(.04)	11.30	(.35)	12	.51	(.40)
Class 4:									
6/30/16[2,3,13]	11.17	(.03)	–[12]	(.03)	11.14	(.27)[4]	11	.85[5]	(.45)[5]
12/31/15	11.25	(.08)	–[12]	(.08)	11.17	(.71)	16	.85	(.74)
12/31/14	11.30	(.09)	.04	(.05)	11.25	(.44)	7	.84	(.77)
12/31/13	11.34	(.04)	–[12]	(.04)	11.30	(.35)[8]	–[9]	.37[8]	(.32)[8]
12/31/12[3,7]	11.34	–[12]	–[12]	–[12]	11.34	.00[4,8]	–[9]	.02[4,8]	(.01)[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
U.S. Government/AAA-Rated Securities Fund												
Class 1:												
6/30/16[2,3]	$12.31	$.08	$ .43	$ .51	$(.04)	$(.25)	$(.29)	$12.53	4.03%[4]	$1,462	.35%[5]	1.21%[5]
12/31/15	12.40	.13	.09	.22	(.21)	(.10)	(.31)	12.31	1.93	1,426	.35	1.02
12/31/14	11.94	.15	.48	.63	(.17)	–	(.17)	12.40	5.24	1,723	.35	1.24
12/31/13	12.75	.08	(.44)	(.36)	(.11)	(.34)	(.45)	11.94	(2.87)	1,584	.35	.67
12/31/12	13.00	.10	.18	.28	(.16)	(.37)	(.53)	12.75	2.22	1,809	.34	.75
12/31/11	12.59	.23	.74	.97	(.26)	(.30)	(.56)	13.00	7.85	1,785	.34	1.83
Class 2:												
6/30/16[2,3]	12.20	.06	.42	.48	(.03)	(.25)	(.28)	12.40	3.94[4]	1,581	.60[5]	.95[5]
12/31/15	12.29	.10	.09	.19	(.18)	(.10)	(.28)	12.20	1.59	1,579	.60	.79
12/31/14	11.83	.12	.47	.59	(.13)	–	(.13)	12.29	5.01	1,717	.60	1.00
12/31/13	12.63	.05	(.43)	(.38)	(.08)	(.34)	(.42)	11.83	(3.08)	1,801	.60	.42
12/31/12	12.89	.06	.18	.24	(.13)	(.37)	(.50)	12.63	1.91	1,995	.59	.50
12/31/11	12.49	.20	.73	.93	(.23)	(.30)	(.53)	12.89	7.58	2,002	.59	1.59
Class 3:												
6/30/16[2,3]	12.34	.06	.43	.49	(.03)	(.25)	(.28)	12.55	3.99[4]	11	.53[5]	1.01[5]
12/31/15	12.43	.11	.09	.20	(.19)	(.10)	(.29)	12.34	1.64	11	.53	.85
12/31/14	11.96	.13	.48	.61	(.14)	–	(.14)	12.43	5.11	13	.53	1.08
12/31/13	12.76	.06	(.43)	(.37)	(.09)	(.34)	(.43)	11.96	(3.00)	14	.53	.47
12/31/12	13.01	.07	.19	.26	(.14)	(.37)	(.51)	12.76	2.02	20	.52	.58
12/31/11	12.61	.21	.73	.94	(.24)	(.30)	(.54)	13.01	7.56	24	.52	1.65
Class 4:												
6/30/16[2,3]	12.22	.04	.44	.48	(.03)	(.25)	(.28)	12.42	3.91[4]	68	.85[5]	.72[5]
12/31/15	12.34	.07	.08	.15	(.17)	(.10)	(.27)	12.22	1.29	46	.85	.56
12/31/14	11.93	.06	.51	.57	(.16)	–	(.16)	12.34	4.76	21	.85	.50
12/31/13	12.75	.08	(.44)	(.36)	(.12)	(.34)	(.46)	11.93	(2.95)	–[9]	.84	.68
12/31/12[3,7]	12.88	.01	(.01)	–	(.13)	–	(.13)	12.75	(.01)[4,8]	–[9]	.02[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before waivers/ reimbursements	Ratio of expenses to average net assets after waivers/ reimbursements[14]	Net effective expense ratio[14,15]	Ratio of net income (loss) to average net assets[14]
Managed Risk Growth Fund														
Class P1:														
6/30/16[2,3]	$11.49	$ .01	$ (.31)	$ (.30)	$(.05)	$(1.01)	$(1.06)	$10.13	(2.68)%[4,8]	$ 1	.49%[5,8]	.33%[5,8]	.67%[5,8]	.18%[5,8]
12/31/15	11.37	.09	.03	.12	–	–	–	11.49	1.06[8]	–[9]	.53[8]	.29[8]	.63[8]	.80[8]
12/31/14	11.43	.31	(.06)	.25	(.12)	(.19)	(.31)	11.37	2.18[8]	–[9]	.50[8]	.32[8]	.65[8]	2.71[8]
12/31/13[3,16]	10.00	.12	1.38	1.50	(.07)	–	(.07)	11.43	15.05[4,8]	–[9]	.88[5,8]	.25[5,8]	.58[5,8]	1.64[5,8]
Class P2:														
6/30/16[2,3]	11.43	(.01)	(.31)	(.32)	(.02)	(1.01)	(1.03)	10.08	(2.88)[4]	168	.79[5]	.63[5]	.97[5]	(.16)[5]
12/31/15	11.35	.04	.04	.08	–	–	–	11.43	.71	146	.89	.66	1.00	.31
12/31/14	11.43	.12	.08	.20	(.09)	(.19)	(.28)	11.35	1.77	79	.87	.69	1.02	1.01
12/31/13[3,16]	10.00	.12	1.37	1.49	(.06)	–	(.06)	11.43	14.94[4,8]	28	1.05[5,8]	.52[5,8]	.85[5,8]	1.69[5,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before waivers/ reimbursements	Ratio of expenses to average net assets after waivers/ reimbursements[14]	Net effective expense ratio[14,15]	Ratio of net income (loss) to average net assets[14]
Managed Risk International Fund														
Class P1:														
6/30/16[2,3]	$ 9.48	$ –[12]	$ (.32)	$ (.32)	$(.12)	$(.22)	$(.34)	$ 8.82	(3.36)%[4,8]	$ –[9]	.40%[5,8]	.24%[5,8]	.75%[5,8]	.06%[5,8]
12/31/15	10.10	.18	(.80)	(.62)	–[12]	–	–[12]	9.48	(6.12)[8]	–[9]	.45[8]	.21[8]	.72[8]	1.75[8]
12/31/14	10.82	.14	(.71)	(.57)	(.15)	–	(.15)	10.10	(5.31)[8]	–[9]	.50[8]	.25[8]	.76[8]	1.33[8]
12/31/13[3,16]	10.00	.13	.78	.91	(.09)	–	(.09)	10.82	9.08[4,8]	–[9]	1.05[5,8]	.23[5,8]	.73[5,8]	1.92[5,8]
Class P2:														
6/30/16[2,3]	9.43	(.01)	(.34)	(.35)	(.09)	(.22)	(.31)	8.77	(3.71)[4]	90	.79[5]	.63[5]	1.14[5]	(.27)[5]
12/31/15	10.09	.13	(.79)	(.66)	–[12]	–	–[12]	9.43	(6.52)	83	.90	.66	1.17	1.30
12/31/14	10.82	.16	(.77)	(.61)	(.12)	–	(.12)	10.09	(5.68)	46	.91	.67	1.18	1.51
12/31/13[3,16]	10.00	.18	.72	.90	(.08)	–	(.08)	10.82	8.99[4,8]	17	1.19[5,8]	.44[5,8]	.94[5,8]	2.66[5,8]
Managed Risk Blue Chip Income and Growth Fund														
Class P1:														
6/30/16[2,3]	$10.80	$ .03	$ .70	$ .73	$(.15)	$(.37)	$(.52)	$11.01	6.74%[4,8]	$ –[9]	.42%[5,8]	.26%[5,8]	.67%[5,8]	.53%[5,8]
12/31/15	11.70	.19	(1.02)	(.83)	(.07)	–	(.07)	10.80	(7.07)[8]	–[9]	.50[8]	.27[8]	.66[8]	1.64[8]
12/31/14	11.05	.40	.55	.95	(.30)	–	(.30)	11.70	8.58[8]	–[9]	.50[8]	.31[8]	.70[8]	3.43[8]
12/31/13[3,16]	10.00	.20	1.01	1.21	(.16)	–	(.16)	11.05	12.16[4,8]	–[9]	.84[5,8]	.24[5,8]	.64[5,8]	2.80[5,8]
Class P2:														
6/30/16[2,3]	10.76	.01	.69	.70	(.14)	(.37)	(.51)	10.95	6.52[4]	189	.79[5]	.63[5]	1.04[5]	.23[5]
12/31/15	11.67	.18	(1.05)	(.87)	(.04)	–	(.04)	10.76	(7.43)	137	.89	.66	1.05	1.57
12/31/14	11.05	.50	.40	.90	(.28)	–	(.28)	11.67	8.10	98	.88	.69	1.08	4.27
12/31/13[3,16]	10.00	.28	.92	1.20	(.15)	–	(.15)	11.05	12.05[4,8]	26	1.04[5,8]	.54[5,8]	.94[5,8]	3.91[5,8]
Managed Risk Growth-Income Fund														
Class P1:														
6/30/16[2,3]	$11.25	$ .02	$ .01	$ .03	$(.12)	$(.70)	$(.82)	$10.46	.20%[4,8]	$ 1	.51%[5,8]	.35%[5,8]	.64%[5,8]	.31%[5,8]
12/31/15	11.67	.25	(.63)	(.38)	(.04)	–	(.04)	11.25	(3.27)[8]	1	.56[8]	.31[8]	.59[8]	2.17[8]
12/31/14	11.50	.35	.21	.56	(.14)	(.25)	(.39)	11.67	4.85[8]	–[9]	.45[8]	.25[8]	.52[8]	2.94[8]
12/31/13[3,16]	10.00	.14	1.47	1.61	(.11)	–	(.11)	11.50	16.15[4,8]	–[9]	.92[5,8]	.23[5,8]	.50[5,8]	2.01[5,8]
Class P2:														
6/30/16[2,3]	11.22	–[12]	–[12]	–[12]	(.11)	(.70)	(.81)	10.41	(.03)[4]	135	.79[5]	.63[5]	.92[5]	–[5,17]
12/31/15	11.65	.12	(.54)	(.42)	(.01)	–	(.01)	11.22	(3.64)	122	.89	.66	.94	1.04
12/31/14	11.50	.16	.35	.51	(.11)	(.25)	(.36)	11.65	4.42	76	.87	.69	.96	1.38
12/31/13[3,16]	10.00	.20	1.40	1.60	(.10)	–	(.10)	11.50	16.04[4,8]	24	1.09[5,8]	.50[5,8]	.77[5,8]	2.73[5,8]
Managed Risk Asset Allocation Fund														
Class P1:														
6/30/16[2,3]	$11.72	$ .02	$ .36	$ .38	$(.14)	$(.37)	$(.51)	$11.59	3.27%[4]	$ 973	.43%[5]	.38%[5]	.68%[5]	.31%[5]
12/31/15	12.29	.25	(.34)	(.09)	(.22)	(.26)	(.48)	11.72	(.83)	712	.54	.40	.68	2.06
12/31/14	11.93	.13	.26	.39	(.03)	–	(.03)	12.29	3.24	277	.53	.48	.76	1.04
12/31/13	9.99	.27	1.81	2.08	(.14)	–	(.14)	11.93	20.82[8]	112	.55[8]	.47[8]	.75[8]	2.37[8]
12/31/12[3,18]	10.00	.15	(.03)	.12	(.13)	–	(.13)	9.99	1.24[4,8]	–[9]	.15[5,8]	.07[5,8]	.37[5,8]	1.72[5,8]
Class P2:														
6/30/16[2,3]	11.71	–[12]	.36	.36	(.13)	(.37)	(.50)	11.57	3.14[4]	2,103	.68[5]	.63[5]	.93[5]	–[5,17]
12/31/15	12.27	.14	(.26)	(.12)	(.18)	(.26)	(.44)	11.71	(1.07)	1,953	.79	.66	.94	1.16
12/31/14	11.93	.16	.19	.35	(.01)	–	(.01)	12.27	2.91	1,780	.79	.73	1.01	1.33
12/31/13	9.99	.28	1.77	2.05	(.11)	–	(.11)	11.93	20.58[8]	795	.80[8]	.73[8]	1.01[8]	2.43[8]
12/31/12[3,18]	10.00	.17	(.05)	.12	(.13)	–	(.13)	9.99	1.21[4,8]	–[9]	.24[5,8]	.11[5,8]	.41[5,8]	2.38[5,8]

See end of tables for footnotes.

Financial highlights (continued)

Portfolio turnover rate for all share classes including mortgage dollar roll transactions[19]	Six months ended June 30, 2016[2,3,4]	Period ended December 31				
		2015	2014	2013	2012	2011
Global Growth Fund	13%	29%	22%	39%	22%	28%
Global Small Capitalization Fund	22	36	28	36	40	44
Growth Fund	16	20	29	19	21	19
International Fund	16	37	18	21	29	24
New World Fund	14	39	36	43	32	22
Blue Chip Income and Growth Fund	12	26	37	30	36	27
Global Growth and Income Fund	34	37	28	31	30	25
Growth-Income Fund	16	25	25	19	25	22
International Growth and Income Fund	14	35	34	34	31	48
Capital Income Builder Fund	24	128	35[4,10]			
Asset Allocation Fund	53	76	88	74	61	43
Global Balanced Fund	33	76	73	81	80	34[4,11]
Bond Fund	226	434	365	354	253	163
Global Bond Fund	91	159	200	213	160	101
High-Income Bond Fund	53	66	54	64	48	51
Mortgage Fund	490	1103	790	715	444	480[4,11]
Ultra-Short Bond Fund	–[13]	–	–	–	–	–
U.S. Government/AAA-Rated Securities Fund	313	901	387	621	447	234
Managed Risk Growth Fund	9	16	22	10[4,16]		
Managed Risk International Fund	15	15	22	6[4,16]		
Managed Risk Blue Chip Income and Growth Fund	7	20	22	3[4,16]		
Managed Risk Growth-Income Fund	9	11	28	2[4,16]		
Managed Risk Asset Allocation Fund	–[20]	3	3	3	–[4,18,20]	

Portfolio turnover rate for all share classes excluding mortgage dollar roll transactions[19]	Six months ended June 30, 2016[2,3,4]	Period ended December 31				
		2015	2014	2013	2012	2011
Capital Income Builder	17%	38%	24%[4,10]	Not available		
Asset Allocation Fund	29	28	42			
Global Balanced Fund	19	36	40			
Bond Fund	72	141	121			
Global Bond Fund	41	88	134			
Mortgage Fund	58	138	108			
U.S. Government/AAA-Rated Securities Fund	144	352	88			

[1]Based on average shares outstanding.
[2]Unaudited.
[3]Based on operations for the period shown and, accordingly, is not representative of a full year.
[4]Not annualized.
[5]Annualized.
[6]The year ended December 31, 2014, reflects the impact of a corporate action event that resulted in a one-time increase to net investment income. If the corporate action event had not occurred, the net investment income per share and ratio of net income to average net assets would have been lower for all share classes.
[7]Class 4 shares were offered beginning December 14, 2012.
[8]All or a significant portion of assets in this class consisted of seed capital invested by CRMC and/or its affiliates. Certain fees (including, where applicable, fees for distribution services) are not charged or accrued on these seed capital assets. If such fees were paid by the fund on seed capital assets, fund expenses would have been higher and net income and total return would have been lower.
[9]Amount less than $1 million.
[10]For the period May 1, 2014, commencement of operations, through December 31, 2014.
[11]For the period May 2, 2011, commencement of operations, through December 31, 2011.
[12]Amount less than $.01.
[13]On May 1, 2016, the fund converted from a cash fund to an ultra-short-term bond fund and changed its name from Cash Management Fund to Ultra-Short Bond Fund.
[14]This column reflects the impact of certain waivers/reimbursements by CRMC. CRMC waived a portion of investment advisory services and reimbursed certain expenses for the managed risk funds.
[15]Ratio reflects weighted average net expense ratio of the underlying fund for the period presented. See Expense Example for further information regarding fees and expenses.
[16]For the period May 1, 2013, commencement of operations, through December 31, 2013.
[17]Amount less than .01%.
[18]For the period September 28, 2012, commencement of operations, through December 31, 2012.
[19]Refer to Note 5 for further information on mortgage dollar rolls.
[20]Amount less than 1%.

See Notes to Financial Statements

Expense example

unaudited

The funds in American Funds Insurance Series serve as the underlying investment vehicle for various insurance products. As an owner of an insurance contract that invests in one of the funds in the series, you incur two types of costs: (1) transaction costs, such as initial sales charges on purchase payments and contingent deferred sales charges on redemptions (loads), and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other expenses. Additional fees are charged by the insurance companies related to the various benefits they provide. This example is intended to help you understand your ongoing costs (in dollars) of investing in the underlying funds so you can compare these costs with the ongoing costs of investing in other mutual funds that serve a similar function in other annuity products. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire six-month period (January 1, 2016, through June 30, 2016).

Actual expenses:

The first line of each share class in the tables on the following pages 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 of each share class in the tables on the following pages provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio for the share class and an assumed rate of return of 5.00% per year before expenses, which is not the actual return of the share class. 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 5.00% hypothetical example with the 5.00% hypothetical examples that appear in the shareholder reports of the other funds.

Notes:

Additional fees are charged by the insurance companies related to the various benefits they provide. You can estimate the impact of these fees by adding the amount of the fees to the total estimated expenses you paid on your account during the period as calculated above. In addition, your ending account value would be lower by the amount of these fees.

Note that the expenses shown in the tables on the following pages are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second line of each share class in the tables is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Global Growth Fund				
Class 1 – actual return	$1,000.00	$ 966.87	$2.74	.56%
Class 1 – assumed 5% return	1,000.00	1,022.08	2.82	.56
Class 2 – actual return	1,000.00	965.79	3.96	.81
Class 2 – assumed 5% return	1,000.00	1,020.84	4.07	.81
Class 4 – actual return	1,000.00	964.57	5.18	1.06
Class 4 – assumed 5% return	1,000.00	1,019.59	5.32	1.06
Global Small Capitalization Fund				
Class 1 – actual return	$1,000.00	$ 961.51	$3.61	.74%
Class 1 – assumed 5% return	1,000.00	1,021.18	3.72	.74
Class 2 – actual return	1,000.00	960.10	4.82	.99
Class 2 – assumed 5% return	1,000.00	1,019.94	4.97	.99
Class 4 – actual return	1,000.00	959.20	6.04	1.24
Class 4 – assumed 5% return	1,000.00	1,018.70	6.22	1.24
Growth Fund				
Class 1 – actual return	$1,000.00	$1,010.84	$1.75	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	1,009.49	3.00	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,009.77	2.65	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	1,008.29	4.24	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85
International Fund				
Class 1 – actual return	$1,000.00	$ 989.25	$2.67	.54%
Class 1 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 2 – actual return	1,000.00	988.22	3.91	.79
Class 2 – assumed 5% return	1,000.00	1,020.93	3.97	.79
Class 3 – actual return	1,000.00	988.33	3.56	.72
Class 3 – assumed 5% return	1,000.00	1,021.28	3.62	.72
Class 4 – actual return	1,000.00	986.70	5.14	1.04
Class 4 – assumed 5% return	1,000.00	1,019.69	5.22	1.04
New World Fund				
Class 1 – actual return	$1,000.00	$1,023.83	$3.92	.78%
Class 1 – assumed 5% return	1,000.00	1,020.98	3.92	.78
Class 2 – actual return	1,000.00	1,022.46	5.18	1.03
Class 2 – assumed 5% return	1,000.00	1,019.74	5.17	1.03
Class 4 – actual return	1,000.00	1,021.20	6.48	1.29
Class 4 – assumed 5% return	1,000.00	1,018.45	6.47	1.29
Blue Chip Income and Growth Fund				
Class 1 – actual return	$1,000.00	$1,100.05	$2.19	.42%
Class 1 – assumed 5% return	1,000.00	1,022.77	2.11	.42
Class 2 – actual return	1,000.00	1,098.86	3.50	.67
Class 2 – assumed 5% return	1,000.00	1,021.53	3.37	.67
Class 4 – actual return	1,000.00	1,097.98	4.80	.92
Class 4 – assumed 5% return	1,000.00	1,020.29	4.62	.92

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Global Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,018.69	$3.16	.63%
Class 1 – assumed 5% return	1,000.00	1,021.73	3.17	.63
Class 2 – actual return	1,000.00	1,017.41	4.41	.88
Class 2 – assumed 5% return	1,000.00	1,020.49	4.42	.88
Class 4 – actual return	1,000.00	1,015.96	5.66	1.13
Class 4 – assumed 5% return	1,000.00	1,019.24	5.67	1.13
Growth-Income Fund				
Class 1 – actual return	$1,000.00	$1,032.31	$1.47	.29%
Class 1 – assumed 5% return	1,000.00	1,023.42	1.46	.29
Class 2 – actual return	1,000.00	1,031.22	2.73	.54
Class 2 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 3 – actual return	1,000.00	1,031.51	2.37	.47
Class 3 – assumed 5% return	1,000.00	1,022.53	2.36	.47
Class 4 – actual return	1,000.00	1,029.90	3.99	.79
Class 4 – assumed 5% return	1,000.00	1,020.93	3.97	.79
International Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,011.95	$3.40	.68%
Class 1 – assumed 5% return	1,000.00	1,021.48	3.42	.68
Class 2 – actual return	1,000.00	1,010.80	4.65	.93
Class 2 – assumed 5% return	1,000.00	1,020.24	4.67	.93
Class 4 – actual return	1,000.00	1,009.81	5.90	1.18
Class 4 – assumed 5% return	1,000.00	1,019.00	5.92	1.18
Capital Income Builder				
Class 1 – actual return	$1,000.00	$1,054.69	$2.76	.54%
Class 1 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 2 – actual return	1,000.00	1,054.68	2.55	.50
Class 2 – assumed 5% return	1,000.00	1,022.38	2.51	.50
Class 4 – actual return	1,000.00	1,052.38	5.31	1.04
Class 4 – assumed 5% return	1,000.00	1,019.69	5.22	1.04
Asset Allocation Fund				
Class 1 – actual return	$1,000.00	$1,047.35	$1.53	.30%
Class 1 – assumed 5% return	1,000.00	1,023.37	1.51	.30
Class 2 – actual return	1,000.00	1,045.83	2.80	.55
Class 2 – assumed 5% return	1,000.00	1,022.13	2.77	.55
Class 3 – actual return	1,000.00	1,045.98	2.44	.48
Class 3 – assumed 5% return	1,000.00	1,022.48	2.41	.48
Class 4 – actual return	1,000.00	1,044.55	4.07	.80
Class 4 – assumed 5% return	1,000.00	1,020.89	4.02	.80
Global Balanced Fund				
Class 1 – actual return	$1,000.00	$1,035.38	$3.54	.70%
Class 1 – assumed 5% return	1,000.00	1,021.38	3.52	.70
Class 2 – actual return	1,000.00	1,034.52	4.81	.95
Class 2 – assumed 5% return	1,000.00	1,020.14	4.77	.95
Class 4 – actual return	1,000.00	1,032.74	6.06	1.20
Class 4 – assumed 5% return	1,000.00	1,018.90	6.02	1.20

See end of tables for footnotes.

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Bond Fund				
Class 1 – actual return	$1,000.00	$1,056.35	$1.94	.38%
Class 1 – assumed 5% return	1,000.00	1,022.97	1.91	.38
Class 2 – actual return	1,000.00	1,054.63	3.22	.63
Class 2 – assumed 5% return	1,000.00	1,021.73	3.17	.63
Class 4 – actual return	1,000.00	1,053.43	4.49	.88
Class 4 – assumed 5% return	1,000.00	1,020.49	4.42	.88
Global Bond Fund				
Class 1 – actual return	$1,000.00	$1,080.05	$2.95	.57%
Class 1 – assumed 5% return	1,000.00	1,022.03	2.87	.57
Class 2 – actual return	1,000.00	1,079.71	4.24	.82
Class 2 – assumed 5% return	1,000.00	1,020.79	4.12	.82
Class 4 – actual return	1,000.00	1,078.17	5.53	1.07
Class 4 – assumed 5% return	1,000.00	1,019.54	5.37	1.07
High-Income Bond Fund				
Class 1 – actual return	$1,000.00	$1,089.05	$2.55	.49%
Class 1 – assumed 5% return	1,000.00	1,022.43	2.46	.49
Class 2 – actual return	1,000.00	1,087.66	3.84	.74
Class 2 – assumed 5% return	1,000.00	1,021.18	3.72	.74
Class 3 – actual return	1,000.00	1,088.42	3.48	.67
Class 3 – assumed 5% return	1,000.00	1,021.53	3.37	.67
Class 4 – actual return	1,000.00	1,086.06	5.13	.99
Class 4 – assumed 5% return	1,000.00	1,019.94	4.97	.99
Mortgage Fund				
Class 1 – actual return	$1,000.00	$1,029.00	$2.22	.44%
Class 1 – assumed 5% return	1,000.00	1,022.68	2.21	.44
Class 2 – actual return	1,000.00	1,027.74	3.48	.69
Class 2 – assumed 5% return	1,000.00	1,021.43	3.47	.69
Class 4 – actual return	1,000.00	1,026.49	4.74	.94
Class 4 – assumed 5% return	1,000.00	1,020.19	4.72	.94
Ultra-Short Bond Fund				
Class 1 – actual return	$1,000.00	$1,000.00	$1.74	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	999.10	2.98	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,000.00	2.64	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	997.32	4.22	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85
U.S. Government/AAA-Rated Securities Fund				
Class 1 – actual return	$1,000.00	$1,040.29	$1.78	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	1,039.36	3.04	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,039.89	2.69	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	1,039.13	4.31	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1,2]	Annualized expense ratio[2]	Effective expenses paid during period[3]	Effective annualized expense ratio[4]
Managed Risk Growth Fund						
Class P1 – actual return	$1,000.00	$ 973.18	$1.62	.33%	$3.29	.67%
Class P1 – assumed 5% return	1,000.00	1,023.22	1.66	.33	3.37	.67
Class P2 – actual return	1,000.00	971.21	3.09	.63	4.75	.97
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.87	.97
Managed Risk International Fund						
Class P1 – actual return	$1,000.00	$ 966.44	$1.17	.24%	$3.67	.75%
Class P1 – assumed 5% return	1,000.00	1,023.67	1.21	.24	3.77	.75
Class P2 – actual return	1,000.00	962.94	3.07	.63	5.56	1.14
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	5.72	1.14
Managed Risk Blue Chip Income and Growth Fund						
Class P1 – actual return	$1,000.00	$1,067.39	$1.34	.26%	$3.44	.67%
Class P1 – assumed 5% return	1,000.00	1,023.57	1.31	.26	3.37	.67
Class P2 – actual return	1,000.00	1,065.17	3.23	.63	5.34	1.04
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	5.22	1.04
Managed Risk Growth-Income Fund						
Class P1 – actual return	$1,000.00	$1,001.95	$1.74	.35%	$3.19	.64%
Class P1 – assumed 5% return	1,000.00	1,023.12	1.76	.35	3.22	.64
Class P2 – actual return	1,000.00	999.72	3.13	.63	4.57	.92
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.62	.92
Managed Risk Asset Allocation Fund						
Class P1 – actual return	$1,000.00	$1,032.67	$1.92	.38%	$3.44	.68%
Class P1 – assumed 5% return	1,000.00	1,022.97	1.91	.38	3.42	.68
Class P2 – actual return	1,000.00	1,031.38	3.18	.63	4.70	.93
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.67	.93

[1]The "expenses paid during period" are equal to the "annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 366 (to reflect the one-half year period).

[2]The "expenses paid during period" and "annualized expense ratio" do not include the expenses of the underlying funds in which each fund invests.

[3]The "effective expenses paid during period" are equal to the "effective annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 366 (to reflect the period).

[4]The "effective annualized expense ratio" reflects the net annualized expense ratio of the class plus the class's pro-rata share of the weighted average expense ratio of the underlying funds in which it invests.

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Chicago, IL 60606

Custodians of assets
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Bank of New York Mellon
(Managed Risk Funds only)
One Wall Street
New York, NY 10286

Counsel
Morgan, Lewis & Bockius LLP
300 South Grand Avenue, 22nd Floor
Los Angeles, CA 90071-3132

Independent registered public accounting firm
PricewaterhouseCoopers LLP
601 South Figueroa Street
Los Angeles, CA 90017-3874

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the series prospectuses and summary prospectuses, which can be obtained from your financial professional and should be read carefully before investing. You may also call American Funds Service Company (AFS) at (800) 421-4225 or visit the American Funds website at americanfunds.com.

"American Funds Proxy Voting Procedures and Principles" – which describes how we vote proxies relating to portfolio securities – is available on the American Funds website or upon request by calling AFS. The series files its proxy voting record with the U.S. Securities and Exchange Commission (SEC) for the 12 months ended June 30 by August 31. The proxy voting record is available free of charge on the SEC website at sec.gov and on the American Funds website.

Complete June 30, 2016, portfolios of American Funds Insurance Series investments are available free of charge by calling AFS or visiting the SEC website (where they are part of Form N-CSR).

American Funds Insurance Series files a complete list of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. This filing is available free of charge on the SEC website. You may also review or, for a fee, copy this filing at the SEC's Public Reference Room in Washington, D.C. Additional information regarding the operation of the Public Reference Room may be obtained by calling the SEC's Office of Investor Education and Advocacy at (800) SEC-0330. Additionally, the list of portfolio holdings is available by calling AFS.

This report is for the information of American Funds Insurance Series investors, but it also may be used as sales literature when preceded or accompanied by the current prospectuses or summary prospectuses for American Funds Insurance Series and the prospectus for the applicable insurance contract, which give details about charges, expenses, investment objectives and operating policies of the series. If used as sales material after September 30, 2016, this report must be accompanied by a statistical update for the most recently completed calendar quarter.

The American Funds Advantage℠

Since 1931, American Funds, part of Capital Group, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System℠ – has resulted in a superior long-term track record for American Funds Insurance Series®.

Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. American Funds Insurance Series (AFIS) portfolio managers average 26 years of investment experience, including 23 years at our company, reflecting a career commitment to our long-term approach.[1]

The Capital System℠

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

Superior long-term track record

Our AFIS equity funds have beaten their comparable Lipper indexes in 91% of 10-year periods and 100% of 20-year periods. Our AFIS fixed income funds have beaten comparable Lipper indexes in 55% of 10-year periods and 87% of 20-year periods.[2] We strive to keep management fees competitive. Over the past 20 years, most funds' fees have been below industry averages.[3]

[1] Portfolio manager experience as of November 2015.

[2]Based on Class 2 share results for rolling periods through December 31, 2015. Periods covered are the shorter of the fund's lifetime or since the inception date of the comparable Lipper index (except Global Small Capitalization Fund, for which the Lipper average was used). The comparable Lipper indexes are: Global Funds Index (Global Growth Fund), Growth Funds Index (Growth Fund), International Funds Index (International Fund), Emerging Markets Funds Index (New World Fund), Growth & Income Funds Index (Blue Chip Income and Growth Fund, Growth-Income Fund), Balanced Portfolio Funds Index (Asset Allocation Fund), Core Bond Funds Index (Bond Fund), High Yield Funds Index (High-Income Bond Fund) and General U.S. Government Funds Index (U.S. Government/ AAA-Rated Securities Fund).

[3]Based on management fees for the 20-year period ended December 31, 2015, versus comparable Lipper categories, excluding funds of funds.

Lit. No. INGESRX-998-0816P

AMERICAN FUNDS®

From Capital Group

American Funds Insurance Series®

Semi-annual report
for the six months ended
June 30, 2016

American Funds Insurance Series, from Capital Group, is the underlying investment vehicle for many variable annuities and insurance products. For 85 years, Capital has invested with a long-term focus based on thorough research and attention to risk. All the variable funds in American Funds Insurance Series may not be available in your product.

Investing for short periods makes losses more likely. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

Investing outside the United States may be subject to risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Investing in small-capitalization stocks can involve greater risk than is customarily associated with investing in stocks of larger, more established companies. The return of principal for bond funds and for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. High-yield bonds are subject to greater fluctuations in value and risk of loss of income and principal than investment-grade bonds. Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch as an indication of an issuer's creditworthiness. Futures contracts may not provide an effective hedge of the underlying securities because changes in the prices of futures contracts may not track those of the securities they are intended to hedge. In addition, the managed risk strategy may not effectively protect the funds from market declines and will limit the funds participation in market gains. The use of the managed risk strategy could cause the funds' returns to lag those of the applicable underlying funds in certain rising market conditions. Refer to the funds' prospectuses and the Risk Factors section of this report for more information on these and other risks associated with investing in the funds.

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Fellow investors:

Market returns were mixed for the six months ended June 30, 2016. U.S. and emerging markets stocks closed higher while many European markets fell. Slowing global growth, aggressive action on the part of central banks, the possibility of another interest rate hike in the U.S. and the decision by British voters to leave the European Union created uncertainty for investors.

Global equity market returns were tepid in aggregate, as the MSCI World Index rose 0.66%* for the period, but there were pockets of strength and weakness. Emerging markets registered some of the best results as the MSCI EM (Emerging Markets) Index climbed 6.41%. Brazil (+46.34%), Russia (+20.43%), Indonesia (+15.79%) and South Africa (+15.64%) were among the biggest gainers. A rebound in commodity prices, expectations for political reform and economic stimulus measures fueled returns.

The MSCI USA Index advanced 3.58%, helped in part by stronger job and housing numbers.

Sluggish growth, deflationary pressures and the potential impact of a "Brexit" dampened returns in a number of European markets. Overall, the MSCI Europe Index declined 5.13%, with Italy (–20.89%), Ireland (–13.61%) and Spain (–11.45%) suffering double-digit losses. Elsewhere among developed markets, Japan slipped 5.58%, hindered by a strengthening yen and the effects of negative interest rates on its banking system.

In bond markets, U.S. investment-grade and high-yield corporates advanced 7.68% and 9.06%, respectively, as investors sought higher yields than those offered by U.S. Treasuries. Barclays Global Aggregate Index, a measure of global investment-grade bonds (rated BBB/Baa and above), rose 8.96%, while the Barclays U.S. Aggregate Index (which measures U.S. investment-grade bonds) improved 5.31%. The 10-year Treasury yield, which stood at 2.27% on December 31, 2015, dropped to 1.49% as weak employment data and the Brexit referendum lowered expectations of a rate hike by the Federal Reserve. U.S. dollar–denominated emerging markets bonds, as measured by the J.P. Morgan EMBI (Emerging Markets Bond Index) Global, rose 10.90% as their higher yields were popular in a low-rate environment.

The U.S. dollar depreciated against most currencies. In developed markets, gains were led by the Japanese yen (+17.26%), Canadian dollar (+6.96%) and Singapore dollar (+5.41%). The Swiss franc and euro also improved, up 2.75% and 2.27%, respectively. The British pound, however, declined 9.30% against the greenback.

* Country returns are based on MSCI indexes, which reflect reinvestment of distributions and dividends net of withholding taxes, except for the MSCI USA Index, which reflects dividends gross of withholding taxes. All market indexes referenced in this report are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Among developing markets, the Brazilian real (+23.49%) and Russian ruble (+14.34%) finished strong, while the Mexican peso (–6.39%) and Chinese renminbi (–2.26%) fell. Currency returns are calculated by MSCI.

AFIS funds with exposure to U.S. equities and REITS fared well during the period. With the exception of Ultra-Short Bond Fund, which was hampered by low short-term interest rates, the series' bond funds all recorded positive returns. On May 1, 2016, the Cash Management Fund was converted to Ultra-Short Bond Fund in accordance with shareholder approval on December 4, 2015.

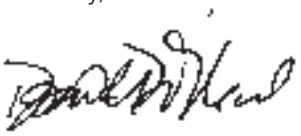
Looking ahead

The U.S. economy continues to show signs of slow improvement, even as many countries around the globe struggle with sluggish growth and low inflation. As the Fed adopts a more data-driven approach to rate hikes and central banks focus on lowering rates to inject liquidity into the global financial system, we could have a "lower-for-longer" rate environment. We will, of course, closely monitor the impact to security markets and currencies. We are also headed into the final innings of the U.S. presidential election cycle, and will be watching for changes in that arena. We may be in a low-return environment overall, but we will continue to actively seek securities that are particularly attractive due to their innovation, fundamentals or valuation levels.

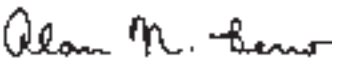
Our investment approach – based on extensive research, a long-term outlook and close attention to valuation – has served investors well over time. We continue to have confidence this will remain the case, and thank you for your support.

We look forward to reporting to you again in six months' time.

Sincerely,



Donald D. O'Neal
Vice Chairman of the Board



Alan N. Berro
President

August 9, 2016

Summary investment portfolios

Summary investment portfolios are designed to streamline this report and help investors better focus on the funds' principal holdings. Ultra-Short Bond Fund,* Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund show a complete listing of portfolio holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings for each fund in the series.

Unless otherwise indicated, American Funds Insurance Series investment results are for Class 2 shares (Class P2 shares for managed risk funds). Class 2 shares began operations on April 30, 1997. Class 3 shares began operations on January 16, 2004. Class 4 shares began operations on December 14, 2012. Results encompassing periods prior to those dates assume a hypothetical investment in Class 1 shares and include the deduction of additional annual expenses (0.25% for Class 2 shares, 0.18% for Class 3 shares and 0.50% for Class 4 shares).

The variable annuities and life insurance contracts that use the series funds contain certain fees and expenses not reflected in this report. Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The series investment adviser waived a portion of its management fees for all existing funds from September 1, 2004, through December 31, 2008, for U.S. Government/AAA-Rated Securities Fund from July 1, 2010, through December 31, 2010, and for Blue Chip Income and Growth Fund from February 1, 2014, through January 31, 2015. For the managed risk funds, the investment adviser is currently waiving a portion of its management fee equal to 0.05% of the funds' net assets and is currently reimbursing a portion of other expenses so that they will not exceed 0.28%. The waivers and reimbursements will be in effect through at least May 1, 2017, unless modified or terminated by the series board. After that time, the investment adviser may elect to extend, modify or terminate the reimbursements. The waivers may only be modified or terminated with the approval of the series board. Applicable fund results shown reflect the waivers and reimbursements, without which results would have been lower. See the Financial Highlights table in this report for details.

Although Capital Income Builder has a plan of distribution for Class 2 shares, fees for distribution services are not paid on amounts invested in the fund by the investment adviser and/or its affiliates. If fees for these services were charged on these assets, fund results would have been lower and expenses would have been higher. See the "Plans of distribution" section of the prospectus for information on the fees for distribution permitted to be charged by the funds.

Individual funds are listed in this report according to their risk potential, with managed risk funds listed last.

*Effective May 1, 2016, Cash Management Fund was converted to American Funds Insurance Series – Ultra-Short Bond Fund.℠

Bond Fund

Fund results shown are for past periods and are not predictive of results for future periods. Current and future results may be lower or higher than those shown. Unit prices and returns will vary, so investors may lose money. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

Bond Fund gained 5.46% for the six months ended June 30, 2016, outpacing its benchmark, the Barclays U.S. Aggregate Index, which rose 5.31%.

While the economic outlook for the U.S. remains cautiously optimistic, sluggish growth persists in Europe and China.

The portfolio benefited from an emphasis on intermediate rates and its more significant exposure to the end of the yield curve. A slightly long position in credit helped early in the period.

Fund results were helped by overall issuer selection, a larger concentration of high-yield corporates and lower exposure to Treasuries relative to the index. Mortgages represented a low percent of net assets as valuations are high and the portfolio managers do not see great opportunities there.

Any time there has been a significant economic dislocation in recent years, central banks have come to the rescue. Predicting future central bank behavior nonetheless remains a challenge. That being said, an interest rate hike from the Federal Reserve before the close of the year remains a possibility.

		Percent of net assets		
Largest holdings (by issuer)	U.S. Treasury	35.7%	United Mexican States Government	1.5%
	Freddie Mac	8.3	Enbridge Energy Partners	.9
	Fannie Mae	6.9	Allergan	.7
	Ginnie Mae	5.1	Morgan Stanley	.6
	Japanese Government	1.6	Aetna	.6

Bond Fund

Average annual total returns based on a $1,000 investment

For periods ended June 30, 2016

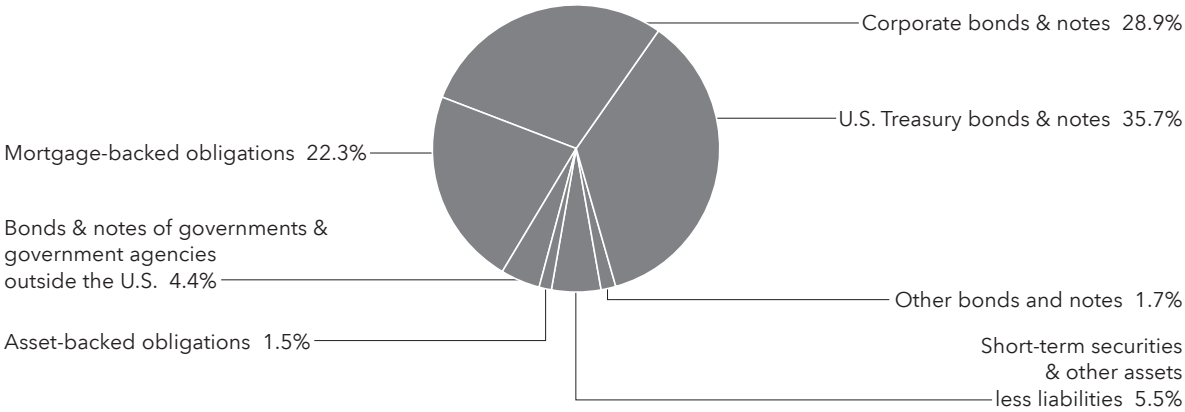
	1 year	5 years	10 years	Lifetime (since January 2, 1996)	Expense ratio
Class 1	6.24%	3.76%	4.01%	5.02%	.38%
Class 2	5.94	3.50	3.75	4.76	.63
Class 4	5.65	3.27	3.50	4.50	.88

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The fund's investment adviser waived a portion of its management fees from September 1, 2004, through December 31, 2008. Applicable fund results shown reflect the waiver, without which they would have been lower. Expense ratios are as of the fund's prospectus dated May 1, 2016. See the Financial Highlights table in this report for details.

Any market index shown is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index.

Where the fund's assets were invested as of June 30, 2016

Percent of net assets



Bond Fund

Summary investment portfolio June 30, 2016 unaudited

Bonds, notes & other debt instruments 94.45%		Principal amount (000)	Value (000)
U.S. Treasury bonds & notes 35.73%			
U.S. Treasury 32.28%	U.S. Treasury 8.75% 2017	$ 50,000	$ 53,598
	U.S. Treasury 1.375% 2018	64,250	65,272
	U.S. Treasury 1.50% 2018	75,625	77,076
	U.S. Treasury 0.875% 2019	151,190	151,952
	U.S. Treasury 1.625% 2019	200,500	205,990
	U.S. Treasury 1.625% 2019	152,625	156,779
	U.S. Treasury 1.625% 2019	79,400	81,626
	U.S. Treasury 1.125% 2020	67,300	68,012
	U.S. Treasury 1.25% 2020[1]	79,950	81,148
	U.S. Treasury 1.375% 2020	61,450	62,605
	U.S. Treasury 1.75% 2020	200,000	206,938
	U.S. Treasury 8.75% 2020	40,000	52,767
	U.S. Treasury 1.125% 2021	158,965	160,114
	U.S. Treasury 1.375% 2021	192,250	195,764
	U.S. Treasury 2.00% 2022	222,750	233,199
	U.S. Treasury 2.125% 2022	150,000	158,226
	U.S. Treasury 1.50% 2023	140,750	142,818
	U.S. Treasury 1.625% 2023	147,500	150,876
	U.S. Treasury 1.625% 2023	74,738	76,443
	U.S. Treasury 2.125% 2025	85,650	90,492
	U.S. Treasury 3.00% 2045	263,625	303,575
	U.S. Treasury 2.50% 2046	127,068	132,515
	U.S. Treasury 2.50% 2046	91,445	95,442
	U.S. Treasury 0.63%–6.13% 2016–2045[1]	403,612	425,650
			3,428,877
U.S. Treasury inflation-protected securities 3.45%	U.S. Treasury Inflation-Protected Security 0.625% 2021[2]	36,088	38,028
	U.S. Treasury Inflation-Protected Security 0.625% 2026[2]	100,678	106,146
	U.S. Treasury Inflation-Protected Security 1.00% 2046[2]	189,223	204,777
	U.S. Treasury Inflation-Protected Securities 0.13%–2.13% 2023–2041[2]	15,002	18,122
			367,073
	Total U.S. Treasury bonds & notes		3,795,950
Corporate bonds & notes 28.89%			
Financials 7.32%	Other securities		777,850
Health care 5.22%	Other securities		554,743
Energy 3.89%	Other securities		413,247
Consumer discretionary 3.37%	Other securities		358,048
Consumer staples 3.12%	Other securities		331,006
Utilities 2.80%	Other securities		297,230

Bonds, notes & other debt instruments (continued)		Principal amount (000)	Value (000)
Corporate bonds & notes (continued)			
Telecommunication services 1.33%	Other securities		$ 141,645
Other 1.84%	Other securities		195,258
	Total corporate bonds & notes		3,069,027
Mortgage-backed obligations 22.27%			
Federal agency mortgage-backed obligations 19.50%	Fannie Mae 4.00% 2046[3,4]	$ 100,000	107,111
	Fannie Mae 4.00% 2046[3]	57,899	62,237
	Fannie Mae 4.50% 2046[3,4]	197,930	216,072
	Fannie Mae 4.50% 2046[3,4]	100,000	109,103
	Fannie Mae 2.27%–9.36% 2023–2046[3,4,5]	213,549	229,576
	Freddie Mac 3.00% 2035[3]	66,189	69,602
	Freddie Mac 3.50% 2036[3]	48,741	51,923
	Freddie Mac 3.50% 2045[3]	48,088	51,495
	Freddie Mac 3.50% 2046[3]	123,075	129,871
	Freddie Mac 3.50% 2046[3]	61,119	64,494
	Freddie Mac 4.00% 2046[3,4]	290,700	311,142
	Freddie Mac 4.00% 2046[3]	53,909	57,756
	Freddie Mac 4.00% 2046[3]	49,627	53,168
	Freddie Mac 0%–5.50% 2033–2046[3]	16,780	18,190
	Government National Mortgage Assn. 4.00% 2046[3,4]	227,000	242,659
	Government National Mortgage Assn. 4.00% 2046[3,4]	100,000	106,867
	Government National Mortgage Assn. 4.00%–4.50% 2040–2045[3]	177,426	190,438
			2,071,704
Commercial mortgage-backed securities 2.05%	Other securities		217,097
Other mortgage-backed securities 0.70%	Freddie Mac 2.18%–3.13% 2021–2025[3]	49,606	51,895
	Other securities		22,711
			74,606
Collateralized mortgage-backed 0.02%	Other securities		2,128
	Total mortgage-backed obligations		2,365,535
Bonds & notes of governments & government agencies outside the U.S. 4.44%			
	Japanese Government, Series 19, 0.10% 2024[2]	¥ 5,318,275	54,978
	Japanese Government, Series 20, 0.10% 2025[2]	11,216,250	116,002
	United Mexican States Government, Series M, 6.50% 2021	MXN1,800,200	103,006
	United Mexican States Government, Series M, 5.75% 2026	435,000	23,640
	United Mexican States Government Global 3.50%–11.38% 2016–2045	$ 30,925	33,765
	Other securities		140,431
			471,822
Asset-backed obligations 1.45%			
	Other securities		154,015

Bond Fund

Bonds, notes & other debt instruments		Principal amount (000)	Value (000)
Municipals 0.96%			
	Other securities		$ 101,976
Federal agency bonds & notes 0.71%			
	Fannie Mae 2.125% 2026	$ 12,410	12,777
	Freddie Mac 1.25% 2019	22,000	22,261
	Other securities		40,573
			75,611
	Total bonds, notes & other debt instruments (cost: $9,734,838,000)		10,033,936

Common stocks 0.01%		Shares	
Other 0.00%	Other securities		149
Miscellaneous 0.01%	Other common stocks in initial period of acquisition		655
	Total common stocks (cost: $1,175,000)		804

Short-term securities 15.92%		Principal amount (000)	
	Apple Inc. 0.44% due 7/11/2016[6]	$ 59,500	59,494
	Emerson Electric Co. 0.41%–0.42% due 7/27/2016–8/8/2016[6]	69,800	69,775
	ExxonMobil Corp. 0.43% due 8/10/2016	50,000	49,978
	Fannie Mae 0.40% due 7/19/2016	100,000	99,987
	Federal Home Loan Bank 0.29%–0.58% due 7/13/2016–12/16/2016	732,200	731,887
	Freddie Mac 0.35%–0.44% due 9/19/2016–11/18/2016	261,300	260,931
	Microsoft Corp. 0.37%–0.47% due 7/13/2016–10/5/2016[6]	96,000	95,936
	Wal-Mart Stores, Inc. 0.39% due 7/5/2016[6]	50,000	49,998
	Other securities		272,786
	Total short-term securities (cost: $1,690,632,000)		1,690,772
	Total investment securities 110.38% (cost: $11,426,645,000)		11,725,512
	Other assets less liabilities (10.38)%		(1,102,509)
	Net assets 100.00%		$10,623,003

This summary investment portfolio is designed to streamline the report and help investors better focus on the fund's principal holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings.

As permitted by U.S. Securities and Exchange Commission regulations, "Miscellaneous" securities include holdings in their first year of acquisition that have not previously been publicly disclosed.

"Other securities" includes all issues that are not disclosed separately in the summary investment portfolio. "Miscellaneous" and "Other securities" include securities which were valued under fair value procedures adopted by authority of the board of trustees. The total value of securities which were valued under fair value procedures was $1,027,000, which represented .01% of the net assets of the fund. "Other securities" also includes loan participations and assignments, which may be subject to legal or contractual restrictions on resale. The total value of all such loans was $12,204,000, which represented .11% of the net assets of the fund.

Forward currency contracts

The fund has entered into forward currency contracts as shown in the following table. The average month-end notional amount of open forward currency contracts while held was $266,639,000.

	Settlement date	Counterparty	Contract amount Receive (000)	Contract amount Deliver (000)	Unrealized appreciation (depreciation) at 6/30/2016 (000)
Purchases:					
Australian dollars	7/11/2016	Barclays Bank PLC	A$29,606	$22,000	$ 71
Chilean pesos	7/11/2016	Citibank	CLP15,044,700	$22,000	707
Chilean pesos	8/1/2016	Barclays Bank PLC	CLP666,556	$1,005	(1)
Chilean pesos	8/1/2016	UBS AG	CLP9,049,360	$13,640	(9)
Chilean pesos	8/5/2016	UBS AG	CLP5,346,963	$8,055	(4)
					$ 764
Sales:					
British pounds	7/20/2016	UBS AG	$8,307	£5,840	531
Danish kroner	7/22/2016	Bank of America, N.A.	$21,924	DKr144,000	421
Euros	7/18/2016	HSBC Bank	$34,428	€30,660	381
Euros	7/18/2016	Bank of America, N.A.	$18,803	€16,750	203
Euros	7/21/2016	Citibank	$23,147	€20,500	379
Euros	7/28/2016	JPMorgan Chase	$24,196	€21,800	(22)
Japanese yen	7/7/2016	Bank of America, N.A.	$55,129	¥6,000,000	(2,986)
Japanese yen	8/4/2016	UBS AG	$32,484	¥3,430,000	(768)
Japanese yen	8/8/2016	HSBC Bank	$71,495	¥7,300,000	715
Mexican pesos	7/18/2016	Bank of America, N.A.	$12,917	MXN244,500	(434)
					$(1,580)
Forward currency contracts — net					$ (816)

Interest rate swaps

The fund has entered into interest rate swaps as shown in the following table. The average month-end notional amount of interest rate swaps while held was $4,171,399,000.

Pay/receive fixed rate	Clearinghouse	Floating rate index	Fixed rate	Expiration date	Notional (000)	Unrealized (depreciation) appreciation at 6/30/2016 (000)
Pay	LCH	3-month USD-LIBOR	0.765%	10/27/2017	$ 27,500	$ (27)
Pay	LCH	3-month USD-LIBOR	0.8475	4/8/2018	550,000	(1,215)
Pay	LCH	3-month USD-LIBOR	0.944	6/8/2018	250,000	(1,008)
Receive	LCH	3-month USD-LIBOR	1.669	10/28/2019	112,000	3,063
Receive	LCH	3-month USD-LIBOR	1.6915	6/3/2020	1,600	50
Pay	LCH	3-month USD-LIBOR	1.772	7/20/2020	1,320	(46)
Pay	LCH	3-month USD-LIBOR	1.752	8/3/2020	495	(17)
Receive	LCH	3-month USD-LIBOR	1.628	8/24/2020	7,000	205
Receive	LCH	3-month USD-LIBOR	1.566	8/27/2020	100,000	2,679
Receive	LCH	3-month USD-LIBOR	1.556	8/27/2020	100,000	2,637
Pay	LCH	3-month USD-LIBOR	1.607	9/4/2020	6,000	(171)
Pay	LCH	3-month USD-LIBOR	1.45	10/13/2020	1,500	(33)
Receive	LCH	3-month USD-LIBOR	1.7345	12/31/2020	120,000	4,229
Receive	LCH	3-month USD-LIBOR	1.2415	3/4/2021	237,000	3,079
Receive	LCH	3-month USD-LIBOR	1.157	5/12/2021	5,000	44
Receive	LCH	3-month USD-LIBOR	1.0075	6/28/2021	200,000	212
Pay	LCH	3-month USD-LIBOR	2.1305	7/17/2022	100,000	(6,227)
Receive	LCH	3-month USD-LIBOR	1.9375	12/18/2022	150,000	7,788
Pay	LCH	3-month USD-LIBOR	2.805	3/21/2024	1,100	(131)

Pay/receive fixed rate	Clearinghouse	Floating rate index	Fixed rate	Expiration date	Notional (000)	Unrealized (depreciation) appreciation at 6/30/2016 (000)
Pay	LCH	3-month USD-LIBOR	2.701%	6/9/2024	$ 60,000	$ (6,785)
Pay	LCH	3-month USD-LIBOR	2.6815	9/24/2024	1,600	(182)
Pay	LCH	3-month USD-LIBOR	2.6915	9/26/2024	1,100	(126)
Pay	LCH	3-month USD-LIBOR	2.54	10/3/2024	400	(41)
Pay	LCH	6-month EURIBOR	0.9852	10/17/2024	€ 25,000	(1,817)
Pay	LCH	3-month USD-LIBOR	2.342	10/21/2024	$ 290	(25)
Pay	LCH	3-month USD-LIBOR	2.326	10/22/2024	800	(69)
Pay	LCH	3-month USD-LIBOR	2.372	10/24/2024	1,150	(103)
Pay	LCH	3-month USD-LIBOR	2.438	11/19/2024	2,750	(262)
Pay	LCH	3-month USD-LIBOR	2.4585	11/24/2024	23,000	(2,226)
Pay	LCH	3-month USD-LIBOR	2.4295	11/25/2024	800	(76)
Pay	LCH	3-month USD-LIBOR	2.353	12/8/2024	700	(62)
Pay	LCH	3-month USD-LIBOR	2.2845	12/12/2024	330	(27)
Pay	LCH	3-month USD-LIBOR	1.8185	1/20/2025	900	(40)
Pay	LCH	3-month USD-LIBOR	1.9365	1/22/2025	1,500	(82)
Pay	LCH	3-month USD-LIBOR	2.192	3/18/2025	1,850	(141)
Pay	LCH	3-month USD-LIBOR	2.0475	3/23/2025	450	(29)
Pay	LCH	3-month USD-LIBOR	2.3175	5/8/2025	1,500	(131)
Pay	LCH	3-month USD-LIBOR	2.339	5/13/2025	375	(33)
Pay	LCH	3-month USD-LIBOR	2.351	5/15/2025	590	(53)
Pay	LCH	3-month USD-LIBOR	2.287	5/20/2025	500	(42)
Pay	LCH	3-month USD-LIBOR	2.227	5/28/2025	260	(21)
Pay	LCH	3-month USD-LIBOR	2.2125	5/29/2025	465	(36)
Pay	LCH	3-month USD-LIBOR	2.2185	6/1/2025	1,150	(90)
Pay	LCH	3-month USD-LIBOR	2.451	6/5/2025	650	(64)
Pay	LCH	3-month USD-LIBOR	2.46	6/10/2025	2,536	(253)
Pay	LCH	3-month USD-LIBOR	2.455	6/24/2025	235	(23)
Pay	LCH	3-month USD-LIBOR	2.428	7/2/2025	2,000	(194)
Pay	LCH	3-month USD-LIBOR	2.397	7/13/2025	900	(85)
Pay	LCH	3-month USD-LIBOR	2.535	7/15/2025	800	(85)
Pay	LCH	3-month USD-LIBOR	2.4615	7/22/2025	1,300	(130)
Pay	LCH	3-month USD-LIBOR	2.312	7/29/2025	1,000	(87)
Pay	LCH	3-month USD-LIBOR	2.331	7/30/2025	435	(39)
Pay	LCH	3-month USD-LIBOR	2.2135	9/4/2025	5,000	(394)
Pay	LCH	3-month USD-LIBOR	2.228	9/4/2025	13,000	(1,041)
Pay	LCH	6-month JPY-LIBOR	0.282	2/2/2026	¥ 5,500,000	(1,662)
Pay	LCH	3-month USD-LIBOR	1.6705	3/4/2026	$ 248,000	(7,284)
Pay	LCH	6-month JPY-LIBOR	0.0875	3/10/2026	¥11,100,000	(1,319)
Pay	LCH	3-month USD-LIBOR	1.5925	5/9/2026	$ 1,000	(21)
Pay	LCH	3-month USD-LIBOR	1.592	5/12/2026	4,000	(86)
Pay	LCH	3-month USD-LIBOR	1.595	5/12/2026	8,500	(185)
Receive	LCH	3-month USD-LIBOR	3.0865	8/18/2034	2,250	512
Receive	LCH	3-month USD-LIBOR	2.913	11/24/2034	10,000	2,005
Receive	LCH	3-month USD-LIBOR	2.844	6/11/2035	3,250	624
Receive	LCH	3-month USD-LIBOR	2.9535	6/30/2035	2,500	528
Receive	LCH	3-month USD-LIBOR	2.773	7/13/2035	500	90
Receive	LCH	3-month USD-LIBOR	2.589	9/4/2035	3,100	462
Pay	LCH	3-month USD-LIBOR	3.132	10/8/2044	200	(61)
Pay	LCH	3-month USD-LIBOR	3.046	10/10/2044	700	(201)
Pay	LCH	3-month USD-LIBOR	3.0745	11/10/2044	250	(74)
Pay	LCH	3-month USD-LIBOR	3.086	11/10/2044	525	(156)
Pay	LCH	3-month USD-LIBOR	3.061	11/12/2044	200	(58)
Pay	LCH	3-month USD-LIBOR	3.0515	11/14/2044	1,000	(289)
Pay	LCH	3-month USD-LIBOR	2.925	12/3/2044	1,230	(319)
Pay	LCH	3-month USD-LIBOR	2.6695	12/19/2044	200	(40)
Pay	LCH	3-month USD-LIBOR	2.5755	3/5/2045	1,470	(260)
Receive	LCH	3-month USD-LIBOR	2.377	4/29/2045	1,910	249
Pay	LCH	3-month USD-LIBOR	2.6765	5/7/2045	430	(87)

Bond Fund

Pay/receive fixed rate	Clearinghouse	Floating rate index	Fixed rate	Expiration date	Notional (000)	Unrealized (depreciation) appreciation at 6/30/2016 (000)
Pay	LCH	3-month USD-LIBOR	2.757%	5/8/2045	$ 1,500	$ (332)
Pay	LCH	3-month USD-LIBOR	2.535	11/24/2045	3,800	(645)
Pay	LCH	3-month USD-LIBOR	2.52611	11/24/2045	51,200	(8,575)
Pay	LCH	3-month USD-LIBOR	2.6095	1/7/2046	5,500	(1,035)
Pay	LCH	3-month USD-LIBOR	2.28181	1/19/2046	20,000	(2,167)
Pay	LCH	3-month USD-LIBOR	2.354	1/29/2046	47,000	(5,935)
Receive	LCH	3-month USD-LIBOR	2.1515	3/4/2046	51,000	3,909
Pay	LCH	6-month JPY-LIBOR	0.58295	3/23/2046	¥ 2,000,000	(2,191)
Receive	LCH	6-month JPY-LIBOR	0.64355	4/27/2046	2,000,000	2,550
Pay	LCH	3-month USD-LIBOR	2.1155	5/13/2046	$ 4,000	(272)
						$(22,108)

The following footnotes apply to either the individual securities noted or one or more of the securities aggregated and listed as a single line item.

[1]A portion of this security was pledged as collateral. The total value of pledged collateral was $26,769,000, which represented .25% of the net assets of the fund.
[2]Index-linked bond whose principal amount moves with a government price index.
[3]Principal payments may be made periodically. Therefore, the effective maturity date may be earlier than the stated maturity date.
[4]Purchased on a TBA basis.
[5]Coupon rate may change periodically.
[6]Acquired in a transaction exempt from registration under Rule 144A or Section 4(2) of the Securities Act of 1933. May be resold in the U.S. in transactions exempt from registration, normally to qualified institutional buyers. The total value of all such securities, including those in "Other securities," was $1,217,391,000, which represented 11.46% of the net assets of the fund.

Key to abbreviations and symbols
A$ = Australian dollars
£ = British pounds
CLP = Chilean pesos
DKr = Danish kroner
EURIBOR = Euro Interbank Offered Rate
€ = Euros
JPY/¥ = Japanese yen
LCH = LCH.Clearnet
LIBOR = London Interbank Offered Rate
MXN = Mexican pesos
TBA = To be announced

See Notes to Financial Statements

Financial statements

Statements of assets and liabilities at June 30, 2016

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$5,210,346	$3,824,207	$21,107,039	$7,366,233	$2,773,486
Affiliated issuers	–	12,091	1,437	–	–
Cash	346	1,930	1,775	642	360
Cash denominated in currencies other than U.S. dollars	1,227	820	1,816	4,256	756
Unrealized appreciation on open forward currency contracts	–	4,683	–	4,735	61
Receivables for:					
Sales of investments	35,853	24,252	84,083	31,582	6,527
Sales of fund's shares	9,008	3,151	5,051	9,525	2,474
Dividends and interest	18,177	6,763	26,084	17,411	10,277
Closed forward currency contracts	–	–	–	–	3
Variation margin	–	–	–	–	–
Other	47	248	–	430	282
	5,275,004	3,878,145	21,227,285	7,434,814	2,794,226
Liabilities:					
Unrealized depreciation on open forward currency contracts	322	295	–	4,488	136
Payables for:					
Purchases of investments	76,121	18,538	69,455	47,641	8,396
Repurchases of fund's shares	2,581	2,007	23,666	3,887	2,163
Investment advisory services	2,259	2,250	5,728	3,031	1,607
Services provided by related parties	792	520	3,114	864	253
Trustees' deferred compensation	57	37	495	217	22
Closed forward currency contracts	38	60	–	233	38
Variation margin	–	–	–	–	–
Non-U.S. taxes	1,951	3,002	2,506	5,757	2,715
Other	245	67	286	138	175
	84,366	26,776	105,250	66,256	15,505
Net assets at June 30, 2016	$5,190,638	$3,851,369	$21,122,035	$7,368,558	$2,778,721
Net assets consist of:					
Capital paid in on shares of beneficial interest	$4,128,412	$3,820,845	$14,334,721	$7,129,906	$2,720,650
Undistributed (distributions in excess of) net investment income	17,224	7,475	90,956	50,256	(2,616)
Undistributed (accumulated) net realized gain (loss)	23,680	23,503	1,041,702	(29,249)	(119,444)
Net unrealized appreciation (depreciation)	1,021,322	(454)	5,654,656	217,645	180,131
Net assets at June 30, 2016	$5,190,638	$3,851,369	$21,122,035	$7,368,558	$2,778,721
Investment securities, at cost:					
Unaffiliated issuers	$4,188,568	$3,807,675	$15,452,608	$7,143,933	$2,591,611
Affiliated issuers	–	30,820	1,203	–	–
Cash denominated in currencies other than U.S. dollars, at cost	1,227	820	1,816	4,256	756

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$7,599,716	$1,865,577	$24,441,928	$1,099,631	$344,914	$19,742,062	$242,423	$11,725,512	$2,436,931
–	–	–	–	–	–	–	–	–
1,689	454	1,553	160	182	8,924	176	6,200	891
–	133	816	191	343	–	41	4,732	980
–	648	1,784	–	–	–	506	3,408	8,386
–	353	94,040	6,595	503	423,610	3,847	547,868	186,677
16,619	707	7,903	753	1,695	8,619	119	6,302	5,097
9,904	6,869	32,087	5,860	1,736	68,401	989	53,684	21,034
–	–	–	–	–	–	42	–	1,986
–	–	–	–	–	310	–	1,844	193
–	–	–	–	–	28	–	–	–
7,627,928	1,874,741	24,580,111	1,113,190	349,373	20,251,954	248,143	12,349,550	2,662,175
–	25	–	221	–	–	144	4,224	3,458
–	6,432	35,647	17,343	2,762	681,851	5,180	1,707,055	276,125
3,551	3,396	20,900	85	2,035	12,726	2	9,030	4,017
2,416	914	5,380	562	136	4,350	130	3,113	1,020
747	308	2,893	67	46	1,711	39	949	267
50	17	561	5	–*	191	1	84	17
–	33	–	–	–	–	86	274	2,920
–	–	–	–	–	165	–	1,541	53
207	567	458	341	43	2,933	19	–	255
45	31	331	83	168	1,686	8	277	142
7,016	11,723	66,170	18,707	5,190	705,613	5,609	1,726,547	288,274
$7,620,912	$1,863,018	$24,513,941	$1,094,483	$344,183	$19,546,341	$242,534	$10,623,003	$2,373,901
$5,978,584	$1,666,301	$18,774,184	$1,131,691	$343,533	$15,663,066	$221,949	$10,159,825	$2,333,281
87,846	23,405	205,449	19,251	377	177,952	986	89,995	10,801
148,048	(34,334)	874,412	(14,238)	(6,501)	772,167	(2,279)	97,435	1,246
1,406,434	207,646	4,659,896	(42,221)	6,774	2,933,156	21,878	275,748	28,573
$7,620,912	$1,863,018	$24,513,941	$1,094,483	$344,183	$19,546,341	$242,534	$10,623,003	$2,373,901
$6,193,276	$1,658,513	$19,783,656	$1,141,564	$338,098	$16,799,917	$220,902	$11,426,645	$2,405,647
–	–	–	–	–	–	–	–	–
–	133	816	191	343	–	41	4,767	979

Statements of assets and liabilities at June 30, 2016

	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$1,706,154	$391,846	$360,169	$3,071,391	$ 7,867
Affiliated issuers	–	–	–	–	159,181
Cash	4,456	394	140	4,708	–
Cash denominated in currencies other than U.S. dollars	–	–	–	–	–
Receivables for:					
Sales of investments	39,278	117,375	–	176,374	7
Sales of fund's shares	488	280	2,203	1,048	444
Dividends and interest	30,802	957	42	11,805	2
Deposits at brokers for futures contracts	–	–	–	–	2,986
Variation margin	82	248	–	2,617	25
Other	5	–	–	–	–
	1,781,265	511,100	362,554	3,267,943	170,512
Liabilities:					
Payables for:					
Purchases of investments	26,623	158,997	–	141,623	395
Repurchases of fund's shares	2,453	109	101	1,522	27
Investment advisory services	669	119	93	856	14
Services provided by related parties	180	18	68	363	135
Trustees' deferred compensation	53	2	21	57	–*
Variation margin	–	91	–	1,728	843
Non-U.S. taxes	7	–	–	–	–
Bank overdraft	–	–	–	–	–
Other	199	7	7	53	4
	30,184	159,343	290	146,202	1,418
Net assets at June 30, 2016	$1,751,081	$351,757	$362,264	$3,121,741	$169,094
Net assets consist of:					
Capital paid in on shares of beneficial interest	$2,023,789	$341,195	$362,582	$3,013,906	$187,234
Undistributed (distributions in excess of) net investment income	52,833	2,233	(345)	15,898	(124)
Undistributed (accumulated) net realized gain (loss)	(223,258)	5,158	–	44,247	4,473
Net unrealized appreciation (depreciation)	(102,283)	3,171	27	47,690	(22,489)
Net assets at June 30, 2016	$1,751,081	$351,757	$362,264	$3,121,741	$169,094
Investment securities, at cost:					
Unaffiliated issuers	$1,808,615	$384,968	$360,142	$2,986,923	$ 7,867
Affiliated issuers	–	–	–	–	180,212
Cash denominated in currencies other than U.S. dollars, at cost	–	–	–	–	–

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ –	$ 6,943	$ 5,878	$ 159,495
85,818	180,408	129,200	2,918,872
–	–	–	–
–	–	–	–
–	434	–	7,026
267	1,067	389	3,369
1	2	1	29
4,778	2,533	1,936	3,074
198	10	17	29
–	–	–	–
91,062	191,397	137,421	3,091,894
248	934	360	1,959
–*	529	2	8,817
7	15	11	249
74	146	111	2,262
–*	–*	–*	6
792	704	544	1,902
–	–	–	–
22	–	–	–
2	5	3	545
1,145	2,333	1,031	15,740
$ 89,917	$189,064	$136,390	$3,076,154
$104,211	$194,513	$149,119	$3,116,487
(120)	174	(1)	1,191
1,400	9,614	9,532	42,524
(15,574)	(15,237)	(22,260)	(84,048)
$ 89,917	$189,064	$136,390	$3,076,154
$ –	$ 6,943	$ 5,878	$ 159,495
100,723	193,956	150,009	3,000,755
–	–	–	–

Statements of assets and liabilities at June 30, 2016

		Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized						
Class 1:	Net assets	$1,563,735	$1,501,196	$6,748,085	$3,435,489	$1,635,970
	Shares outstanding	67,249	78,599	108,082	211,202	84,761
	Net asset value per share	$23.25	$19.10	$62.44	$16.27	$19.30
Class 2:	Net assets	$3,539,166	$2,313,915	$13,781,270	$3,850,314	$934,490
	Shares outstanding	153,619	124,449	222,116	237,731	48,887
	Net asset value per share	$23.04	$18.59	$62.05	$16.20	$19.12
Class 3:	Net assets			$183,123	$28,082	
	Shares outstanding			2,918	1,724	
	Net asset value per share			$62.75	$16.29	
Class 4:	Net assets	$87,737	$36,258	$409,557	$54,673	$208,261
	Shares outstanding	3,817	1,932	6,653	3,398	10,917
	Net asset value per share	$22.99	$18.77	$61.56	$16.09	$19.08

		High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized						
Class 1:	Net assets	$944,872	$276,938	$38,290	$1,461,726	
	Shares outstanding	95,556	25,684	3,401	116,612	
	Net asset value per share	$9.89	$10.78	$11.26	$12.53	
Class 2:	Net assets	$782,977	$63,554	$307,937	$1,581,363	
	Shares outstanding	80,353	5,911	28,005	127,495	
	Net asset value per share	$9.74	$10.75	$11.00	$12.40	
Class 3:	Net assets	$12,030		$4,962	$10,996	
	Shares outstanding	1,213		447	876	
	Net asset value per share	$9.92		$11.11	$12.55	
Class 4:	Net assets	$11,202	$11,265	$11,075	$67,656	
	Shares outstanding	1,072	1,055	994	5,449	
	Net asset value per share	$10.45	$10.67	$11.14	$12.42	
Class P1:	Net assets					$618
	Shares outstanding					61
	Net asset value per share					$10.13
Class P2:	Net assets					$168,476
	Shares outstanding					16,720
	Net asset value per share					$10.08

*Amount less than one thousand.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$4,215,511	$429,595	$11,308,944	$808,337	$123,649	$11,897,640	$60,035	$6,390,901	$1,161,314
331,301	34,248	272,092	54,656	12,672	566,389	5,400	570,796	97,830
$12.72	$12.54	$41.56	$14.79	$9.76	$21.01	$11.12	$11.20	$11.87
$3,331,392	$1,423,582	$12,612,139	$251,590	$3	$5,029,366	$177,738	$4,144,582	$1,201,452
264,650	113,771	306,450	17,078	–*	241,700	16,032	374,885	102,011
$12.59	$12.51	$41.16	$14.73	$9.76	$20.81	$11.09	$11.06	$11.78
		$155,419			$36,338			
		3,736			1,729			
		$41.60			$21.01			
$74,009	$9,841	$437,439	$34,556	$220,531	$2,582,997	$4,761	$87,520	$11,135
5,876	792	10,698	2,354	22,636	124,546	431	7,900	950
$12.60	$12.42	$40.89	$14.68	$9.74	$20.74	$11.04	$11.08	$11.72

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$146	$263	$1,030	$972,935
16	24	98	83,925
$8.82	$11.01	$10.46	$11.59
$89,771	$188,801	$135,360	$2,103,219
10,232	17,243	13,002	181,706
$8.77	$10.95	$10.41	$11.57

Statements of operations for the six months ended June 30, 2016

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 50,322	$ 29,570	$ 154,315	$ 100,614	$ 24,204
Interest	709	2,995	2,135	4,610	5,973
	51,031	32,565	156,450	105,224	30,177
Fees and expenses*:					
Investment advisory services	13,524	13,624	33,880	18,055	9,433
Distribution services	4,497	2,926	17,444	4,808	1,361
Insurance administrative services	106	42	477	61	227
Transfer agent services	–†	–†	1	1	–†
Administrative services	256	195	1,024	359	130
Reports to shareholders	136	73	587	187	65
Registration statement and prospectus	19	7	42	13	41
Trustees' compensation	23	17	90	31	12
Auditing and legal	27	18	24	36	20
Custodian	300	359	202	702	499
Other	12	31	17	14	14
Total fees and expenses before waivers/reimbursements	18,900	17,292	53,788	24,267	11,802
Less waivers/reimbursements of fees and expenses:					
Investment advisory services waivers	–	–	–	–	–
Miscellaneous fee reimbursements	–	–	–	–	–
Total waivers/reimbursements of fees and expenses	–	–	–	–	–
Total fees and expenses after waivers/reimbursements	18,900	17,292	53,788	24,267	11,802
Net investment income (loss)	32,131	15,273	102,662	80,957	18,375
Net realized gain (loss) and unrealized (depreciation) appreciation:					
Net realized gain (loss) on*:					
Investments	30,890	(55,904)	1,209,114	(16,164)	(44,016)
Forward currency contracts	(3,311)	1,707	–	(4,878)	(338)
Interest rate swaps	–	–	–	–	–
Currency transactions	371	624	(355)	(200)	159
	27,950	(53,573)	1,208,759	(21,242)	(44,195)
Net unrealized (depreciation) appreciation on:					
Investments	(250,988)	(129,899)	(1,127,972)	(142,019)	86,789
Forward currency contracts	268	3,887	–	(170)	(104)
Interest rate swaps	–	–	–	–	–
Currency translations	137	282	35	604	175
	(250,583)	(125,730)	(1,127,937)	(141,585)	86,860
Net realized gain (loss) and unrealized (depreciation) appreciation	(222,633)	(179,303)	80,822	(162,827)	42,665
Net (decrease) increase in net assets resulting from operations	$(190,502)	$(164,030)	$ 183,484	$ (81,870)	$ 61,040

See end of statements of operations for footnotes.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$105,700	$29,528	$ 244,974	$ 23,600	$ 5,713	$140,710	$ 2,234	$ 16	$ –
859	1,040	6,833	1,102	395	76,948	923	111,704	31,872
106,559	30,568	251,807	24,702	6,108	217,658	3,157	111,720	31,872
13,935	5,362	31,744	3,193	693	25,324	740	18,304	6,030
4,053	1,764	16,028	348	225	9,139	215	5,199	1,495
62	8	509	41	225	3,026	3	90	10
–†	–†	1	–†	–†	1	–†	–†	–†
351	89	1,176	50	14	920	11	503	114
118	26	666	9	2	461	2	209	37
73	3	44	11	18	266	1	14	4
30	7	102	4	1	79	1	42	9
9	7	29	7	3	22	4	13	6
137	123	144	117	13	127	13	64	231
6	8	19	3	1	22	11	30	19
18,774	7,397	50,462	3,783	1,195	39,387	1,001	24,468	7,955
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
18,774	7,397	50,462	3,783	1,195	39,387	1,001	24,468	7,955
87,785	23,171	201,345	20,919	4,913	178,271	2,156	87,252	23,917
128,048	(2,747)	896,071	(16,634)	(4,760)	777,108	(2,430)	122,972	(7,451)
–	(656)	–	–	–	–	282	(27,272)	12,814
–	–	–	–	–	(1,972)	–	6,950	(1,761)
23	(208)	(2,793)	114	(33)	(103)	(22)	1,842	(1,143)
128,071	(3,611)	893,278	(16,520)	(4,793)	775,033	(2,170)	104,492	2,459
465,986	14,113	(340,345)	8,542	15,709	(80,304)	7,628	378,301	153,787
–	565	1,784	(221)	–	–	298	216	2,262
–	–	–	–	–	(4,158)	–	(23,945)	(7,367)
5	27	(87)	36	(36)	(8)	11	(87)	35
465,991	14,705	(338,648)	8,357	15,673	(84,470)	7,937	354,485	148,717
594,062	11,094	554,630	(8,163)	10,880	690,563	5,767	458,977	151,176
$681,847	$34,265	$ 755,975	$ 12,756	$15,793	$868,834	$ 7,923	$546,229	$175,093

Statements of operations for the six months ended June 30, 2016

	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 221	$ –	$ –	$ –	$ 351
Interest	59,698	3,140	731	23,775	7
	59,919	3,140	731	23,775	358
Fees and expenses*:					
Investment advisory services	4,017	723	583	5,144	114
Distribution services	972	95	406	2,034	190
Insurance administrative services	8	16	16	81	190
Transfer agent services	–†	–†	–†	–†	–†
Administrative services	86	17	18	152	–
Accounting and administrative services	–	–	–	–	27
Reports to shareholders	28	2	6	47	2
Registration statement and prospectus	11	–†	1	6	7
Trustees' compensation	7	1	1	13	1
Auditing and legal	15	3	3	6	1
Custodian	7	9	1	13	6
Other	20	10	18	16	63
Total fees and expenses before waivers/reimbursements	5,171	876	1,053	7,512	601
Less waivers/reimbursements of fees and expenses:					
Investment advisory services waivers	–	–	–	–	38
Miscellaneous fee reimbursements	–	–	–	–	84
Total waivers/reimbursements of fees and expenses	–	–	–	–	122
Total fees and expenses after waivers/reimbursements	5,171	876	1,053	7,512	479
Net investment income (loss)	54,748	2,264	(322)	16,263	(121)
Net realized gain (loss) and unrealized (depreciation) appreciation:					
Net realized gain (loss) on*:					
Investments	(67,177)	2,088	–	41,371	(2,658)
Forward currency contracts	21	–	–	–	–
Interest rate swaps	(969)	2,523	–	8,053	–
Credit default swaps	(1,183)	–	–	–	–
Futures contracts	–	1,073	–	4,258	(4,811)
Currency transactions	(88)	–	–	–	8
Capital gain distributions received	–	–	–	–	13,899
	(69,396)	5,684	–	53,682	6,438
Net unrealized (depreciation) appreciation on:					
Investments	160,979	6,728	1	89,954	(8,710)
Forward currency contracts	(38)	–	–	–	–
Interest rate swaps	274	(6,139)	–	(55,853)	–
Credit default swaps	(527)	–	–	–	–
Futures contracts	–	1,276	–	17,848	(1,415)
Currency translations	112	–	–	–	–
	160,800	1,865	1	51,949	(10,125)
Net realized gain (loss) and unrealized (depreciation) appreciation	91,404	7,549	1	105,631	(3,687)
Net (decrease) increase in net assets resulting from operations	$146,152	$ 9,813	$ (321)	$121,894	$ (3,808)

*Additional information related to non-U.S. taxes, affiliated transactions and class-specific fees and expenses is included in the Notes to Financial Statements.
† Amount less than one thousand.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ 150	$ 682	$ 395	$ 8,997
3	8	6	159
153	690	401	9,156
64	120	95	2,106
107	199	158	2,474
107	199	159	3,511
–†	–†	–†	–†
–	–	–	–
26	27	27	58
1	2	1	34
5	5	5	76
–†	1	1	11
1	1	1	3
6	6	6	6
20	70	48	233
337	630	501	8,512
21	40	32	702
47	88	70	–
68	128	102	702
269	502	399	7,810
(116)	188	2	1,346
(3,209)	(721)	(1,685)	393
–	–	–	–
–	–	–	–
–	–	–	–
(2,203)	(3,223)	(2,578)	(28,244)
38	2	6	32
7,236	13,693	14,044	68,888
1,862	9,751	9,787	41,069
(4,256)	1,703	(8,199)	55,885
–	–	–	–
–	–	–	–
–	–	–	–
(503)	(1,618)	(1,325)	(639)
–	–	–	–
(4,759)	85	(9,524)	55,246
(2,897)	9,836	263	96,315
$(3,013)	$10,024	$ 265	$ 97,661

Statements of changes in net assets

	Global Growth Fund		Global Small Capitalization Fund		Growth Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ 32,131	$ 41,258	$ 15,273	$ (387)	$ 102,662	$ 156,971
Net realized gain (loss)	27,950	454,855	(53,573)	817,379	1,208,759	1,899,173
Net unrealized (depreciation) appreciation	(250,583)	(109,786)	(125,730)	(798,992)	(1,127,937)	(519,610)
Net (decrease) increase in net assets resulting from operations	(190,502)	386,327	(164,030)	18,000	183,484	1,536,534
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(14,651)	(61,500)	(893)	–	(41,568)	(151,371)
Distributions from net realized gain on investments	(443,911)	(539,532)	(724,863)	(331,551)	(1,900,853)	(4,626,506)
Total dividends and distributions paid to shareholders	(458,562)	(601,032)	(725,756)	(331,551)	(1,942,421)	(4,777,877)
Net capital share transactions	306,070	179,492	509,652	384,510	1,083,288	2,276,062
Total (decrease) increase in net assets	(342,994)	(35,213)	(380,134)	70,959	(675,649)	(965,281)
Net assets:						
Beginning of period	5,533,632	5,568,845	4,231,503	4,160,544	21,797,684	22,762,965
End of period	$5,190,638	$5,533,632	$3,851,369	$4,231,503	$21,122,035	$21,797,684
Undistributed (distributions in excess of) net investment income	$17,224	$(256)	$7,475	$(6,905)	$90,956	$29,862

	International Growth and Income Fund		Capital Income Builder		Asset Allocation Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ 20,919	$ 26,405	$ 4,913	$ 3,949	$ 178,271	$ 317,583
Net realized gain (loss)	(16,520)	7,489	(4,793)	(1,225)	775,033	471,975
Net unrealized (depreciation) appreciation	8,357	(92,050)	15,673	(7,839)	(84,470)	(523,714)
Net (decrease) increase in net assets resulting from operations	12,756	(58,156)	15,793	(5,115)	868,834	265,844
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(2,710)	(24,236)	(4,244)	(4,288)	(56,654)	(334,403)
Distributions from net realized gain on investments	(4,688)	(21,506)	–	–	(465,865)	(1,266,708)
Total dividends and distributions paid to shareholders	(7,398)	(45,742)	(4,244)	(4,288)	(522,519)	(1,601,111)
Net capital share transactions	96,246	88,567	95,629	171,242	829,459	2,142,966
Total (decrease) increase in net assets	101,604	(15,331)	107,178	161,839	1,175,774	807,699
Net assets:						
Beginning of period	992,879	1,008,210	237,005	75,166	18,370,567	17,562,868
End of period	$1,094,483	$ 992,879	$344,183	$237,005	$19,546,341	$18,370,567
Undistributed (distributions in excess of) net investment income	$19,251	$1,042	$377	$(292)	$177,952	$56,335

See end of statements of changes in net assets for footnotes.

See Notes to Financial Statements

(dollars in thousands)

International Fund		New World Fund		Blue Chip Income and Growth Fund		Global Growth and Income Fund		Growth-Income Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ 80,957	$ 101,049	$ 18,375	$ 21,693	$ 87,785	$ 150,411	$ 23,171	$ 32,504	$ 201,345	$ 362,367
(21,242)	671,574	(44,195)	(83,494)	128,071	617,232	(3,611)	62,422	893,278	2,678,192
(141,585)	(1,114,934)	86,860	(22,006)	465,991	(966,960)	14,705	(115,761)	(338,648)	(2,629,717)
(81,870)	(342,311)	61,040	(83,807)	681,847	(199,317)	34,265	(20,835)	755,975	410,842
(11,423)	(129,375)	(2,164)	(19,569)	(28,164)	(147,049)	(5,261)	(36,339)	(69,903)	(352,790)
(637,485)	(446,067)	–	(149,097)	(595,206)	(712,444)	–	–	(2,694,335)	(3,606,146)
(648,908)	(575,442)	(2,164)	(168,666)	(623,370)	(859,493)	(5,261)	(36,339)	(2,764,238)	(3,958,936)
616,686	688,549	26,064	364,776	664,161	684,200	57,232	(52,395)	2,308,811	2,397,939
(114,092)	(229,204)	84,940	112,303	722,638	(374,610)	86,236	(109,569)	300,548	(1,150,155)
7,482,650	7,711,854	2,693,781	2,581,478	6,898,274	7,272,884	1,776,782	1,886,351	24,213,393	25,363,548
$7,368,558	$ 7,482,650	$2,778,721	$2,693,781	$7,620,912	$6,898,274	$1,863,018	$1,776,782	$24,513,941	$24,213,393
$50,256	$(19,278)	$(2,616)	$(18,827)	$87,846	$28,224	$23,405	$5,495	$205,449	$74,007

Global Balanced Fund		Bond Fund		Global Bond Fund		High-Income Bond Fund		Mortgage Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ 2,156	$ 3,604	$ 87,252	$ 180,900	$ 23,917	$ 54,947	$ 54,748	$ 116,865	$ 2,264	$ 2,886
(2,170)	201	104,492	66,981	2,459	(73,021)	(69,396)	(76,908)	5,684	5,622
7,937	(5,965)	354,485	(215,539)	148,717	(80,680)	160,800	(174,986)	1,865	(1,739)
7,923	(2,160)	546,229	32,342	175,093	(98,754)	146,152	(135,029)	9,813	6,769
–	(2,403)	(58,633)	(182,773)	–	(1,846)	(20,488)	(114,287)	(835)	(5,398)
–	(2,968)	(35,948)	(192,440)	(4,207)	(69,034)	–	–	(3,533)	(4,268)
–	(5,371)	(94,581)	(375,213)	(4,207)	(70,880)	(20,488)	(114,287)	(4,368)	(9,666)
15,347	11,046	246,456	697,150	(42,536)	(169,118)	(169,815)	82,072	4,182	219
23,270	3,515	698,104	354,279	128,350	(338,752)	(44,151)	(167,244)	9,627	(2,678)
219,264	215,749	9,924,899	9,570,620	2,245,551	2,584,303	1,795,232	1,962,476	342,130	344,808
$242,534	$219,264	$10,623,003	$9,924,899	$2,373,901	$2,245,551	$1,751,081	$1,795,232	$351,757	$342,130
$986	$(1,170)	$89,995	$61,376	$10,801	$(13,116)	$52,833	$18,573	$2,233	$804

Statements of changes in net assets

	Ultra-Short Bond Fund (formerly Cash Management Fund)		U.S. Government/ AAA-Rated Securities Fund		Managed Risk Growth Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ (322)	$ (1,713)	$ 16,263	$ 29,322	$ (121)	$ 351
Net realized gain (loss)	–	1	53,682	73,799	6,438	13,382
Net unrealized (depreciation) appreciation	1	10	51,949	(45,379)	(10,125)	(13,947)
Net (decrease) increase in net assets resulting from operations	(321)	(1,702)	121,894	57,742	(3,808)	(214)
Dividends and distributions paid to shareholders:						
Dividends from net investment income	–	–	(7,777)	(48,582)	(331)	–
Distributions from net realized gain on investments	–	–	(60,973)	(27,147)	(15,012)	–
Total dividends and distributions paid to shareholders	–	–	(68,750)	(75,729)	(15,343)	–
Net capital share transactions	(851)	(29,927)	6,711	(393,940)	42,413	66,782
Total (decrease) increase in net assets	(1,172)	(31,629)	59,855	(411,927)	23,262	66,568
Net assets:						
Beginning of period	363,436	395,065	3,061,886	3,473,813	145,832	79,264
End of period	$362,264	$363,436	$3,121,741	$3,061,886	$169,094	$145,832
Undistributed (distributions in excess of) net investment income	$(345)	$(23)	$15,898	$7,412	$(124)	$328

*Unaudited.

See Notes to Financial Statements

(dollars in thousands)

Managed Risk International Fund		Managed Risk Blue Chip Income and Growth Fund		Managed Risk Growth-Income Fund		Managed Risk Asset Allocation Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ (116)	$ 904	$ 188	$ 1,959	$ 2	$ 1,056	$ 1,346	$ 31,209
1,862	1,838	9,751	7,704	9,787	8,928	41,069	111,792
(4,759)	(9,188)	85	(19,476)	(9,524)	(14,317)	55,246	(170,931)
(3,013)	(6,446)	10,024	(9,813)	265	(4,333)	97,661	(27,930)
(843)	(14)	(2,237)	(530)	(1,331)	(67)	(34,288)	(38,084)
(2,185)	–	(5,924)	–	(8,465)	–	(93,578)	(48,390)
(3,028)	(14)	(8,161)	(530)	(9,796)	(67)	(127,866)	(86,474)
12,798	43,513	49,796	49,641	23,252	51,303	441,340	722,454
6,757	37,053	51,659	39,298	13,721	46,903	411,135	608,050
83,160	46,107	137,405	98,107	122,669	75,766	2,665,019	2,056,969
$89,917	$83,160	$189,064	$137,405	$136,390	$122,669	$3,076,154	$2,665,019
$(120)	$839	$174	$2,223	$(1)	$1,328	$1,191	$34,133

Notes to financial statements

unaudited

1. Organization

American Funds Insurance Series (the "series") is registered under the Investment Company Act of 1940 as an open-end, diversified management investment company with 28 different funds (the "funds"). Twenty-three funds in the series are covered in this report. The other five funds in the series are covered in a separate report. The assets of each fund are segregated, with each fund accounted for separately. Capital Research and Management Company ("CRMC") is the series' investment adviser. Milliman Financial Risk Management LLC ("Milliman FRM") is the subadviser for the risk management strategy for eight of the funds (the "managed risk funds"), five of which are covered in this report.

The managed risk funds covered in this report are Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund. The managed risk funds invest in other funds within the series (the "underlying funds") and employ Milliman FRM to implement the risk management strategy, which consists of using hedging instruments – primarily short positions on exchange-traded futures contracts – to attempt to stabilize the volatility of the funds around target volatility levels and reduce the downside exposure of the funds during periods of significant market declines.

Shareholders approved a proposal to reorganize the series from a Massachusetts business trust to a Delaware statutory trust. The reorganization may be completed in the next 12 months; however, the series reserves the right to delay the implementation.

The investment objectives for each fund covered in this report are as follows:

Global Growth Fund – Seeks to provide long-term growth of capital.

Global Small Capitalization Fund – Seeks to provide long-term growth of capital.

Growth Fund – Seeks to provide growth of capital.

International Fund – Seeks to provide long-term growth of capital.

New World Fund – Seeks long-term capital appreciation.

Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing.

Global Growth and Income Fund – Seeks to provide long-term growth of capital while providing current income.

Growth-Income Fund – Seeks to achieve long-term growth of capital and income.

International Growth and Income Fund – Seeks to provide long-term growth of capital while providing current income.

Capital Income Builder – Seeks to provide a level of current income that exceeds the average yield on U.S. stocks generally and to provide a growing stream of income over the years. Secondarily, seeks to provide growth of capital.

Asset Allocation Fund – Seeks to provide high total return consistent with preservation of capital over the long term.

Global Balanced Fund – Seeks the balanced accomplishment of three objectives: long-term growth of capital, conservation of principal and current income.

Bond Fund – Seeks to provide as high a level of current income as is consistent with the preservation of capital.

Global Bond Fund – Seeks to provide, over the long term, a high level of total return consistent with prudent investment management.

High-Income Bond Fund – Seeks to provide a high level of current income and, secondarily, capital appreciation.

Mortgage Fund – Seeks to provide current income and preservation of capital.

Ultra-Short Bond Fund – On May 1, 2016, the fund changed its name from Cash Management Fund to Ultra-Short Bond Fund in accordance with a resolution approved by shareholders on December 4, 2015, to convert the fund to an ultra-short-term bond fund. The fund seeks to provide current income, consistent with the maturity and quality standards applicable to the fund, and preservation of capital and liquidity.

U.S. Government/AAA-Rated Securities Fund – Seeks to provide a high level of current income consistent with preservation of capital.

Managed Risk Growth Fund – Seeks to provide growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk International Fund – Seeks to provide long-term growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing, in each case while seeking to manage volatility and provide downside protection.

Managed Risk Growth-Income Fund – Seeks to achieve long-term growth of capital and income while seeking to manage volatility and provide downside protection.

Managed Risk Asset Allocation Fund – Seeks to provide high total return consistent with preservation of capital over the long term while seeking to manage volatility and provide downside protection.

Each fund in the series, except the managed risk funds, offers either three or four share classes (Classes 1, 2, 3 or 4); the managed risk funds offer two share classes (Classes P1 and P2). Holders of all share classes of each fund have equal pro rata rights to assets, dividends and liquidation proceeds of each fund held. Each share class of each fund has identical voting rights, except for the exclusive right to vote on matters affecting only its class. Share classes have different fees and expenses ("class-specific fees and expenses"), primarily due to different arrangements for certain distribution expenses. Differences in class-specific fees and expenses will result in differences in net investment income and, therefore, the payment of different per-share dividends by each class of each fund.

2. Significant accounting policies

Each fund is an investment company that applies the accounting and reporting guidance issued in Topic 946 by the U.S. Financial Accounting Standards Board. Each fund's financial statements have been prepared to comply with U.S. generally accepted accounting principles ("U.S. GAAP"). These principles require the series' investment adviser to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Subsequent events, if any, have been evaluated through the date of issuance in the preparation of the financial statements. The funds follow the significant accounting policies described in this section, as well as the valuation policies described in the next section on valuation.

Security transactions and related investment income – Security transactions are recorded by the funds as of the date the trades are executed with brokers. Realized gains and losses from security transactions are determined based on the specific identified cost of the securities. In the event a security is purchased with a delayed payment date, the funds will segregate liquid assets sufficient to meet their payment obligations. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Market discounts, premiums and original issue discounts on fixed-income securities are amortized daily over the expected life of the security.

Fees and expenses – The fees and expenses of the underlying funds held by the managed risk funds are not included in the fees and expenses reported for each of the managed risk funds; however, they are indirectly reflected in the valuation of each of the underlying funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables.

Class allocations – Income, fees and expenses (other than class-specific fees and expenses) and realized and unrealized gains and losses are allocated daily among the various share classes of each fund based on their relative net assets. Class-specific fees and expenses, such as distribution expenses, are accrued daily and charged directly to the respective share class of each fund.

Dividends and distributions to shareholders – Dividends and distributions to shareholders are recorded on each fund's ex-dividend date.

Currency translation – Assets and liabilities, including investment securities, denominated in currencies other than U.S. dollars are translated into U.S. dollars at the exchange rates supplied by one or more pricing vendors on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the exchange rates on the dates of such transactions. The effects of changes in exchange rates on investment securities are included with the net realized gain or loss and net unrealized appreciation or depreciation on investments in the funds' statements of operations. The realized gain or loss and unrealized appreciation or depreciation resulting from all other transactions denominated in currencies other than U.S. dollars are disclosed separately.

3. Valuation

CRMC, the series' investment adviser, values the funds' investments at fair value as defined by U.S. GAAP. The net asset value of each share class of each fund is generally determined as of approximately 4:00 p.m. New York time each day the New York Stock Exchange is open.

Methods and inputs – The series' investment adviser uses the following methods and inputs to establish the fair value of each fund's assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve.

Equity securities are generally valued at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market on which the security trades. The value of an underlying fund is based on its reported net asset value.

Fixed-income securities, including short-term securities, are generally valued at prices obtained from one or more pricing vendors. Vendors value such securities based on one or more of the inputs described in the following table. The table provides examples of inputs that are commonly relevant for valuing particular classes of fixed-income securities in which the funds are authorized to invest. However, these classifications are not exclusive and any of the inputs may be used to value any other class of fixed-income security.

Fixed-income class	Examples of standard inputs
All	Benchmark yields, transactions, bids, offers, quotations from dealers and trading systems, new issues, spreads and other relationships observed in the markets among comparable securities; and proprietary pricing models such as yield measures calculated using factors such as cash flows, financial or collateral performance and other reference data (collectively referred to as "standard inputs")
Corporate bonds & notes; convertible securities	Standard inputs and underlying equity of the issuer
Bonds & notes of governments & government agencies	Standard inputs and interest rate volatilities
Mortgage-backed; asset-backed obligations	Standard inputs and cash flows, prepayment information, default rates, delinquency and loss assumptions, collateral characteristics, credit enhancements and specific deal information
Municipal securities	Standard inputs and, for certain distressed securities, cash flows or liquidation values using a net present value calculation based on inputs that include, but are not limited to, financial statements and debt contracts

When the series' investment adviser deems it appropriate to do so (such as when vendor prices are unavailable or not deemed to be representative), fixed-income securities will be valued in good faith at the mean quoted bid and ask prices that are reasonably and timely available (or bid prices, if ask prices are not available) or at prices for securities of comparable maturity, quality and type.

Securities with both fixed-income and equity characteristics, or equity securities traded principally among fixed-income dealers, are generally valued in the manner described for either equity or fixed-income securities, depending on which method is deemed most appropriate by the series' investment adviser. The Government Cash Management Fund held by the managed risk funds is managed to maintain a $1.00 net asset value per share. The net asset value of each share class of each managed risk fund is calculated based on the reported net asset values of the underlying funds in which each fund invests.

Forward currency contracts are valued at the mean of representative quoted bid and ask prices, generally based on prices supplied by one or more pricing vendors. Interest rate swaps and credit default swaps are generally valued by pricing vendors based on market inputs that include the index and term of index, reset frequency, payer/receiver, currency and pay frequency. Exchange-traded futures are generally valued at the official settlement price of, or the last reported sale price on, the exchange or market on which such instruments are traded, as of the close of business on the day the futures are being valued or, lacking any sales, at the last available bid price. Prices for each future are taken from the exchange or market on which the security trades.

Securities and other assets for which representative market quotations are not readily available or are considered unreliable by the series' investment adviser are fair valued as determined in good faith under fair value guidelines adopted by authority of the series' board of trustees as further described. The investment adviser follows fair valuation guidelines, consistent with U.S. Securities and Exchange Commission rules and guidance, to consider relevant principles and factors when making fair value determinations. The investment adviser considers relevant indications of value that are reasonably and timely available to it in determining the fair value to be assigned to a particular security, such as the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; significant events occurring after the close of trading in the security; and changes in overall market conditions. In addition, the closing prices of equity securities and futures that trade in markets outside U.S. time zones may be adjusted to reflect significant events that occur after the close of local trading but before the net asset value of each share class of each fund is determined. Fair valuations and valuations of investments and futures that are not actively trading involve judgment and may differ materially from valuations that would have been used had greater market activity occurred.

Processes and structure — The series' board of trustees has delegated authority to the series' investment adviser to make fair value determinations, subject to board oversight. The investment adviser has established a Joint Fair Valuation Committee (the "Fair Valuation Committee") to administer, implement and oversee the fair valuation process, and to make fair value decisions. The Fair Valuation Committee regularly reviews its own fair value decisions, as well as decisions made under its standing instructions to the investment adviser's valuation teams. The Fair Valuation Committee reviews changes in fair value measurements from period to period and may, as deemed appropriate, update the fair valuation guidelines to better reflect the results of back testing and address new or evolving issues. The Fair Valuation Committee reports any changes to the fair valuation guidelines to the board of trustees with supplemental information to support the changes. The series' board and audit committee also regularly review reports that describe fair value determinations and methods.

The series' investment adviser has also established a Fixed-Income Pricing Review Group to administer and oversee the fixed-income valuation process, including the use of fixed-income pricing vendors. This group regularly reviews pricing vendor information and market data. Pricing decisions, processes and controls over security valuation are also subject to additional internal reviews, including an annual control self-evaluation program facilitated by the investment adviser's compliance group.

Classifications — The series' investment adviser classifies the funds' assets and liabilities into three levels based on the inputs used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Certain securities trading outside the U.S. may transfer between Level 1 and Level 2 due to valuation adjustments resulting from significant market movements following the close of local trading. Level 3 values are based on significant unobservable inputs that reflect the investment adviser's determination of assumptions that market participants might reasonably use in valuing the securities.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. For example, U.S. government securities are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. The following tables present the funds' valuation levels as of June 30, 2016 (dollars in thousands):

Global Growth Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 633,369	$ 631,466	$–	$1,264,835
Consumer discretionary	805,224	282,754	–	1,087,978
Health care	490,154	408,056	–	898,210
Financials	153,037	359,249	–	512,286
Consumer staples	50,742	284,580	–	335,322
Industrials	80,217	153,323	–	233,540
Energy	112,190	68,184	–	180,374
Telecommunication services	–	76,297	–	76,297
Other	25,901	24,029	–	49,930
Miscellaneous	83,928	173,305	–	257,233
Bonds, notes & other debt instruments	–	2,007	–	2,007
Short-term securities	–	312,334	–	312,334
Total	$2,434,762	$2,775,584	$–	$5,210,346

	Other investments†			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Unrealized depreciation on open forward currency contracts	$–	$(322)	$–	$(322)

*Securities with a value of $2,461,243,000, which represented 47.42% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Global Small Capitalization Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer discretionary	$ 315,634	$ 340,036	$ 4	$ 655,674
Information technology	316,427	206,663	–	523,090
Health care	429,474	80,655	–	510,129
Industrials	95,239	183,490	–	278,729
Financials	90,951	174,719	–	265,670
Consumer staples	84,702	173,896	–	258,598
Energy	179,463	42,776	8,828	231,067
Materials	106,972	73,029	–	180,001
Utilities	–	83,655	31	83,686
Telecommunication services	–	11,560	–	11,560
Miscellaneous	96,227	91,281	–	187,508
Rights & warrants	208	–	39	247
Bonds, notes & other debt instruments	–	121,812	–	121,812
Short-term securities	–	528,527	–	528,527
Total	$1,715,297	$2,112,099	$8,902	$3,836,298

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$4,683	$–	$4,683
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(295)	–	(295)
Total	$–	$4,388	$–	$4,388

*Securities with a value of $1,455,844,000, which represented 37.80% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Growth Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 4,216,815	$ 730,538	$ –	$ 4,947,353
Consumer discretionary	4,570,452	27,481	–	4,597,933
Health care	3,020,880	9,626	–	3,030,506
Financials	1,885,682	117,048	–	2,002,730
Energy	1,842,346	–	–	1,842,346
Consumer staples	1,412,858	151,043	–	1,563,901
Industrials	1,005,249	167,972	–	1,173,221
Telecommunication services	211,039	13,090	–	224,129
Other	266,609	1,437	–	268,046
Miscellaneous	396,414	80,345	–	476,759
Convertible stocks	–	–	13,104	13,104
Convertible bonds	–	5,300	–	5,300
Short-term securities	–	963,148	–	963,148
Total	$18,828,344	$2,267,028	$13,104	$21,108,476

*Securities with a value of $1,297,142,000, which represented 6.14% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

International Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 41,252	$1,173,335	$–	$1,214,587
Information technology	192,494	750,242	–	942,736
Health care	59,207	823,249	–	882,456
Consumer discretionary	56,435	777,132	–	833,567
Industrials	21,050	636,023	–	657,073
Consumer staples	28,049	568,308	–	596,357
Materials	85,955	421,136	–	507,091
Utilities	–	392,038	–	392,038
Energy	75,473	240,981	–	316,454
Telecommunication services	–	240,610	–	240,610
Miscellaneous	12,908	233,877	–	246,785
Bonds, notes & other debt instruments	–	73,875	–	73,875
Short-term securities	–	462,604	–	462,604
Total	$572,823	$6,793,410	$–	$7,366,233

See next page for footnote.

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 4,735	$–	$ 4,735
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(4,488)	–	(4,488)
Total	$–	$ 247	$–	$ 247

*Securities with a value of $6,032,519,000, which represented 81.87% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

New World Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer discretionary	$161,379	$ 273,043	$ –	$ 434,422
Information technology	161,527	258,347	–	419,874
Financials	180,607	174,977	29	355,613
Health care	95,909	140,791	–	236,700
Industrials	58,060	122,221	–	180,281
Energy	64,986	96,865	–	161,851
Consumer staples	58,470	96,273	–	154,743
Telecommunication services	4,942	49,092	–	54,034
Materials	28,672	22,498	885	52,055
Utilities	–	37,613	–	37,613
Miscellaneous	24,394	105,934	–	130,328
Rights & warrants	–	33,559	11,234	44,793
Convertible bonds	–	6,581	–	6,581
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	140,911	–	140,911
Corporate bonds & notes	–	14,493	–	14,493
U.S. Treasury bonds & notes	–	1,505	–	1,505
Short-term securities	–	347,689	–	347,689
Total	$838,946	$1,922,392	$12,148	$2,773,486

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 61	$–	$ 61
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(136)	–	(136)
Total	$–	$ (75)	$–	$ (75)

*Securities with a value of $1,363,311,000, which represented 49.06% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Blue Chip Income and Growth Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks:				
Health care	$1,231,149	$ –	$–	$1,231,149
Information technology	1,019,138	–	–	1,019,138
Industrials	969,593	–	–	969,593
Consumer staples	801,252	–	–	801,252
Telecommunication services	745,097	–	–	745,097
Energy	729,912	–	–	729,912
Materials	408,076	–	–	408,076
Financials	353,080	–	–	353,080
Consumer discretionary	313,550	–	–	313,550
Utilities	309,139	–	–	309,139
Miscellaneous	291,024	–	–	291,024
Short-term securities	–	428,706	–	428,706
Total	$7,171,010	$428,706	$–	$7,599,716

Global Growth and Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 213,178	$ 62,313	$–	$ 275,491
Information technology	114,440	126,613	–	241,053
Consumer discretionary	107,519	129,175	–	236,694
Health care	116,060	58,310	–	174,370
Consumer staples	99,659	71,519	–	171,178
Industrials	105,872	48,016	–	153,888
Energy	82,249	14,801	–	97,050
Utilities	32,164	59,857	–	92,021
Materials	46,134	34,549	–	80,683
Telecommunication services	31,918	36,461	–	68,379
Miscellaneous	58,441	29,854	–	88,295
Preferred securities	459	–	–	459
Bonds, notes & other debt instruments	–	41,296	–	41,296
Short-term securities	–	144,720	–	144,720
Total	$1,008,093	$857,484	$–	$1,865,577

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$648	$–	$648
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(25)	–	(25)
Total	$–	$623	$–	$623

*Securities with a value of $671,468,000, which represented 36.04% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

†Forward currency contracts are not included in the investment portfolio.

Growth-Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Health care	$ 3,933,566	$ 77,772	$–	$ 4,011,338
Information technology	3,569,287	96,727	–	3,666,014
Consumer discretionary	2,991,538	202,180	–	3,193,718
Financials	2,344,062	130,406	–	2,474,468
Consumer staples	1,913,375	215,721	–	2,129,096
Energy	1,741,794	304,888	–	2,046,682
Industrials	1,821,208	122,606	–	1,943,814
Materials	1,177,239	91,748	–	1,268,987
Telecommunication services	699,018	–	–	699,018
Utilities	264,800	–	–	264,800
Miscellaneous	758,270	160,758	–	919,028
Convertible stocks	5,178	5,157	–	10,335
Convertible bonds	–	129,071	–	129,071
Bonds, notes & other debt instruments	–	297,947	–	297,947
Short-term securities	–	1,387,612	–	1,387,612
Total	$21,219,335	$3,222,593	$–	$24,441,928

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$1,784	$–	$1,784

*Securities with a value of $1,312,902,000, which represented 5.36% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

International Growth and Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 18,481	$173,704	$–	$ 192,185
Consumer staples	42,753	142,107	–	184,860
Utilities	–	136,403	–	136,403
Consumer discretionary	–	97,001	–	97,001
Health care	6,580	88,566	–	95,146
Industrials	–	86,604	–	86,604
Energy	29,021	51,929	–	80,950
Telecommunication services	2,471	38,634	–	41,105
Information technology	–	32,967	–	32,967
Materials	3,265	14,229	–	17,494
Miscellaneous	5,680	3,103	–	8,783
Convertible bonds	–	2,438	–	2,438
Bonds, notes & other debt instruments	–	31,418	–	31,418
Short-term securities	–	92,277	–	92,277
Total	$108,251	$991,380	$–	$1,099,631

	Other investments†			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Unrealized depreciation on open forward currency contracts	$–	$(221)	$–	$(221)

*Securities with a value of $851,908,000, which represented 77.84% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Capital Income Builder

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer staples	$ 36,848	$ 17,038	$–	$ 53,886
Financials	22,826	17,597	–	40,423
Telecommunication services	13,580	19,795	–	33,375
Utilities	6,816	24,486	–	31,302
Energy	20,943	5,856	–	26,799
Health care	12,424	10,837	–	23,261
Information technology	14,951	6,566	–	21,517
Consumer discretionary	8,263	9,749	–	18,012
Industrials	5,943	10,720	–	16,663
Materials	3,946	4,449	–	8,395
Miscellaneous	2,601	2,093	–	4,694
Convertible stocks	1,370	–	–	1,370
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	–	19,296	–	19,296
Mortgage-backed obligations	–	18,612	–	18,612
Corporate bonds & notes	–	10,276	–	10,276
Asset-backed obligations	–	4,334	–	4,334
Short-term securities	–	12,699	–	12,699
Total	$150,511	$194,403	$–	$344,914

*Securities with a value of $129,186,000, which represented 37.53% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

Asset Allocation Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 2,928,299	$ 137,512	$ –	$ 3,065,811
Health care	1,589,929	–	184	1,590,113
Consumer discretionary	1,404,836	50,565	–	1,455,401
Financials	1,346,502	–	–	1,346,502
Energy	1,068,507	–	–	1,068,507
Industrials	983,264	45,500	–	1,028,764
Materials	873,406	–	941	874,347
Consumer staples	761,306	–	–	761,306
Telecommunication services	206,814	–	–	206,814
Utilities	124,426	–	–	124,426
Miscellaneous	661,821	183,510	1,525	846,856
Convertible stocks	–	6,081	–	6,081
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	–	2,839,302	–	2,839,302
Corporate bonds & notes	–	1,687,339	11,501	1,698,840
Mortgage-backed obligations	–	973,440	–	973,440
Federal agency bonds & notes	–	50,362	–	50,362
Other	–	116,907	–	116,907
Short-term securities	–	1,688,283	–	1,688,283
Total	$11,949,110	$7,778,801	$14,151	$19,742,062

See next page for footnote.

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$–	$ 7,664	$–	$ 7,664
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(16,574)	–	(16,574)
Total	$–	$ (8,910)	$–	$ (8,910)

*Securities with a value of $408,609,000, which represented 2.09% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Interest rate swaps are not included in the investment portfolio.

Global Balanced Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Industrials	$ 8,388	$ 15,018	$–	$ 23,406
Health care	17,229	4,768	–	21,997
Consumer staples	12,655	8,686	–	21,341
Information technology	7,899	10,604	–	18,503
Energy	9,837	3,503	–	13,340
Financials	5,791	6,999	–	12,790
Consumer discretionary	8,153	3,359	–	11,512
Materials	8,005	2,484	–	10,489
Utilities	–	3,061	–	3,061
Telecommunication services	1,555	568	–	2,123
Convertible bonds	–	276	–	276
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	39,953	–	39,953
U.S. Treasury bonds & notes	–	23,032	–	23,032
Corporate bonds & notes	–	15,946	–	15,946
Mortgage-backed obligations	–	5,232	–	5,232
Asset-backed obligations	–	325	–	325
Short-term securities	–	19,097	–	19,097
Total	$79,512	$162,911	$–	$242,423

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 506	$–	$ 506
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(144)	–	(144)
Total	$–	$ 362	$–	$ 362

*Securities with a value of $59,050,000, which represented 24.35% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	$ –	$ 3,795,950	$ –	$ 3,795,950
Corporate bonds & notes	–	3,068,655	372	3,069,027
Mortgage-backed obligations	–	2,365,535	–	2,365,535
Bonds & notes of governments & government agencies outside the U.S.	–	471,822	–	471,822
Asset-backed obligations	–	154,015	–	154,015
Municipals	–	101,976	–	101,976
Federal agency bonds & notes	–	75,611	–	75,611
Common stocks	149	–	655	804
Short-term securities	–	1,690,772	–	1,690,772
Total	$149	$11,724,336	$1,027	$11,725,512

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 3,408	$–	$ 3,408
Unrealized appreciation on interest rate swaps	–	34,915	–	34,915
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(4,224)	–	(4,224)
Unrealized depreciation on interest rate swaps	–	(57,023)	–	(57,023)
Total	$–	$(22,924)	$–	$(22,924)

*Forward currency contracts and interest rate swaps are not included in the investment portfolio.

Global Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Euros	$ –	$ 282,156	$ –	$ 282,156
Japanese yen	–	222,772	–	222,772
Mexican pesos	–	120,933	–	120,933
Polish zloty	–	97,636	–	97,636
Hungarian forints	–	80,932	–	80,932
Danish kroner	–	77,535	–	77,535
British pounds	–	64,039	–	64,039
Malaysian ringgits	–	51,681	–	51,681
Indian rupees	–	32,166	–	32,166
U.S. dollars	–	1,198,887	159	1,199,046
Other	–	54,814	–	54,814
Convertible stocks	–	208	–	208
Common stocks	411	173	459	1,043
Short-term securities	–	151,970	–	151,970
Total	$411	$2,435,902	$618	$2,436,931

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 8,386	$–	$ 8,386
Unrealized appreciation on interest rate swaps	–	1,239	–	1,239
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(3,458)	–	(3,458)
Unrealized depreciation on interest rate swaps	–	(8,541)	–	(8,541)
Total	$–	$(2,374)	$–	$(2,374)

*Forward currency contracts and interest rate swaps are not included in the investment portfolio.

High-Income Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Corporate bonds & notes	$ –	$1,560,425	$11,274	$1,571,699
Asset-backed obligations	–	11,915	–	11,915
Other	–	14,181	–	14,181
Convertible bonds	–	4,003	–	4,003
Convertible stocks	3,763	3,698	–	7,461
Preferred securities	2,226	–	–	2,226
Common stocks	10,452	2,249	3,682	16,383
Short-term securities	–	78,286	–	78,286
Total	$16,441	$1,674,757	$14,956	$1,706,154

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on credit default swaps	$–	$179	$–	$179

*Credit default swaps are not included in the investment portfolio.

Mortgage Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Mortgage-backed obligations	$–	$257,935	$ –	$257,935
U.S. Treasury bonds & notes	–	35,365	–	35,365
Asset-backed obligations	–	33,300	1,867	35,167
Federal agency bonds & notes	–	15,548	–	15,548
Short-term securities	–	47,831	–	47,831
Total	$–	$389,979	$1,867	$391,846

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$ –	$ 3,940	$–	$ 3,940
Unrealized appreciation on futures contracts	1,794	–	–	1,794
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(8,924)	–	(8,924)
Unrealized depreciation on futures contracts	(518)	–	–	(518)
Total	$1,276	$(4,984)	$–	$(3,708)

*Interest rate swaps and futures contracts are not included in the investment portfolio.

Ultra-Short Bond Fund

At June 30, 2016, all of the fund's investment securities were classified as Level 2.

U.S. Government/AAA-Rated Securities Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	$–	$1,325,445	$–	$1,325,445
Federal agency bonds & notes	–	860,767	–	860,767
Mortgage-backed obligations	–	685,174	–	685,174
Short-term securities	–	200,005	–	200,005
Total	$–	$3,071,391	$–	$3,071,391

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$ –	$ 45,400	$–	$ 45,400
Unrealized appreciation on futures contracts	20,177	–	–	20,177
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(100,025)	–	(100,025)
Unrealized depreciation on futures contracts	(2,329)	–	–	(2,329)
Total	$17,848	$ (54,625)	$–	$ (36,777)

*Interest rate swaps and futures contracts are not included in the investment portfolio.

Managed Risk Growth Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk International Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Blue Chip Income and Growth Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Growth-Income Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Asset Allocation Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

4. Risk factors

Investing in the funds may involve certain risks including, but not limited to, those described below.

Market conditions – The prices of, and the income generated by, the common stocks, bonds and other securities held by a fund may decline – sometimes rapidly or unpredictably – due to various factors, including events or conditions affecting the general economy or particular industries; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency exchange, interest rate and commodity price fluctuations.

Issuer risks –The prices of, and the income generated by, securities held by a fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance and strategic initiatives such as mergers, acquisitions or dispositions, and the market response to any such initiatives.

Investing in growth-oriented stocks – Growth-oriented common stocks and other equity-type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) may involve larger price swings and greater potential for loss than other types of investments. These risks may be even greater in the case of smaller capitalization stocks.

Investing in income-oriented stocks – Income provided by a fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests.

Investing in small companies – Investing in smaller companies may pose additional risks. For example, it is often more difficult to value or dispose of small company stocks and more difficult to obtain information about smaller companies than about larger companies. Furthermore, smaller companies often have limited product lines, operating histories, markets and/or financial resources, may be dependent on one or a few key persons for management, and can be more susceptible to losses. Moreover, the prices of their stocks maybe more volatile than stocks of larger, more established companies.

Investing outside the U.S. – Securities of issuers domiciled outside the U.S., or with significant operations or revenues outside the U.S., may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism and war) in the countries or regions in which the issuers operate or generate revenue. These securities may also lose value due to changes in foreign currency exchange rates against the U.S. dollar and/or currencies of other countries. Issuers of these securities may be more susceptible to actions of foreign governments, such as the imposition of price controls or punitive taxes, that could adversely impact revenues. Securities markets in certain countries may be more volatile and/or less liquid than those in the U.S. Investments outside the U.S. may also be subject to different accounting practices and different regulatory, legal and reporting standards and practices, and may be more difficult to value, than those in the U.S. In addition, the value of investments outside the U.S. may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities purchased or sold by the fund. The risks of investing outside the U.S. may be heightened in connection with investments in emerging markets.

Investing in developing countries – Investing in countries with developing economies and/or markets may involve risks in addition to and greater than those generally associated with investing in developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating the fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Investing in emerging markets – Investing in emerging markets may involve risks in addition to and greater than those generally associated with investing in the securities markets of developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating a fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Investing in debt instruments – The prices of, and the income generated by, bonds and other debt securities held by a fund may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities.

Rising interest rates will generally cause the prices of bonds and other debt securities to fall. Falling interest rates may cause an issuer to redeem, call or refinance a debt security before its stated maturity, which may result in a fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities.

Bonds and other debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities. Credit risk is gauged, in part, by the credit ratings of the debt securities in which a fund invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees as to credit quality or an evaluation of market risk. The funds' investment adviser relies on its own credit analysts to research issuers and issues in seeking to mitigate various credit and default risks.

Investing in lower rated debt instruments — Lower rated bonds and other lower rated debt securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer's creditworthiness than those of higher quality debt securities. The market prices of these securities may fluctuate more than the prices of higher quality debt securities and may decline significantly in periods of general economic difficulty. These risks may be increased with respect to investments in junk bonds.

Investing in derivatives — The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional cash securities, such as stocks and bonds. Changes in the value of a derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and a derivative instrument may expose a fund to losses in excess of its initial investment. Derivatives may be difficult for a fund to buy or sell at an opportune time or price and may be difficult to terminate or otherwise offset. A fund's use of derivatives may result in losses to the fund, and investing in derivatives may reduce a fund's returns and increase a fund's price volatility. A fund's counterparty to a derivative transaction (including, if applicable, the fund's clearing broker, the derivatives exchange or the clearinghouse) may be unable or unwilling to honor its financial obligations in respect of the transaction.

Thinly traded securities — There may be little trading in the secondary market for particular bonds, other debt securities or derivatives, which may make them more difficult to value, acquire or sell.

Currency — The prices of, and the income generated by, most debt securities held by a fund may also be affected by changes in relative currency values. If the U.S. dollar appreciates against foreign currencies, the value in U.S. dollars of a fund's securities denominated in such currencies would generally fall and vice versa. U.S. dollar-denominated securities of foreign issuers may also be affected by changes in relative currency values.

Investing in mortgage-related securities and other asset-backed securities — Mortgage-related securities, such as mortgage-backed securities, and other asset-backed securities, include debt obligations that represent interests in pools of mortgages or other income-bearing assets, such as consumer loans or receivables. Such securities often involve risks that are different from or more acute than the risks associated with investing in other types of debt securities. Mortgage-backed and other asset-backed securities are subject to changes in the payment patterns of borrowers of the underlying debt. When interest rates fall, borrowers are more likely to refinance or prepay their debt before its stated maturity. This may result in a fund having to reinvest the proceeds in lower yielding securities, effectively reducing a fund's income. Conversely, if interest rates rise and borrowers repay their debt more slowly than expected, the time in which the mortgage-backed and other asset-backed securities are paid off could be extended, reducing a fund's cash available for reinvestment in higher yielding securities.

Investing in future delivery contracts — Contracts for future delivery of mortgage-related securities, such as to be announced contracts and mortgage dollar rolls, involve a fund selling mortgage-related securities and simultaneously contracting to repurchase similar securities for delivery at a future date at a predetermined price. This can increase a fund's market exposure, and the market price of the securities the fund contracts to repurchase could drop below their purchase price. While a fund can preserve and generate capital through the use of such contracts by, for example, realizing the difference between the sale price and the future purchase price, the income generated by the fund may be reduced by engaging in such transactions. In addition, these transactions may increase the turnover rate of a fund.

Investing in inflation linked bonds — The values of inflation linked bonds generally fluctuate in response to changes in real interest rates – i.e., rates of interest after factoring in inflation. A rise in real interest rates may cause the prices of inflation linked securities to fall, while a decline in real interest rates may cause the prices to increase. Inflation linked bonds may experience greater losses than other debt securities with similar durations when real interest rates rise faster than nominal interest rates. There can be no assurance that the value of an inflation linked security will be directly correlated to changes in interest rates; for example, if interest rates rise for reasons other than inflation, the increase may not be reflected in the security's inflation measure.

Investing in inflation linked bonds may also reduce a fund's distributable income during periods of extreme deflation. If prices for goods and services decline throughout the economy, the principal and income on inflation linked securities may decline and result in losses to a fund.

Investing in securities backed by the U.S. government — Securities backed by the U.S. Treasury or the full faith and credit of the U.S. government are guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates. Securities issued by government-sponsored entities and federal agencies and instrumentalities that are not backed by the full faith and credit of the U.S. government are neither issued nor guaranteed by the U.S. government.

Investing in repurchase agreements – Upon entering into a repurchase agreement, a fund purchases a security from a bank or broker-dealer, which simultaneously commits to repurchase the security within a specified time at the fund's cost with interest. The security purchased by the fund constitutes collateral for the seller's repurchase obligation. If the party agreeing to repurchase should default, the fund may seek to sell the security it holds as collateral. The fund may incur a loss if the value of the collateral securing the repurchase obligation has fallen below the repurchase price. The fund may also incur disposition costs and encounter procedural delays in connection with liquidating the collateral.

Interest rate risk – The values and liquidity of the securities held by a fund may be affected by changing interest rates. For example, the values of these securities may decline when interest rates rise and increase when interest rates fall. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities. A fund may invest in variable and floating rate securities. Although such securities are generally less sensitive to interest rate changes, the value of variable and floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates. Conversely, floating rate securities will not generally increase in value if interest rates decline. During periods of extremely low short-term interest rates, a fund may not be able to maintain a positive yield, and, given the historically low interest rate environment, risks associated with rising rates are currently heightened.

Credit and liquidity support – Changes in the credit quality of banks and financial institutions providing credit and liquidity support features with respect to securities held by a fund could cause the values of these securities to decline.

Asset allocation – A fund's percentage allocation to equity securities, debt securities and money market instruments could cause the fund to underperform relative to relevant benchmarks and other funds with similar investment objectives.

Nondiversification – As nondiversified funds, certain funds have the ability to invest a larger percentage of their assets in the securities of a smaller number of issuers than diversified funds. Although the funds do not intend to limit their investments to the securities of a small number of issuers, if they were to do so, poor performance by a single large holding would adversely impact the funds' investment results more than if the funds were invested in a larger number of issuers.

Management – The investment adviser to the funds actively manages the funds' investments. Consequently, the funds are subject to the risk that the methods and analyses employed by the investment adviser in this process may not produce the desired results. This could cause the funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Investing in the managed risk funds may involve additional risks including, but not limited to, those described below.

Fund structure – The managed risk funds invest in underlying funds and incur expenses related to those underlying funds. In addition, investors in the managed risk funds will incur fees to pay for certain expenses related to the operations of the managed risk funds. An investor holding the underlying fund directly would incur lower overall expenses but would not receive the benefit of the risk management strategy of the managed risk fund.

Management – The managed risk funds are subject to the risk that the methods employed by the subadviser in implementing the managed risk strategy may not produce the desired results. This could cause the managed risk funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Underlying fund risks – Because the managed risk funds' investments consist of individual underlying funds, the managed risk funds' risks are directly related to the risks of the respective underlying fund in which each managed fund invests. For this reason, it is important to understand the risks associated with investing both in the managed risk fund and the respective underlying fund.

Investing in futures contracts – In addition to the risks generally associated with investing in derivative instruments, futures contracts are subject to the creditworthiness of the clearing organizations, exchanges and futures commission merchants with which a fund transacts. Additionally, although futures require only a small initial investment in the form of a deposit of initial margin, the amount of a potential loss on a futures contract could greatly exceed the initial amount invested. While futures contracts are generally liquid instruments, under certain market conditions, futures may be deemed to be illiquid. For example a fund may be temporarily prohibited from closing out its position in a futures contract if intraday price change limits or limits on trading volume imposed by the applicable futures exchange are triggered. If a fund is unable to close out a position on a futures contract, the fund would remain subject to the risk of adverse price movements until the fund is able to close out the futures position. The ability of a fund to successfully utilize futures contracts may depend in part upon the ability of the fund's investment adviser or subadviser to accurately forecast interest rates and other economic factors and to assess and predict the impact of such economic factors on the futures in which the fund invests. If the investment adviser or subadviser incorrectly forecasts economic developments or incorrectly predicts the impact of such developments on the futures in which it invests, a fund could be exposed to the risk of loss.

Hedging – There may be imperfect or even negative correlation between the prices of the futures contracts and the prices of the underlying securities. For example, futures contracts may not provide an effective hedge because changes in futures contract prices may not track those of the underlying securities or indexes they are intended to hedge. In addition, there are significant differences between the securities and futures markets that could result in an imperfect correlation between the markets, causing a given hedge not to achieve its objectives. The degree of imperfection of correlation depends on circumstances such as variations in speculative market demand for futures, including technical influences in futures trading, and differences between the financial instruments being hedged and the instruments underlying the standard contracts available for trading. A decision as to whether, when and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected interest rate trends. In addition, the fund's investment in exchange-traded futures and their resulting costs could limit the fund's gains in rising markets relative to those of the underlying fund, or to those of unhedged funds in general.

Short positions – Losses from short positions in futures contracts occur when the underlying index increases in value. As the underlying index increases in value, the holder of the short position in the corresponding futures contract is required to pay the difference in value of the futures contract resulting from the increase in the index on a daily basis. Losses from a short position in an index futures contract could potentially be very large if the value of the underlying index rises dramatically in a short period of time.

5. Certain investment techniques

Index-linked bonds – Some of the funds have invested in index-linked bonds, which are fixed-income securities whose principal value is periodically adjusted to a government price index. Over the life of an index-linked bond, interest is paid on the adjusted principal value. Increases or decreases in the principal value of index-linked bonds are recorded as interest income in the fund's statement of operations.

Mortgage dollar rolls – Some of the funds have entered into mortgage dollar roll transactions in which the fund sells a mortgage-backed security to a counterparty and simultaneously enters into an agreement with the same counterparty to buy back a similar security on a specific future date at a predetermined price. Mortgage dollar rolls are accounted for as purchase and sale transactions, which may increase the funds' portfolio turnover rates.

Loan transactions – Some of the funds have entered into loan transactions in which the fund acquires a loan either through an agent, by assignment from another holder, or as a participation interest in another holder's portion of a loan. The loan is often administered by a financial institution that acts as agent for the holders of the loan, and the fund may be required to receive approval from the agent and/or borrower prior to the sale of the investment. The loan's interest rate and maturity date may change based on the terms of the loan, including potential early payments of principal.

Unfunded commitments – Asset Allocation Fund, Global Bond Fund and High-Income Bond Fund have participated in a transaction that involves unfunded commitments, which may obligate each fund to purchase additional shares of the applicable issuer. Under the terms of the commitments, which will expire no later than April 1, 2021, the maximum potential exposure of Asset Allocation Fund, Global Bond Fund and High-Income Bond Fund as of June 30, 2016 was $471,000, $109,000 and $719,000, respectively. Should such commitments become due in full, these amounts would represent less than 0.01% of the net assets of Asset Allocation Fund and 0.04% of the net assets of Global Bond Fund and High-Income Bond Fund, in each case as of June 30, 2016.

Short-term securities – The managed risk funds hold shares of the Government Cash Management Fund, a cash management vehicle offered by the Bank of New York Mellon ("BNY Mellon"), the funds' custodian bank. The Government Cash Management Fund is managed by the Dreyfus Corporation.

Forward currency contracts – Some of the funds have entered into forward currency contracts, which represent agreements to exchange currencies on specific future dates at predetermined rates. The series' investment adviser uses forward currency contracts to manage the fund's exposure to changes in exchange rates. Upon entering into these contracts, risks may arise from the potential inability of counterparties to meet the terms of their contracts and from possible movements in exchange rates.

On a daily basis, the series' investment adviser values forward currency contracts based on the applicable exchange rates and records unrealized appreciation or depreciation for open forward currency contracts in each fund's statement of assets and liabilities. Realized gains or losses are recorded at the time the forward contract is closed or offset by another contract with the same broker for the same settlement date and currency. Closed forward currency contracts that have not reached their settlement date are included in the respective receivables or payables for closed forward currency contracts in each fund's statement of assets and liabilities. Net realized gains or losses from closed forward currency contracts and net unrealized appreciation or depreciation from open forward currency contracts are recorded in each fund's statement of operations. As of June 30, 2016, Global Growth Fund, Global Small Capitalization

Fund, International Fund, New World Fund, Global Growth and Income Fund, Growth-Income Fund, International Growth and Income Fund, Global Balanced Fund, Bond Fund and Global Bond Fund had open forward currency contracts. As of June 30, 2016, High-Income Bond Fund did not have any open forward currency contracts. The average month-end notional amount of open forward currency contracts while held by High-Income Bond Fund was $2,585,000.

Interest rate swaps — Some of the funds have entered into interest rate swaps, which are agreements to exchange one stream of future interest payments for another based on a specified notional amount. Typically, interest rate swaps exchange a fixed interest rate for a payment that floats relative to a benchmark or vice versa. The series' investment adviser uses interest rate swaps to manage the interest rate sensitivity of the fund by increasing or decreasing the duration of the fund or a portion of the fund's portfolio. Risks may arise as a result of the series' investment adviser incorrectly anticipating changes in interest rates, increased volatility, reduced liquidity and the potential inability of counterparties to meet the terms of their agreements.

Upon entering into an interest rate swap contract, the fund is required to deposit cash, U.S. government securities or other liquid securities, which is known as "initial margin." Generally, the initial margin required for a particular interest rate swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract.

On a daily basis, the series' investment adviser records daily interest accruals related to the exchange of future payments as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a "variation margin" based on the increase or decrease in the value of the interest rate swaps, including accrued interest, and records variation margin on interest rate swaps in each fund's statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the interest rate swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from interest rate swaps are recorded in each fund's statement of operations. As of June 30, 2016, Asset Allocation Fund, Bond Fund, Global Bond Fund, Mortgage Fund and U.S. Government/AAA-Rated Securities Fund had open interest rate swaps. As of June 30, 2016, High-Income Bond Fund did not have any open interest rate swaps. The average month-end notional amount of open interest rate swaps while held by High-Income Bond Fund was $31,888,000.

Credit default swap indices — Some of the funds have entered into centrally cleared credit default swap agreements on credit indices ("CDSI") that involve one party (the protection buyer) making a stream of payments to another party (the protection seller) in exchange for the right to receive a specified return upon the occurrence of a credit event, such as a default or restructuring, with respect to any of the underlying issuers (reference obligations) in the referenced index. The series' investment adviser uses credit default swaps to assume exposure to a diversified portfolio of credits or to hedge against existing credit risks.

CDSI are portfolios of credit instruments or exposures designed to be representative of some part of the credit market, such as the high-yield or investment-grade credit market. CDSI are generally traded using standardized terms, including a fixed spread and standard maturity dates, and reference all the names in the index. If there is a credit event, it is settled based on that name's weight in the index. The composition of the underlying issuers or obligations within a particular index may change periodically, usually every six months. A specified credit event may affect all or individual underlying reference obligations included in the index, and will be settled based upon the relative weighting of the affected obligation(s) within the index. The value of each CDSI can be used as a measure of the current payment/performance risk of the CDSI and represents the likelihood of an expected liability or profit should the notional amount of the CDSI be closed or sold as of the period end. An increasing value, as compared to the notional amount of the CDSI, represents a deterioration of the referenced indices' credit soundness and a greater likelihood of risk of default or other credit event occurring as defined under the terms of the agreement. When a fund provides sell protection, its maximum exposure is the notional amount of the credit default swap agreement.

Upon entering into a centrally cleared CDSI contract, the fund is required to deposit with a derivatives clearing member ("DCM") in a segregated account in the name of the DCM an amount of cash, U.S. government securities or other liquid securities, which is known as initial margin. Generally, the initial margin required for a particular credit default swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract. Securities deposited as initial margin are designated on the investment portfolio.

On a daily basis, interest accruals related to the exchange of future payments are recorded as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a variation margin based on the increase or decrease in the value of the centrally cleared swaps, and records variation margin in each fund's statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from credit default swaps are recorded in each fund's statement of operations. As of June 30, 2016, High-Income Bond Fund had open credit default swaps.

Futures contracts – The managed risk funds have entered into futures contracts, which provide for the future sale by one party and purchase by another party of a specified amount of a specific financial instrument for a specified price, date, time and place designated at the time the contract is made. Futures contracts are used to strategically manage portfolio volatility and downside equity risk.

Upon entering into futures contracts, and to maintain the fund's open positions in futures contracts, the fund is required to deposit with a futures broker, or FCM, in a segregated account in the name of the FCM an amount of cash, U.S. government securities, suitable money market instruments, or other liquid securities, known as "initial margin." The margin required for a particular futures contract is set by the exchange on which the contract is traded to serve as collateral, and may be significantly modified from time to time by the exchange during the term of the contract. When initial margin is deposited with brokers, a receivable is recorded in the fund's statement of assets and liabilities.

On a daily basis, each fund pays or receives variation margin based on the increase or decrease in the value of the futures contracts and records variation margin on futures contracts in each fund's statement of assets and liabilities. In addition, each fund segregates liquid assets equivalent to the fund's outstanding obligations under the contract in excess of the initial margin and variation margin, if any. Futures contracts may involve a risk of loss in excess of the variation margin shown on each fund's statement of assets and liabilities. Each fund records realized gains or losses at the time the futures contract is closed or expires. Net realized gains or losses and net unrealized appreciation or depreciation from futures contracts are recorded in each fund's statement of operations. As of June 30, 2016, Mortgage Fund, U.S. Government/AAA-Rated Securities Fund, Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund held futures contracts.

The following tables present the financial statement impacts resulting from the funds' use of forward currency contracts, interest rate swaps, credit default swaps and/or futures contracts as of June 30, 2016 (dollars in thousands):

			Global Growth Fund	Global Small Capitalization Fund	International Fund
Assets	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$4,683	$ 4,735
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ –	$4,683	$ 4,735
Liabilities	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 322	$ 295	$ 4,488
Forward currency	Currency	Payables for closed forward currency contracts	38	60	233
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 360	$ 355	$ 4,721
Net realized (loss) gain	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net realized (loss) gain on forward currency contracts	$(3,311)	$1,707	$(4,878)
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(3,311)	$1,707	$(4,878)
Net unrealized appreciation (depreciation)	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net unrealized appreciation (depreciation) on forward currency contracts	$ 268	$3,887	$ (170)
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$ 268	$3,887	$ (170)

Assets	Risk type	Location on statements of assets and liabilities	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 61	$ 648	$1,784
Forward currency	Currency	Receivables for closed forward currency contracts	3	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 64	$ 648	$1,784

Liabilities	Risk type	Location on statements of assets and liabilities	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 136	$ 25	$ –
Forward currency	Currency	Payables for closed forward currency contracts	38	33	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 174	$ 58	$ –

Net realized (loss)	Risk type	Location on statements of operations	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Net realized loss on forward currency contracts	$(338)	$(656)	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(338)	$(656)	$ –

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Net unrealized (depreciation) appreciation on forward currency contracts	$(104)	$ 565	$1,784
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(104)	$ 565	$1,784

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	International Growth and Income Fund	Asset Allocation Fund	Global Balanced Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$506
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	42
Interest rate swaps	Interest	Net unrealized appreciation*	–	7,664	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ –	$ 7,664	$548

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 221	$ –	$144
Forward currency	Currency	Payables for closed forward currency contracts	–	–	86
Interest rate swaps	Interest	Net unrealized depreciation*	–	16,574	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 221	$16,574	$230

Net realized gain (loss)	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$282
Interest rate swaps	Interest	Net realized loss on interest rate swaps	–	(1,972)	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$ –	$ (1,972)	$282

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized (depreciation) appreciation on forward currency contracts	$(221)	$ –	$298
Interest rate swaps	Interest	Net unrealized depreciation on interest rate swaps	–	(4,158)	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(221)	$ (4,158)	$298

Assets	Risk type	Location on statements of assets and liabilities	Bond Fund	Global Bond Fund	High-Income Bond Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 3,408	$ 8,386	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	1,986	–
Interest rate swaps	Interest	Net unrealized appreciation*	34,915	1,239	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	179
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 38,323	$11,611	$ 179

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 4,224	$ 3,458	$ –
Forward currency	Currency	Payables for closed forward currency contracts	274	2,920	–
Interest rate swaps	Interest	Net unrealized depreciation*	57,023	8,541	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 61,521	$14,919	$ –

Net realized (loss) gain	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized (loss) gain on forward currency contracts	$(27,272)	$12,814	$ 21
Interest rate swaps	Interest	Net realized gain (loss) on interest rate swaps	6,950	(1,761)	(969)
Credit default swaps	Credit	Net realized loss on credit default swaps	–	–	(1,183)
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(20,322)	$11,053	$(2,131)

Net unrealized appreciation (depreciation)	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation (depreciation) on forward currency contracts	$ 216	$ 2,262	$ (38)
Interest rate swaps	Interest	Net unrealized (depreciation) appreciation on interest rate swaps	(23,945)	(7,367)	274
Credit default swaps	Credit	Net unrealized depreciation on credit default swaps	–	–	(527)
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(23,729)	$ (5,105)	$ (291)

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	3,940	45,400	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	1,794	20,177	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	79
			$ 5,734	$ 65,577	$ 79

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	8,924	100,025	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	518	2,329	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	1,535
Futures contracts	Currency	Net unrealized depreciation*	–	–	2
			$ 9,442	$102,354	$ 1,537

Net realized gain (loss)	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	2,523	8,053	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	1,073	4,258	–
Futures contracts	Equity	Net realized loss on futures contracts	–	–	(4,735)
Futures contracts	Currency	Net realized loss on futures contracts	–	–	(76)
			$ 3,596	$ 12,311	$(4,811)

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net unrealized depreciation on interest rate swaps	(6,139)	(55,853)	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	1,276	17,848	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	–	–	(1,472)
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	57
			$(4,863)	$ (38,005)	$(1,415)

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	103	–	–
Futures contracts	Currency	Net unrealized appreciation*	721	23	23
			$ 824	$ 23	$ 23

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	1,323	1,712	1,474
Futures contracts	Currency	Net unrealized depreciation*	170	–	–
			$ 1,493	$ 1,712	$ 1,474

Net realized (loss) gain	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized loss on futures contracts	(1,211)	(3,237)	(2,538)
Futures contracts	Currency	Net realized (loss) gain on futures contracts	(992)	14	(40)
			$(2,203)	$(3,223)	$(2,578)

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	(998)	(1,619)	(1,323)
Futures contracts	Currency	Net unrealized appreciation (depreciation) on futures contracts	495	1	(2)
			$ (503)	$(1,618)	$(1,325)

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk Asset Allocation Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–
Interest rate swaps	Interest	Net unrealized appreciation*	–
Credit default swaps	Credit	Net unrealized appreciation*	–
Futures contracts	Interest	Net unrealized appreciation*	–
Futures contracts	Equity	Net unrealized appreciation*	–
Futures contracts	Currency	Net unrealized appreciation*	35
			$ 35

Liabilities	Risk type	Location on statements of assets and liabilities	
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–
Interest rate swaps	Interest	Net unrealized depreciation*	–
Credit default swaps	Credit	Net unrealized depreciation*	–
Futures contracts	Interest	Net unrealized depreciation*	–
Futures contracts	Equity	Net unrealized depreciation*	2,200
Futures contracts	Currency	Net unrealized depreciation*	–
			$ 2,200

Net realized loss	Risk type	Location on statements of operations	
Forward currency	Currency	Net realized gain on forward currency contracts	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–
Futures contracts	Interest	Net realized gain on futures contracts	–
Futures contracts	Equity	Net realized loss on futures contracts	(27,934)
Futures contracts	Currency	Net realized loss on futures contracts	(310)
			$(28,244)

Net unrealized depreciation	Risk type	Location on statements of operations	
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	(626)
Futures contracts	Currency	Net unrealized depreciation on futures contracts	(13)
			$ (639)

*Includes cumulative appreciation/depreciation on interest rate swaps, credit default swaps and/or futures contracts as reported in the applicable table(s) following each fund's investment portfolio. Only current day's variation margin is reported within the statements of assets and liabilities.

Collateral – Funds that invest in forward currency contracts, interest rate swaps, credit default swaps, futures contracts and/or future delivery contracts participate in a collateral program. For forward currency contracts, the program calls for the fund to either receive or pledge collateral based on the net gain or loss on unsettled forward currency contracts by counterparty. For interest rate swaps, credit default swaps and futures contracts, the program calls for the fund to pledge collateral for initial and variation margin by contract. For future delivery contracts, the program calls for the fund to either receive or pledge collateral based on the net gain or loss on unsettled contracts by certain counterparties. The purpose of the collateral is to cover potential losses that could occur in the event that either party cannot meet its contractual obligations.

Rights of offset – Funds that hold forward currency contracts have enforceable master netting agreements with certain counterparties, where amounts payable by each party to the other in the same currency (with the same settlement date and with the same counterparty) are settled net of each party's payment obligation. If an early termination date occurs under these agreements following an event of default or termination event, all obligations of each party to its counterparty are settled net through a single payment in a single currency ("close-out netting"). For financial reporting purposes, the funds do not offset financial assets and financial liabilities that are subject to these master netting arrangements in the statements of assets and liabilities.

The following tables present each fund's forward currency contracts by counterparty that are subject to master netting agreements but that are not offset in the funds' statements of assets and liabilities. The net amount column shows the impact of offsetting on the funds' statement of assets and liabilities as of June 30, 2016 if close-out netting was exercised (dollars in thousands):

Global Growth Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Liabilities:					
Bank of America, N.A.	$360	$–	$(287)	$–	$73

Global Small Capitalization Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 161	$(134)	$ –	$–	$ 27
Citibank	1,327	–	(1,327)	–	–
HSBC Bank	2,861	(69)	(2,689)	–	103
JPMorgan Chase	182	–	(182)	–	–
UBS AG	152	(152)	–	–	–
Total	$4,683	$(355)	$(4,198)	$–	$130
Liabilities:					
Barclays Bank PLC	$ 134	$(134)	$ –	$–	$ –
HSBC Bank	69	(69)	–	–	–
UBS AG	152	(152)	–	–	–
Total	$ 355	$(355)	$ –	$–	$ –

See end of tables for footnote.

International Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 282	$(282)	$ –	$–	$ –
HSBC Bank	352	(78)	(274)	–	–
JPMorgan Chase	292	(40)	(252)	–	–
UBS AG	3,809	(91)	(3,636)	–	82
Total	$4,735	$(491)	$(4,162)	$–	$ 82
Liabilities:					
Bank of America, N.A.	$ 960	$ –	$ (581)	$–	$379
Barclays Bank PLC	3,516	(282)	(3,123)	–	111
Citibank	36	–	–	–	36
HSBC Bank	78	(78)	–	–	–
JPMorgan Chase	40	(40)	–	–	–
UBS AG	91	(91)	–	–	–
Total	$4,721	$(491)	$(3,704)	$–	$526

New World Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Citibank	$ 3	$ (3)	$–	$–	$ –
HSBC Bank	23	–	–	–	23
JPMorgan Chase	38	(38)	–	–	–
Total	$ 64	$(41)	$–	$–	$ 23
Liabilities:					
Bank of America, N.A.	$ 73	$ –	$–	$–	$ 73
Citibank	36	(3)	–	–	33
JPMorgan Chase	43	(38)	–	–	5
UBS AG	22	–	–	–	22
Total	$174	$(41)	$–	$–	$133

Global Growth and Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$498	$(33)	$(465)	$–	$ –
Citibank	150	–	–	–	150
Total	$648	$(33)	$(465)	$–	$150
Liabilities:					
Bank of America, N.A.	$ 33	$(33)	$ –	$–	$ –
HSBC Bank	25	–	–	–	25
Total	$ 58	$(33)	$ –	$–	$ 25

Growth-Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 449	$–	$(336)	$–	$113
HSBC Bank	444	–	(331)	–	113
JPMorgan Chase	447	–	–	–	447
UBS AG	444	–	(321)	–	123
Total	$1,784	$–	$(988)	$–	$796

International Growth and Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Liabilities:					
Bank of America, N.A.	$221	$–	$–	$–	$221

Global Balanced Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$122	$ (8)	$–	$–	$114
Citibank	69	(30)	–	–	39
HSBC Bank	213	(26)	–	–	187
JPMorgan Chase	56	(56)	–	–	–
UBS AG	88	(30)	–	–	58
Total	$548	$(150)	$–	$–	$398
Liabilities:					
Bank of America, N.A.	$ 32	$ –	$–	$–	$ 32
Bank of New York Mellon	6	–	–	–	6
Barclays Bank PLC	8	(8)	–	–	–
Citibank	30	(30)	–	–	–
HSBC Bank	26	(26)	–	–	–
JPMorgan Chase	98	(56)	–	–	42
UBS AG	30	(30)	–	–	–
Total	$230	$(150)	$–	$–	$ 80

See end of tables for footnote.

Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 624	$ (624)	$ –	$–	$ –
Barclays Bank PLC	71	(1)	–	–	70
Citibank	1,086	–	(580)	–	506
HSBC Bank	1,096	–	(718)	–	378
UBS AG	531	(531)	–	–	–
Total	$3,408	$(1,156)	$(1,298)	$–	$954
Liabilities:					
Bank of America, N.A.	$3,420	$ (624)	$(2,617)	$–	$179
Barclays Bank PLC	1	(1)	–	–	–
JPMorgan Chase	296	–	–	–	296
UBS AG	781	(531)	(250)	–	–
Total	$4,498	$(1,156)	$(2,867)	$–	$475

Global Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 491	$ (490)	$ –	$–	$1
Barclays Bank PLC	1,189	(1,088)	(101)	–	–
Citibank	1,478	(1,011)	(467)	–	–
HSBC Bank	4,369	(1,237)	(3,132)	–	–
JPMorgan Chase	1,195	(1,195)	–	–	–
UBS AG	1,651	(625)	(1,026)	–	–
Total	$10,373	$ 5,646	$(4,726)	$–	$1
Liabilities:					
Bank of America, N.A.	$ 490	$ (490)	$ –	$–	$–
Barclays Bank PLC	1,088	(1,088)	–	–	–
Citibank	1,011	(1,011)	–	–	–
HSBC Bank	1,237	(1,237)	–	–	–
JPMorgan Chase	1,929	(1,195)	(734)	–	–
UBS AG	625	(625)	–	–	–
Total	$ 6,380	$(5,646)	$ (734)	$–	$–

*Non-cash collateral is shown on a settlement basis.

6. Taxation and distributions

Federal income taxation – Each fund complies with the requirements under Subchapter M of the Internal Revenue Code applicable to mutual funds and intends to distribute substantially all of its net taxable income and net capital gains each year. The funds are not subject to income taxes to the extent such distributions are made. Therefore, no federal income tax provision is required.

As of and during the period ended June 30, 2016, none of the funds had a liability for any unrecognized tax benefits. Each fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statements of operations. During the period, none of the funds incurred any significant interest or penalties.

The funds are not subject to examination by U.S. federal tax authorities for tax years before 2012. Managed Risk Asset Allocation Fund is not subject to examination by U.S. federal tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by U.S. federal tax authorities for tax years before 2013, the year the funds commenced operations. Capital Income Builder is not subject to examination by U.S. federal tax authorities for tax years before 2014, the year the fund commenced operations.

The funds are not subject to examination by state tax authorities for tax years before 2011. Global Balanced Fund and Mortgage Fund are not subject to examination by state tax authorities for tax years before 2011, the year the funds commenced operations. Managed Risk Asset Allocation Fund is not subject to examination by state tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by state tax authorities for tax years before 2013, the year the funds commenced operations. Capital Income Builder is not subject to examination by state tax authorities for tax years before 2014, the year the fund commenced operations.

The following funds are not subject to examination by tax authorities outside the U.S. for the years indicated: Global Growth Fund, Global Small Capitalization Fund, International Fund, New World Fund and Global Growth and Income Fund for tax years before 2009; Growth Fund and Growth-Income Fund for tax years before 2010; International Growth and Income Fund and Global Balanced Fund for tax years before 2011; and Asset Allocation Fund, Bond Fund and Global Bond Fund for tax years before 2015. All other funds are not subject to examination by tax authorities outside the U.S.

Non-U.S. taxation — Dividend and interest income are recorded net of non-U.S. taxes paid. The funds may file withholding tax reclaims in certain jurisdictions to recover a portion of amounts previously withheld. As a result of recent rulings from European courts, some of the funds filed for additional reclaims related to prior years. These reclaims are recorded when the amount is known and there are no significant uncertainties on collectability. Gains realized by the funds on the sale of securities in certain countries are subject to non-U.S. taxes. The funds record a liability based on unrealized gains to provide for potential non-U.S. taxes payable upon the sale of these securities.

Distributions — Distributions paid to shareholders are based on net investment income and net realized gains determined on a tax basis, which may differ from net investment income and net realized gains for financial reporting purposes. These differences are due primarily to different treatment for items such as currency gains and losses; short-term capital gains and losses; capital losses related to sales of certain securities within 30 days of purchase; unrealized appreciation of certain investments in securities outside the U.S.; deferred expenses; cost of investments sold; non-U.S. taxes on capital gains; paydowns on fixed-income securities; net capital losses; net operating losses; amortization of premiums and discounts; and income on certain investments. The fiscal year in which amounts are distributed may differ from the year in which the net investment income and net realized gains are recorded by the funds for financial reporting purposes.

As indicated in the tables in this section, some of the funds had capital loss carryforwards available at December 31, 2015. These will be used to offset any capital gains realized by the funds in the current year or in subsequent years through the expiration dates. Funds with capital loss carryforwards will not make distributions from capital gains while a capital loss carryforward remains.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

Additional tax basis disclosures are as follows (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 32,894	$ 11,421	$ 41,300	$ 11,250	$ 2,125	$ 89,456
Undistributed long-term capital gain	425,513	714,068	1,900,761	637,417	–	533,399
Capital loss carryforward:						
No expiration	–	–	–	–	(72,641)	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	1,193,441	671,515	6,231,767	883,993	385,792	1,616,292
Gross unrealized depreciation on investment securities	(191,219)	(603,637)	(754,995)	(699,526)	(227,453)	(189,251)
Net unrealized appreciation (depreciation) on investment securities	1,002,222	67,878	5,476,772	184,467	158,339	1,427,041
Cost of investment securities	4,208,124	3,768,420	15,631,704	7,181,766	2,615,147	6,172,675

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 5,232	$ 199,886	$ 2,684	$ 21	$ 58,950	$ –
Late year ordinary loss deferral*	–	–	–	–	–	(355)
Undistributed long-term capital gain	–	2,563,501	4,647	–	463,050	–
Post-October capital loss deferral*	(12,225)	–	–	–	–	(855)
Capital loss carryforward:						
No expiration	–	–	–	(1,684)	–	–
Expiring 2017	(17,429)	–	–	–	–	–
Expiring 2018	(297)	–	–	–	–	–
	(17,726)	–	–	(1,684)	–	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	283,796	5,917,391	73,779	20,434	3,402,237	30,109
Gross unrealized depreciation on investment securities	(77,167)	(1,272,453)	(115,027)	(14,211)	(462,344)	(8,605)
Net unrealized appreciation (depreciation) on investment securities	206,629	4,644,938	(41,248)	6,223	2,939,893	21,504
Cost of investment securities	1,658,948	19,796,990	1,140,879	338,691	16,802,169	220,919

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund	U.S. Government/ AAA-Rated Securities Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 74,947	$ –	$ 20,431	$ 4,155	$ –	$ 51,560
Late year ordinary loss deferral*	–	(7,647)	–	–	–	–
Undistributed long-term capital gain	18,561	1,747	–	185	–	17,063
Post-October capital loss deferral*	–	(655)	–	–	–	–
Capital loss carryforward:						
No expiration	–	–	(97,754)	–	–	–
Expiring 2017	–	–	(45,026)	–	–	–
	–	–	(142,780)	–	–	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	344,534	98,964	32,698	6,584	28	75,418
Gross unrealized depreciation on investment securities	(49,639)	(68,598)	(147,966)	(232)	(1)	(528)
Net unrealized appreciation (depreciation) on investment securities	294,895	30,366	(115,268)	6,352	27	74,890
Cost of investment securities	11,430,617	2,406,565	1,821,422	385,494	360,142	2,996,501

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
As of December 31, 2015:					
Undistributed ordinary income	$ 328	$ 839	$ 2,223	$ 1,328	$ 34,133
Undistributed long-term capital gain	14,998	2,179	5,911	8,464	93,485
As of June 30, 2016:					
Gross unrealized appreciation on investment securities	–	–	–	–	–
Gross unrealized depreciation on investment securities	(25,699)	(18,829)	(14,464)	(22,879)	(81,939)
Net unrealized appreciation (depreciation) on investment securities	(25,699)	(18,829)	(14,464)	(22,879)	(81,939)
Cost of investment securities	192,747	104,647	201,815	157,957	3,160,306

*These deferrals are considered incurred in the subsequent year.

The tax character of distributions paid to shareholders of each fund was as follows (dollars in thousands):

Global Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$10,322	$126,735	$137,057	$ 34,454	$137,198	$171,652
Class 2	22,076	291,772	313,848	74,382	349,551	423,933
Class 4	510	7,147	7,657	1,272	4,175	5,447
Total	$32,908	$425,654	$458,562	$110,108	$490,924	$601,032

Global Small Capitalization Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total distributions paid
Class 1	$ 4,976	$273,687	$278,663	$14,631	$107,277	$121,908
Class 2	6,472	433,806	440,278	24,973	183,098	208,071
Class 4	100	6,715	6,815	189	1,383	1,572
Total	$11,548	$714,208	$725,756	$39,793	$291,758	$331,551

Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$15,245	$ 603,135	$ 618,380	$ 59,092	$1,460,328	$1,519,420
Class 2	25,371	1,244,603	1,269,974	88,259	3,114,763	3,203,022
Class 3	352	16,336	16,688	1,311	42,040	43,351
Class 4	600	36,779	37,379	2,709	9,375	12,084
Total	$41,568	$1,900,853	$1,942,421	$151,371	$4,626,506	$4,777,877

International Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 6,133	$296,124	$302,257	$ 63,527	$196,800	$260,327
Class 2	5,192	334,251	339,443	64,651	245,172	309,823
Class 3	40	2,445	2,485	540	2,060	2,600
Class 4	58	4,665	4,723	657	2,035	2,692
Total	$11,423	$637,485	$648,908	$129,375	$446,067	$575,442

New World Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,608	$–	$1,608	$33,998	$ 63,241	$ 97,239
Class 2	491	–	491	20,466	43,910	64,376
Class 4	65	–	65	2,315	4,736	7,051
Total	$2,164	$–	$2,164	$56,779	$111,887	$168,666

Blue Chip Income and Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$49,881	$292,080	$341,961	$104,537	$336,268	$440,805
Class 2	38,963	236,696	275,659	88,048	328,339	416,387
Class 4	817	4,933	5,750	650	1,651	2,301
Total	$89,661	$533,709	$623,370	$193,235	$666,258	$859,493

Global Growth and Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$1,361	$–	$1,361	$ 6,244	$–	$ 6,244
Class 2	3,873	–	3,873	30,016	–	30,016
Class 4	27	–	27	79	–	79
Total	$5,261	$–	$5,261	$36,339	$–	$36,339

Growth-Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 94,265	$1,172,061	$1,266,326	$211,212	$1,523,989	$1,735,201
Class 2	101,489	1,329,722	1,431,211	227,897	1,955,599	2,183,496
Class 3	1,258	16,262	17,520	2,968	24,839	27,807
Class 4	3,347	45,834	49,181	5,428	7,004	12,432
Total	$200,359	$2,563,879	$2,764,238	$447,505	$3,511,431	$3,958,936

International Growth and Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$2,107	$3,459	$5,566	$17,822	$15,393	$33,215
Class 2	540	1,080	1,620	5,743	5,535	11,278
Class 4	63	149	212	671	578	1,249
Total	$2,710	$4,688	$7,398	$24,236	$21,506	$45,742

Capital Income Builder

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$1,652	$–	$1,652	$1,286	$–	$1,286
Class 2	–*	–	–*	–*	–	–*
Class 4	2,592	–	2,592	3,002	–	3,002
Total	$4,244	$–	$4,244	$4,288	$–	$4,288

See end of tables for footnote.

Asset Allocation Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$38,474	$280,306	$318,780	$310,613	$ 785,247	$1,095,860
Class 2	14,389	120,303	134,692	126,004	335,062	461,066
Class 3	106	859	965	927	2,404	3,331
Class 4	6,409	61,673	68,082	36,628	4,226	40,854
Total	$59,378	$463,141	$522,519	$474,172	$1,126,939	$1,601,111

Global Balanced Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$–	$–	$–	$ 596	$ 605	$1,201
Class 2	–	–	–	1,802	2,359	4,161
Class 4	–	–	–	5	4	9
Total	$–	$–	$–	$2,403	$2,968	$5,371

Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$46,350	$11,305	$57,655	$195,551	$20,064	$215,615
Class 2	28,742	7,465	36,207	141,408	16,478	157,886
Class 4	569	150	719	1,556	156	1,712
Total	$75,661	$18,920	$94,581	$338,515	$36,698	$375,213

Global Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,163	$ 872	$2,035	$21,903	$12,052	$33,955
Class 2	1,230	923	2,153	23,532	13,266	36,798
Class 4	11	8	19	81	46	127
Total	$2,404	$1,803	$4,207	$45,516	$25,364	$70,880

High-Income Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$11,106	$–	$11,106	$ 65,080	$–	$ 65,080
Class 2	9,108	–	9,108	48,382	–	48,382
Class 3	146	–	146	742	–	742
Class 4	128	–	128	83	–	83
Total	$20,488	$–	$20,488	$114,287	$–	$114,287

Mortgage Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$3,320	$152	$3,472	$7,999	$–	$7,999
Class 2	740	35	775	1,499	–	1,499
Class 4	115	6	121	168	–	168
Total	$4,175	$193	$4,368	$9,666	$–	$9,666

U.S. Government/AAA-Rated Securities Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$24,402	$ 7,982	$32,384	$35,624	$1,712	$37,336
Class 2	25,935	8,728	34,663	35,376	1,904	37,280
Class 3	181	60	241	253	13	266
Class 4	1,091	371	1,462	821	26	847
Total	$51,609	$17,141	$68,750	$72,074	$3,655	$75,729

Managed Risk Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total distributions paid
Class P1	$ 3	$ 57	$ 60	$–	$–	$–
Class P2	328	14,955	15,283	–	–	–
Total	$331	$15,012	$15,343	$–	$–	$–

Managed Risk International Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 2	$ 4	$ 6	$ –*	$–	$ –*
Class P2	841	2,181	3,022	14	–	14
Total	$843	$2,185	$3,028	$14	$–	$14

Managed Risk Blue Chip Income and Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 3	$ 9	$ 12	$ 1	$–	$ 1
Class P2	2,234	5,915	8,149	529	–	529
Total	$2,237	$5,924	$8,161	$530	$–	$530

See end of tables for footnote.

Managed Risk Growth-Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 11	$ 64	$ 75	$ 3	$–	$ 3
Class P2	1,320	8,401	9,721	64	–	64
Total	$1,331	$8,465	$9,796	$67	$–	$67

Managed Risk Asset Allocation Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class P1	$11,051	$29,417	$ 40,468	$ 9,630	$ 8,843	$18,473
Class P2	23,237	64,161	87,398	28,454	39,547	68,001
Total	$34,288	$93,578	$127,866	$38,084	$48,390	$86,474

*Amount less than one thousand.

7. Fees and transactions

CRMC, the series' investment adviser, is the parent company of American Funds Distributors,® Inc. ("AFD"), the distributor of the series' shares, and American Funds Service Company® ("AFS"), the series' transfer agent. CRMC, AFD and AFS are considered related parties to the series.

Investment advisory services – The series has an investment advisory and service agreement with CRMC that provides for monthly fees accrued daily. These fees are based on annual rates that generally decrease as average net asset levels increase. CRMC receives investment advisory fees from the underlying funds held by the managed risk funds. Effective January 1, 2016, CRMC reduced the investment advisory services fee from an annual rate of 0.250% of average daily net assets to 0.150% of average daily net assets for the managed risk funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables. Subadvisory fees for the managed risk funds are paid by CRMC to Milliman FRM. The managed risk funds are not responsible for paying any subadvisory fees.

Investment advisory services waivers – The series' board of trustees approved an amended agreement for Asset Allocation Fund effective February 1, 2016, decreasing the annual rate on average daily net assets in excess of $21 billion to 0.240%. CRMC is waiving a portion of its investment advisory services fees for each of the managed risk funds. Investment advisory services fees are presented in each fund's statement of operations gross of the waivers from CRMC. For the six months ended June 30, 2016, total investment advisory services fees waived by CRMC were $833,000.

The range of rates and asset levels, and the current annualized rates of average net assets for each fund before and after any investment advisory services waivers (if applicable), are as follows:

Fund	Rates		Net asset level (in billions)		For the period ended June 30, 2016, before waiver	For the period ended June 30, 2016, after waiver
	Beginning with	Ending with	Up to	In excess of		
Global Growth Fund	0.690%	0.460%	$0.6	$ 5.0	0.528%	0.528%
Global Small Capitalization Fund	0.800	0.635	0.6	5.0	0.700	0.700
Growth Fund	0.500	0.280	0.6	34.0	0.331	0.331
International Fund	0.690	0.430	0.5	21.0	0.503	0.503
New World Fund	0.850	0.620	0.5	2.5	0.725	0.725
Blue Chip Income and Growth Fund	0.500	0.360	0.6	6.5	0.397	0.397
Global Growth and Income Fund	0.690	0.480	0.6	3.0	0.604	0.604
Growth-Income Fund	0.500	0.219	0.6	34.0	0.270	0.270
International Growth and Income Fund	0.690	0.530	0.5	1.0	0.640	0.640
Capital Income Builder Fund	0.500		all		0.500	0.500
Asset Allocation Fund	0.500	0.240	0.6	21.0	0.275	0.275
Global Balanced Fund	0.660	0.510	0.5	1.0	0.660	0.660
Bond Fund	0.480	0.330	0.6	8.0	0.364	0.364
Global Bond Fund	0.570	0.450	1.0	3.0	0.531	0.531
High-Income Bond Fund	0.500	0.420	0.6	2.0	0.465	0.465
Mortgage Fund	0.420	0.290	0.6	3.0	0.420	0.420
Ultra-Short Bond Fund	0.320	0.270	1.0	2.0	0.320	0.320
U.S. Government/AAA-Rated Securities Fund	0.420	0.290	0.6	3.0	0.338	0.338
Managed Risk Growth Fund	0.150		all		0.150	0.100
Managed Risk International Fund	0.150		all		0.150	0.100
Managed Risk Blue Chip Income and Growth Fund	0.150		all		0.150	0.100
Managed Risk Growth-Income Fund	0.150		all		0.150	0.100
Managed Risk Asset Allocation Fund	0.150		all		0.150	0.100

Distribution services – The series has plans of distribution for all share classes except Class 1. Under the plans, the board of trustees approves certain categories of expenses that are used to finance activities primarily intended to sell fund shares. The plans provide for payments to pay service fees to firms that have entered into agreements with the series. These payments, based on an annualized percentage of average daily net assets, range from 0.18% to 0.50% as noted in the table below. In some cases, the board of trustees has limited the amounts that may be paid to less than the maximum allowed by the plans.

Share class	Currently approved limits	Plan limits
Class 2	0.25%	0.25%
Class 3	0.18	0.18
Class 4	0.25	0.25
Class P1	0.00	0.25
Class P2	0.25	0.50

Insurance administrative services – The series has an insurance administrative services plan for Class 4, P1 and P2 shares. Under the plan, these share classes pay 0.25% of each insurance company's respective average daily net assets in each share class to compensate the insurance companies for services provided to their separate accounts and contractholders for which the shares of the fund are beneficially owned as underlying investments of such contractholders' annuities. These services include, but are not limited to, maintenance, shareholder communications and transactional services. The insurance companies are not related parties to the series.

Transfer agent services – The series has a shareholder services agreement with AFS under which the funds compensate AFS for providing transfer agent services to all of the funds' share classes. These services include recordkeeping, shareholder communications and transaction processing. In addition, the managed risk funds reimburse AFS for amounts paid to third parties for performing transfer agent services on behalf of fund shareholders.

Administrative services – The series has an administrative services agreement with CRMC to provide administrative services to all of the funds' share classes. The services include, but are not limited to, coordinating, monitoring, assisting and overseeing third parties that provide services to fund shareholders. Under the agreement, each share class of each fund, except the managed risk funds, pays an annual fee of 0.01% based on its respective average daily net assets to compensate CRMC for providing administrative services. For the

managed risk funds, CRMC receives administrative services fees of 0.01% of average daily net assets from Class 1 shares of the underlying funds for administrative services provided to the series.

Accounting and administrative services – The managed risk funds have a subadministration agreement with BNY Mellon under which the fund compensates BNY Mellon for providing accounting and administrative services to each of the managed risk funds' share classes. These services include, but are not limited to, fund accounting (including calculation of net asset value), financial reporting and tax services. BNY Mellon is not a related party to the managed risk funds.

Reimbursement of fees and expenses – CRMC is currently reimbursing a portion of other expenses for each of the managed risk funds so that each fund's expenses do not exceed 0.28% of its respective average daily net assets. Other expenses exclude investment advisory services and distribution services fees. For the six months ended June 30, 2016, total expenses reimbursed by CRMC were $289,000.

Class-specific expenses under the agreements described above were as follows (dollars in thousands):

Global Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 76
Class 2	4,392	–	176
Class 4	105	106	4
Total class-specific expenses	$4,497	$106	$256

New World Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 76
Class 2	1,134	–	45
Class 4	227	227	9
Total class-specific expenses	$1,361	$227	$130

Global Small Capitalization Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 78
Class 2	2,884	–	115
Class 4	42	42	2
Total class-specific expenses	$2,926	$42	$195

Blue Chip Income and Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$189
Class 2	3,991	–	160
Class 4	62	62	2
Total class-specific expenses	$4,053	$62	$351

Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 324
Class 2	16,807	–	672
Class 3	160	–	9
Class 4	477	477	19
Total class-specific expenses	$17,444	$477	$1,024

Global Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$18
Class 2	1,756	–	70
Class 4	8	8	1
Total class-specific expenses	$1,764	$8	$89

International Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$166
Class 2	4,722	–	189
Class 3	26	–	2
Class 4	60	61	2
Total class-specific expenses	$4,808	$61	$359

Growth-Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 533
Class 2	15,382	–	615
Class 3	137	–	8
Class 4	509	509	20
Total class-specific expenses	$16,028	$509	$1,176

International Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$36
Class 2	307	–	12
Class 4	41	41	2
Total class-specific expenses	$348	$41	$50

Capital Income Builder

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 5
Class 2	–*	–	–
Class 4	225	225	9
Total class-specific expenses	$225	$225	$14

Asset Allocation Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$554
Class 2	6,081	–	243
Class 3	32	–	2
Class 4	3,026	3,026	121
Total class-specific expenses	$9,139	$3,026	$920

Global Balanced Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$ 3
Class 2	212	–	8
Class 4	3	3	–*
Total class-specific expenses	$215	$3	$11

Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$295
Class 2	5,108	–	204
Class 4	91	90	4
Total class-specific expenses	$5,199	$90	$503

See end of tables for footnote.

Global Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 54
Class 2	1,485	–	59
Class 4	10	10	1
Total class-specific expenses	$1,495	$10	$114

High-Income Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$47
Class 2	954	–	38
Class 3	11	–	1
Class 4	7	8	–*
Total class-specific expenses	$972	$8	$86

Mortgage Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$13
Class 2	80	–	3
Class 4	15	16	1
Total class-specific expenses	$95	$16	$17

Ultra-Short Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 2
Class 2	385	–	15
Class 3	5	–	–*
Class 4	16	16	1
Total class-specific expenses	$406	$16	$18

U.S. Government/AAA-Rated Securities Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 71
Class 2	1,943	–	78
Class 3	10	–	–*
Class 4	81	81	3
Total class-specific expenses	$2,034	$81	$152

Managed Risk Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	190	190
Total class-specific expenses	$190	$190

Managed Risk Growth-Income Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ 1
Class P2	158	158
Total class-specific expenses	$158	$159

Managed Risk International Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	107	107
Total class-specific expenses	$107	$107

Managed Risk Asset Allocation Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$1,037
Class P2	2,474	2,474
Total class-specific expenses	$2,474	$3,511

Managed Risk Blue Chip Income and Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	199	199
Total class-specific expenses	$199	$199

*Amount less than one thousand.

Trustees' deferred compensation – Trustees who are unaffiliated with CRMC may elect to defer the cash payment of part or all of their compensation. These deferred amounts, which remain as liabilities of the funds, are treated as if invested in one or more of the American Funds. These amounts represent general, unsecured liabilities of the funds and vary according to the total returns of the selected funds. Trustees' compensation, shown on the accompanying financial statements, reflects current fees (either paid in cash or deferred) and a net increase in the value of the deferred amounts as follows (dollars in thousands):

	Current fees	Increase in value of deferred amounts	Total trustees' compensation
Global Growth Fund	$22	$1	$ 23
Global Small Capitalization Fund	16	1	17
Growth Fund	87	3	90
International Fund	30	1	31
New World Fund	11	1	12
Blue Chip Income and Growth Fund	29	1	30
Global Growth and Income Fund	7	–*	7
Growth-Income Fund	99	3	102
International Growth and Income Fund	4	–*	4
Capital Income Builder	1	–*	1
Asset Allocation Fund	76	3	79
Global Balanced Fund	1	–*	1
Bond Fund	41	1	42
Global Bond Fund	9	–*	9
High-Income Bond Fund	7	–*	7
Mortgage Fund	1	–*	1
Ultra-Short Bond Fund	1	–*	1
U.S. Government/AAA-Rated Securities Fund	13	–*	13
Managed Risk Growth Fund	1	–*	1
Managed Risk International Fund	–*	–*	–*
Managed Risk Blue Chip Income and Growth Fund	1	–*	1
Managed Risk Growth-Income Fund	1	–*	1
Managed Risk Asset Allocation Fund	11	–*	11

*Amount less than one thousand.

Affiliated officers and trustees – Officers and certain trustees of the series are or may be considered to be affiliated with CRMC, AFD and AFS. No affiliated officers or trustees received any compensation directly from any fund in the series.

Security transactions with related funds – The funds may purchase from, or sell securities to, other CRMC-managed funds (or funds managed by certain affiliates of CRMC) under procedures adopted by the fund's board of trustees. The funds involved in such transactions are considered related by virtue of having a common investment adviser (or affiliated investment advisers), common trustees and/or common officers. When such transactions occur, each transaction is executed at the current market price of the security and no brokerage commissions or fees are paid in accordance with Rule 17a-7 of the 1940 Act. During the six months ended June 30, 2016, such purchase and sale transactions occurred between Global Growth Fund and related funds in the amounts of $652,454,000 and $819,688,000, respectively.

8. Committed line of credit

Global Small Capitalization Fund and High-Income Bond Fund participate with other funds managed by CRMC in a $500 million credit facility (the "line of credit") to be utilized for temporary purposes to fund shareholder redemptions. Each fund has agreed to pay commitment fees on its pro-rata portion of the line of credit, which are reflected in other expenses in each fund's statement of operations. During the period, neither fund borrowed on this line of credit.

9. Capital share transactions

Capital share transactions in the funds were as follows (dollars and shares in thousands):

Global Growth Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$108,950	4,449	$137,056	5,951	$(117,777)	(4,763)	$128,229	5,637
Class 2	54,049	2,228	313,848	13,753	(198,489)	(8,096)	169,408	7,885
Class 4	17,945	740	7,657	336	(17,169)	(708)	8,433	368
Total net increase (decrease)	$180,944	7,417	$458,561	20,040	$(333,435)	(13,567)	$306,070	13,890
Year ended December 31, 2015								
Class 1	$242,608	8,797	$171,652	6,332	$(284,375)	(10,186)	$129,885	4,943
Class 2	63,278	2,321	423,933	15,756	(513,101)	(18,595)	(25,890)	(518)
Class 4	80,540	2,928	5,447	203	(10,490)	(389)	75,497	2,742
Total net increase (decrease)	$386,426	14,046	$601,032	22,291	$(807,966)	(29,170)	$179,492	7,167

Global Small Capitalization Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 87,982	4,003	$278,663	14,598	$(227,864)	(9,895)	$138,781	8,706
Class 2	35,976	1,678	440,277	23,696	(116,372)	(5,219)	359,881	20,155
Class 4	8,676	397	6,815	364	(4,501)	(211)	10,990	550
Total net increase (decrease)	$132,634	6,078	$725,755	38,658	$(348,737)	(15,325)	$509,652	29,411
Year ended December 31, 2015								
Class 1	$513,999	19,169	$121,908	4,341	$(211,242)	(7,700)	$424,665	15,810
Class 2	80,928	3,206	208,071	7,558	(354,071)	(13,220)	(65,072)	(2,456)
Class 4	29,896	1,122	1,572	57	(6,551)	(252)	24,917	927
Total net increase (decrease)	$624,823	23,497	$331,551	11,956	$(571,864)	(21,172)	$384,510	14,281

Growth Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 254,509	3,981	$ 616,334	9,912	$ (373,808)	(5,719)	$ 497,035	8,174
Class 2	97,736	1,528	1,269,974	20,550	(835,655)	(12,899)	532,055	9,179
Class 3	1,102	18	16,688	267	(12,803)	(199)	4,987	86
Class 4	36,211	570	37,379	609	(24,379)	(383)	49,211	796
Total net increase (decrease)	$ 389,558	6,097	$1,940,375	31,338	$(1,246,645)	(19,200)	$1,083,288	18,235
Year ended December 31, 2015								
Class 1	$ 545,748	7,598	$1,516,077	22,116	$(1,366,376)	(18,624)	$ 695,449	11,090
Class 2	178,141	2,443	3,203,022	46,982	(2,197,881)	(29,528)	1,183,282	19,897
Class 3	783	11	43,350	629	(28,825)	(389)	15,308	251
Class 4	382,752	5,567	12,085	178	(12,814)	(184)	382,023	5,561
Total net increase (decrease)	$1,107,424	15,619	$4,774,534	69,905	$(3,605,896)	(48,725)	$2,276,062	36,799

International Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$199,830	11,732	$302,258	19,034	$(158,313)	(9,159)	$343,775	21,607
Class 2	119,738	7,078	339,443	21,470	(199,625)	(11,558)	259,556	16,990
Class 3	3	–[†]	2,485	156	(3,014)	(176)	(526)	(20)
Class 4	13,143	778	4,722	301	(3,984)	(236)	13,881	843
Total net increase (decrease)	$332,714	19,588	$648,908	40,961	$(364,936)	(21,129)	$616,686	39,420
Year ended December 31, 2015								
Class 1	$613,096	30,399	$260,327	13,102	$(308,218)	(15,161)	$565,205	28,340
Class 2	243,300	12,263	309,824	15,584	(460,836)	(22,675)	92,288	5,172
Class 3	591	29	2,600	130	(5,955)	(292)	(2,764)	(133)
Class 4	37,705	1,848	2,691	136	(6,576)	(332)	33,820	1,652
Total net increase (decrease)	$894,692	44,539	$575,442	28,952	$(781,585)	(38,460)	$688,549	35,031

New World Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$152,463	8,122	$ 1,608	86	$(115,199)	(6,216)	$ 38,872	1,992
Class 2	19,890	1,097	491	27	(65,609)	(3,593)	(45,228)	(2,469)
Class 4	38,035	2,083	65	3	(5,680)	(315)	32,420	1,771
Total net increase (decrease)	$210,388	11,302	$ 2,164	116	$(186,488)	(10,124)	$ 26,064	1,294
Year ended December 31, 2015								
Class 1	$250,385	12,453	$ 97,239	4,794	$ (74,017)	(3,664)	$273,607	13,583
Class 2	52,944	2,691	64,376	3,193	(146,327)	(7,294)	(29,007)	(1,410)
Class 4	120,968	6,065	7,051	351	(7,843)	(403)	120,176	6,013
Total net increase (decrease)	$424,297	21,209	$168,666	8,338	$(228,187)	(11,361)	$364,776	18,186

Blue Chip Income and Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class 1	$338,238	25,928	$338,947	27,224	$(130,120)	(10,125)	$547,065	43,027
Class 2	19,292	1,498	275,658	22,375	(220,625)	(17,292)	74,325	6,581
Class 4	44,683	3,463	5,751	467	(7,663)	(599)	42,771	3,331
Total net increase (decrease)	$402,213	30,889	$620,356	50,066	$(358,408)	(28,016)	$664,161	52,939
Year ended December 31, 2015								
Class 1	$452,522	32,801	$437,325	32,701	$(252,335)	(18,381)	$637,512	47,121
Class 2	32,390	2,382	416,386	31,379	(427,875)	(31,163)	20,901	2,598
Class 4	28,833	2,128	2,302	174	(5,348)	(390)	25,787	1,912
Total net increase (decrease)	$513,745	37,311	$856,013	64,254	$(685,558)	(49,934)	$684,200	51,631

See end of tables for footnotes.

Global Growth and Income Fund

	Sales*		Reinvestments of dividends		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$145,461	12,035	$ 1,285	105	$ (20,097)	(1,645)	$ 126,649	10,495
Class 2	13,812	1,143	3,873	316	(92,043)	(7,601)	(74,358)	(6,142)
Class 4	6,313	522	27	2	(1,399)	(116)	4,941	408
Total net increase (decrease)	$165,586	13,700	$ 5,185	423	$(113,539)	(9,362)	$ 57,232	4,761
Year ended December 31, 2015								
Class 1	$123,370	9,539	$ 5,769	464	$ (24,549)	(1,895)	$ 104,590	8,108
Class 2	31,965	2,464	30,016	2,406	(222,457)	(17,093)	(160,476)	(12,223)
Class 4	7,444	579	79	6	(4,032)	(318)	3,491	267
Total net increase (decrease)	$162,779	12,582	$35,864	2,876	$(251,038)	(19,306)	$ (52,395)	(3,848)

Growth-Income Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 581,154	13,271	$1,261,227	30,590	$ (378,230)	(8,506)	$1,464,151	35,355
Class 2	65,168	1,492	1,431,211	35,053	(722,682)	(16,413)	773,697	20,132
Class 3	918	21	17,520	425	(11,546)	(262)	6,892	184
Class 4	32,935	762	49,181	1,212	(18,045)	(414)	64,071	1,560
Total net increase (decrease)	$ 680,175	15,546	$2,759,139	67,280	$(1,130,503)	(25,595)	$2,308,811	57,231
Year ended December 31, 2015								
Class 1	$1,314,853	26,814	$1,729,526	36,549	$(1,566,420)	(31,547)	$1,477,959	31,816
Class 2	145,682	2,979	2,183,497	46,507	(1,808,597)	(36,727)	520,582	12,759
Class 3	517	9	27,807	587	(26,339)	(533)	1,985	63
Class 4	400,638	8,616	12,432	270	(15,657)	(325)	397,413	8,561
Total net increase (decrease)	$1,861,690	38,418	$3,953,262	83,913	$(3,417,013)	(69,132)	$2,397,939	53,199

International Growth and Income Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 93,560	6,382	$ 5,566	387	$ (1,727)	(119)	$97,399	6,650
Class 2	7,324	513	1,620	113	(12,156)	(837)	(3,212)	(211)
Class 4	4,095	283	212	14	(2,248)	(155)	2,059	142
Total net increase (decrease)	$104,979	7,178	$ 7,398	514	$(16,131)	(1,111)	$96,246	6,581
Year ended December 31, 2015								
Class 1	$ 15,184	932	$33,215	2,124	$ (9,326)	(556)	$39,073	2,500
Class 2	42,188	2,495	11,279	722	(19,855)	(1,216)	33,612	2,001
Class 4	17,667	1,083	1,248	81	(3,033)	(190)	15,882	974
Total net increase (decrease)	$ 75,039	4,510	$45,742	2,927	$(32,214)	(1,962)	$88,567	5,475

Capital Income Builder

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends Amount	Reinvestments of dividends Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class 1	$ 45,611	4,816	$1,652	173	$ (7,275)	(786)	$ 39,988	4,203
Class 2	2	–†	–†	–†	–†	–†	2	–†
Class 4	58,358	6,148	2,592	272	(5,311)	(564)	55,639	5,856
Total net increase (decrease)	$103,971	10,964	$4,244	445	$(12,586)	(1,350)	$ 95,629	10,059
Year ended December 31, 2015								
Class 1	$ 61,778	6,412	$1,286	136	$ (1,229)	(132)	$ 61,835	6,416
Class 2	–	–	–†	–†	–	–	–†	–†
Class 4	111,713	11,396	3,002	315	(5,308)	(549)	109,407	11,162
Total net increase (decrease)	$173,491	17,808	$4,288	451	$ (6,537)	(681)	$171,242	17,578

Asset Allocation Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 646,741	31,583	$ 318,780	15,334	$ (200,241)	(9,770)	$ 765,280	37,147
Class 2	66,976	3,286	134,692	6,539	(265,129)	(13,069)	(63,461)	(3,244)
Class 3	570	27	965	46	(2,051)	(100)	(516)	(27)
Class 4	114,246	5,626	68,082	3,316	(54,172)	(2,716)	128,156	6,226
Total net increase (decrease)	$ 828,533	40,522	$ 522,519	25,235	$ (521,593)	(25,655)	$ 829,459	40,102
Year ended December 31, 2015								
Class 1	$1,535,220	71,399	$1,095,859	52,092	$(2,848,179)	(133,856)	$ (217,100)	(10,365)
Class 2	124,804	5,833	461,066	22,110	(682,572)	(32,022)	(96,702)	(4,079)
Class 3	856	40	3,331	159	(4,803)	(223)	(616)	(24)
Class 4	2,429,290	115,496	40,855	1,991	(12,761)	(607)	2,457,384	116,880
Total net increase (decrease)	$4,090,170	192,768	$1,601,111	76,352	$(3,548,315)	(166,708)	$2,142,966	102,412

Global Balanced Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$11,434	1,066	$ –	–	$ (960)	(88)	$10,474	978
Class 2	9,821	904	–	–	(8,905)	(836)	916	68
Class 4	4,168	390	–	–	(211)	(20)	3,957	370
Total net increase (decrease)	$25,423	2,360	$ –	–	$(10,076)	(944)	$15,347	1,416
Year ended December 31, 2015								
Class 1	$16,784	1,513	$1,201	111	$ (5,668)	(512)	$12,317	1,112
Class 2	15,210	1,360	4,161	386	(21,309)	(1,924)	(1,938)	(178)
Class 4	659	60	9	1	(1)	–†	667	61
Total net increase (decrease)	$32,653	2,933	$5,371	498	$(26,978)	(2,436)	$11,046	995

See end of tables for footnotes.

Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 594,756	53,787	$ 57,082	5,143	$(257,822)	(23,636)	$ 394,016	35,294
Class 2	67,010	6,159	36,207	3,303	(275,636)	(25,511)	(172,419)	(16,049)
Class 4	30,809	2,828	719	65	(6,669)	(610)	24,859	2,283
Total net increase (decrease)	$ 692,575	62,774	$ 94,008	8,511	$(540,127)	(49,757)	$ 246,456	21,528
Year ended December 31, 2015								
Class 1	$1,036,298	93,861	$213,571	19,839	$(300,859)	(27,378)	$ 949,010	86,322
Class 2	110,070	10,143	157,887	14,830	(551,976)	(50,779)	(284,019)	(25,806)
Class 4	43,727	4,005	1,711	160	(13,279)	(1,216)	32,159	2,949
Total net increase (decrease)	$1,190,095	108,009	$373,169	34,829	$(866,114)	(79,373)	$ 697,150	63,465

Global Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$100,631	8,721	$ 2,035	174	$ (54,749)	(4,821)	$ 47,917	4,074
Class 2	12,812	1,114	2,153	185	(110,232)	(9,776)	(95,267)	(8,477)
Class 4	6,566	576	19	2	(1,771)	(156)	4,814	422
Total net increase (decrease)	$120,009	10,411	$ 4,207	361	$(166,752)	(14,753)	$ (42,536)	(3,981)
Year ended December 31, 2015								
Class 1	$165,830	14,553	$33,954	3,037	$(282,448)	(25,245)	$ (82,664)	(7,655)
Class 2	33,635	2,962	36,798	3,309	(158,924)	(14,073)	(88,491)	(7,802)
Class 4	3,452	304	128	12	(1,543)	(134)	2,037	182
Total net increase (decrease)	$202,917	17,819	$70,880	6,358	$(442,915)	(39,452)	$(169,118)	(15,275)

High-Income Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends Amount	Reinvestments of dividends Shares	Repurchases* Amount	Repurchases* Shares	Net (decrease) increase Amount	Net (decrease) increase Shares
Six months ended June 30, 2016								
Class 1	$ 25,744	2,746	$ 11,106	1,136	$(177,538)	(18,998)	$(140,688)	(15,116)
Class 2	12,012	1,324	9,108	945	(59,374)	(6,367)	(38,254)	(4,098)
Class 3	1,712	187	146	15	(2,335)	(248)	(477)	(46)
Class 4	16,896	1,662	128	12	(7,420)	(717)	9,604	957
Total net increase (decrease)	$ 56,364	5,919	$ 20,488	2,108	$(246,667)	(26,330)	$(169,815)	(18,303)
Year ended December 31, 2015								
Class 1	$223,032	21,529	$ 65,080	6,936	$(148,108)	(14,222)	$ 140,004	14,243
Class 2	32,524	3,169	48,382	5,222	(137,078)	(13,259)	(56,172)	(4,868)
Class 3	2,044	194	742	79	(5,538)	(528)	(2,752)	(255)
Class 4	16,932	1,527	83	8	(16,023)	(1,447)	992	88
Total net increase (decrease)	$274,532	26,419	$114,287	12,245	$(306,747)	(29,456)	$ 82,072	9,208

Mortgage Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$19,668	1,818	$3,473	324	$(22,478)	(2,088)	$ 663	54
Class 2	13,683	1,276	775	73	(10,632)	(989)	3,826	360
Class 4	11,758	1,102	120	11	(12,185)	(1,143)	(307)	(30)
Total net increase (decrease)	$45,109	4,196	$4,368	408	$(45,295)	(4,220)	$ 4,182	384
Year ended December 31, 2015								
Class 1	$41,987	3,898	$7,999	754	$(67,729)	(6,313)	$(17,743)	(1,661)
Class 2	10,830	1,011	1,499	142	(5,502)	(512)	6,827	641
Class 4	15,842	1,482	168	16	(4,875)	(457)	11,135	1,041
Total net increase (decrease)	$68,659	6,391	$9,666	912	$(78,106)	(7,282)	$ 219	21

Ultra-Short Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net (decrease) increase Amount	Net (decrease) increase Shares
Six months ended June 30, 2016								
Class 1	$ 7,395	657	$–	–	$ (8,547)	(759)	$ (1,152)	(102)
Class 2	71,334	6,485	–	–	(65,236)	(5,931)	6,098	554
Class 3	1,996	180	–	–	(3,102)	(279)	(1,106)	(99)
Class 4	8,089	725	–	–	(12,780)	(1,146)	(4,691)	(421)
Total net increase (decrease)	$ 88,814	8,047	$–	–	$ (89,665)	(8,115)	$ (851)	(68)
Year ended December 31, 2015								
Class 1	$ 19,088	1,694	$–	–	$ (28,360)	(2,517)	$ (9,272)	(823)
Class 2	133,190	12,075	–	–	(161,001)	(14,591)	(27,811)	(2,516)
Class 3	4,437	398	–	–	(5,921)	(532)	(1,484)	(134)
Class 4	30,215	2,699	–	–	(21,575)	(1,926)	8,640	773
Total net increase (decrease)	$186,930	16,866	$–	–	$(216,857)	(19,566)	$(29,927)	(2,700)

U.S. Government/AAA-Rated Securities Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 49,064	3,903	$32,384	2,606	$ (70,689)	(5,660)	$ 10,759	849
Class 2	38,187	3,061	34,662	2,818	(96,947)	(7,813)	(24,098)	(1,934)
Class 3	979	78	242	19	(1,400)	(111)	(179)	(14)
Class 4	46,742	3,765	1,462	119	(27,975)	(2,242)	20,229	1,642
Total net increase (decrease)	$134,972	10,807	$68,750	5,562	$(197,011)	(15,826)	$ 6,711	543
Year ended December 31, 2015								
Class 1	$ 70,484	5,630	$37,336	3,026	$(397,508)	(31,768)	$(289,688)	(23,112)
Class 2	24,610	1,988	37,280	3,053	(190,136)	(15,348)	(128,246)	(10,307)
Class 3	1,477	118	266	21	(3,640)	(290)	(1,897)	(151)
Class 4	50,075	4,027	847	69	(25,031)	(2,017)	25,891	2,079
Total net increase (decrease)	$146,646	11,763	$75,729	6,169	$(616,315)	(49,423)	$(393,940)	(31,491)

See end of tables for footnotes.

Managed Risk Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 279	26	$ 60	6	$ (82)	(8)	$ 257	24
Class P2	32,390	3,000	15,283	1,507	(5,517)	(508)	42,156	3,999
Total net increase (decrease)	$32,669	3,026	$15,343	1,513	$(5,599)	(516)	$42,413	4,023
Year ended December 31, 2015								
Class P1	$ 308	27	$ –	–	$ (70)	(6)	$ 238	21
Class P2	74,489	6,445	–	–	(7,945)	(689)	66,544	5,756
Total net increase (decrease)	$74,797	6,472	$ –	–	$(8,015)	(695)	$66,782	5,777

Managed Risk International Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 38	4	$ 6	–†	$ (41)	(4)	$ 3	–†
Class P2	14,456	1,594	3,022	346	(4,683)	(513)	12,795	1,427
Total net increase (decrease)	$14,494	1,598	$3,028	346	$(4,724)	(517)	$12,798	1,427
Year ended December 31, 2015								
Class P1	$ 44	5	$ –†	–†	$ –†	–†	$ 44	5
Class P2	46,083	4,510	14	2	(2,628)	(265)	43,469	4,247
Total net increase (decrease)	$46,127	4,515	$ 14	2	$(2,628)	(265)	$43,513	4,252

Managed Risk Blue Chip Income and Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class P1	$ 60	6	$ 12	1	$ (3)	–†	$ 69	7
Class P2	47,786	4,303	8,149	750	(6,208)	(560)	49,727	4,493
Total net increase (decrease)	$47,846	4,309	$8,161	751	$ (6,211)	(560)	$49,796	4,500
Year ended December 31, 2015								
Class P1	$ 2	–†	$ 1	–†	$ (22)	(1)	$ (19)	(1)
Class P2	70,110	6,160	529	48	(20,979)	(1,845)	49,660	4,363
Total net increase (decrease)	$70,112	6,160	$ 530	48	$(21,001)	(1,846)	$49,641	4,362

Managed Risk Growth-Income Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 431	39	$ 75	7	$ (142)	(13)	$ 364	33
Class P2	20,438	1,865	9,721	930	(7,271)	(664)	22,888	2,131
Total net increase (decrease)	$20,869	1,904	$9,796	937	$(7,413)	(677)	$23,252	2,164
Year ended December 31, 2015								
Class P1	$ 623	53	$ 3	–†	$ (17)	(1)	$ 609	52
Class P2	57,640	4,977	64	6	(7,010)	(604)	50,694	4,379
Total net increase (decrease)	$58,263	5,030	$ 67	6	$(7,027)	(605)	$51,303	4,431

Managed Risk Asset Allocation Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$242,574	20,918	$ 40,468	3,519	$ (13,834)	(1,206)	$269,208	23,231
Class P2	150,281	12,978	87,398	7,607	(65,547)	(5,634)	172,132	14,951
Total net increase (decrease)	$392,855	33,896	$127,866	11,126	$ (79,381)	(6,840)	$441,340	38,182
Year ended December 31, 2015								
Class P1	$452,013	37,546	$ 18,473	1,532	$ (10,594)	(913)	$459,892	38,165
Class P2	355,940	29,485	68,001	5,622	(161,379)	(13,400)	262,562	21,707
Total net increase (decrease)	$807,953	67,031	$ 86,474	7,154	$(171,973)	(14,313)	$722,454	59,872

*Includes exchanges between share classes of the fund.
†Amount less than one thousand.

10. Investment transactions and other disclosures

The following tables present additional information for each of the funds for the six months ended June 30, 2016 (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
Purchases of investment securities*	$650,450	$550,989	$3,241,873	$1,236,387	$402,385	$805,631
Sales of investment securities*	819,688	714,085	4,297,569	1,052,064	308,670	824,179
Non-U.S. taxes paid on dividend income	5,076	1,592	5,059	7,307	2,097	896
Non-U.S. taxes paid on interest income	–	–	–	–	81	–
Non-U.S. taxes paid on realized gains	–	–	–	–	139	–
Non-U.S. taxes provided on unrealized gains	–	2,892	–	5,095	1,952	–
Dividends from affiliated issuers	–	–	1,709	–	–	–
Net realized (loss) gain from affiliated issuers	–	(10,556)	20,124	–	–	–

See end of tables for footnote.

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
Purchases of investment securities*	$606,501	$3,182,522	$246,854	$142,321	$8,746,136	$68,014
Sales of investment securities*	553,973	3,327,293	129,092	54,633	8,753,088	64,511
Non-U.S. taxes paid on dividend income	1,870	4,255	2,019	259	4,438	135
Non-U.S. taxes paid on interest income	–	–	48	–	–	7
Non-U.S. taxes paid on realized gains	8	–	2	–	–	1
Non-U.S. taxes provided on unrealized gains	32	122	25	–	108	3
Dividends from affiliated issuers	–	–	–	–	–	–
Net realized (loss) gain from affiliated issuers	–	–	–	–	–	–

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund	U.S. Government/ AAA-Rated Securities Fund
Purchases of investment securities*	$17,813,968	$1,744,500	$852,950	$1,652,548	$–	$5,463,071
Sales of investment securities*	17,288,914	1,704,205	897,232	1,634,050	–	5,724,865
Non-U.S. taxes paid on dividend income	–	–	–	–	–	–
Non-U.S. taxes paid on interest income	30	64	6	–	–	–
Non-U.S. taxes paid on realized gains	69	57	–	–	–	–
Non-U.S. taxes provided on unrealized gains	10	188	6	–	–	–
Dividends from affiliated issuers	–	–	–	–	–	–
Net realized (loss) gain from affiliated issuers	–	–	–	–	–	–

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
Purchases of investment securities*	$48,041	$29,370	$62,201	$35,901	$382,443
Sales of investment securities*	13,046	12,387	10,770	11,369	13,027
Non-U.S. taxes paid on dividend income	–	–	–	–	–
Non-U.S. taxes paid on interest income	–	–	–	–	–
Non-U.S. taxes paid on realized gains	–	–	–	–	–
Non-U.S. taxes provided on unrealized gains	–	–	–	–	–
Dividends from affiliated issuers	351	150	682	395	8,997
Net realized (loss) gain from affiliated issuers	(2,658)	(3,209)	(721)	(1,685)	393

*Excludes short-term securities and U.S. government obligations, if any.

11. Ownership concentration

At June 30, 2016, CRMC held aggregate ownership of 14% of the outstanding shares of Global Balanced Fund. The ownership represents the seed money invested in the fund when the fund began operations. In addition, American Funds Insurance Series - Portfolio Series - Managed Risk Global Allocation Portfolio and American Funds Insurance Series - Portfolio Series - Managed Risk Growth and Income Portfolio held 11% and 28% of the outstanding shares of Global Balanced Fund and Capital Income Builder, respectively.

Financial highlights

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
Global Growth Fund												
Class 1:												
6/30/16[2,3]	$26.39	$ .18	$ (1.08)	$ (.90)	$ (.08)	$ (2.16)	$ (2.24)	$23.25	(3.31)%[4]	$ 1,564	.56%[5]	1.44%[5]
12/31/15	27.48	.25	1.80	2.05	(.35)	(2.79)	(3.14)	26.39	7.24	1,626	.55	.90
12/31/14	30.11	.31[6]	.40	.71	(.40)	(2.94)	(3.34)	27.48	2.52	1,558	.55	1.08[6]
12/31/13	23.58	.31	6.62	6.93	(.40)	–	(.40)	30.11	29.51	1,508	.55	1.17
12/31/12	19.40	.30	4.14	4.44	(.26)	–	(.26)	23.58	22.89	1,466	.56	1.38
12/31/11	21.61	.29	(2.16)	(1.87)	(.34)	–	(.34)	19.40	(8.66)	1,277	.55	1.37
Class 2:												
6/30/16[2,3]	26.19	.14	(1.06)	(.92)	(.07)	(2.16)	(2.23)	23.04	(3.42)[4]	3,539	.81[5]	1.18[5]
12/31/15	27.30	.18	1.78	1.96	(.28)	(2.79)	(3.07)	26.19	6.94	3,817	.80	.66
12/31/14	29.92	.24[6]	.41	.65	(.33)	(2.94)	(3.27)	27.30	2.31	3,992	.80	.85[6]
12/31/13	23.44	.24	6.58	6.82	(.34)	–	(.34)	29.92	29.18	4,379	.80	.91
12/31/12	19.29	.24	4.11	4.35	(.20)	–	(.20)	23.44	22.56	3,723	.81	1.13
12/31/11	21.48	.24	(2.15)	(1.91)	(.28)	–	(.28)	19.29	(8.89)	3,535	.80	1.13
Class 4:												
6/30/16[2,3]	26.16	.11	(1.06)	(.95)	(.06)	(2.16)	(2.22)	22.99	(3.54)[4]	88	1.06[5]	.95[5]
12/31/15	27.34	.09	1.81	1.90	(.29)	(2.79)	(3.08)	26.16	6.69	91	1.05	.34
12/31/14	30.07	.07[6]	.50	.57	(.36)	(2.94)	(3.30)	27.34	2.01	19	1.05	.26[6]
12/31/13	23.58	.13	6.77	6.90	(.41)	–	(.41)	30.07	29.36	1	1.06	.43
12/31/12[3,7]	23.53	.01	.29	.30	(.25)	–	(.25)	23.58	1.27[4,8]	–[9]	.02[4,8]	.04[4,8]
Global Small Capitalization Fund												
Class 1:												
6/30/16[2,3]	$24.41	$ .11	$ (1.06)	$ (.95)	$ (.01)	$ (4.35)	$ (4.36)	$19.10	(3.85)%[4]	$ 1,501	.74%[5]	.94%[5]
12/31/15	26.09	.04	.36	.40	–	(2.08)	(2.08)	24.41	.50	1,706	.73	.15
12/31/14	25.69	.09	.52	.61	(.09)	(.12)	(.21)	26.09	2.36	1,411	.74	.34
12/31/13	20.16	.04	5.70	5.74	(.21)	–	(.21)	25.69	28.60	1,241	.74	.17
12/31/12	17.28	.09	3.09	3.18	(.30)	–	(.30)	20.16	18.51	1,019	.75	.46
12/31/11	21.67	.07	(4.14)	(4.07)	(.32)	–	(.32)	17.28	(18.94)	795	.74	.36
Class 2:												
6/30/16[2,3]	23.90	.08	(1.04)	(.96)	–	(4.35)	(4.35)	18.59	(3.99)[4]	2,314	.99[5]	.69[5]
12/31/15	25.64	(.03)	.37	.34	–	(2.08)	(2.08)	23.90	.27	2,492	.98	(.10)
12/31/14	25.25	.03	.51	.54	(.03)	(.12)	(.15)	25.64	2.12	2,738	.99	.10
12/31/13	19.86	(.01)	5.60	5.59	(.20)	–	(.20)	25.25	28.28	2,955	.99	(.05)
12/31/12	17.04	.04	3.03	3.07	(.25)	–	(.25)	19.86	18.18	2,603	1.00	.20
12/31/11	21.35	.02	(4.06)	(4.04)	(.27)	–	(.27)	17.04	(19.14)	2,450	.99	.10
Class 4:												
6/30/16[2,3]	24.11	.05	(1.04)	(.99)	–	(4.35)	(4.35)	18.77	(4.08)[4]	36	1.24[5]	.44[5]
12/31/15	25.92	(.10)	.37	.27	–	(2.08)	(2.08)	24.11	(.02)	34	1.23	(.37)
12/31/14	25.57	(.05)	.54	.49	(.02)	(.12)	(.14)	25.92	1.88	12	1.24	(.17)
12/31/13	20.16	(.12)	5.74	5.62	(.21)	–	(.21)	25.57	28.01	4	1.24	(.50)
12/31/12[3,7]	19.68	.01	.54	.55	(.07)	–	(.07)	20.16	2.80[4,8]	–[9]	.04[4,8]	.04[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Growth Fund												
Class 1:												
6/30/16[2,3]	$68.02	$ .38	$ .33	$ .71	$ (.16)	$ (6.13)	$ (6.29)	$62.44	1.08%[4]	$ 6,748	.35%[5]	1.18%[5]
12/31/15	80.15	.64	5.08	5.72	(.61)	(17.24)	(17.85)	68.02	7.12	6,796	.35	.87
12/31/14	78.54	.88[6]	5.79	6.67	(1.16)	(3.90)	(5.06)	80.15	8.78	7,118	.35	1.12[6]
12/31/13	60.90	.64	17.84	18.48	(.84)	–	(.84)	78.54	30.43	7,003	.35	.93
12/31/12	52.07	.63	8.83	9.46	(.63)	–	(.63)	60.90	18.19	7,116	.35	1.10
12/31/11	54.78	.45	(2.68)	(2.23)	(.48)	–	(.48)	52.07	(4.06)	7,426	.34	.81
Class 2:												
6/30/16[2,3]	67.69	.30	.32	.62	(.13)	(6.13)	(6.26)	62.05	.95[4]	13,781	.60[5]	.93[5]
12/31/15	79.84	.46	5.06	5.52	(.43)	(17.24)	(17.67)	67.69	6.86	14,414	.60	.62
12/31/14	77.94	.68[6]	5.75	6.43	(.63)	(3.90)	(4.53)	79.84	8.51	15,413	.60	.87[6]
12/31/13	60.45	.47	17.68	18.15	(.66)	–	(.66)	77.94	30.11	16,334	.60	.68
12/31/12	51.68	.47	8.77	9.24	(.47)	–	(.47)	60.45	17.89	14,911	.60	.83
12/31/11	54.35	.30	(2.63)	(2.33)	(.34)	–	(.34)	51.68	(4.27)	16,701	.59	.55
Class 3:												
6/30/16[2,3]	68.37	.32	.32	.64	(.13)	(6.13)	(6.26)	62.75	.98[4]	183	.53[5]	.99[5]
12/31/15	80.47	.51	5.11	5.62	(.48)	(17.24)	(17.72)	68.37	6.92	194	.53	.69
12/31/14	78.62	.74[6]	5.79	6.53	(.78)	(3.90)	(4.68)	80.47	8.58	208	.53	.94[6]
12/31/13	60.97	.52	17.84	18.36	(.71)	–	(.71)	78.62	30.20	216	.53	.75
12/31/12	52.13	.53	8.83	9.36	(.52)	–	(.52)	60.97	17.97	189	.53	.92
12/31/11	54.82	.34	(2.66)	(2.32)	(.37)	–	(.37)	52.13	(4.21)	189	.52	.62
Class 4:												
6/30/16[2,3]	67.26	.22	.31	.53	(.10)	(6.13)	(6.23)	61.56	.83[4]	410	.85[5]	.69[5]
12/31/15	79.74	.29	5.02	5.31	(.55)	(17.24)	(17.79)	67.26	6.59	394	.85	.42
12/31/14	78.32	.37[6]	5.87	6.24	(.92)	(3.90)	(4.82)	79.74	8.25	24	.85	.47[6]
12/31/13	60.90	.29	17.90	18.19	(.77)	–	(.77)	78.32	29.96	5	.85	.40
12/31/12[3,7]	60.55	.03	.78	.81	(.46)	–	(.46)	60.90	1.33[4,8]	–[9]	.02[4,8]	.05[4,8]
International Fund												
Class 1:												
6/30/16[2,3]	$18.08	$ .21	$ (.44)	$ (.23)	$ (.03)	$ (1.55)	$ (1.58)	$16.27	(1.08)%[4]	$ 3,436	.54%[5]	2.40%[5]
12/31/15	20.35	.29	(1.03)	(.74)	(.35)	(1.18)	(1.53)	18.08	(4.25)	3,427	.54	1.41
12/31/14	21.22	.30	(.81)	(.51)	(.36)	–	(.36)	20.35	(2.41)	3,282	.54	1.43
12/31/13	17.68	.27	3.59	3.86	(.32)	–	(.32)	21.22	21.91	3,324	.54	1.41
12/31/12	15.21	.30	2.47	2.77	(.30)	–	(.30)	17.68	18.21	3,618	.54	1.81
12/31/11	18.05	.35	(2.84)	(2.49)	(.35)	–	(.35)	15.21	(13.76)	3,314	.53	2.03
Class 2:												
6/30/16[2,3]	18.02	.18	(.43)	(.25)	(.02)	(1.55)	(1.57)	16.20	(1.18)[4]	3,850	.79[5]	2.14[5]
12/31/15	20.29	.24	(1.03)	(.79)	(.30)	(1.18)	(1.48)	18.02	(4.53)	3,978	.79	1.17
12/31/14	21.15	.25	(.81)	(.56)	(.30)	–	(.30)	20.29	(2.65)	4,374	.79	1.19
12/31/13	17.62	.22	3.58	3.80	(.27)	–	(.27)	21.15	21.64	5,916	.79	1.15
12/31/12	15.16	.26	2.45	2.71	(.25)	–	(.25)	17.62	17.91	5,465	.79	1.57
12/31/11	17.98	.31	(2.82)	(2.51)	(.31)	–	(.31)	15.16	(13.96)	5,210	.78	1.81
Class 3:												
6/30/16[2,3]	18.11	.19	(.43)	(.24)	(.03)	(1.55)	(1.58)	16.29	(1.17)[4]	28	.72[5]	2.19[5]
12/31/15	20.38	.25	(1.03)	(.78)	(.31)	(1.18)	(1.49)	18.11	(4.44)	32	.72	1.24
12/31/14	21.24	.27	(.82)	(.55)	(.31)	–	(.31)	20.38	(2.56)	38	.72	1.28
12/31/13	17.70	.23	3.59	3.82	(.28)	–	(.28)	21.24	21.67	46	.72	1.22
12/31/12	15.23	.27	2.47	2.74	(.27)	–	(.27)	17.70	17.97	44	.72	1.65
12/31/11	18.05	.33	(2.83)	(2.50)	(.32)	–	(.32)	15.23	(13.85)	43	.71	1.90
Class 4:												
6/30/16[2,3]	17.93	.16	(.43)	(.27)	(.02)	(1.55)	(1.57)	16.09	(1.33)[4]	55	1.04[5]	1.94[5]
12/31/15	20.23	.17	(1.00)	(.83)	(.29)	(1.18)	(1.47)	17.93	(4.75)	46	1.04	.88
12/31/14	21.16	.07	(.68)	(.61)	(.32)	–	(.32)	20.23	(2.88)	18	1.04	.31
12/31/13	17.68	(.01)	3.79	3.78	(.30)	–	(.30)	21.16	21.48	2	1.04	(.07)
12/31/12[3,7]	17.79	.01	.16	.17	(.28)	–	(.28)	17.68	.98[4,8]	–[9]	.02[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
New World Fund												
Class 1:												
6/30/16[2,3]	$18.87	$ .14	$ .31	$ .45	$ (.02)	$ –	$ (.02)	$19.30	2.38%[4]	$ 1,636	.78%[5]	1.54%[5]
12/31/15	20.72	.19	(.71)	(.52)	(.17)	(1.16)	(1.33)	18.87	(2.96)	1,562	.79	.92
12/31/14	25.08	.29[6]	(1.92)	(1.63)	(.29)	(2.44)	(2.73)	20.72	(7.63)	1,433	.78	1.23[6]
12/31/13	22.93	.34	2.31	2.65	(.39)	(.11)	(.50)	25.08	11.66	1,388	.78	1.45
12/31/12	19.65	.33	3.23	3.56	(.28)	–	(.28)	22.93	18.13	1,140	.79	1.54
12/31/11	23.28	.36	(3.55)	(3.19)	(.44)	–	(.44)	19.65	(13.75)	826	.78	1.62
Class 2:												
6/30/16[2,3]	18.71	.11	.31	.42	(.01)	–	(.01)	19.12	2.25[4]	935	1.03[5]	1.27[5]
12/31/15	20.54	.14	(.69)	(.55)	(.12)	(1.16)	(1.28)	18.71	(3.14)	961	1.04	.68
12/31/14	24.88	.24[6]	(1.91)	(1.67)	(.23)	(2.44)	(2.67)	20.54	(7.87)	1,084	1.03	1.01[6]
12/31/13	22.75	.28	2.29	2.57	(.33)	(.11)	(.44)	24.88	11.38	1,307	1.03	1.22
12/31/12	19.50	.28	3.19	3.47	(.22)	–	(.22)	22.75	17.82	1,378	1.04	1.31
12/31/11	23.09	.30	(3.51)	(3.21)	(.38)	–	(.38)	19.50	(13.95)	1,350	1.03	1.37
Class 4:												
6/30/16[2,3]	18.69	.10	.30	.40	(.01)	–	(.01)	19.08	2.12[4]	208	1.29[5]	1.09[5]
12/31/15	20.56	.08	(.68)	(.60)	(.11)	(1.16)	(1.27)	18.69	(3.37)	171	1.29	.39
12/31/14	24.99	.09[6]	(1.83)	(1.74)	(.25)	(2.44)	(2.69)	20.56	(8.13)	64	1.28	.40[6]
12/31/13	22.93	.14	2.41	2.55	(.38)	(.11)	(.49)	24.99	11.20	8	1.29	.56
12/31/12[3,7]	22.83	.01	.35	.36	(.26)	–	(.26)	22.93	1.58[4,8]	–[9]	.04[4,8]	.04[4,8]
Blue Chip Income and Growth Fund												
Class 1:												
6/30/16[2,3]	$12.62	$ .17	$ 1.06	$ 1.23	$ (.05)	$ (1.08)	$ (1.13)	$12.72	10.01%[4]	$ 4,216	.42%[5]	2.62%[5]
12/31/15	14.69	.31	(.64)	(.33)	(.29)	(1.45)	(1.74)	12.62	(2.72)	3,638	.41	2.23
12/31/14	13.12	.46[6]	1.59	2.05	(.48)	–	(.48)	14.69	15.69	3,542	.42	3.31[6]
12/31/13	10.05	.27	3.06	3.33	(.26)	–	(.26)	13.12	33.26	2,814	.42	2.27
12/31/12	9.00	.24	1.04	1.28	(.23)	–	(.23)	10.05	14.18	1,357	.43	2.41
12/31/11	9.25	.19	(.25)	(.06)	(.19)	–	(.19)	9.00	(.63)	992	.42	2.08
Class 2:												
6/30/16[2,3]	12.51	.15	1.06	1.21	(.05)	(1.08)	(1.13)	12.59	9.89[4]	3,331	.67[5]	2.37[5]
12/31/15	14.57	.27	(.62)	(.35)	(.26)	(1.45)	(1.71)	12.51	(2.93)	3,228	.66	1.97
12/31/14	13.02	.44[6]	1.55	1.99	(.44)	–	(.44)	14.57	15.36	3,722	.67	3.14[6]
12/31/13	9.97	.23	3.05	3.28	(.23)	–	(.23)	13.02	33.00	3,755	.67	2.03
12/31/12	8.93	.21	1.03	1.24	(.20)	–	(.20)	9.97	13.88	3,382	.68	2.17
12/31/11	9.18	.17	(.26)	(.09)	(.16)	–	(.16)	8.93	(.90)	3,340	.67	1.83
Class 4:												
6/30/16[2,3]	12.53	.13	1.07	1.20	(.05)	(1.08)	(1.13)	12.60	9.80[4]	74	.92[5]	2.09[5]
12/31/15	14.63	.24	(.63)	(.39)	(.26)	(1.45)	(1.71)	12.53	(3.21)	32	.91	1.75
12/31/14	13.12	.34[6]	1.63	1.97	(.46)	–	(.46)	14.63	15.13	9	.92	2.33[6]
12/31/13	10.05	.18	3.15	3.33	(.26)	–	(.26)	13.12	33.27	–[9]	.86	1.39
12/31/12[3,7]	10.20	.01	.03	.04	(.19)	–	(.19)	10.05	.38[4,8]	–[9]	.02[4,8]	.10[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Global Growth and Income Fund												
Class 1:												
6/30/16[2,3]	$12.35	$ .24	$ (.01)	$ .23	$ (.04)	$ –	$ (.04)	$12.54	1.87%[4]	$ 430	.63%[5]	3.89%[5]
12/31/15	12.78	.26	(.40)	(.14)	(.29)	–	(.29)	12.35	(1.14)	293	.64	2.04
12/31/14	12.53	.43[6]	.31	.74	(.49)	–	(.49)	12.78	6.00	200	.63	3.34[6]
12/31/13	10.56	.39	2.00	2.39	(.42)	–	(.42)	12.53	22.81	206	.62	3.35
12/31/12	9.20	.25	1.39	1.64	(.28)	–	(.28)	10.56	17.93	180	.62	2.56
12/31/11	9.96	.28	(.75)	(.47)	(.29)	–	(.29)	9.20	(4.68)	161	.61	2.86
Class 2:												
6/30/16[2,3]	12.33	.14	.07	.21	(.03)	–	(.03)	12.51	1.74[4]	1,423	.88[5]	2.28[5]
12/31/15	12.75	.24	(.41)	(.17)	(.25)	–	(.25)	12.33	(1.34)	1,479	.89	1.84
12/31/14	12.51	.41[6]	.29	.70	(.46)	–	(.46)	12.75	5.64	1,685	.88	3.22[6]
12/31/13	10.54	.36	2.00	2.36	(.39)	–	(.39)	12.51	22.54	1,822	.87	3.09
12/31/12	9.19	.23	1.38	1.61	(.26)	–	(.26)	10.54	17.56	1,837	.87	2.31
12/31/11	9.94	.25	(.74)	(.49)	(.26)	–	(.26)	9.19	(4.85)	1,839	.86	2.60
Class 4:												
6/30/16[2,3]	12.26	.14	.06	.20	(.04)	–	(.04)	12.42	1.60[4]	10	1.13[5]	2.30[5]
12/31/15	12.71	.19	(.39)	(.20)	(.25)	–	(.25)	12.26	(1.60)	5	1.14	1.46
12/31/14	12.50	.30[6]	.37	.67	(.46)	–	(.46)	12.71	5.41	1	1.13	2.30[6]
12/31/13	10.55	.28	2.09	2.37	(.42)	–	(.42)	12.50	22.60	1	1.12	2.27
12/31/12[3,7]	10.64	.01	.13	.14	(.23)	–	(.23)	10.55	1.27[4,8]	–[9]	.03[4,8]	.08[4,8]
Growth-Income Fund												
Class 1:												
6/30/16[2,3]	$45.40	$ .41	$ 1.01	$ 1.42	$ (.14)	$ (5.12)	$ (5.26)	$41.56	3.23%[4]	$11,309	.29%[5]	1.85%[5]
12/31/15	52.76	.79	.37	1.16	(.75)	(7.77)	(8.52)	45.40	1.72	10,747	.29	1.59
12/31/14	50.72	.81	4.57	5.38	(.80)	(2.54)	(3.34)	52.76	10.91	10,812	.29	1.56
12/31/13	38.48	.66	12.31	12.97	(.73)	–	(.73)	50.72	33.82	9,857	.29	1.49
12/31/12	33.27	.66	5.25	5.91	(.70)	–	(.70)	38.48	17.79	9,782	.29	1.79
12/31/11	34.47	.61	(1.18)	(.57)	(.63)	–	(.63)	33.27	(1.60)	9,496	.28	1.77
Class 2:												
6/30/16[2,3]	45.04	.35	1.01	1.36	(.12)	(5.12)	(5.24)	41.16	3.12[4]	12,612	.54[5]	1.60[5]
12/31/15	52.41	.66	.37	1.03	(.63)	(7.77)	(8.40)	45.04	1.45	12,895	.54	1.34
12/31/14	50.40	.67	4.55	5.22	(.67)	(2.54)	(3.21)	52.41	10.63	14,337	.54	1.31
12/31/13	38.24	.55	12.23	12.78	(.62)	–	(.62)	50.40	33.50	14,980	.54	1.25
12/31/12	33.07	.56	5.22	5.78	(.61)	–	(.61)	38.24	17.48	13,403	.54	1.53
12/31/11	34.25	.52	(1.16)	(.64)	(.54)	–	(.54)	33.07	(1.83)	13,235	.53	1.52
Class 3:												
6/30/16[2,3]	45.46	.37	1.02	1.39	(.13)	(5.12)	(5.25)	41.60	3.15[4]	155	.47[5]	1.67[5]
12/31/15	52.82	.70	.37	1.07	(.66)	(7.77)	(8.43)	45.46	1.53	161	.47	1.41
12/31/14	50.77	.71	4.59	5.30	(.71)	(2.54)	(3.25)	52.82	10.71	185	.47	1.38
12/31/13	38.52	.58	12.32	12.90	(.65)	–	(.65)	50.77	33.58	193	.47	1.32
12/31/12	33.30	.59	5.26	5.85	(.63)	–	(.63)	38.52	17.59	168	.47	1.60
12/31/11	34.49	.55	(1.18)	(.63)	(.56)	–	(.56)	33.30	(1.77)	172	.46	1.59
Class 4:												
6/30/16[2,3]	44.82	.29	1.01	1.30	(.11)	(5.12)	(5.23)	40.89	2.99[4]	438	.79[5]	1.35[5]
12/31/15	52.39	.58	.33	.91	(.71)	(7.77)	(8.48)	44.82	1.21	410	.79	1.25
12/31/14	50.56	.58	4.51	5.09	(.72)	(2.54)	(3.26)	52.39	10.34	30	.79	1.11
12/31/13	38.47	.45	12.33	12.78	(.69)	–	(.69)	50.56	33.32	3	.79	.96
12/31/12[3,7]	38.65	.01	.39	.40	(.58)	–	(.58)	38.47	1.02[4,8]	–[9]	.01[4,8]	.03[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
International Growth and Income Fund												
Class 1:												
6/30/16[2,3]	$14.72	$.31	$ (.14)	$ .17	$(.04)	$(.06)	$(.10)	$14.79	1.19%[4]	$808	.68%[5]	4.27%[5]
12/31/15	16.27	.42	(1.25)	(.83)	(.38)	(.34)	(.72)	14.72	(5.34)	707	.68	2.60
12/31/14	17.48	.58[6]	(1.09)	(.51)	(.53)	(.17)	(.70)	16.27	(2.93)	740	.68	3.32[6]
12/31/13	15.29	.44	2.50	2.94	(.47)	(.28)	(.75)	17.48	19.39	696	.69	2.63
12/31/12	13.40	.37	1.89	2.26	(.37)	–	(.37)	15.29	16.84	203	.74	2.50
12/31/11	15.25	.47	(1.77)	(1.30)	(.44)	(.11)	(.55)	13.40	(8.51)	35	.73	3.17
Class 2:												
6/30/16[2,3]	14.68	.28	(.14)	.14	(.03)	(.06)	(.09)	14.73	1.08[4]	252	.93[5]	3.96[5]
12/31/15	16.22	.38	(1.24)	(.86)	(.34)	(.34)	(.68)	14.68	(5.60)	254	.93	2.32
12/31/14	17.43	.56[6]	(1.10)	(.54)	(.50)	(.17)	(.67)	16.22	(3.15)	248	.93	3.21[6]
12/31/13	15.25	.38	2.51	2.89	(.43)	(.28)	(.71)	17.43	19.09	257	.94	2.28
12/31/12	13.37	.40	1.81	2.21	(.33)	–	(.33)	15.25	16.50	225	.99	2.77
12/31/11	15.21	.42	(1.75)	(1.33)	(.40)	(.11)	(.51)	13.37	(8.71)	199	.98	2.89
Class 4:												
6/30/16[2,3]	14.63	.27	(.13)	.14	(.03)	(.06)	(.09)	14.68	.98[4]	34	1.18[5]	3.76[5]
12/31/15	16.19	.33	(1.23)	(.90)	(.32)	(.34)	(.66)	14.63	(5.82)	32	1.18	2.02
12/31/14	17.45	.26[6]	(.85)	(.59)	(.50)	(.17)	(.67)	16.19	(3.39)	20	1.18	1.52[6]
12/31/13	15.29	.03	2.87	2.90	(.46)	(.28)	(.74)	17.45	19.16	1	1.19	.18
12/31/12[3,7]	15.56	.01	.09	.10	(.37)	–	(.37)	15.29	.62[4,8]	–[9]	.04[4,8]	.07[4,8]
Capital Income Builder												
Class 1:												
6/30/16[2,3]	$ 9.40	$.18	$ .33	$ .51	$(.15)	$ –	$(.15)	$ 9.76	5.47%[4]	$124	.54%[5]	3.90%[5]
12/31/15	9.81	.28	(.40)	(.12)	(.29)	–	(.29)	9.40	(1.23)	80	.56	2.88
12/31/14[3,10]	10.00	.19	(.18)	.01	(.19)	(.01)	(.20)	9.81	.12[4]	20	.56[5]	2.87[5]
Class 2:												
6/30/16[2,3]	9.40	.18	.33	.51	(.15)	–	(.15)	9.76	5.47[4,8]	–[9]	.50[5,8]	3.88[5,8]
12/31/15	9.81	.31	(.43)	(.12)	(.29)	–	(.29)	9.40	(1.23)[8]	–[9]	.46[8]	3.12[8]
12/31/14[3,10]	10.00	.20	(.19)	.01	(.19)	(.01)	(.20)	9.81	.12[4,8]	–[9]	.47[5,8]	2.94[5,8]
Class 4:												
6/30/16[2,3]	9.38	.16	.33	.49	(.13)	–	(.13)	9.74	5.24[4]	220	1.04[5]	3.35[5]
12/31/15	9.80	.25	(.42)	(.17)	(.25)	–	(.25)	9.38	(1.79)	157	1.05	2.55
12/31/14[3,10]	10.00	.14	(.16)	(.02)	(.17)	(.01)	(.18)	9.80	(.21)[4]	55	1.06[5]	2.08[5]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Asset Allocation Fund												
Class 1:												
6/30/16[2,3]	$20.62	$ .21	$ .76	$ .97	$ (.07)	$ (.51)	$ (.58)	$21.01	4.73%[4]	$11,898	.30%[5]	2.07%[5]
12/31/15	22.23	.40	(.02)	.38	(.40)	(1.59)	(1.99)	20.62	1.64	10,913	.29	1.85
12/31/14	22.49	.44	.81	1.25	(.39)	(1.12)	(1.51)	22.23	5.66	11,997	.30	1.95
12/31/13	18.43	.35	4.07	4.42	(.36)	–	(.36)	22.49	24.04	10,515	.31	1.71
12/31/12	16.17	.37	2.28	2.65	(.39)	–	(.39)	18.43	16.44	7,199	.31	2.11
12/31/11	16.28	.37	(.12)	.25	(.36)	–	(.36)	16.17	1.56	5,932	.31	2.25
Class 2:												
6/30/16[2,3]	20.45	.18	.75	.93	(.06)	(.51)	(.57)	20.81	4.58[4]	5,029	.55[5]	1.81[5]
12/31/15	22.06	.34	(.01)	.33	(.35)	(1.59)	(1.94)	20.45	1.40	5,008	.54	1.60
12/31/14	22.33	.37	.81	1.18	(.33)	(1.12)	(1.45)	22.06	5.40	5,494	.55	1.69
12/31/13	18.31	.30	4.03	4.33	(.31)	–	(.31)	22.33	23.69	5,760	.56	1.47
12/31/12	16.06	.33	2.27	2.60	(.35)	–	(.35)	18.31	16.19	5,225	.56	1.86
12/31/11	16.17	.33	(.13)	.20	(.31)	–	(.31)	16.06	1.30	5,151	.56	1.99
Class 3:												
6/30/16[2,3]	20.64	.19	.75	.94	(.06)	(.51)	(.57)	21.01	4.60[4]	36	.48[5]	1.88[5]
12/31/15	22.25	.36	(.02)	.34	(.36)	(1.59)	(1.95)	20.64	1.46	36	.47	1.67
12/31/14	22.51	.39	.81	1.20	(.34)	(1.12)	(1.46)	22.25	5.47	40	.48	1.76
12/31/13	18.45	.32	4.06	4.38	(.32)	–	(.32)	22.51	23.81	42	.49	1.54
12/31/12	16.18	.34	2.29	2.63	(.36)	–	(.36)	18.45	16.28	38	.49	1.93
12/31/11	16.29	.34	(.13)	.21	(.32)	–	(.32)	16.18	1.36	38	.49	2.05
Class 4:												
6/30/16[2,3]	20.40	.16	.74	.90	(.05)	(.51)	(.56)	20.74	4.45[4]	2,583	.80[5]	1.57[5]
12/31/15	22.11	.30	(.02)	.28	(.40)	(1.59)	(1.99)	20.40	1.14	2,414	.79	1.45
12/31/14	22.46	.34	.79	1.13	(.36)	(1.12)	(1.48)	22.11	5.16	32	.80	1.55
12/31/13	18.43	.27	4.12	4.39	(.36)	–	(.36)	22.46	23.89	1	.79	1.22
12/31/12[3,7]	18.52	.01	.21	.22	(.31)	–	(.31)	18.43	1.17[4,8]	–[9]	.01[4,8]	.08[4,8]
Global Balanced Fund												
Class 1:												
6/30/16[2,3]	$10.74	$ .11	$ .27	$ .38	$ –	$ –	$ –	$11.12	3.54%[4]	$ 60	.70%[5]	2.13%[5]
12/31/15	11.11	.20	(.28)	(.08)	(.14)	(.15)	(.29)	10.74	(.69)	47	.72	1.80
12/31/14	11.37	.25[6]	(.03)	.22	(.18)	(.30)	(.48)	11.11	1.87	37	.71	2.14[6]
12/31/13	10.34	.22	1.07	1.29	(.18)	(.08)	(.26)	11.37	12.56	36	.70	2.05
12/31/12	9.35	.20	.98	1.18	(.19)	–	(.19)	10.34	12.58	32	.72	2.00
12/31/11[3,11]	10.00	.13	(.72)	(.59)	(.06)	–	(.06)	9.35	(5.89)[4]	28	.69[5]	1.99[5]
Class 2:												
6/30/16[2,3]	10.72	.10	.27	.37	–	–	–	11.09	3.45[4]	178	.95[5]	1.86[5]
12/31/15	11.09	.18	(.28)	(.10)	(.12)	(.15)	(.27)	10.72	(.95)	171	.97	1.60
12/31/14	11.35	.22[6]	(.03)	.19	(.15)	(.30)	(.45)	11.09	1.63	179	.96	1.88[6]
12/31/13	10.33	.20	1.06	1.26	(.16)	(.08)	(.24)	11.35	12.23	156	.95	1.79
12/31/12	9.35	.17	.97	1.14	(.16)	–	(.16)	10.33	12.24	119	.97	1.76
12/31/11[3,11]	10.00	.09	(.69)	(.60)	(.05)	–	(.05)	9.35	(5.97)[4]	72	.94[5]	1.45[5]
Class 4:												
6/30/16[2,3]	10.69	.10	.25	.35	–	–	–	11.04	3.27[4]	5	1.20[5]	1.78[5]
12/31/15	11.09	.06	(.17)	(.11)	(.14)	(.15)	(.29)	10.69	(1.00)	1	1.34	.58
12/31/14	11.35	.24[6]	(.02)	.22	(.18)	(.30)	(.48)	11.09	1.88[8]	–[9]	.67[8]	2.07[6,8]
12/31/13	10.33	.22	1.06	1.28	(.18)	(.08)	(.26)	11.35	12.49[8]	–[9]	.71[8]	1.98[8]
12/31/12[3,7]	10.47	.01	.03	.04	(.18)	–	(.18)	10.33	.40[4,8]	–[9]	.03[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Bond Fund												
Class 1:												
6/30/16[2,3]	$10.70	$ .10	$ .50	$ .60	$ (.06)	$ (.04)	$ (.10)	$11.20	5.64%[4]	$ 6,391	.38%[5]	1.84%[5]
12/31/15	11.08	.22	(.17)	.05	(.21)	(.22)	(.43)	10.70	.45	5,731	.38	1.95
12/31/14	10.73	.23	.37	.60	(.25)	–[12]	(.25)	11.08	5.59	4,977	.39	2.03
12/31/13	11.29	.22	(.43)	(.21)	(.23)	(.12)	(.35)	10.73	(1.89)	4,506	.39	2.01
12/31/12	10.99	.25	.36	.61	(.31)	–	(.31)	11.29	5.58	3,917	.39	2.23
12/31/11	10.67	.32	.36	.68	(.36)	–	(.36)	10.99	6.41	4,354	.38	2.89
Class 2:												
6/30/16[2,3]	10.58	.09	.49	.58	(.06)	(.04)	(.10)	11.06	5.46[4]	4,145	.63[5]	1.59[5]
12/31/15	10.95	.18	(.15)	.03	(.18)	(.22)	(.40)	10.58	.28	4,135	.63	1.69
12/31/14	10.61	.20	.36	.56	(.22)	–[12]	(.22)	10.95	5.28	4,565	.64	1.79
12/31/13	11.17	.19	(.43)	(.24)	(.20)	(.12)	(.32)	10.61	(2.16)	4,763	.64	1.76
12/31/12	10.87	.22	.36	.58	(.28)	–	(.28)	11.17	5.37	5,044	.64	1.97
12/31/11	10.56	.29	.35	.64	(.33)	–	(.33)	10.87	6.10	4,984	.63	2.64
Class 4:												
6/30/16[2,3]	10.61	.07	.50	.57	(.06)	(.04)	(.10)	11.08	5.34[4]	87	.88[5]	1.34[5]
12/31/15	11.01	.16	(.16)	–	(.18)	(.22)	(.40)	10.61	(.08)	59	.88	1.47
12/31/14	10.69	.16	.39	.55	(.23)	–[12]	(.23)	11.01	5.15	29	.89	1.43
12/31/13	11.29	.17	(.43)	(.26)	(.22)	(.12)	(.34)	10.69	(2.34)	3	.89	1.58
12/31/12[3,7]	11.55	.01	(.02)	(.01)	(.25)	–	(.25)	11.29	(.04)[4,8]	–[9]	.02[4,8]	.10[4,8]
Global Bond Fund												
Class 1:												
6/30/16[2,3]	$11.01	$ .13	$ .75	$ .88	$ –	$ (.02)	$ (.02)	$11.87	8.01%[4]	$ 1,161	.57%[5]	2.24%[5]
12/31/15	11.77	.27	(.71)	(.44)	(.01)	(.31)	(.32)	11.01	(3.75)	1,032	.57	2.34
12/31/14	11.88	.29	(.08)	.21	(.21)	(.11)	(.32)	11.77	1.71	1,194	.57	2.35
12/31/13	12.32	.28	(.58)	(.30)	–	(.14)	(.14)	11.88	(2.40)	1,093	.56	2.37
12/31/12	11.96	.28	.48	.76	(.29)	(.11)	(.40)	12.32	6.43	959	.56	2.29
12/31/11	11.82	.36	.22	.58	(.37)	(.07)	(.44)	11.96	4.86	619	.56	2.97
Class 2:												
6/30/16[2,3]	10.93	.11	.76	.87	–	(.02)	(.02)	11.78	7.97[4]	1,202	.82[5]	1.99[5]
12/31/15	11.72	.24	(.71)	(.47)	(.01)	(.31)	(.32)	10.93	(4.07)	1,208	.82	2.09
12/31/14	11.81	.26	(.09)	.17	(.15)	(.11)	(.26)	11.72	1.39	1,386	.82	2.11
12/31/13	12.27	.25	(.57)	(.32)	–	(.14)	(.14)	11.81	(2.58)	1,496	.81	2.11
12/31/12	11.91	.25	.48	.73	(.26)	(.11)	(.37)	12.27	6.19	1,664	.81	2.06
12/31/11	11.78	.33	.21	.54	(.34)	(.07)	(.41)	11.91	4.54	1,639	.81	2.75
Class 4:												
6/30/16[2,3]	10.89	.10	.75	.85	–	(.02)	(.02)	11.72	7.82[4]	11	1.07[5]	1.75[5]
12/31/15	11.70	.21	(.71)	(.50)	–[12]	(.31)	(.31)	10.89	(4.27)	6	1.07	1.86
12/31/14	11.87	.20	(.05)	.15	(.21)	(.11)	(.32)	11.70	1.16	4	1.09	1.66
12/31/13	12.31	.27	(.57)	(.30)	–	(.14)	(.14)	11.87	(2.41)	–[9]	.79	2.25
12/31/12[3,7]	12.53	.01	(.04)	(.03)	(.19)	–	(.19)	12.31	(.28)[4,8]	–[9]	.02[4,8]	.11[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
High-Income Bond Fund												
Class 1:												
6/30/16[2,3]	$ 9.19	$ .30	$ .52	$ .82	$ (.12)	$ –	$ (.12)	$ 9.89	8.90%[4]	$ 945	.49%[5]	6.46%[5]
12/31/15	10.54	.64	(1.36)	(.72)	(.63)	–	(.63)	9.19	(6.94)	1,017	.48	6.12
12/31/14	11.13	.67	(.59)	.08	(.67)	–	(.67)	10.54	.80	1,017	.48	5.90
12/31/13	11.16	.75	.01	.76	(.79)	–	(.79)	11.13	6.89	856	.48	6.54
12/31/12	10.54	.81	.64	1.45	(.83)	–	(.83)	11.16	13.90	894	.48	7.25
12/31/11	11.20	.88	(.64)	.24	(.90)	–	(.90)	10.54	2.18	787	.47	7.70
Class 2:												
6/30/16[2,3]	9.06	.29	.50	.79	(.11)	–	(.11)	9.74	8.77[4]	783	.74[5]	6.20[5]
12/31/15	10.41	.60	(1.35)	(.75)	(.60)	–	(.60)	9.06	(7.30)	765	.73	5.85
12/31/14	10.99	.63	(.57)	.06	(.64)	–	(.64)	10.41	.63	929	.73	5.67
12/31/13	11.03	.71	.01	.72	(.76)	–	(.76)	10.99	6.60	1,061	.73	6.29
12/31/12	10.42	.78	.63	1.41	(.80)	–	(.80)	11.03	13.70	1,135	.73	7.00
12/31/11	11.08	.84	(.63)	.21	(.87)	–	(.87)	10.42	1.92	1,064	.72	7.44
Class 3:												
6/30/16[2,3]	9.22	.30	.51	.81	(.11)	–	(.11)	9.92	8.84[4]	12	.67[5]	6.27[5]
12/31/15	10.57	.62	(1.37)	(.75)	(.60)	–	(.60)	9.22	(7.13)	12	.66	5.91
12/31/14	11.16	.65	(.59)	.06	(.65)	–	(.65)	10.57	.59	16	.66	5.74
12/31/13	11.18	.73	.02	.75	(.77)	–	(.77)	11.16	6.77	19	.66	6.36
12/31/12	10.56	.80	.63	1.43	(.81)	–	(.81)	11.18	13.67	21	.66	7.07
12/31/11	11.22	.86	(.64)	.22	(.88)	–	(.88)	10.56	1.97	21	.65	7.51
Class 4:												
6/30/16[2,3]	9.73	.30	.54	.84	(.12)	–	(.12)	10.45	8.61[4]	11	.99[5]	5.87[5]
12/31/15	11.05	.62	(1.43)	(.81)	(.51)	–	(.51)	9.73	(7.42)	1	.98	5.51
12/31/14	11.12	.63	(.59)	.04	(.11)	–	(.11)	11.05	.35	–[9]	.98	5.49
12/31/13	11.16	.67	.08	.75	(.79)	–	(.79)	11.12	6.81	–[9]	.93	5.82
12/31/12[3,7]	11.80	.04	–[12]	.04	(.68)	–	(.68)	11.16	.34[4,8]	–[9]	.02[4,8]	.35[4,8]
Mortgage Fund												
Class 1:												
6/30/16[2,3]	$10.61	$ .07	$ .24	$ .31	$ (.03)	$ (.11)	$ (.14)	$10.78	2.90%[4]	$ 277	.44%[5]	1.38%[5]
12/31/15	10.70	.10	.13	.23	(.18)	(.14)	(.32)	10.61	2.09	272	.45	.89
12/31/14	10.23	.12	.45	.57	(.10)	–	(.10)	10.70	5.54	292	.45	1.12
12/31/13	10.47	.04	(.18)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)	198	.44	.35
12/31/12	10.37	.01	.25	.26	(.06)	(.10)	(.16)	10.47	2.57	87	.45	.08
12/31/11[3,11]	10.00	–[12]	.48	.48	(.01)	(.10)	(.11)	10.37	4.78	55	.42[5]	.04[5]
Class 2:												
6/30/16[2,3]	10.59	.06	.23	.29	(.02)	(.11)	(.13)	10.75	2.77[4]	64	.69[5]	1.13[5]
12/31/15	10.68	.07	.13	.20	(.15)	(.14)	(.29)	10.59	1.86	59	.70	.65
12/31/14	10.22	.10	.44	.54	(.08)	–	(.08)	10.68	5.23	52	.70	.91
12/31/13	10.46	–[12]	(.17)	(.17)	(.05)	(.02)	(.07)	10.22	(1.68)	49	.69	(.02)
12/31/12	10.36	(.02)	.26	.24	(.04)	(.10)	(.14)	10.46	2.38	49	.70	(.16)
12/31/11[3,11]	10.00	(.02)	.48	.46	–[12]	(.10)	(.10)	10.36	4.60	22	.67[5]	(.25)[5]
Class 4:												
6/30/16[2,3]	10.52	.04	.24	.28	(.02)	(.11)	(.13)	10.67	2.65[4]	11	.94[5]	.83[5]
12/31/15	10.65	.04	.14	.18	(.17)	(.14)	(.31)	10.52	1.62	11	.97	.37
12/31/14	10.23	.05	.46	.51	(.09)	–	(.09)	10.65	4.98	1	.94	.47
12/31/13	10.47	.02	(.16)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)[8]	–[9]	.38[8]	.23[8]
12/31/12[3,7]	10.60	–[12]	.01	.01	(.06)	(.08)	(.14)	10.47	.09[4,8]	–[9]	.02[4,8]	.04[4,8]

Period ended	Net asset value, beginning of period	Loss from investment operations[1]			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations					
Ultra-Short Bond Fund									
Class 1:									
6/30/16[2,3,13]	$11.26	$ –[12]	$ –[12]	$ –[12]	$11.26	.00%[4]	$ 38	.35%[5]	.06%[5]
12/31/15	11.28	(.03)	.01	(.02)	11.26	(.18)	39	.34	(.24)
12/31/14	11.31	(.03)	–	(.03)	11.28	(.27)	49	.34	(.26)
12/31/13	11.34	(.03)	–[12]	(.03)	11.31	(.27)	57	.34	(.24)
12/31/12	11.36	(.03)	.01	(.02)	11.34	(.18)	66	.34	(.22)
12/31/11	11.39	(.02)	(.01)	(.03)	11.36	(.26)	75	.33	(.21)
Class 2:									
6/30/16[2,3,13]	11.01	(.01)	–[12]	(.01)	11.00	(.09)[4]	308	.60[5]	(.19)[5]
12/31/15	11.06	(.05)	–[12]	(.05)	11.01	(.45)	302	.59	(.49)
12/31/14	11.12	(.06)	–	(.06)	11.06	(.54)	331	.59	(.51)
12/31/13	11.17	(.05)	–[12]	(.05)	11.12	(.45)	395	.59	(.49)
12/31/12	11.22	(.05)	–[12]	(.05)	11.17	(.45)	459	.59	(.47)
12/31/11	11.28	(.05)	(.01)	(.06)	11.22	(.53)	530	.58	(.47)
Class 3:									
6/30/16[2,3,13]	11.11	(.01)	.01	–	11.11	.00[4]	5	.53[5]	(.13)[5]
12/31/15	11.16	(.05)	–[12]	(.05)	11.11	(.45)	6	.52	(.42)
12/31/14	11.21	(.05)	–	(.05)	11.16	(.45)	8	.52	(.44)
12/31/13	11.26	(.05)	–[12]	(.05)	11.21	(.44)	8	.52	(.42)
12/31/12	11.30	(.05)	.01	(.04)	11.26	(.35)	11	.52	(.40)
12/31/11	11.34	(.04)	–[12]	(.04)	11.30	(.35)	12	.51	(.40)
Class 4:									
6/30/16[2,3,13]	11.17	(.03)	–[12]	(.03)	11.14	(.27)[4]	11	.85[5]	(.45)[5]
12/31/15	11.25	(.08)	–[12]	(.08)	11.17	(.71)	16	.85	(.74)
12/31/14	11.30	(.09)	.04	(.05)	11.25	(.44)	7	.84	(.77)
12/31/13	11.34	(.04)	–[12]	(.04)	11.30	(.35)[8]	–[9]	.37[8]	(.32)[8]
12/31/12[3,7]	11.34	–[12]	–[12]	–[12]	11.34	.00[4,8]	–[9]	.02[4,8]	(.01)[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
U.S. Government/AAA-Rated Securities Fund												
Class 1:												
6/30/16[2,3]	$12.31	$.08	$ .43	$ .51	$(.04)	$(.25)	$(.29)	$12.53	4.03%[4]	$1,462	.35%[5]	1.21%[5]
12/31/15	12.40	.13	.09	.22	(.21)	(.10)	(.31)	12.31	1.93	1,426	.35	1.02
12/31/14	11.94	.15	.48	.63	(.17)	–	(.17)	12.40	5.24	1,723	.35	1.24
12/31/13	12.75	.08	(.44)	(.36)	(.11)	(.34)	(.45)	11.94	(2.87)	1,584	.35	.67
12/31/12	13.00	.10	.18	.28	(.16)	(.37)	(.53)	12.75	2.22	1,809	.34	.75
12/31/11	12.59	.23	.74	.97	(.26)	(.30)	(.56)	13.00	7.85	1,785	.34	1.83
Class 2:												
6/30/16[2,3]	12.20	.06	.42	.48	(.03)	(.25)	(.28)	12.40	3.94[4]	1,581	.60[5]	.95[5]
12/31/15	12.29	.10	.09	.19	(.18)	(.10)	(.28)	12.20	1.59	1,579	.60	.79
12/31/14	11.83	.12	.47	.59	(.13)	–	(.13)	12.29	5.01	1,717	.60	1.00
12/31/13	12.63	.05	(.43)	(.38)	(.08)	(.34)	(.42)	11.83	(3.08)	1,801	.60	.42
12/31/12	12.89	.06	.18	.24	(.13)	(.37)	(.50)	12.63	1.91	1,995	.59	.50
12/31/11	12.49	.20	.73	.93	(.23)	(.30)	(.53)	12.89	7.58	2,002	.59	1.59
Class 3:												
6/30/16[2,3]	12.34	.06	.43	.49	(.03)	(.25)	(.28)	12.55	3.99[4]	11	.53[5]	1.01[5]
12/31/15	12.43	.11	.09	.20	(.19)	(.10)	(.29)	12.34	1.64	11	.53	.85
12/31/14	11.96	.13	.48	.61	(.14)	–	(.14)	12.43	5.11	13	.53	1.08
12/31/13	12.76	.06	(.43)	(.37)	(.09)	(.34)	(.43)	11.96	(3.00)	14	.53	.47
12/31/12	13.01	.07	.19	.26	(.14)	(.37)	(.51)	12.76	2.02	20	.52	.58
12/31/11	12.61	.21	.73	.94	(.24)	(.30)	(.54)	13.01	7.56	24	.52	1.65
Class 4:												
6/30/16[2,3]	12.22	.04	.44	.48	(.03)	(.25)	(.28)	12.42	3.91[4]	68	.85[5]	.72[5]
12/31/15	12.34	.07	.08	.15	(.17)	(.10)	(.27)	12.22	1.29	46	.85	.56
12/31/14	11.93	.06	.51	.57	(.16)	–	(.16)	12.34	4.76	21	.85	.50
12/31/13	12.75	.08	(.44)	(.36)	(.12)	(.34)	(.46)	11.93	(2.95)	–[9]	.84	.68
12/31/12[3,7]	12.88	.01	(.01)	–	(.13)	–	(.13)	12.75	(.01)[4,8]	–[9]	.02[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before waivers/ reimbursements	Ratio of expenses to average net assets after waivers/ reimbursements[14]	Net effective expense ratio[14,15]	Ratio of net income (loss) to average net assets[14]
Managed Risk Growth Fund														
Class P1:														
6/30/16[2,3]	$11.49	$ .01	$ (.31)	$ (.30)	$(.05)	$(1.01)	$(1.06)	$10.13	(2.68)%[4,8]	$ 1	.49%[5,8]	.33%[5,8]	.67%[5,8]	.18%[5,8]
12/31/15	11.37	.09	.03	.12	–	–	–	11.49	1.06[8]	–[9]	.53[8]	.29[8]	.63[8]	.80[8]
12/31/14	11.43	.31	(.06)	.25	(.12)	(.19)	(.31)	11.37	2.18[8]	–[9]	.50[8]	.32[8]	.65[8]	2.71[8]
12/31/13[3,16]	10.00	.12	1.38	1.50	(.07)	–	(.07)	11.43	15.05[4,8]	–[9]	.88[5,8]	.25[5,8]	.58[5,8]	1.64[5,8]
Class P2:														
6/30/16[2,3]	11.43	(.01)	(.31)	(.32)	(.02)	(1.01)	(1.03)	10.08	(2.88)[4]	168	.79[5]	.63[5]	.97[5]	(.16)[5]
12/31/15	11.35	.04	.04	.08	–	–	–	11.43	.71	146	.89	.66	1.00	.31
12/31/14	11.43	.12	.08	.20	(.09)	(.19)	(.28)	11.35	1.77	79	.87	.69	1.02	1.01
12/31/13[3,16]	10.00	.12	1.37	1.49	(.06)	–	(.06)	11.43	14.94[4,8]	28	1.05[5,8]	.52[5,8]	.85[5,8]	1.69[5,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before waivers/ reimbursements	Ratio of expenses to average net assets after waivers/ reimbursements[14]	Net effective expense ratio[14,15]	Ratio of net income (loss) to average net assets[14]
Managed Risk International Fund														
Class P1:														
6/30/16[2,3]	$ 9.48	$ –[12]	$ (.32)	$ (.32)	$(.12)	$(.22)	$(.34)	$ 8.82	(3.36)%[4,8]	$ –[9]	.40%[5,8]	.24%[5,8]	.75%[5,8]	.06%[5,8]
12/31/15	10.10	.18	(.80)	(.62)	–[12]	–	–[12]	9.48	(6.12)[8]	–[9]	.45[8]	.21[8]	.72[8]	1.75[8]
12/31/14	10.82	.14	(.71)	(.57)	(.15)	–	(.15)	10.10	(5.31)[8]	–[9]	.50[8]	.25[8]	.76[8]	1.33[8]
12/31/13[3,16]	10.00	.13	.78	.91	(.09)	–	(.09)	10.82	9.08[4,8]	–[9]	1.05[5,8]	.23[5,8]	.73[5,8]	1.92[5,8]
Class P2:														
6/30/16[2,3]	9.43	(.01)	(.34)	(.35)	(.09)	(.22)	(.31)	8.77	(3.71)[4]	90	.79[5]	.63[5]	1.14[5]	(.27)[5]
12/31/15	10.09	.13	(.79)	(.66)	–[12]	–	–[12]	9.43	(6.52)	83	.90	.66	1.17	1.30
12/31/14	10.82	.16	(.77)	(.61)	(.12)	–	(.12)	10.09	(5.68)	46	.91	.67	1.18	1.51
12/31/13[3,16]	10.00	.18	.72	.90	(.08)	–	(.08)	10.82	8.99[4,8]	17	1.19[5,8]	.44[5,8]	.94[5,8]	2.66[5,8]
Managed Risk Blue Chip Income and Growth Fund														
Class P1:														
6/30/16[2,3]	$10.80	$ .03	$ .70	$ .73	$(.15)	$(.37)	$(.52)	$11.01	6.74%[4,8]	$ –[9]	.42%[5,8]	.26%[5,8]	.67%[5,8]	.53%[5,8]
12/31/15	11.70	.19	(1.02)	(.83)	(.07)	–	(.07)	10.80	(7.07)[8]	–[9]	.50[8]	.27[8]	.66[8]	1.64[8]
12/31/14	11.05	.40	.55	.95	(.30)	–	(.30)	11.70	8.58[8]	–[9]	.50[8]	.31[8]	.70[8]	3.43[8]
12/31/13[3,16]	10.00	.20	1.01	1.21	(.16)	–	(.16)	11.05	12.16[4,8]	–[9]	.84[5,8]	.24[5,8]	.64[5,8]	2.80[5,8]
Class P2:														
6/30/16[2,3]	10.76	.01	.69	.70	(.14)	(.37)	(.51)	10.95	6.52[4]	189	.79[5]	.63[5]	1.04[5]	.23[5]
12/31/15	11.67	.18	(1.05)	(.87)	(.04)	–	(.04)	10.76	(7.43)	137	.89	.66	1.05	1.57
12/31/14	11.05	.50	.40	.90	(.28)	–	(.28)	11.67	8.10	98	.88	.69	1.08	4.27
12/31/13[3,16]	10.00	.28	.92	1.20	(.15)	–	(.15)	11.05	12.05[4,8]	26	1.04[5,8]	.54[5,8]	.94[5,8]	3.91[5,8]
Managed Risk Growth-Income Fund														
Class P1:														
6/30/16[2,3]	$11.25	$ .02	$ .01	$ .03	$(.12)	$(.70)	$(.82)	$10.46	.20%[4,8]	$ 1	.51%[5,8]	.35%[5,8]	.64%[5,8]	.31%[5,8]
12/31/15	11.67	.25	(.63)	(.38)	(.04)	–	(.04)	11.25	(3.27)[8]	1	.56[8]	.31[8]	.59[8]	2.17[8]
12/31/14	11.50	.35	.21	.56	(.14)	(.25)	(.39)	11.67	4.85[8]	–[9]	.45[8]	.25[8]	.52[8]	2.94[8]
12/31/13[3,16]	10.00	.14	1.47	1.61	(.11)	–	(.11)	11.50	16.15[4,8]	–[9]	.92[5,8]	.23[5,8]	.50[5,8]	2.01[5,8]
Class P2:														
6/30/16[2,3]	11.22	–[12]	–[12]	–[12]	(.11)	(.70)	(.81)	10.41	(.03)[4]	135	.79[5]	.63[5]	.92[5]	–[5,17]
12/31/15	11.65	.12	(.54)	(.42)	(.01)	–	(.01)	11.22	(3.64)	122	.89	.66	.94	1.04
12/31/14	11.50	.16	.35	.51	(.11)	(.25)	(.36)	11.65	4.42	76	.87	.69	.96	1.38
12/31/13[3,16]	10.00	.20	1.40	1.60	(.10)	–	(.10)	11.50	16.04[4,8]	24	1.09[5,8]	.50[5,8]	.77[5,8]	2.73[5,8]
Managed Risk Asset Allocation Fund														
Class P1:														
6/30/16[2,3]	$11.72	$ .02	$ .36	$ .38	$(.14)	$(.37)	$(.51)	$11.59	3.27%[4]	$ 973	.43%[5]	.38%[5]	.68%[5]	.31%[5]
12/31/15	12.29	.25	(.34)	(.09)	(.22)	(.26)	(.48)	11.72	(.83)	712	.54	.40	.68	2.06
12/31/14	11.93	.13	.26	.39	(.03)	–	(.03)	12.29	3.24	277	.53	.48	.76	1.04
12/31/13	9.99	.27	1.81	2.08	(.14)	–	(.14)	11.93	20.82[8]	112	.55[8]	.47[8]	.75[8]	2.37[8]
12/31/12[3,18]	10.00	.15	(.03)	.12	(.13)	–	(.13)	9.99	1.24[4,8]	–[9]	.15[5,8]	.07[5,8]	.37[5,8]	1.72[5,8]
Class P2:														
6/30/16[2,3]	11.71	–[12]	.36	.36	(.13)	(.37)	(.50)	11.57	3.14[4]	2,103	.68[5]	.63[5]	.93[5]	–[5,17]
12/31/15	12.27	.14	(.26)	(.12)	(.18)	(.26)	(.44)	11.71	(1.07)	1,953	.79	.66	.94	1.16
12/31/14	11.93	.16	.19	.35	(.01)	–	(.01)	12.27	2.91	1,780	.79	.73	1.01	1.33
12/31/13	9.99	.28	1.77	2.05	(.11)	–	(.11)	11.93	20.58[8]	795	.80[8]	.73[8]	1.01[8]	2.43[8]
12/31/12[3,18]	10.00	.17	(.05)	.12	(.13)	–	(.13)	9.99	1.21[4,8]	–[9]	.24[5,8]	.11[5,8]	.41[5,8]	2.38[5,8]

See end of tables for footnotes.

Financial highlights (continued)

Portfolio turnover rate for all share classes including mortgage dollar roll transactions[19]	Six months ended June 30, 2016[2,3,4]	Period ended December 31				
		2015	2014	2013	2012	2011
Global Growth Fund	13%	29%	22%	39%	22%	28%
Global Small Capitalization Fund	22	36	28	36	40	44
Growth Fund	16	20	29	19	21	19
International Fund	16	37	18	21	29	24
New World Fund	14	39	36	43	32	22
Blue Chip Income and Growth Fund	12	26	37	30	36	27
Global Growth and Income Fund	34	37	28	31	30	25
Growth-Income Fund	16	25	25	19	25	22
International Growth and Income Fund	14	35	34	34	31	48
Capital Income Builder Fund	24	128	35[4,10]			
Asset Allocation Fund	53	76	88	74	61	43
Global Balanced Fund	33	76	73	81	80	34[4,11]
Bond Fund	226	434	365	354	253	163
Global Bond Fund	91	159	200	213	160	101
High-Income Bond Fund	53	66	54	64	48	51
Mortgage Fund	490	1103	790	715	444	480[4,11]
Ultra-Short Bond Fund	–[13]	–	–	–	–	–
U.S. Government/AAA-Rated Securities Fund	313	901	387	621	447	234
Managed Risk Growth Fund	9	16	22	10[4,16]		
Managed Risk International Fund	15	15	22	6[4,16]		
Managed Risk Blue Chip Income and Growth Fund	7	20	22	3[4,16]		
Managed Risk Growth-Income Fund	9	11	28	2[4,16]		
Managed Risk Asset Allocation Fund	–[20]	3	3	3	–[4,18,20]	

Portfolio turnover rate for all share classes excluding mortgage dollar roll transactions[19]	Six months ended June 30, 2016[2,3,4]	Period ended December 31				
		2015	2014	2013	2012	2011
Capital Income Builder	17%	38%	24%[4,10]	Not available		
Asset Allocation Fund	29	28	42			
Global Balanced Fund	19	36	40			
Bond Fund	72	141	121			
Global Bond Fund	41	88	134			
Mortgage Fund	58	138	108			
U.S. Government/AAA-Rated Securities Fund	144	352	88			

[1]Based on average shares outstanding.
[2]Unaudited.
[3]Based on operations for the period shown and, accordingly, is not representative of a full year.
[4]Not annualized.
[5]Annualized.
[6]The year ended December 31, 2014, reflects the impact of a corporate action event that resulted in a one-time increase to net investment income. If the corporate action event had not occurred, the net investment income per share and ratio of net income to average net assets would have been lower for all share classes.
[7]Class 4 shares were offered beginning December 14, 2012.
[8]All or a significant portion of assets in this class consisted of seed capital invested by CRMC and/or its affiliates. Certain fees (including, where applicable, fees for distribution services) are not charged or accrued on these seed capital assets. If such fees were paid by the fund on seed capital assets, fund expenses would have been higher and net income and total return would have been lower.
[9]Amount less than $1 million.
[10]For the period May 1, 2014, commencement of operations, through December 31, 2014.
[11]For the period May 2, 2011, commencement of operations, through December 31, 2011.
[12]Amount less than $.01.
[13]On May 1, 2016, the fund converted from a cash fund to an ultra-short-term bond fund and changed its name from Cash Management Fund to Ultra-Short Bond Fund.
[14]This column reflects the impact of certain waivers/reimbursements by CRMC. CRMC waived a portion of investment advisory services and reimbursed certain expenses for the managed risk funds.
[15]Ratio reflects weighted average net expense ratio of the underlying fund for the period presented. See Expense Example for further information regarding fees and expenses.
[16]For the period May 1, 2013, commencement of operations, through December 31, 2013.
[17]Amount less than .01%.
[18]For the period September 28, 2012, commencement of operations, through December 31, 2012.
[19]Refer to Note 5 for further information on mortgage dollar rolls.
[20]Amount less than 1%.

See Notes to Financial Statements

Expense example

unaudited

The funds in American Funds Insurance Series serve as the underlying investment vehicle for various insurance products. As an owner of an insurance contract that invests in one of the funds in the series, you incur two types of costs: (1) transaction costs, such as initial sales charges on purchase payments and contingent deferred sales charges on redemptions (loads), and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other expenses. Additional fees are charged by the insurance companies related to the various benefits they provide. This example is intended to help you understand your ongoing costs (in dollars) of investing in the underlying funds so you can compare these costs with the ongoing costs of investing in other mutual funds that serve a similar function in other annuity products. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire six-month period (January 1, 2016, through June 30, 2016).

Actual expenses:

The first line of each share class in the tables on the following pages 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 of each share class in the tables on the following pages provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio for the share class and an assumed rate of return of 5.00% per year before expenses, which is not the actual return of the share class. 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 5.00% hypothetical example with the 5.00% hypothetical examples that appear in the shareholder reports of the other funds.

Notes:

Additional fees are charged by the insurance companies related to the various benefits they provide. You can estimate the impact of these fees by adding the amount of the fees to the total estimated expenses you paid on your account during the period as calculated above. In addition, your ending account value would be lower by the amount of these fees.

Note that the expenses shown in the tables on the following pages are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second line of each share class in the tables is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Global Growth Fund				
Class 1 – actual return	$1,000.00	$ 966.87	$2.74	.56%
Class 1 – assumed 5% return	1,000.00	1,022.08	2.82	.56
Class 2 – actual return	1,000.00	965.79	3.96	.81
Class 2 – assumed 5% return	1,000.00	1,020.84	4.07	.81
Class 4 – actual return	1,000.00	964.57	5.18	1.06
Class 4 – assumed 5% return	1,000.00	1,019.59	5.32	1.06
Global Small Capitalization Fund				
Class 1 – actual return	$1,000.00	$ 961.51	$3.61	.74%
Class 1 – assumed 5% return	1,000.00	1,021.18	3.72	.74
Class 2 – actual return	1,000.00	960.10	4.82	.99
Class 2 – assumed 5% return	1,000.00	1,019.94	4.97	.99
Class 4 – actual return	1,000.00	959.20	6.04	1.24
Class 4 – assumed 5% return	1,000.00	1,018.70	6.22	1.24
Growth Fund				
Class 1 – actual return	$1,000.00	$1,010.84	$1.75	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	1,009.49	3.00	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,009.77	2.65	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	1,008.29	4.24	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85
International Fund				
Class 1 – actual return	$1,000.00	$ 989.25	$2.67	.54%
Class 1 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 2 – actual return	1,000.00	988.22	3.91	.79
Class 2 – assumed 5% return	1,000.00	1,020.93	3.97	.79
Class 3 – actual return	1,000.00	988.33	3.56	.72
Class 3 – assumed 5% return	1,000.00	1,021.28	3.62	.72
Class 4 – actual return	1,000.00	986.70	5.14	1.04
Class 4 – assumed 5% return	1,000.00	1,019.69	5.22	1.04
New World Fund				
Class 1 – actual return	$1,000.00	$1,023.83	$3.92	.78%
Class 1 – assumed 5% return	1,000.00	1,020.98	3.92	.78
Class 2 – actual return	1,000.00	1,022.46	5.18	1.03
Class 2 – assumed 5% return	1,000.00	1,019.74	5.17	1.03
Class 4 – actual return	1,000.00	1,021.20	6.48	1.29
Class 4 – assumed 5% return	1,000.00	1,018.45	6.47	1.29
Blue Chip Income and Growth Fund				
Class 1 – actual return	$1,000.00	$1,100.05	$2.19	.42%
Class 1 – assumed 5% return	1,000.00	1,022.77	2.11	.42
Class 2 – actual return	1,000.00	1,098.86	3.50	.67
Class 2 – assumed 5% return	1,000.00	1,021.53	3.37	.67
Class 4 – actual return	1,000.00	1,097.98	4.80	.92
Class 4 – assumed 5% return	1,000.00	1,020.29	4.62	.92

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Global Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,018.69	$3.16	.63%
Class 1 – assumed 5% return	1,000.00	1,021.73	3.17	.63
Class 2 – actual return	1,000.00	1,017.41	4.41	.88
Class 2 – assumed 5% return	1,000.00	1,020.49	4.42	.88
Class 4 – actual return	1,000.00	1,015.96	5.66	1.13
Class 4 – assumed 5% return	1,000.00	1,019.24	5.67	1.13
Growth-Income Fund				
Class 1 – actual return	$1,000.00	$1,032.31	$1.47	.29%
Class 1 – assumed 5% return	1,000.00	1,023.42	1.46	.29
Class 2 – actual return	1,000.00	1,031.22	2.73	.54
Class 2 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 3 – actual return	1,000.00	1,031.51	2.37	.47
Class 3 – assumed 5% return	1,000.00	1,022.53	2.36	.47
Class 4 – actual return	1,000.00	1,029.90	3.99	.79
Class 4 – assumed 5% return	1,000.00	1,020.93	3.97	.79
International Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,011.95	$3.40	.68%
Class 1 – assumed 5% return	1,000.00	1,021.48	3.42	.68
Class 2 – actual return	1,000.00	1,010.80	4.65	.93
Class 2 – assumed 5% return	1,000.00	1,020.24	4.67	.93
Class 4 – actual return	1,000.00	1,009.81	5.90	1.18
Class 4 – assumed 5% return	1,000.00	1,019.00	5.92	1.18
Capital Income Builder				
Class 1 – actual return	$1,000.00	$1,054.69	$2.76	.54%
Class 1 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 2 – actual return	1,000.00	1,054.68	2.55	.50
Class 2 – assumed 5% return	1,000.00	1,022.38	2.51	.50
Class 4 – actual return	1,000.00	1,052.38	5.31	1.04
Class 4 – assumed 5% return	1,000.00	1,019.69	5.22	1.04
Asset Allocation Fund				
Class 1 – actual return	$1,000.00	$1,047.35	$1.53	.30%
Class 1 – assumed 5% return	1,000.00	1,023.37	1.51	.30
Class 2 – actual return	1,000.00	1,045.83	2.80	.55
Class 2 – assumed 5% return	1,000.00	1,022.13	2.77	.55
Class 3 – actual return	1,000.00	1,045.98	2.44	.48
Class 3 – assumed 5% return	1,000.00	1,022.48	2.41	.48
Class 4 – actual return	1,000.00	1,044.55	4.07	.80
Class 4 – assumed 5% return	1,000.00	1,020.89	4.02	.80
Global Balanced Fund				
Class 1 – actual return	$1,000.00	$1,035.38	$3.54	.70%
Class 1 – assumed 5% return	1,000.00	1,021.38	3.52	.70
Class 2 – actual return	1,000.00	1,034.52	4.81	.95
Class 2 – assumed 5% return	1,000.00	1,020.14	4.77	.95
Class 4 – actual return	1,000.00	1,032.74	6.06	1.20
Class 4 – assumed 5% return	1,000.00	1,018.90	6.02	1.20

See end of tables for footnotes.

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Bond Fund				
Class 1 – actual return	$1,000.00	$1,056.35	$1.94	.38%
Class 1 – assumed 5% return	1,000.00	1,022.97	1.91	.38
Class 2 – actual return	1,000.00	1,054.63	3.22	.63
Class 2 – assumed 5% return	1,000.00	1,021.73	3.17	.63
Class 4 – actual return	1,000.00	1,053.43	4.49	.88
Class 4 – assumed 5% return	1,000.00	1,020.49	4.42	.88
Global Bond Fund				
Class 1 – actual return	$1,000.00	$1,080.05	$2.95	.57%
Class 1 – assumed 5% return	1,000.00	1,022.03	2.87	.57
Class 2 – actual return	1,000.00	1,079.71	4.24	.82
Class 2 – assumed 5% return	1,000.00	1,020.79	4.12	.82
Class 4 – actual return	1,000.00	1,078.17	5.53	1.07
Class 4 – assumed 5% return	1,000.00	1,019.54	5.37	1.07
High-Income Bond Fund				
Class 1 – actual return	$1,000.00	$1,089.05	$2.55	.49%
Class 1 – assumed 5% return	1,000.00	1,022.43	2.46	.49
Class 2 – actual return	1,000.00	1,087.66	3.84	.74
Class 2 – assumed 5% return	1,000.00	1,021.18	3.72	.74
Class 3 – actual return	1,000.00	1,088.42	3.48	.67
Class 3 – assumed 5% return	1,000.00	1,021.53	3.37	.67
Class 4 – actual return	1,000.00	1,086.06	5.13	.99
Class 4 – assumed 5% return	1,000.00	1,019.94	4.97	.99
Mortgage Fund				
Class 1 – actual return	$1,000.00	$1,029.00	$2.22	.44%
Class 1 – assumed 5% return	1,000.00	1,022.68	2.21	.44
Class 2 – actual return	1,000.00	1,027.74	3.48	.69
Class 2 – assumed 5% return	1,000.00	1,021.43	3.47	.69
Class 4 – actual return	1,000.00	1,026.49	4.74	.94
Class 4 – assumed 5% return	1,000.00	1,020.19	4.72	.94
Ultra-Short Bond Fund				
Class 1 – actual return	$1,000.00	$1,000.00	$1.74	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	999.10	2.98	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,000.00	2.64	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	997.32	4.22	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85
U.S. Government/AAA-Rated Securities Fund				
Class 1 – actual return	$1,000.00	$1,040.29	$1.78	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	1,039.36	3.04	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,039.89	2.69	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	1,039.13	4.31	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1,2]	Annualized expense ratio[2]	Effective expenses paid during period[3]	Effective annualized expense ratio[4]
Managed Risk Growth Fund						
Class P1 – actual return	$1,000.00	$ 973.18	$1.62	.33%	$3.29	.67%
Class P1 – assumed 5% return	1,000.00	1,023.22	1.66	.33	3.37	.67
Class P2 – actual return	1,000.00	971.21	3.09	.63	4.75	.97
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.87	.97
Managed Risk International Fund						
Class P1 – actual return	$1,000.00	$ 966.44	$1.17	.24%	$3.67	.75%
Class P1 – assumed 5% return	1,000.00	1,023.67	1.21	.24	3.77	.75
Class P2 – actual return	1,000.00	962.94	3.07	.63	5.56	1.14
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	5.72	1.14
Managed Risk Blue Chip Income and Growth Fund						
Class P1 – actual return	$1,000.00	$1,067.39	$1.34	.26%	$3.44	.67%
Class P1 – assumed 5% return	1,000.00	1,023.57	1.31	.26	3.37	.67
Class P2 – actual return	1,000.00	1,065.17	3.23	.63	5.34	1.04
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	5.22	1.04
Managed Risk Growth-Income Fund						
Class P1 – actual return	$1,000.00	$1,001.95	$1.74	.35%	$3.19	.64%
Class P1 – assumed 5% return	1,000.00	1,023.12	1.76	.35	3.22	.64
Class P2 – actual return	1,000.00	999.72	3.13	.63	4.57	.92
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.62	.92
Managed Risk Asset Allocation Fund						
Class P1 – actual return	$1,000.00	$1,032.67	$1.92	.38%	$3.44	.68%
Class P1 – assumed 5% return	1,000.00	1,022.97	1.91	.38	3.42	.68
Class P2 – actual return	1,000.00	1,031.38	3.18	.63	4.70	.93
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.67	.93

[1]The "expenses paid during period" are equal to the "annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 366 (to reflect the one-half year period).

[2]The "expenses paid during period" and "annualized expense ratio" do not include the expenses of the underlying funds in which each fund invests.

[3]The "effective expenses paid during period" are equal to the "effective annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 366 (to reflect the period).

[4]The "effective annualized expense ratio" reflects the net annualized expense ratio of the class plus the class's pro-rata share of the weighted average expense ratio of the underlying funds in which it invests.

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Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the series prospectuses and summary prospectuses, which can be obtained from your financial professional and should be read carefully before investing. You may also call American Funds Service Company (AFS) at (800) 421-4225 or visit the American Funds website at americanfunds.com.

"American Funds Proxy Voting Procedures and Principles" – which describes how we vote proxies relating to portfolio securities – is available on the American Funds website or upon request by calling AFS. The series files its proxy voting record with the U.S. Securities and Exchange Commission (SEC) for the 12 months ended June 30 by August 31. The proxy voting record is available free of charge on the SEC website at sec.gov and on the American Funds website.

Complete June 30, 2016, portfolios of American Funds Insurance Series investments are available free of charge by calling AFS or visiting the SEC website (where they are part of Form N-CSR).

American Funds Insurance Series files a complete list of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. This filing is available free of charge on the SEC website. You may also review or, for a fee, copy this filing at the SEC's Public Reference Room in Washington, D.C. Additional information regarding the operation of the Public Reference Room may be obtained by calling the SEC's Office of Investor Education and Advocacy at (800) SEC-0330. Additionally, the list of portfolio holdings is available by calling AFS.

This report is for the information of American Funds Insurance Series investors, but it also may be used as sales literature when preceded or accompanied by the current prospectuses or summary prospectuses for American Funds Insurance Series and the prospectus for the applicable insurance contract, which give details about charges, expenses, investment objectives and operating policies of the series. If used as sales material after September 30, 2016, this report must be accompanied by a statistical update for the most recently completed calendar quarter.

The American Funds Advantage℠

Since 1931, American Funds, part of Capital Group, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System℠ – has resulted in a superior long-term track record for American Funds Insurance Series®.

Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. American Funds Insurance Series (AFIS) portfolio managers average 26 years of investment experience, including 23 years at our company, reflecting a career commitment to our long-term approach.[1]

The Capital System℠

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

Superior long-term track record

Our AFIS equity funds have beaten their comparable Lipper indexes in 91% of 10-year periods and 100% of 20-year periods. Our AFIS fixed income funds have beaten comparable Lipper indexes in 55% of 10-year periods and 87% of 20-year periods.[2] We strive to keep management fees competitive. Over the past 20 years, most funds' fees have been below industry averages.[3]

[1] Portfolio manager experience as of November 2015.

[2]Based on Class 2 share results for rolling periods through December 31, 2015. Periods covered are the shorter of the fund's lifetime or since the inception date of the comparable Lipper index (except Global Small Capitalization Fund, for which the Lipper average was used). The comparable Lipper indexes are: Global Funds Index (Global Growth Fund), Growth Funds Index (Growth Fund), International Funds Index (International Fund), Emerging Markets Funds Index (New World Fund), Growth & Income Funds Index (Blue Chip Income and Growth Fund, Growth-Income Fund), Balanced Portfolio Funds Index (Asset Allocation Fund), Core Bond Funds Index (Bond Fund), High Yield Funds Index (High-Income Bond Fund) and General U.S. Government Funds Index (U.S. Government/ AAA-Rated Securities Fund).

[3]Based on management fees for the 20-year period ended December 31, 2015, versus comparable Lipper categories, excluding funds of funds.

Lit. No. INGESRX-998-0816P

AMERICAN FUNDS®

From Capital Group

American Funds Insurance Series®

Semi-annual report
for the six months ended
June 30, 2016

American Funds Insurance Series, from Capital Group, is the underlying investment vehicle for many variable annuities and insurance products. For 85 years, Capital has invested with a long-term focus based on thorough research and attention to risk. All the variable funds in American Funds Insurance Series may not be available in your product.

Investing for short periods makes losses more likely. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

Investing outside the United States may be subject to risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Investing in small-capitalization stocks can involve greater risk than is customarily associated with investing in stocks of larger, more established companies. The return of principal for bond funds and for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. High-yield bonds are subject to greater fluctuations in value and risk of loss of income and principal than investment-grade bonds. Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch as an indication of an issuer's creditworthiness. Futures contracts may not provide an effective hedge of the underlying securities because changes in the prices of futures contracts may not track those of the securities they are intended to hedge. In addition, the managed risk strategy may not effectively protect the funds from market declines and will limit the funds participation in market gains. The use of the managed risk strategy could cause the funds' returns to lag those of the applicable underlying funds in certain rising market conditions. Refer to the funds' prospectuses and the Risk Factors section of this report for more information on these and other risks associated with investing in the funds.

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Fellow investors:

Market returns were mixed for the six months ended June 30, 2016. U.S. and emerging markets stocks closed higher while many European markets fell. Slowing global growth, aggressive action on the part of central banks, the possibility of another interest rate hike in the U.S. and the decision by British voters to leave the European Union created uncertainty for investors.

Global equity market returns were tepid in aggregate, as the MSCI World Index rose 0.66%* for the period, but there were pockets of strength and weakness. Emerging markets registered some of the best results as the MSCI EM (Emerging Markets) Index climbed 6.41%. Brazil (+46.34%), Russia (+20.43%), Indonesia (+15.79%) and South Africa (+15.64%) were among the biggest gainers. A rebound in commodity prices, expectations for political reform and economic stimulus measures fueled returns.

The MSCI USA Index advanced 3.58%, helped in part by stronger job and housing numbers.

Sluggish growth, deflationary pressures and the potential impact of a "Brexit" dampened returns in a number of European markets. Overall, the MSCI Europe Index declined 5.13%, with Italy (–20.89%), Ireland (–13.61%) and Spain (–11.45%) suffering double-digit losses. Elsewhere among developed markets, Japan slipped 5.58%, hindered by a strengthening yen and the effects of negative interest rates on its banking system.

In bond markets, U.S. investment-grade and high-yield corporates advanced 7.68% and 9.06%, respectively, as investors sought higher yields than those offered by U.S. Treasuries. Barclays Global Aggregate Index, a measure of global investment-grade bonds (rated BBB/Baa and above), rose 8.96%, while the Barclays U.S. Aggregate Index (which measures U.S. investment-grade bonds) improved 5.31%. The 10-year Treasury yield, which stood at 2.27% on December 31, 2015, dropped to 1.49% as weak employment data and the Brexit referendum lowered expectations of a rate hike by the Federal Reserve. U.S. dollar–denominated emerging markets bonds, as measured by the J.P. Morgan EMBI (Emerging Markets Bond Index) Global, rose 10.90% as their higher yields were popular in a low-rate environment.

The U.S. dollar depreciated against most currencies. In developed markets, gains were led by the Japanese yen (+17.26%), Canadian dollar (+6.96%) and Singapore dollar (+5.41%). The Swiss franc and euro also improved, up 2.75% and 2.27%, respectively. The British pound, however, declined 9.30% against the greenback.

* Country returns are based on MSCI indexes, which reflect reinvestment of distributions and dividends net of withholding taxes, except for the MSCI USA Index, which reflects dividends gross of withholding taxes. All market indexes referenced in this report are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Among developing markets, the Brazilian real (+23.49%) and Russian ruble (+14.34%) finished strong, while the Mexican peso (–6.39%) and Chinese renminbi (–2.26%) fell. Currency returns are calculated by MSCI.

AFIS funds with exposure to U.S. equities and REITS fared well during the period. With the exception of Ultra-Short Bond Fund, which was hampered by low short-term interest rates, the series' bond funds all recorded positive returns. On May 1, 2016, the Cash Management Fund was converted to Ultra-Short Bond Fund in accordance with shareholder approval on December 4, 2015.

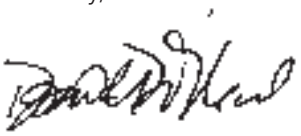
Looking ahead

The U.S. economy continues to show signs of slow improvement, even as many countries around the globe struggle with sluggish growth and low inflation. As the Fed adopts a more data-driven approach to rate hikes and central banks focus on lowering rates to inject liquidity into the global financial system, we could have a "lower-for-longer" rate environment. We will, of course, closely monitor the impact to security markets and currencies. We are also headed into the final innings of the U.S. presidential election cycle, and will be watching for changes in that arena. We may be in a low-return environment overall, but we will continue to actively seek securities that are particularly attractive due to their innovation, fundamentals or valuation levels.

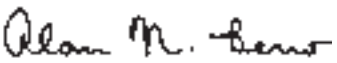
Our investment approach – based on extensive research, a long-term outlook and close attention to valuation – has served investors well over time. We continue to have confidence this will remain the case, and thank you for your support.

We look forward to reporting to you again in six months' time.

Sincerely,



Donald D. O'Neal
Vice Chairman of the Board



Alan N. Berro
President

August 9, 2016

Summary investment portfolios

Summary investment portfolios are designed to streamline this report and help investors better focus on the funds' principal holdings. Ultra-Short Bond Fund,* Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund show a complete listing of portfolio holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings for each fund in the series.

Unless otherwise indicated, American Funds Insurance Series investment results are for Class 2 shares (Class P2 shares for managed risk funds). Class 2 shares began operations on April 30, 1997. Class 3 shares began operations on January 16, 2004. Class 4 shares began operations on December 14, 2012. Results encompassing periods prior to those dates assume a hypothetical investment in Class 1 shares and include the deduction of additional annual expenses (0.25% for Class 2 shares, 0.18% for Class 3 shares and 0.50% for Class 4 shares).

The variable annuities and life insurance contracts that use the series funds contain certain fees and expenses not reflected in this report. Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The series investment adviser waived a portion of its management fees for all existing funds from September 1, 2004, through December 31, 2008, for U.S. Government/AAA-Rated Securities Fund from July 1, 2010, through December 31, 2010, and for Blue Chip Income and Growth Fund from February 1, 2014, through January 31, 2015. For the managed risk funds, the investment adviser is currently waiving a portion of its management fee equal to 0.05% of the funds' net assets and is currently reimbursing a portion of other expenses so that they will not exceed 0.28%. The waivers and reimbursements will be in effect through at least May 1, 2017, unless modified or terminated by the series board. After that time, the investment adviser may elect to extend, modify or terminate the reimbursements. The waivers may only be modified or terminated with the approval of the series board. Applicable fund results shown reflect the waivers and reimbursements, without which results would have been lower. See the Financial Highlights table in this report for details.

Although Capital Income Builder has a plan of distribution for Class 2 shares, fees for distribution services are not paid on amounts invested in the fund by the investment adviser and/or its affiliates. If fees for these services were charged on these assets, fund results would have been lower and expenses would have been higher. See the "Plans of distribution" section of the prospectus for information on the fees for distribution permitted to be charged by the funds.

Individual funds are listed in this report according to their risk potential, with managed risk funds listed last.

*Effective May 1, 2016, Cash Management Fund was converted to American Funds Insurance Series – Ultra-Short Bond Fund.℠

Growth Fund

Fund results shown are for past periods and are not predictive of results for future periods. Current and future results may be lower or higher than those shown. Unit prices and returns will vary, so investors may lose money. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

Growth Fund gained 0.95% for the six months ended June 30, 2016. Standard & Poor's 500 Composite Index, a market capitalization-weighted index based on the results of 500 widely held common stocks, rose 3.84%.

The beginning of 2016 was volatile amid weaker global economic growth. Central banks have focused on accommodative monetary policies to stimulate economies, but this has not helped. Post-Brexit, concerns of a potential economic downturn in Europe have increased amid a slowdown in China and Japan.

Stock selection in the information technology, consumer discretionary and energy sectors contributed most to the fund in relative terms. Consumer discretionary company, Ulta Salon, and energy company, Concho Resources, were among the top five contributors to relative returns.

Early in the year, investments in the health care sector hurt, with Regeneron Pharmaceuticals, Incyte and Vertex Pharmaceuticals among the top five detractors to relative returns. Over the year, a reduction in biotechnology holdings and an increase in investments in Medtronic and UnitedHealth Group were beneficial.

Overall, the fund's modest holdings outside the U.S. added relative value. Canada, Taiwan and the Netherlands were primary contributors, while the U.S., the U.K. and Japan were the main detractors.

The fund's portfolio managers will continue to look closely at sectors that have been under pressure recently such as energy, as well as investment opportunities in defensive sectors such as consumer staples that offer value and the potential for growth.

		Percent of net assets		
Largest individual equity securities	Amazon	6.44%	Comcast	2.37%
	Facebook	3.67	UnitedHealth Group	2.23
	Home Depot	3.40	Broadcom	2.11
	Microsoft	2.83	ASML	1.89
	Berkshire Hathaway	2.54	Schlumberger	1.87

Growth Fund

Average annual total returns based on a $1,000 investment

For periods ended June 30, 2016

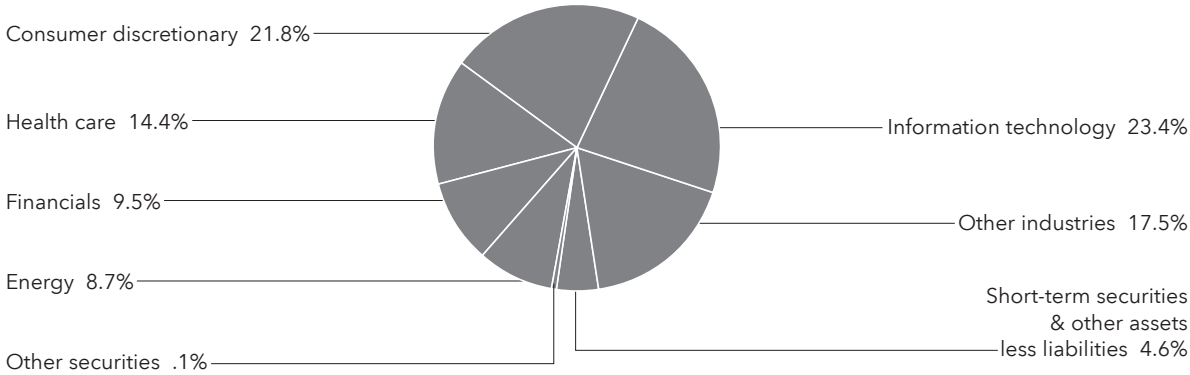
	1 year	5 years	10 years	Lifetime (since February 8, 1984)	Expense ratio
Class 1	2.16%	10.43%	7.04%	12.30%	.35%
Class 2	1.90	10.15	6.77	12.00	.60
Class 3	1.98	10.23	6.85	12.10	.53
Class 4	1.65	9.91	6.52	11.75	.85

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The fund's investment adviser waived a portion of its management fees from September 1, 2004, through December 31, 2008. Applicable fund results shown reflect the waiver, without which they would have been lower. Expense ratios are as of the fund's prospectus dated May 1, 2016. See the Financial Highlights table in this report for details.

Any market index shown is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index.

Where the fund's assets were invested as of June 30, 2016

Percent of net assets



Growth Fund

Summary investment portfolio June 30, 2016 unaudited

Common stocks 95.29%		Shares	Value (000)
Information technology 23.42%	Facebook, Inc., Class A[1]	6,789,685	$ 775,925
	Microsoft Corp.	11,695,000	598,433
	Broadcom Ltd.	2,869,100	445,858
	ASML Holding NV (New York registered)	2,224,016	220,645
	ASML Holding NV[2]	1,808,186	179,233
	Taiwan Semiconductor Manufacturing Co., Ltd.[2]	59,537,000	301,053
	Taiwan Semiconductor Manufacturing Co., Ltd. (ADR)	1,425,392	37,388
	Visa Inc., Class A	4,355,000	323,010
	Apple Inc.	3,306,300	316,082
	Alphabet Inc., Class A[1]	229,000	161,109
	Alphabet Inc., Class C[1]	195,241	135,126
	LinkedIn Corp., Class A[1]	1,026,460	194,258
	Other securities		1,259,233
			4,947,353
Consumer discretionary 21.77%	Amazon.com, Inc.[1]	1,900,216	1,359,833
	Home Depot, Inc.	5,625,000	718,256
	Comcast Corp., Class A	7,685,000	500,985
	Charter Communications, Inc., Class A[1]	1,297,045	296,556
	Ulta Salon, Cosmetics & Fragrance, Inc.[1]	1,120,000	272,877
	Starbucks Corp.	3,685,000	210,487
	Tesla Motors, Inc.[1]	987,500	209,627
	Netflix, Inc.[1]	1,765,000	161,462
	Twenty-First Century Fox, Inc., Class A	5,710,000	154,456
	MGM Resorts International[1]	5,743,400	129,973
	Other securities		583,421
			4,597,933
Health care 14.35%	UnitedHealth Group Inc.	3,330,000	470,196
	Centene Corp.[1]	4,266,652	304,511
	Express Scripts Holding Co.[1]	4,003,208	303,443
	Regeneron Pharmaceuticals, Inc.[1]	706,500	246,731
	Vertex Pharmaceuticals Inc.[1]	2,422,000	208,340
	Incyte Corp.[1]	2,306,500	184,474
	Thermo Fisher Scientific Inc.	1,240,000	183,222
	Humana Inc.	993,200	178,657
	Medtronic PLC	1,830,000	158,789
	Intuitive Surgical, Inc.[1]	195,000	128,975
	Other securities		663,168
			3,030,506
Financials 9.48%	Berkshire Hathaway Inc., Class A[1]	2,235	484,939
	Berkshire Hathaway Inc., Class B[1]	363,734	52,665
	Wells Fargo & Co.	4,090,000	193,580
	JPMorgan Chase & Co.	2,503,720	155,581
	Onex Corp.	2,342,800	143,257
	Goldman Sachs Group, Inc.	934,400	138,833
	Other securities		833,875
			2,002,730
Energy 8.72%	Schlumberger Ltd.	4,995,000	395,004
	Concho Resources Inc.[1]	1,851,700	220,852
	Suncor Energy Inc.	5,502,090	152,633
	Noble Energy, Inc.	3,958,000	141,973
	Other securities		931,884
			1,842,346

Growth Fund

Common stocks

		Shares	Value (000)
Consumer staples 7.40%	Philip Morris International Inc.	3,615,000	$ 367,718
	Kraft Heinz Co.	2,500,000	221,200
	Coca-Cola Co.	4,670,000	211,691
	Constellation Brands, Inc., Class A	1,075,000	177,805
	Kerry Group PLC, Class A[2]	1,700,000	151,043
	Costco Wholesale Corp.	920,000	144,477
	Kroger Co.	3,710,000	136,491
	Other securities		153,476
			1,563,901
Industrials 5.56%	Boeing Co.	1,450,000	188,312
	Rockwell Collins, Inc.	1,832,000	155,976
	Other securities		828,933
			1,173,221
Telecommunication services 1.06%	Zayo Group Holdings, Inc.[1]	6,549,000	182,914
	Other securities		41,215
			224,129
Other 1.27%	Other securities		268,046
Miscellaneous 2.26%	Other common stocks in initial period of acquisition		476,759
	Total common stocks (cost: $14,474,847,000)		20,126,924

Convertible stocks 0.06%

Consumer discretionary 0.06%	Other securities		13,104
	Total convertible stocks (cost: $10,650,000)		13,104

Convertible bonds 0.03%

		Principal amount (000)	
Miscellaneous 0.03%	Other convertible bonds in initial period of acquisition		5,300
	Total convertible bonds (cost: $5,300,000)		5,300

Short-term securities 4.56%

	Apple Inc. 0.45% due 7/18/2016[3]	$ 61,400	61,390
	Federal Home Loan Bank 0.32%–0.58% due 7/7/2016–8/29/2016	461,700	461,533
	Microsoft Corp. 0.43%–0.48% due 7/27/2016–8/17/2016[3]	54,900	54,879
	Other securities		385,346
	Total short-term securities (cost: $963,014,000)		963,148
	Total investment securities 99.94% (cost: $15,453,811,000)		21,108,476
	Other assets less liabilities 0.06%		13,559
	Net assets 100.00%		$21,122,035

Growth Fund

This summary investment portfolio is designed to streamline the report and help investors better focus on the fund's principal holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings.

As permitted by U.S. Securities and Exchange Commission regulations, "Miscellaneous" securities include holdings in their first year of acquisition that have not previously been publicly disclosed.

"Other securities" includes all issues that are not disclosed separately in the summary investment portfolio.

Investments in affiliates

A company is an affiliate of the fund under the Investment Company Act of 1940 if the fund's holdings in that company represent 5% or more of the outstanding voting shares. The value of the fund's affiliated-company holdings is included in the value of "Other securities" under the respective industry sectors. Further details on such holdings and related transactions during the six months ended June 30, 2016, appear below.

	Beginning shares	Additions	Reductions	Ending shares	Dividend income (000)	Value of affiliates at 6/30/2016 (000)
KGen Power Corp.[1,2,4]	3,166,128	–	–	3,166,128	$ –	$1,437
Oshkosh Corp.[5]	4,947,000	–	2,752,541	2,194,459	1,709	–
					$1,709	$1,437

The following footnotes apply to either the individual securities noted or one or more of the securities aggregated and listed as a single line item.

[1]Security did not produce income during the last 12 months.
[2]Valued under fair value procedures adopted by authority of the board of trustees. The total value of all such securities, including those in "Miscellaneous" and "Other securities," was $1,311,684,000, which represented 6.21% of the net assets of the fund. This amount includes $1,297,142,000 related to certain securities trading outside the U.S. whose values were adjusted as a result of significant market movements following the close of local trading.
[3]Acquired in a transaction exempt from registration under Section 4(2) of the Securities Act of 1933. May be resold in the U.S. in transactions exempt from registration, normally to qualified institutional buyers. The total value of all such securities, including those in "Other securities," was $300,436,000, which represented 1.42% of the net assets of the fund.
[4]Acquired through a private placement transaction exempt from registration under the Securities Act of 1933. May be subject to legal or contractual restrictions on resale. Further details on these holdings appear below.
[5]Unaffiliated issuer at 6/30/2016.

Private placement securities	Acquisition date	Cost (000)	Value (000)	Percent of net assets
KGen Power Corp.	12/19/2006	$ 1,203	$ 1,437	.01%
Other securities	5/22/2015	10,650	13,104	.06
Total private placement securities		11,853	14,541	.07%

Key to abbreviation
ADR = American Depositary Receipts

See Notes to Financial Statements

Financial statements

Statements of assets and liabilities at June 30, 2016

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$5,210,346	$3,824,207	$21,107,039	$7,366,233	$2,773,486
Affiliated issuers	–	12,091	1,437	–	–
Cash	346	1,930	1,775	642	360
Cash denominated in currencies other than U.S. dollars	1,227	820	1,816	4,256	756
Unrealized appreciation on open forward currency contracts	–	4,683	–	4,735	61
Receivables for:					
Sales of investments	35,853	24,252	84,083	31,582	6,527
Sales of fund's shares	9,008	3,151	5,051	9,525	2,474
Dividends and interest	18,177	6,763	26,084	17,411	10,277
Closed forward currency contracts	–	–	–	–	3
Variation margin	–	–	–	–	–
Other	47	248	–	430	282
	5,275,004	3,878,145	21,227,285	7,434,814	2,794,226
Liabilities:					
Unrealized depreciation on open forward currency contracts	322	295	–	4,488	136
Payables for:					
Purchases of investments	76,121	18,538	69,455	47,641	8,396
Repurchases of fund's shares	2,581	2,007	23,666	3,887	2,163
Investment advisory services	2,259	2,250	5,728	3,031	1,607
Services provided by related parties	792	520	3,114	864	253
Trustees' deferred compensation	57	37	495	217	22
Closed forward currency contracts	38	60	–	233	38
Variation margin	–	–	–	–	–
Non-U.S. taxes	1,951	3,002	2,506	5,757	2,715
Other	245	67	286	138	175
	84,366	26,776	105,250	66,256	15,505
Net assets at June 30, 2016	$5,190,638	$3,851,369	$21,122,035	$7,368,558	$2,778,721
Net assets consist of:					
Capital paid in on shares of beneficial interest	$4,128,412	$3,820,845	$14,334,721	$7,129,906	$2,720,650
Undistributed (distributions in excess of) net investment income	17,224	7,475	90,956	50,256	(2,616)
Undistributed (accumulated) net realized gain (loss)	23,680	23,503	1,041,702	(29,249)	(119,444)
Net unrealized appreciation (depreciation)	1,021,322	(454)	5,654,656	217,645	180,131
Net assets at June 30, 2016	$5,190,638	$3,851,369	$21,122,035	$7,368,558	$2,778,721
Investment securities, at cost:					
Unaffiliated issuers	$4,188,568	$3,807,675	$15,452,608	$7,143,933	$2,591,611
Affiliated issuers	–	30,820	1,203	–	–
Cash denominated in currencies other than U.S. dollars, at cost	1,227	820	1,816	4,256	756

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$7,599,716	$1,865,577	$24,441,928	$1,099,631	$344,914	$19,742,062	$242,423	$11,725,512	$2,436,931
–	–	–	–	–	–	–	–	–
1,689	454	1,553	160	182	8,924	176	6,200	891
–	133	816	191	343	–	41	4,732	980
–	648	1,784	–	–	–	506	3,408	8,386
–	353	94,040	6,595	503	423,610	3,847	547,868	186,677
16,619	707	7,903	753	1,695	8,619	119	6,302	5,097
9,904	6,869	32,087	5,860	1,736	68,401	989	53,684	21,034
–	–	–	–	–	–	42	–	1,986
–	–	–	–	–	310	–	1,844	193
–	–	–	–	–	28	–	–	–
7,627,928	1,874,741	24,580,111	1,113,190	349,373	20,251,954	248,143	12,349,550	2,662,175
–	25	–	221	–	–	144	4,224	3,458
–	6,432	35,647	17,343	2,762	681,851	5,180	1,707,055	276,125
3,551	3,396	20,900	85	2,035	12,726	2	9,030	4,017
2,416	914	5,380	562	136	4,350	130	3,113	1,020
747	308	2,893	67	46	1,711	39	949	267
50	17	561	5	–*	191	1	84	17
–	33	–	–	–	–	86	274	2,920
–	–	–	–	–	165	–	1,541	53
207	567	458	341	43	2,933	19	–	255
45	31	331	83	168	1,686	8	277	142
7,016	11,723	66,170	18,707	5,190	705,613	5,609	1,726,547	288,274
$7,620,912	$1,863,018	$24,513,941	$1,094,483	$344,183	$19,546,341	$242,534	$10,623,003	$2,373,901
$5,978,584	$1,666,301	$18,774,184	$1,131,691	$343,533	$15,663,066	$221,949	$10,159,825	$2,333,281
87,846	23,405	205,449	19,251	377	177,952	986	89,995	10,801
148,048	(34,334)	874,412	(14,238)	(6,501)	772,167	(2,279)	97,435	1,246
1,406,434	207,646	4,659,896	(42,221)	6,774	2,933,156	21,878	275,748	28,573
$7,620,912	$1,863,018	$24,513,941	$1,094,483	$344,183	$19,546,341	$242,534	$10,623,003	$2,373,901
$6,193,276	$1,658,513	$19,783,656	$1,141,564	$338,098	$16,799,917	$220,902	$11,426,645	$2,405,647
–	–	–	–	–	–	–	–	–
–	133	816	191	343	–	41	4,767	979

Statements of assets and liabilities at June 30, 2016

	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$1,706,154	$391,846	$360,169	$3,071,391	$ 7,867
Affiliated issuers	–	–	–	–	159,181
Cash	4,456	394	140	4,708	–
Cash denominated in currencies other than U.S. dollars	–	–	–	–	–
Receivables for:					
Sales of investments	39,278	117,375	–	176,374	7
Sales of fund's shares	488	280	2,203	1,048	444
Dividends and interest	30,802	957	42	11,805	2
Deposits at brokers for futures contracts	–	–	–	–	2,986
Variation margin	82	248	–	2,617	25
Other	5	–	–	–	–
	1,781,265	511,100	362,554	3,267,943	170,512
Liabilities:					
Payables for:					
Purchases of investments	26,623	158,997	–	141,623	395
Repurchases of fund's shares	2,453	109	101	1,522	27
Investment advisory services	669	119	93	856	14
Services provided by related parties	180	18	68	363	135
Trustees' deferred compensation	53	2	21	57	–*
Variation margin	–	91	–	1,728	843
Non-U.S. taxes	7	–	–	–	–
Bank overdraft	–	–	–	–	–
Other	199	7	7	53	4
	30,184	159,343	290	146,202	1,418
Net assets at June 30, 2016	$1,751,081	$351,757	$362,264	$3,121,741	$169,094
Net assets consist of:					
Capital paid in on shares of beneficial interest	$2,023,789	$341,195	$362,582	$3,013,906	$187,234
Undistributed (distributions in excess of) net investment income	52,833	2,233	(345)	15,898	(124)
Undistributed (accumulated) net realized gain (loss)	(223,258)	5,158	–	44,247	4,473
Net unrealized appreciation (depreciation)	(102,283)	3,171	27	47,690	(22,489)
Net assets at June 30, 2016	$1,751,081	$351,757	$362,264	$3,121,741	$169,094
Investment securities, at cost:					
Unaffiliated issuers	$1,808,615	$384,968	$360,142	$2,986,923	$ 7,867
Affiliated issuers	–	–	–	–	180,212
Cash denominated in currencies other than U.S. dollars, at cost	–	–	–	–	–

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ –	$ 6,943	$ 5,878	$ 159,495
85,818	180,408	129,200	2,918,872
–	–	–	–
–	–	–	–
–	434	–	7,026
267	1,067	389	3,369
1	2	1	29
4,778	2,533	1,936	3,074
198	10	17	29
–	–	–	–
91,062	191,397	137,421	3,091,894
248	934	360	1,959
–*	529	2	8,817
7	15	11	249
74	146	111	2,262
–*	–*	–*	6
792	704	544	1,902
–	–	–	–
22	–	–	–
2	5	3	545
1,145	2,333	1,031	15,740
$ 89,917	$189,064	$136,390	$3,076,154
$104,211	$194,513	$149,119	$3,116,487
(120)	174	(1)	1,191
1,400	9,614	9,532	42,524
(15,574)	(15,237)	(22,260)	(84,048)
$ 89,917	$189,064	$136,390	$3,076,154
$ –	$ 6,943	$ 5,878	$ 159,495
100,723	193,956	150,009	3,000,755
–	–	–	–

Statements of assets and liabilities at June 30, 2016

		Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized						
Class 1:	Net assets	$1,563,735	$1,501,196	$6,748,085	$3,435,489	$1,635,970
	Shares outstanding	67,249	78,599	108,082	211,202	84,761
	Net asset value per share	$23.25	$19.10	$62.44	$16.27	$19.30
Class 2:	Net assets	$3,539,166	$2,313,915	$13,781,270	$3,850,314	$934,490
	Shares outstanding	153,619	124,449	222,116	237,731	48,887
	Net asset value per share	$23.04	$18.59	$62.05	$16.20	$19.12
Class 3:	Net assets			$183,123	$28,082	
	Shares outstanding			2,918	1,724	
	Net asset value per share			$62.75	$16.29	
Class 4:	Net assets	$87,737	$36,258	$409,557	$54,673	$208,261
	Shares outstanding	3,817	1,932	6,653	3,398	10,917
	Net asset value per share	$22.99	$18.77	$61.56	$16.09	$19.08

		High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized						
Class 1:	Net assets	$944,872	$276,938	$38,290	$1,461,726	
	Shares outstanding	95,556	25,684	3,401	116,612	
	Net asset value per share	$9.89	$10.78	$11.26	$12.53	
Class 2:	Net assets	$782,977	$63,554	$307,937	$1,581,363	
	Shares outstanding	80,353	5,911	28,005	127,495	
	Net asset value per share	$9.74	$10.75	$11.00	$12.40	
Class 3:	Net assets	$12,030		$4,962	$10,996	
	Shares outstanding	1,213		447	876	
	Net asset value per share	$9.92		$11.11	$12.55	
Class 4:	Net assets	$11,202	$11,265	$11,075	$67,656	
	Shares outstanding	1,072	1,055	994	5,449	
	Net asset value per share	$10.45	$10.67	$11.14	$12.42	
Class P1:	Net assets					$618
	Shares outstanding					61
	Net asset value per share					$10.13
Class P2:	Net assets					$168,476
	Shares outstanding					16,720
	Net asset value per share					$10.08

*Amount less than one thousand.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$4,215,511	$429,595	$11,308,944	$808,337	$123,649	$11,897,640	$60,035	$6,390,901	$1,161,314
331,301	34,248	272,092	54,656	12,672	566,389	5,400	570,796	97,830
$12.72	$12.54	$41.56	$14.79	$9.76	$21.01	$11.12	$11.20	$11.87
$3,331,392	$1,423,582	$12,612,139	$251,590	$3	$5,029,366	$177,738	$4,144,582	$1,201,452
264,650	113,771	306,450	17,078	–*	241,700	16,032	374,885	102,011
$12.59	$12.51	$41.16	$14.73	$9.76	$20.81	$11.09	$11.06	$11.78
		$155,419			$36,338			
		3,736			1,729			
		$41.60			$21.01			
$74,009	$9,841	$437,439	$34,556	$220,531	$2,582,997	$4,761	$87,520	$11,135
5,876	792	10,698	2,354	22,636	124,546	431	7,900	950
$12.60	$12.42	$40.89	$14.68	$9.74	$20.74	$11.04	$11.08	$11.72

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$146	$263	$1,030	$972,935
16	24	98	83,925
$8.82	$11.01	$10.46	$11.59
$89,771	$188,801	$135,360	$2,103,219
10,232	17,243	13,002	181,706
$8.77	$10.95	$10.41	$11.57

Statements of operations for the six months ended June 30, 2016

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 50,322	$ 29,570	$ 154,315	$ 100,614	$ 24,204
Interest	709	2,995	2,135	4,610	5,973
	51,031	32,565	156,450	105,224	30,177
Fees and expenses*:					
Investment advisory services	13,524	13,624	33,880	18,055	9,433
Distribution services	4,497	2,926	17,444	4,808	1,361
Insurance administrative services	106	42	477	61	227
Transfer agent services	–†	–†	1	1	–†
Administrative services	256	195	1,024	359	130
Reports to shareholders	136	73	587	187	65
Registration statement and prospectus	19	7	42	13	41
Trustees' compensation	23	17	90	31	12
Auditing and legal	27	18	24	36	20
Custodian	300	359	202	702	499
Other	12	31	17	14	14
Total fees and expenses before waivers/reimbursements	18,900	17,292	53,788	24,267	11,802
Less waivers/reimbursements of fees and expenses:					
Investment advisory services waivers	–	–	–	–	–
Miscellaneous fee reimbursements	–	–	–	–	–
Total waivers/reimbursements of fees and expenses	–	–	–	–	–
Total fees and expenses after waivers/reimbursements	18,900	17,292	53,788	24,267	11,802
Net investment income (loss)	32,131	15,273	102,662	80,957	18,375
Net realized gain (loss) and unrealized (depreciation) appreciation:					
Net realized gain (loss) on*:					
Investments	30,890	(55,904)	1,209,114	(16,164)	(44,016)
Forward currency contracts	(3,311)	1,707	–	(4,878)	(338)
Interest rate swaps	–	–	–	–	–
Currency transactions	371	624	(355)	(200)	159
	27,950	(53,573)	1,208,759	(21,242)	(44,195)
Net unrealized (depreciation) appreciation on:					
Investments	(250,988)	(129,899)	(1,127,972)	(142,019)	86,789
Forward currency contracts	268	3,887	–	(170)	(104)
Interest rate swaps	–	–	–	–	–
Currency translations	137	282	35	604	175
	(250,583)	(125,730)	(1,127,937)	(141,585)	86,860
Net realized gain (loss) and unrealized (depreciation) appreciation	(222,633)	(179,303)	80,822	(162,827)	42,665
Net (decrease) increase in net assets resulting from operations	$(190,502)	$(164,030)	$ 183,484	$ (81,870)	$ 61,040

See end of statements of operations for footnotes.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$105,700	$29,528	$ 244,974	$ 23,600	$ 5,713	$140,710	$ 2,234	$ 16	$ –
859	1,040	6,833	1,102	395	76,948	923	111,704	31,872
106,559	30,568	251,807	24,702	6,108	217,658	3,157	111,720	31,872
13,935	5,362	31,744	3,193	693	25,324	740	18,304	6,030
4,053	1,764	16,028	348	225	9,139	215	5,199	1,495
62	8	509	41	225	3,026	3	90	10
–†	–†	1	–†	–†	1	–†	–†	–†
351	89	1,176	50	14	920	11	503	114
118	26	666	9	2	461	2	209	37
73	3	44	11	18	266	1	14	4
30	7	102	4	1	79	1	42	9
9	7	29	7	3	22	4	13	6
137	123	144	117	13	127	13	64	231
6	8	19	3	1	22	11	30	19
18,774	7,397	50,462	3,783	1,195	39,387	1,001	24,468	7,955
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
18,774	7,397	50,462	3,783	1,195	39,387	1,001	24,468	7,955
87,785	23,171	201,345	20,919	4,913	178,271	2,156	87,252	23,917
128,048	(2,747)	896,071	(16,634)	(4,760)	777,108	(2,430)	122,972	(7,451)
–	(656)	–	–	–	–	282	(27,272)	12,814
–	–	–	–	–	(1,972)	–	6,950	(1,761)
23	(208)	(2,793)	114	(33)	(103)	(22)	1,842	(1,143)
128,071	(3,611)	893,278	(16,520)	(4,793)	775,033	(2,170)	104,492	2,459
465,986	14,113	(340,345)	8,542	15,709	(80,304)	7,628	378,301	153,787
–	565	1,784	(221)	–	–	298	216	2,262
–	–	–	–	–	(4,158)	–	(23,945)	(7,367)
5	27	(87)	36	(36)	(8)	11	(87)	35
465,991	14,705	(338,648)	8,357	15,673	(84,470)	7,937	354,485	148,717
594,062	11,094	554,630	(8,163)	10,880	690,563	5,767	458,977	151,176
$681,847	$34,265	$ 755,975	$ 12,756	$15,793	$868,834	$ 7,923	$546,229	$175,093

Statements of operations for the six months ended June 30, 2016

	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 221	$ –	$ –	$ –	$ 351
Interest	59,698	3,140	731	23,775	7
	59,919	3,140	731	23,775	358
Fees and expenses*:					
Investment advisory services	4,017	723	583	5,144	114
Distribution services	972	95	406	2,034	190
Insurance administrative services	8	16	16	81	190
Transfer agent services	–†	–†	–†	–†	–†
Administrative services	86	17	18	152	–
Accounting and administrative services	–	–	–	–	27
Reports to shareholders	28	2	6	47	2
Registration statement and prospectus	11	–†	1	6	7
Trustees' compensation	7	1	1	13	1
Auditing and legal	15	3	3	6	1
Custodian	7	9	1	13	6
Other	20	10	18	16	63
Total fees and expenses before waivers/reimbursements	5,171	876	1,053	7,512	601
Less waivers/reimbursements of fees and expenses:					
Investment advisory services waivers	–	–	–	–	38
Miscellaneous fee reimbursements	–	–	–	–	84
Total waivers/reimbursements of fees and expenses	–	–	–	–	122
Total fees and expenses after waivers/reimbursements	5,171	876	1,053	7,512	479
Net investment income (loss)	54,748	2,264	(322)	16,263	(121)
Net realized gain (loss) and unrealized (depreciation) appreciation:					
Net realized gain (loss) on*:					
Investments	(67,177)	2,088	–	41,371	(2,658)
Forward currency contracts	21	–	–	–	–
Interest rate swaps	(969)	2,523	–	8,053	–
Credit default swaps	(1,183)	–	–	–	–
Futures contracts	–	1,073	–	4,258	(4,811)
Currency transactions	(88)	–	–	–	8
Capital gain distributions received	–	–	–	–	13,899
	(69,396)	5,684	–	53,682	6,438
Net unrealized (depreciation) appreciation on:					
Investments	160,979	6,728	1	89,954	(8,710)
Forward currency contracts	(38)	–	–	–	–
Interest rate swaps	274	(6,139)	–	(55,853)	–
Credit default swaps	(527)	–	–	–	–
Futures contracts	–	1,276	–	17,848	(1,415)
Currency translations	112	–	–	–	–
	160,800	1,865	1	51,949	(10,125)
Net realized gain (loss) and unrealized (depreciation) appreciation	91,404	7,549	1	105,631	(3,687)
Net (decrease) increase in net assets resulting from operations	$146,152	$ 9,813	$ (321)	$121,894	$ (3,808)

*Additional information related to non-U.S. taxes, affiliated transactions and class-specific fees and expenses is included in the Notes to Financial Statements.
† Amount less than one thousand.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ 150	$ 682	$ 395	$ 8,997
3	8	6	159
153	690	401	9,156
64	120	95	2,106
107	199	158	2,474
107	199	159	3,511
–†	–†	–†	–†
–	–	–	–
26	27	27	58
1	2	1	34
5	5	5	76
–†	1	1	11
1	1	1	3
6	6	6	6
20	70	48	233
337	630	501	8,512
21	40	32	702
47	88	70	–
68	128	102	702
269	502	399	7,810
(116)	188	2	1,346
(3,209)	(721)	(1,685)	393
–	–	–	–
–	–	–	–
–	–	–	–
(2,203)	(3,223)	(2,578)	(28,244)
38	2	6	32
7,236	13,693	14,044	68,888
1,862	9,751	9,787	41,069
(4,256)	1,703	(8,199)	55,885
–	–	–	–
–	–	–	–
–	–	–	–
(503)	(1,618)	(1,325)	(639)
–	–	–	–
(4,759)	85	(9,524)	55,246
(2,897)	9,836	263	96,315
$(3,013)	$10,024	$ 265	$ 97,661

Statements of changes in net assets

	Global Growth Fund		Global Small Capitalization Fund		Growth Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ 32,131	$ 41,258	$ 15,273	$ (387)	$ 102,662	$ 156,971
Net realized gain (loss)	27,950	454,855	(53,573)	817,379	1,208,759	1,899,173
Net unrealized (depreciation) appreciation	(250,583)	(109,786)	(125,730)	(798,992)	(1,127,937)	(519,610)
Net (decrease) increase in net assets resulting from operations	(190,502)	386,327	(164,030)	18,000	183,484	1,536,534
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(14,651)	(61,500)	(893)	–	(41,568)	(151,371)
Distributions from net realized gain on investments	(443,911)	(539,532)	(724,863)	(331,551)	(1,900,853)	(4,626,506)
Total dividends and distributions paid to shareholders	(458,562)	(601,032)	(725,756)	(331,551)	(1,942,421)	(4,777,877)
Net capital share transactions	306,070	179,492	509,652	384,510	1,083,288	2,276,062
Total (decrease) increase in net assets	(342,994)	(35,213)	(380,134)	70,959	(675,649)	(965,281)
Net assets:						
Beginning of period	5,533,632	5,568,845	4,231,503	4,160,544	21,797,684	22,762,965
End of period	$5,190,638	$5,533,632	$3,851,369	$4,231,503	$21,122,035	$21,797,684
Undistributed (distributions in excess of) net investment income	$17,224	$(256)	$7,475	$(6,905)	$90,956	$29,862

	International Growth and Income Fund		Capital Income Builder		Asset Allocation Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ 20,919	$ 26,405	$ 4,913	$ 3,949	$ 178,271	$ 317,583
Net realized gain (loss)	(16,520)	7,489	(4,793)	(1,225)	775,033	471,975
Net unrealized (depreciation) appreciation	8,357	(92,050)	15,673	(7,839)	(84,470)	(523,714)
Net (decrease) increase in net assets resulting from operations	12,756	(58,156)	15,793	(5,115)	868,834	265,844
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(2,710)	(24,236)	(4,244)	(4,288)	(56,654)	(334,403)
Distributions from net realized gain on investments	(4,688)	(21,506)	–	–	(465,865)	(1,266,708)
Total dividends and distributions paid to shareholders	(7,398)	(45,742)	(4,244)	(4,288)	(522,519)	(1,601,111)
Net capital share transactions	96,246	88,567	95,629	171,242	829,459	2,142,966
Total (decrease) increase in net assets	101,604	(15,331)	107,178	161,839	1,175,774	807,699
Net assets:						
Beginning of period	992,879	1,008,210	237,005	75,166	18,370,567	17,562,868
End of period	$1,094,483	$ 992,879	$344,183	$237,005	$19,546,341	$18,370,567
Undistributed (distributions in excess of) net investment income	$19,251	$1,042	$377	$(292)	$177,952	$56,335

See end of statements of changes in net assets for footnotes.

See Notes to Financial Statements

(dollars in thousands)

International Fund		New World Fund		Blue Chip Income and Growth Fund		Global Growth and Income Fund		Growth-Income Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ 80,957	$ 101,049	$ 18,375	$ 21,693	$ 87,785	$ 150,411	$ 23,171	$ 32,504	$ 201,345	$ 362,367
(21,242)	671,574	(44,195)	(83,494)	128,071	617,232	(3,611)	62,422	893,278	2,678,192
(141,585)	(1,114,934)	86,860	(22,006)	465,991	(966,960)	14,705	(115,761)	(338,648)	(2,629,717)
(81,870)	(342,311)	61,040	(83,807)	681,847	(199,317)	34,265	(20,835)	755,975	410,842
(11,423)	(129,375)	(2,164)	(19,569)	(28,164)	(147,049)	(5,261)	(36,339)	(69,903)	(352,790)
(637,485)	(446,067)	–	(149,097)	(595,206)	(712,444)	–	–	(2,694,335)	(3,606,146)
(648,908)	(575,442)	(2,164)	(168,666)	(623,370)	(859,493)	(5,261)	(36,339)	(2,764,238)	(3,958,936)
616,686	688,549	26,064	364,776	664,161	684,200	57,232	(52,395)	2,308,811	2,397,939
(114,092)	(229,204)	84,940	112,303	722,638	(374,610)	86,236	(109,569)	300,548	(1,150,155)
7,482,650	7,711,854	2,693,781	2,581,478	6,898,274	7,272,884	1,776,782	1,886,351	24,213,393	25,363,548
$7,368,558	$ 7,482,650	$2,778,721	$2,693,781	$7,620,912	$6,898,274	$1,863,018	$1,776,782	$24,513,941	$24,213,393
$50,256	$(19,278)	$(2,616)	$(18,827)	$87,846	$28,224	$23,405	$5,495	$205,449	$74,007

Global Balanced Fund		Bond Fund		Global Bond Fund		High-Income Bond Fund		Mortgage Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ 2,156	$ 3,604	$ 87,252	$ 180,900	$ 23,917	$ 54,947	$ 54,748	$ 116,865	$ 2,264	$ 2,886
(2,170)	201	104,492	66,981	2,459	(73,021)	(69,396)	(76,908)	5,684	5,622
7,937	(5,965)	354,485	(215,539)	148,717	(80,680)	160,800	(174,986)	1,865	(1,739)
7,923	(2,160)	546,229	32,342	175,093	(98,754)	146,152	(135,029)	9,813	6,769
–	(2,403)	(58,633)	(182,773)	–	(1,846)	(20,488)	(114,287)	(835)	(5,398)
–	(2,968)	(35,948)	(192,440)	(4,207)	(69,034)	–	–	(3,533)	(4,268)
–	(5,371)	(94,581)	(375,213)	(4,207)	(70,880)	(20,488)	(114,287)	(4,368)	(9,666)
15,347	11,046	246,456	697,150	(42,536)	(169,118)	(169,815)	82,072	4,182	219
23,270	3,515	698,104	354,279	128,350	(338,752)	(44,151)	(167,244)	9,627	(2,678)
219,264	215,749	9,924,899	9,570,620	2,245,551	2,584,303	1,795,232	1,962,476	342,130	344,808
$242,534	$219,264	$10,623,003	$9,924,899	$2,373,901	$2,245,551	$1,751,081	$1,795,232	$351,757	$342,130
$986	$(1,170)	$89,995	$61,376	$10,801	$(13,116)	$52,833	$18,573	$2,233	$804

Statements of changes in net assets

	Ultra-Short Bond Fund (formerly Cash Management Fund)		U.S. Government/ AAA-Rated Securities Fund		Managed Risk Growth Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ (322)	$ (1,713)	$ 16,263	$ 29,322	$ (121)	$ 351
Net realized gain (loss)	–	1	53,682	73,799	6,438	13,382
Net unrealized (depreciation) appreciation	1	10	51,949	(45,379)	(10,125)	(13,947)
Net (decrease) increase in net assets resulting from operations	(321)	(1,702)	121,894	57,742	(3,808)	(214)
Dividends and distributions paid to shareholders:						
Dividends from net investment income	–	–	(7,777)	(48,582)	(331)	–
Distributions from net realized gain on investments	–	–	(60,973)	(27,147)	(15,012)	–
Total dividends and distributions paid to shareholders	–	–	(68,750)	(75,729)	(15,343)	–
Net capital share transactions	(851)	(29,927)	6,711	(393,940)	42,413	66,782
Total (decrease) increase in net assets	(1,172)	(31,629)	59,855	(411,927)	23,262	66,568
Net assets:						
Beginning of period	363,436	395,065	3,061,886	3,473,813	145,832	79,264
End of period	$362,264	$363,436	$3,121,741	$3,061,886	$169,094	$145,832
Undistributed (distributions in excess of) net investment income	$(345)	$(23)	$15,898	$7,412	$(124)	$328

*Unaudited.

See Notes to Financial Statements

(dollars in thousands)

Managed Risk International Fund		Managed Risk Blue Chip Income and Growth Fund		Managed Risk Growth-Income Fund		Managed Risk Asset Allocation Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ (116)	$ 904	$ 188	$ 1,959	$ 2	$ 1,056	$ 1,346	$ 31,209
1,862	1,838	9,751	7,704	9,787	8,928	41,069	111,792
(4,759)	(9,188)	85	(19,476)	(9,524)	(14,317)	55,246	(170,931)
(3,013)	(6,446)	10,024	(9,813)	265	(4,333)	97,661	(27,930)
(843)	(14)	(2,237)	(530)	(1,331)	(67)	(34,288)	(38,084)
(2,185)	–	(5,924)	–	(8,465)	–	(93,578)	(48,390)
(3,028)	(14)	(8,161)	(530)	(9,796)	(67)	(127,866)	(86,474)
12,798	43,513	49,796	49,641	23,252	51,303	441,340	722,454
6,757	37,053	51,659	39,298	13,721	46,903	411,135	608,050
83,160	46,107	137,405	98,107	122,669	75,766	2,665,019	2,056,969
$89,917	$83,160	$189,064	$137,405	$136,390	$122,669	$3,076,154	$2,665,019
$(120)	$839	$174	$2,223	$(1)	$1,328	$1,191	$34,133

Notes to financial statements

unaudited

1. Organization

American Funds Insurance Series (the "series") is registered under the Investment Company Act of 1940 as an open-end, diversified management investment company with 28 different funds (the "funds"). Twenty-three funds in the series are covered in this report. The other five funds in the series are covered in a separate report. The assets of each fund are segregated, with each fund accounted for separately. Capital Research and Management Company ("CRMC") is the series' investment adviser. Milliman Financial Risk Management LLC ("Milliman FRM") is the subadviser for the risk management strategy for eight of the funds (the "managed risk funds"), five of which are covered in this report.

The managed risk funds covered in this report are Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund. The managed risk funds invest in other funds within the series (the "underlying funds") and employ Milliman FRM to implement the risk management strategy, which consists of using hedging instruments – primarily short positions on exchange-traded futures contracts – to attempt to stabilize the volatility of the funds around target volatility levels and reduce the downside exposure of the funds during periods of significant market declines.

Shareholders approved a proposal to reorganize the series from a Massachusetts business trust to a Delaware statutory trust. The reorganization may be completed in the next 12 months; however, the series reserves the right to delay the implementation.

The investment objectives for each fund covered in this report are as follows:

Global Growth Fund – Seeks to provide long-term growth of capital.

Global Small Capitalization Fund – Seeks to provide long-term growth of capital.

Growth Fund – Seeks to provide growth of capital.

International Fund – Seeks to provide long-term growth of capital.

New World Fund – Seeks long-term capital appreciation.

Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing.

Global Growth and Income Fund – Seeks to provide long-term growth of capital while providing current income.

Growth-Income Fund – Seeks to achieve long-term growth of capital and income.

International Growth and Income Fund – Seeks to provide long-term growth of capital while providing current income.

Capital Income Builder – Seeks to provide a level of current income that exceeds the average yield on U.S. stocks generally and to provide a growing stream of income over the years. Secondarily, seeks to provide growth of capital.

Asset Allocation Fund – Seeks to provide high total return consistent with preservation of capital over the long term.

Global Balanced Fund – Seeks the balanced accomplishment of three objectives: long-term growth of capital, conservation of principal and current income.

Bond Fund – Seeks to provide as high a level of current income as is consistent with the preservation of capital.

Global Bond Fund – Seeks to provide, over the long term, a high level of total return consistent with prudent investment management.

High-Income Bond Fund – Seeks to provide a high level of current income and, secondarily, capital appreciation.

Mortgage Fund – Seeks to provide current income and preservation of capital.

Ultra-Short Bond Fund – On May 1, 2016, the fund changed its name from Cash Management Fund to Ultra-Short Bond Fund in accordance with a resolution approved by shareholders on December 4, 2015, to convert the fund to an ultra-short-term bond fund. The fund seeks to provide current income, consistent with the maturity and quality standards applicable to the fund, and preservation of capital and liquidity.

U.S. Government/AAA-Rated Securities Fund – Seeks to provide a high level of current income consistent with preservation of capital.

Managed Risk Growth Fund – Seeks to provide growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk International Fund – Seeks to provide long-term growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing, in each case while seeking to manage volatility and provide downside protection.

Managed Risk Growth-Income Fund – Seeks to achieve long-term growth of capital and income while seeking to manage volatility and provide downside protection.

Managed Risk Asset Allocation Fund – Seeks to provide high total return consistent with preservation of capital over the long term while seeking to manage volatility and provide downside protection.

Each fund in the series, except the managed risk funds, offers either three or four share classes (Classes 1, 2, 3 or 4); the managed risk funds offer two share classes (Classes P1 and P2). Holders of all share classes of each fund have equal pro rata rights to assets, dividends and liquidation proceeds of each fund held. Each share class of each fund has identical voting rights, except for the exclusive right to vote on matters affecting only its class. Share classes have different fees and expenses ("class-specific fees and expenses"), primarily due to different arrangements for certain distribution expenses. Differences in class-specific fees and expenses will result in differences in net investment income and, therefore, the payment of different per-share dividends by each class of each fund.

2. Significant accounting policies

Each fund is an investment company that applies the accounting and reporting guidance issued in Topic 946 by the U.S. Financial Accounting Standards Board. Each fund's financial statements have been prepared to comply with U.S. generally accepted accounting principles ("U.S. GAAP"). These principles require the series' investment adviser to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Subsequent events, if any, have been evaluated through the date of issuance in the preparation of the financial statements. The funds follow the significant accounting policies described in this section, as well as the valuation policies described in the next section on valuation.

Security transactions and related investment income – Security transactions are recorded by the funds as of the date the trades are executed with brokers. Realized gains and losses from security transactions are determined based on the specific identified cost of the securities. In the event a security is purchased with a delayed payment date, the funds will segregate liquid assets sufficient to meet their payment obligations. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Market discounts, premiums and original issue discounts on fixed-income securities are amortized daily over the expected life of the security.

Fees and expenses – The fees and expenses of the underlying funds held by the managed risk funds are not included in the fees and expenses reported for each of the managed risk funds; however, they are indirectly reflected in the valuation of each of the underlying funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables.

Class allocations – Income, fees and expenses (other than class-specific fees and expenses) and realized and unrealized gains and losses are allocated daily among the various share classes of each fund based on their relative net assets. Class-specific fees and expenses, such as distribution expenses, are accrued daily and charged directly to the respective share class of each fund.

Dividends and distributions to shareholders – Dividends and distributions to shareholders are recorded on each fund's ex-dividend date.

Currency translation – Assets and liabilities, including investment securities, denominated in currencies other than U.S. dollars are translated into U.S. dollars at the exchange rates supplied by one or more pricing vendors on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the exchange rates on the dates of such transactions. The effects of changes in exchange rates on investment securities are included with the net realized gain or loss and net unrealized appreciation or depreciation on investments in the funds' statements of operations. The realized gain or loss and unrealized appreciation or depreciation resulting from all other transactions denominated in currencies other than U.S. dollars are disclosed separately.

3. Valuation

CRMC, the series' investment adviser, values the funds' investments at fair value as defined by U.S. GAAP. The net asset value of each share class of each fund is generally determined as of approximately 4:00 p.m. New York time each day the New York Stock Exchange is open.

Methods and inputs – The series' investment adviser uses the following methods and inputs to establish the fair value of each fund's assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve.

Equity securities are generally valued at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market on which the security trades. The value of an underlying fund is based on its reported net asset value.

Fixed-income securities, including short-term securities, are generally valued at prices obtained from one or more pricing vendors. Vendors value such securities based on one or more of the inputs described in the following table. The table provides examples of inputs that are commonly relevant for valuing particular classes of fixed-income securities in which the funds are authorized to invest. However, these classifications are not exclusive and any of the inputs may be used to value any other class of fixed-income security.

Fixed-income class	Examples of standard inputs
All	Benchmark yields, transactions, bids, offers, quotations from dealers and trading systems, new issues, spreads and other relationships observed in the markets among comparable securities; and proprietary pricing models such as yield measures calculated using factors such as cash flows, financial or collateral performance and other reference data (collectively referred to as "standard inputs")
Corporate bonds & notes; convertible securities	Standard inputs and underlying equity of the issuer
Bonds & notes of governments & government agencies	Standard inputs and interest rate volatilities
Mortgage-backed; asset-backed obligations	Standard inputs and cash flows, prepayment information, default rates, delinquency and loss assumptions, collateral characteristics, credit enhancements and specific deal information
Municipal securities	Standard inputs and, for certain distressed securities, cash flows or liquidation values using a net present value calculation based on inputs that include, but are not limited to, financial statements and debt contracts

When the series' investment adviser deems it appropriate to do so (such as when vendor prices are unavailable or not deemed to be representative), fixed-income securities will be valued in good faith at the mean quoted bid and ask prices that are reasonably and timely available (or bid prices, if ask prices are not available) or at prices for securities of comparable maturity, quality and type.

Securities with both fixed-income and equity characteristics, or equity securities traded principally among fixed-income dealers, are generally valued in the manner described for either equity or fixed-income securities, depending on which method is deemed most appropriate by the series' investment adviser. The Government Cash Management Fund held by the managed risk funds is managed to maintain a $1.00 net asset value per share. The net asset value of each share class of each managed risk fund is calculated based on the reported net asset values of the underlying funds in which each fund invests.

Forward currency contracts are valued at the mean of representative quoted bid and ask prices, generally based on prices supplied by one or more pricing vendors. Interest rate swaps and credit default swaps are generally valued by pricing vendors based on market inputs that include the index and term of index, reset frequency, payer/receiver, currency and pay frequency. Exchange-traded futures are generally valued at the official settlement price of, or the last reported sale price on, the exchange or market on which such instruments are traded, as of the close of business on the day the futures are being valued or, lacking any sales, at the last available bid price. Prices for each future are taken from the exchange or market on which the security trades.

Securities and other assets for which representative market quotations are not readily available or are considered unreliable by the series' investment adviser are fair valued as determined in good faith under fair value guidelines adopted by authority of the series' board of trustees as further described. The investment adviser follows fair valuation guidelines, consistent with U.S. Securities and Exchange Commission rules and guidance, to consider relevant principles and factors when making fair value determinations. The investment adviser considers relevant indications of value that are reasonably and timely available to it in determining the fair value to be assigned to a particular security, such as the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; significant events occurring after the close of trading in the security; and changes in overall market conditions. In addition, the closing prices of equity securities and futures that trade in markets outside U.S. time zones may be adjusted to reflect significant events that occur after the close of local trading but before the net asset value of each share class of each fund is determined. Fair valuations and valuations of investments and futures that are not actively trading involve judgment and may differ materially from valuations that would have been used had greater market activity occurred.

Processes and structure — The series' board of trustees has delegated authority to the series' investment adviser to make fair value determinations, subject to board oversight. The investment adviser has established a Joint Fair Valuation Committee (the "Fair Valuation Committee") to administer, implement and oversee the fair valuation process, and to make fair value decisions. The Fair Valuation Committee regularly reviews its own fair value decisions, as well as decisions made under its standing instructions to the investment adviser's valuation teams. The Fair Valuation Committee reviews changes in fair value measurements from period to period and may, as deemed appropriate, update the fair valuation guidelines to better reflect the results of back testing and address new or evolving issues. The Fair Valuation Committee reports any changes to the fair valuation guidelines to the board of trustees with supplemental information to support the changes. The series' board and audit committee also regularly review reports that describe fair value determinations and methods.

The series' investment adviser has also established a Fixed-Income Pricing Review Group to administer and oversee the fixed-income valuation process, including the use of fixed-income pricing vendors. This group regularly reviews pricing vendor information and market data. Pricing decisions, processes and controls over security valuation are also subject to additional internal reviews, including an annual control self-evaluation program facilitated by the investment adviser's compliance group.

Classifications — The series' investment adviser classifies the funds' assets and liabilities into three levels based on the inputs used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Certain securities trading outside the U.S. may transfer between Level 1 and Level 2 due to valuation adjustments resulting from significant market movements following the close of local trading. Level 3 values are based on significant unobservable inputs that reflect the investment adviser's determination of assumptions that market participants might reasonably use in valuing the securities.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. For example, U.S. government securities are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. The following tables present the funds' valuation levels as of June 30, 2016 (dollars in thousands):

Global Growth Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 633,369	$ 631,466	$–	$1,264,835
Consumer discretionary	805,224	282,754	–	1,087,978
Health care	490,154	408,056	–	898,210
Financials	153,037	359,249	–	512,286
Consumer staples	50,742	284,580	–	335,322
Industrials	80,217	153,323	–	233,540
Energy	112,190	68,184	–	180,374
Telecommunication services	–	76,297	–	76,297
Other	25,901	24,029	–	49,930
Miscellaneous	83,928	173,305	–	257,233
Bonds, notes & other debt instruments	–	2,007	–	2,007
Short-term securities	–	312,334	–	312,334
Total	$2,434,762	$2,775,584	$–	$5,210,346

	Other investments†			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Unrealized depreciation on open forward currency contracts	$–	$(322)	$–	$(322)

*Securities with a value of $2,461,243,000, which represented 47.42% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Global Small Capitalization Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer discretionary	$ 315,634	$ 340,036	$ 4	$ 655,674
Information technology	316,427	206,663	–	523,090
Health care	429,474	80,655	–	510,129
Industrials	95,239	183,490	–	278,729
Financials	90,951	174,719	–	265,670
Consumer staples	84,702	173,896	–	258,598
Energy	179,463	42,776	8,828	231,067
Materials	106,972	73,029	–	180,001
Utilities	–	83,655	31	83,686
Telecommunication services	–	11,560	–	11,560
Miscellaneous	96,227	91,281	–	187,508
Rights & warrants	208	–	39	247
Bonds, notes & other debt instruments	–	121,812	–	121,812
Short-term securities	–	528,527	–	528,527
Total	$1,715,297	$2,112,099	$8,902	$3,836,298

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$4,683	$–	$4,683
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(295)	–	(295)
Total	$–	$4,388	$–	$4,388

*Securities with a value of $1,455,844,000, which represented 37.80% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Growth Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 4,216,815	$ 730,538	$ –	$ 4,947,353
Consumer discretionary	4,570,452	27,481	–	4,597,933
Health care	3,020,880	9,626	–	3,030,506
Financials	1,885,682	117,048	–	2,002,730
Energy	1,842,346	–	–	1,842,346
Consumer staples	1,412,858	151,043	–	1,563,901
Industrials	1,005,249	167,972	–	1,173,221
Telecommunication services	211,039	13,090	–	224,129
Other	266,609	1,437	–	268,046
Miscellaneous	396,414	80,345	–	476,759
Convertible stocks	–	–	13,104	13,104
Convertible bonds	–	5,300	–	5,300
Short-term securities	–	963,148	–	963,148
Total	$18,828,344	$2,267,028	$13,104	$21,108,476

*Securities with a value of $1,297,142,000, which represented 6.14% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

International Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 41,252	$1,173,335	$–	$1,214,587
Information technology	192,494	750,242	–	942,736
Health care	59,207	823,249	–	882,456
Consumer discretionary	56,435	777,132	–	833,567
Industrials	21,050	636,023	–	657,073
Consumer staples	28,049	568,308	–	596,357
Materials	85,955	421,136	–	507,091
Utilities	–	392,038	–	392,038
Energy	75,473	240,981	–	316,454
Telecommunication services	–	240,610	–	240,610
Miscellaneous	12,908	233,877	–	246,785
Bonds, notes & other debt instruments	–	73,875	–	73,875
Short-term securities	–	462,604	–	462,604
Total	$572,823	$6,793,410	$–	$7,366,233

See next page for footnote.

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 4,735	$–	$ 4,735
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(4,488)	–	(4,488)
Total	$–	$ 247	$–	$ 247

*Securities with a value of $6,032,519,000, which represented 81.87% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

New World Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer discretionary	$161,379	$ 273,043	$ –	$ 434,422
Information technology	161,527	258,347	–	419,874
Financials	180,607	174,977	29	355,613
Health care	95,909	140,791	–	236,700
Industrials	58,060	122,221	–	180,281
Energy	64,986	96,865	–	161,851
Consumer staples	58,470	96,273	–	154,743
Telecommunication services	4,942	49,092	–	54,034
Materials	28,672	22,498	885	52,055
Utilities	–	37,613	–	37,613
Miscellaneous	24,394	105,934	–	130,328
Rights & warrants	–	33,559	11,234	44,793
Convertible bonds	–	6,581	–	6,581
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	140,911	–	140,911
Corporate bonds & notes	–	14,493	–	14,493
U.S. Treasury bonds & notes	–	1,505	–	1,505
Short-term securities	–	347,689	–	347,689
Total	$838,946	$1,922,392	$12,148	$2,773,486

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 61	$–	$ 61
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(136)	–	(136)
Total	$–	$ (75)	$–	$ (75)

*Securities with a value of $1,363,311,000, which represented 49.06% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Blue Chip Income and Growth Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks:				
Health care	$1,231,149	$ –	$–	$1,231,149
Information technology	1,019,138	–	–	1,019,138
Industrials	969,593	–	–	969,593
Consumer staples	801,252	–	–	801,252
Telecommunication services	745,097	–	–	745,097
Energy	729,912	–	–	729,912
Materials	408,076	–	–	408,076
Financials	353,080	–	–	353,080
Consumer discretionary	313,550	–	–	313,550
Utilities	309,139	–	–	309,139
Miscellaneous	291,024	–	–	291,024
Short-term securities	–	428,706	–	428,706
Total	$7,171,010	$428,706	$–	$7,599,716

Global Growth and Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 213,178	$ 62,313	$–	$ 275,491
Information technology	114,440	126,613	–	241,053
Consumer discretionary	107,519	129,175	–	236,694
Health care	116,060	58,310	–	174,370
Consumer staples	99,659	71,519	–	171,178
Industrials	105,872	48,016	–	153,888
Energy	82,249	14,801	–	97,050
Utilities	32,164	59,857	–	92,021
Materials	46,134	34,549	–	80,683
Telecommunication services	31,918	36,461	–	68,379
Miscellaneous	58,441	29,854	–	88,295
Preferred securities	459	–	–	459
Bonds, notes & other debt instruments	–	41,296	–	41,296
Short-term securities	–	144,720	–	144,720
Total	$1,008,093	$857,484	$–	$1,865,577

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$648	$–	$648
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(25)	–	(25)
Total	$–	$623	$–	$623

*Securities with a value of $671,468,000, which represented 36.04% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

†Forward currency contracts are not included in the investment portfolio.

Growth-Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Health care	$ 3,933,566	$ 77,772	$–	$ 4,011,338
Information technology	3,569,287	96,727	–	3,666,014
Consumer discretionary	2,991,538	202,180	–	3,193,718
Financials	2,344,062	130,406	–	2,474,468
Consumer staples	1,913,375	215,721	–	2,129,096
Energy	1,741,794	304,888	–	2,046,682
Industrials	1,821,208	122,606	–	1,943,814
Materials	1,177,239	91,748	–	1,268,987
Telecommunication services	699,018	–	–	699,018
Utilities	264,800	–	–	264,800
Miscellaneous	758,270	160,758	–	919,028
Convertible stocks	5,178	5,157	–	10,335
Convertible bonds	–	129,071	–	129,071
Bonds, notes & other debt instruments	–	297,947	–	297,947
Short-term securities	–	1,387,612	–	1,387,612
Total	$21,219,335	$3,222,593	$–	$24,441,928

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$1,784	$–	$1,784

*Securities with a value of $1,312,902,000, which represented 5.36% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

International Growth and Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 18,481	$173,704	$–	$ 192,185
Consumer staples	42,753	142,107	–	184,860
Utilities	–	136,403	–	136,403
Consumer discretionary	–	97,001	–	97,001
Health care	6,580	88,566	–	95,146
Industrials	–	86,604	–	86,604
Energy	29,021	51,929	–	80,950
Telecommunication services	2,471	38,634	–	41,105
Information technology	–	32,967	–	32,967
Materials	3,265	14,229	–	17,494
Miscellaneous	5,680	3,103	–	8,783
Convertible bonds	–	2,438	–	2,438
Bonds, notes & other debt instruments	–	31,418	–	31,418
Short-term securities	–	92,277	–	92,277
Total	$108,251	$991,380	$–	$1,099,631

	Other investments†			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Unrealized depreciation on open forward currency contracts	$–	$(221)	$–	$(221)

*Securities with a value of $851,908,000, which represented 77.84% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Capital Income Builder

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer staples	$ 36,848	$ 17,038	$–	$ 53,886
Financials	22,826	17,597	–	40,423
Telecommunication services	13,580	19,795	–	33,375
Utilities	6,816	24,486	–	31,302
Energy	20,943	5,856	–	26,799
Health care	12,424	10,837	–	23,261
Information technology	14,951	6,566	–	21,517
Consumer discretionary	8,263	9,749	–	18,012
Industrials	5,943	10,720	–	16,663
Materials	3,946	4,449	–	8,395
Miscellaneous	2,601	2,093	–	4,694
Convertible stocks	1,370	–	–	1,370
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	–	19,296	–	19,296
Mortgage-backed obligations	–	18,612	–	18,612
Corporate bonds & notes	–	10,276	–	10,276
Asset-backed obligations	–	4,334	–	4,334
Short-term securities	–	12,699	–	12,699
Total	$150,511	$194,403	$–	$344,914

*Securities with a value of $129,186,000, which represented 37.53% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

Asset Allocation Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 2,928,299	$ 137,512	$ –	$ 3,065,811
Health care	1,589,929	–	184	1,590,113
Consumer discretionary	1,404,836	50,565	–	1,455,401
Financials	1,346,502	–	–	1,346,502
Energy	1,068,507	–	–	1,068,507
Industrials	983,264	45,500	–	1,028,764
Materials	873,406	–	941	874,347
Consumer staples	761,306	–	–	761,306
Telecommunication services	206,814	–	–	206,814
Utilities	124,426	–	–	124,426
Miscellaneous	661,821	183,510	1,525	846,856
Convertible stocks	–	6,081	–	6,081
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	–	2,839,302	–	2,839,302
Corporate bonds & notes	–	1,687,339	11,501	1,698,840
Mortgage-backed obligations	–	973,440	–	973,440
Federal agency bonds & notes	–	50,362	–	50,362
Other	–	116,907	–	116,907
Short-term securities	–	1,688,283	–	1,688,283
Total	$11,949,110	$7,778,801	$14,151	$19,742,062

See next page for footnote.

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$–	$ 7,664	$–	$ 7,664
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(16,574)	–	(16,574)
Total	$–	$ (8,910)	$–	$ (8,910)

*Securities with a value of $408,609,000, which represented 2.09% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Interest rate swaps are not included in the investment portfolio.

Global Balanced Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Industrials	$ 8,388	$ 15,018	$–	$ 23,406
Health care	17,229	4,768	–	21,997
Consumer staples	12,655	8,686	–	21,341
Information technology	7,899	10,604	–	18,503
Energy	9,837	3,503	–	13,340
Financials	5,791	6,999	–	12,790
Consumer discretionary	8,153	3,359	–	11,512
Materials	8,005	2,484	–	10,489
Utilities	–	3,061	–	3,061
Telecommunication services	1,555	568	–	2,123
Convertible bonds	–	276	–	276
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	39,953	–	39,953
U.S. Treasury bonds & notes	–	23,032	–	23,032
Corporate bonds & notes	–	15,946	–	15,946
Mortgage-backed obligations	–	5,232	–	5,232
Asset-backed obligations	–	325	–	325
Short-term securities	–	19,097	–	19,097
Total	$79,512	$162,911	$–	$242,423

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 506	$–	$ 506
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(144)	–	(144)
Total	$–	$ 362	$–	$ 362

*Securities with a value of $59,050,000, which represented 24.35% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	$ –	$ 3,795,950	$ –	$ 3,795,950
Corporate bonds & notes	–	3,068,655	372	3,069,027
Mortgage-backed obligations	–	2,365,535	–	2,365,535
Bonds & notes of governments & government agencies outside the U.S.	–	471,822	–	471,822
Asset-backed obligations	–	154,015	–	154,015
Municipals	–	101,976	–	101,976
Federal agency bonds & notes	–	75,611	–	75,611
Common stocks	149	–	655	804
Short-term securities	–	1,690,772	–	1,690,772
Total	$149	$11,724,336	$1,027	$11,725,512

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 3,408	$–	$ 3,408
Unrealized appreciation on interest rate swaps	–	34,915	–	34,915
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(4,224)	–	(4,224)
Unrealized depreciation on interest rate swaps	–	(57,023)	–	(57,023)
Total	$–	$(22,924)	$–	$(22,924)

*Forward currency contracts and interest rate swaps are not included in the investment portfolio.

Global Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Euros	$ –	$ 282,156	$ –	$ 282,156
Japanese yen	–	222,772	–	222,772
Mexican pesos	–	120,933	–	120,933
Polish zloty	–	97,636	–	97,636
Hungarian forints	–	80,932	–	80,932
Danish kroner	–	77,535	–	77,535
British pounds	–	64,039	–	64,039
Malaysian ringgits	–	51,681	–	51,681
Indian rupees	–	32,166	–	32,166
U.S. dollars	–	1,198,887	159	1,199,046
Other	–	54,814	–	54,814
Convertible stocks	–	208	–	208
Common stocks	411	173	459	1,043
Short-term securities	–	151,970	–	151,970
Total	$411	$2,435,902	$618	$2,436,931

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 8,386	$–	$ 8,386
Unrealized appreciation on interest rate swaps	–	1,239	–	1,239
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(3,458)	–	(3,458)
Unrealized depreciation on interest rate swaps	–	(8,541)	–	(8,541)
Total	$–	$(2,374)	$–	$(2,374)

*Forward currency contracts and interest rate swaps are not included in the investment portfolio.

High-Income Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Corporate bonds & notes	$ –	$1,560,425	$11,274	$1,571,699
Asset-backed obligations	–	11,915	–	11,915
Other	–	14,181	–	14,181
Convertible bonds	–	4,003	–	4,003
Convertible stocks	3,763	3,698	–	7,461
Preferred securities	2,226	–	–	2,226
Common stocks	10,452	2,249	3,682	16,383
Short-term securities	–	78,286	–	78,286
Total	$16,441	$1,674,757	$14,956	$1,706,154

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on credit default swaps	$–	$179	$–	$179

*Credit default swaps are not included in the investment portfolio.

Mortgage Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Mortgage-backed obligations	$–	$257,935	$ –	$257,935
U.S. Treasury bonds & notes	–	35,365	–	35,365
Asset-backed obligations	–	33,300	1,867	35,167
Federal agency bonds & notes	–	15,548	–	15,548
Short-term securities	–	47,831	–	47,831
Total	$–	$389,979	$1,867	$391,846

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$ –	$ 3,940	$–	$ 3,940
Unrealized appreciation on futures contracts	1,794	–	–	1,794
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(8,924)	–	(8,924)
Unrealized depreciation on futures contracts	(518)	–	–	(518)
Total	$1,276	$(4,984)	$–	$(3,708)

*Interest rate swaps and futures contracts are not included in the investment portfolio.

Ultra-Short Bond Fund

At June 30, 2016, all of the fund's investment securities were classified as Level 2.

U.S. Government/AAA-Rated Securities Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	$–	$1,325,445	$–	$1,325,445
Federal agency bonds & notes	–	860,767	–	860,767
Mortgage-backed obligations	–	685,174	–	685,174
Short-term securities	–	200,005	–	200,005
Total	$–	$3,071,391	$–	$3,071,391

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$ –	$ 45,400	$–	$ 45,400
Unrealized appreciation on futures contracts	20,177	–	–	20,177
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(100,025)	–	(100,025)
Unrealized depreciation on futures contracts	(2,329)	–	–	(2,329)
Total	$17,848	$ (54,625)	$–	$ (36,777)

*Interest rate swaps and futures contracts are not included in the investment portfolio.

Managed Risk Growth Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk International Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Blue Chip Income and Growth Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Growth-Income Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Asset Allocation Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

4. Risk factors

Investing in the funds may involve certain risks including, but not limited to, those described below.

Market conditions – The prices of, and the income generated by, the common stocks, bonds and other securities held by a fund may decline – sometimes rapidly or unpredictably – due to various factors, including events or conditions affecting the general economy or particular industries; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency exchange, interest rate and commodity price fluctuations.

Issuer risks –The prices of, and the income generated by, securities held by a fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance and strategic initiatives such as mergers, acquisitions or dispositions, and the market response to any such initiatives.

Investing in growth-oriented stocks – Growth-oriented common stocks and other equity-type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) may involve larger price swings and greater potential for loss than other types of investments. These risks may be even greater in the case of smaller capitalization stocks.

Investing in income-oriented stocks – Income provided by a fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests.

Investing in small companies – Investing in smaller companies may pose additional risks. For example, it is often more difficult to value or dispose of small company stocks and more difficult to obtain information about smaller companies than about larger companies. Furthermore, smaller companies often have limited product lines, operating histories, markets and/or financial resources, may be dependent on one or a few key persons for management, and can be more susceptible to losses. Moreover, the prices of their stocks maybe more volatile than stocks of larger, more established companies.

Investing outside the U.S. – Securities of issuers domiciled outside the U.S., or with significant operations or revenues outside the U.S., may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism and war) in the countries or regions in which the issuers operate or generate revenue. These securities may also lose value due to changes in foreign currency exchange rates against the U.S. dollar and/or currencies of other countries. Issuers of these securities may be more susceptible to actions of foreign governments, such as the imposition of price controls or punitive taxes, that could adversely impact revenues. Securities markets in certain countries may be more volatile and/or less liquid than those in the U.S. Investments outside the U.S. may also be subject to different accounting practices and different regulatory, legal and reporting standards and practices, and may be more difficult to value, than those in the U.S. In addition, the value of investments outside the U.S. may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities purchased or sold by the fund. The risks of investing outside the U.S. may be heightened in connection with investments in emerging markets.

Investing in developing countries – Investing in countries with developing economies and/or markets may involve risks in addition to and greater than those generally associated with investing in developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating the fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Investing in emerging markets – Investing in emerging markets may involve risks in addition to and greater than those generally associated with investing in the securities markets of developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating a fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Investing in debt instruments – The prices of, and the income generated by, bonds and other debt securities held by a fund may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities.

Rising interest rates will generally cause the prices of bonds and other debt securities to fall. Falling interest rates may cause an issuer to redeem, call or refinance a debt security before its stated maturity, which may result in a fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities.

Bonds and other debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities. Credit risk is gauged, in part, by the credit ratings of the debt securities in which a fund invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees as to credit quality or an evaluation of market risk. The funds' investment adviser relies on its own credit analysts to research issuers and issues in seeking to mitigate various credit and default risks.

Investing in lower rated debt instruments — Lower rated bonds and other lower rated debt securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer's creditworthiness than those of higher quality debt securities. The market prices of these securities may fluctuate more than the prices of higher quality debt securities and may decline significantly in periods of general economic difficulty. These risks may be increased with respect to investments in junk bonds.

Investing in derivatives — The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional cash securities, such as stocks and bonds. Changes in the value of a derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and a derivative instrument may expose a fund to losses in excess of its initial investment. Derivatives may be difficult for a fund to buy or sell at an opportune time or price and may be difficult to terminate or otherwise offset. A fund's use of derivatives may result in losses to the fund, and investing in derivatives may reduce a fund's returns and increase a fund's price volatility. A fund's counterparty to a derivative transaction (including, if applicable, the fund's clearing broker, the derivatives exchange or the clearinghouse) may be unable or unwilling to honor its financial obligations in respect of the transaction.

Thinly traded securities — There may be little trading in the secondary market for particular bonds, other debt securities or derivatives, which may make them more difficult to value, acquire or sell.

Currency — The prices of, and the income generated by, most debt securities held by a fund may also be affected by changes in relative currency values. If the U.S. dollar appreciates against foreign currencies, the value in U.S. dollars of a fund's securities denominated in such currencies would generally fall and vice versa. U.S. dollar-denominated securities of foreign issuers may also be affected by changes in relative currency values.

Investing in mortgage-related securities and other asset-backed securities — Mortgage-related securities, such as mortgage-backed securities, and other asset-backed securities, include debt obligations that represent interests in pools of mortgages or other income-bearing assets, such as consumer loans or receivables. Such securities often involve risks that are different from or more acute than the risks associated with investing in other types of debt securities. Mortgage-backed and other asset-backed securities are subject to changes in the payment patterns of borrowers of the underlying debt. When interest rates fall, borrowers are more likely to refinance or prepay their debt before its stated maturity. This may result in a fund having to reinvest the proceeds in lower yielding securities, effectively reducing a fund's income. Conversely, if interest rates rise and borrowers repay their debt more slowly than expected, the time in which the mortgage-backed and other asset-backed securities are paid off could be extended, reducing a fund's cash available for reinvestment in higher yielding securities.

Investing in future delivery contracts — Contracts for future delivery of mortgage-related securities, such as to be announced contracts and mortgage dollar rolls, involve a fund selling mortgage-related securities and simultaneously contracting to repurchase similar securities for delivery at a future date at a predetermined price. This can increase a fund's market exposure, and the market price of the securities the fund contracts to repurchase could drop below their purchase price. While a fund can preserve and generate capital through the use of such contracts by, for example, realizing the difference between the sale price and the future purchase price, the income generated by the fund may be reduced by engaging in such transactions. In addition, these transactions may increase the turnover rate of a fund.

Investing in inflation linked bonds — The values of inflation linked bonds generally fluctuate in response to changes in real interest rates – i.e., rates of interest after factoring in inflation. A rise in real interest rates may cause the prices of inflation linked securities to fall, while a decline in real interest rates may cause the prices to increase. Inflation linked bonds may experience greater losses than other debt securities with similar durations when real interest rates rise faster than nominal interest rates. There can be no assurance that the value of an inflation linked security will be directly correlated to changes in interest rates; for example, if interest rates rise for reasons other than inflation, the increase may not be reflected in the security's inflation measure.

Investing in inflation linked bonds may also reduce a fund's distributable income during periods of extreme deflation. If prices for goods and services decline throughout the economy, the principal and income on inflation linked securities may decline and result in losses to a fund.

Investing in securities backed by the U.S. government — Securities backed by the U.S. Treasury or the full faith and credit of the U.S. government are guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates. Securities issued by government-sponsored entities and federal agencies and instrumentalities that are not backed by the full faith and credit of the U.S. government are neither issued nor guaranteed by the U.S. government.

Investing in repurchase agreements – Upon entering into a repurchase agreement, a fund purchases a security from a bank or broker-dealer, which simultaneously commits to repurchase the security within a specified time at the fund's cost with interest. The security purchased by the fund constitutes collateral for the seller's repurchase obligation. If the party agreeing to repurchase should default, the fund may seek to sell the security it holds as collateral. The fund may incur a loss if the value of the collateral securing the repurchase obligation has fallen below the repurchase price. The fund may also incur disposition costs and encounter procedural delays in connection with liquidating the collateral.

Interest rate risk – The values and liquidity of the securities held by a fund may be affected by changing interest rates. For example, the values of these securities may decline when interest rates rise and increase when interest rates fall. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities. A fund may invest in variable and floating rate securities. Although such securities are generally less sensitive to interest rate changes, the value of variable and floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates. Conversely, floating rate securities will not generally increase in value if interest rates decline. During periods of extremely low short-term interest rates, a fund may not be able to maintain a positive yield, and, given the historically low interest rate environment, risks associated with rising rates are currently heightened.

Credit and liquidity support – Changes in the credit quality of banks and financial institutions providing credit and liquidity support features with respect to securities held by a fund could cause the values of these securities to decline.

Asset allocation – A fund's percentage allocation to equity securities, debt securities and money market instruments could cause the fund to underperform relative to relevant benchmarks and other funds with similar investment objectives.

Nondiversification – As nondiversified funds, certain funds have the ability to invest a larger percentage of their assets in the securities of a smaller number of issuers than diversified funds. Although the funds do not intend to limit their investments to the securities of a small number of issuers, if they were to do so, poor performance by a single large holding would adversely impact the funds' investment results more than if the funds were invested in a larger number of issuers.

Management – The investment adviser to the funds actively manages the funds' investments. Consequently, the funds are subject to the risk that the methods and analyses employed by the investment adviser in this process may not produce the desired results. This could cause the funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Investing in the managed risk funds may involve additional risks including, but not limited to, those described below.

Fund structure – The managed risk funds invest in underlying funds and incur expenses related to those underlying funds. In addition, investors in the managed risk funds will incur fees to pay for certain expenses related to the operations of the managed risk funds. An investor holding the underlying fund directly would incur lower overall expenses but would not receive the benefit of the risk management strategy of the managed risk fund.

Management – The managed risk funds are subject to the risk that the methods employed by the subadviser in implementing the managed risk strategy may not produce the desired results. This could cause the managed risk funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Underlying fund risks – Because the managed risk funds' investments consist of individual underlying funds, the managed risk funds' risks are directly related to the risks of the respective underlying fund in which each managed fund invests. For this reason, it is important to understand the risks associated with investing both in the managed risk fund and the respective underlying fund.

Investing in futures contracts – In addition to the risks generally associated with investing in derivative instruments, futures contracts are subject to the creditworthiness of the clearing organizations, exchanges and futures commission merchants with which a fund transacts. Additionally, although futures require only a small initial investment in the form of a deposit of initial margin, the amount of a potential loss on a futures contract could greatly exceed the initial amount invested. While futures contracts are generally liquid instruments, under certain market conditions, futures may be deemed to be illiquid. For example a fund may be temporarily prohibited from closing out its position in a futures contract if intraday price change limits or limits on trading volume imposed by the applicable futures exchange are triggered. If a fund is unable to close out a position on a futures contract, the fund would remain subject to the risk of adverse price movements until the fund is able to close out the futures position. The ability of a fund to successfully utilize futures contracts may depend in part upon the ability of the fund's investment adviser or subadviser to accurately forecast interest rates and other economic factors and to assess and predict the impact of such economic factors on the futures in which the fund invests. If the investment adviser or subadviser incorrectly forecasts economic developments or incorrectly predicts the impact of such developments on the futures in which it invests, a fund could be exposed to the risk of loss.

Hedging – There may be imperfect or even negative correlation between the prices of the futures contracts and the prices of the underlying securities. For example, futures contracts may not provide an effective hedge because changes in futures contract prices may not track those of the underlying securities or indexes they are intended to hedge. In addition, there are significant differences between the securities and futures markets that could result in an imperfect correlation between the markets, causing a given hedge not to achieve its objectives. The degree of imperfection of correlation depends on circumstances such as variations in speculative market demand for futures, including technical influences in futures trading, and differences between the financial instruments being hedged and the instruments underlying the standard contracts available for trading. A decision as to whether, when and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected interest rate trends. In addition, the fund's investment in exchange-traded futures and their resulting costs could limit the fund's gains in rising markets relative to those of the underlying fund, or to those of unhedged funds in general.

Short positions – Losses from short positions in futures contracts occur when the underlying index increases in value. As the underlying index increases in value, the holder of the short position in the corresponding futures contract is required to pay the difference in value of the futures contract resulting from the increase in the index on a daily basis. Losses from a short position in an index futures contract could potentially be very large if the value of the underlying index rises dramatically in a short period of time.

5. Certain investment techniques

Index-linked bonds – Some of the funds have invested in index-linked bonds, which are fixed-income securities whose principal value is periodically adjusted to a government price index. Over the life of an index-linked bond, interest is paid on the adjusted principal value. Increases or decreases in the principal value of index-linked bonds are recorded as interest income in the fund's statement of operations.

Mortgage dollar rolls – Some of the funds have entered into mortgage dollar roll transactions in which the fund sells a mortgage-backed security to a counterparty and simultaneously enters into an agreement with the same counterparty to buy back a similar security on a specific future date at a predetermined price. Mortgage dollar rolls are accounted for as purchase and sale transactions, which may increase the funds' portfolio turnover rates.

Loan transactions – Some of the funds have entered into loan transactions in which the fund acquires a loan either through an agent, by assignment from another holder, or as a participation interest in another holder's portion of a loan. The loan is often administered by a financial institution that acts as agent for the holders of the loan, and the fund may be required to receive approval from the agent and/or borrower prior to the sale of the investment. The loan's interest rate and maturity date may change based on the terms of the loan, including potential early payments of principal.

Unfunded commitments – Asset Allocation Fund, Global Bond Fund and High-Income Bond Fund have participated in a transaction that involves unfunded commitments, which may obligate each fund to purchase additional shares of the applicable issuer. Under the terms of the commitments, which will expire no later than April 1, 2021, the maximum potential exposure of Asset Allocation Fund, Global Bond Fund and High-Income Bond Fund as of June 30, 2016 was $471,000, $109,000 and $719,000, respectively. Should such commitments become due in full, these amounts would represent less than 0.01% of the net assets of Asset Allocation Fund and 0.04% of the net assets of Global Bond Fund and High-Income Bond Fund, in each case as of June 30, 2016.

Short-term securities – The managed risk funds hold shares of the Government Cash Management Fund, a cash management vehicle offered by the Bank of New York Mellon ("BNY Mellon"), the funds' custodian bank. The Government Cash Management Fund is managed by the Dreyfus Corporation.

Forward currency contracts – Some of the funds have entered into forward currency contracts, which represent agreements to exchange currencies on specific future dates at predetermined rates. The series' investment adviser uses forward currency contracts to manage the fund's exposure to changes in exchange rates. Upon entering into these contracts, risks may arise from the potential inability of counterparties to meet the terms of their contracts and from possible movements in exchange rates.

On a daily basis, the series' investment adviser values forward currency contracts based on the applicable exchange rates and records unrealized appreciation or depreciation for open forward currency contracts in each fund's statement of assets and liabilities. Realized gains or losses are recorded at the time the forward contract is closed or offset by another contract with the same broker for the same settlement date and currency. Closed forward currency contracts that have not reached their settlement date are included in the respective receivables or payables for closed forward currency contracts in each fund's statement of assets and liabilities. Net realized gains or losses from closed forward currency contracts and net unrealized appreciation or depreciation from open forward currency contracts are recorded in each fund's statement of operations. As of June 30, 2016, Global Growth Fund, Global Small Capitalization

Fund, International Fund, New World Fund, Global Growth and Income Fund, Growth-Income Fund, International Growth and Income Fund, Global Balanced Fund, Bond Fund and Global Bond Fund had open forward currency contracts. As of June 30, 2016, High-Income Bond Fund did not have any open forward currency contracts. The average month-end notional amount of open forward currency contracts while held by High-Income Bond Fund was $2,585,000.

Interest rate swaps — Some of the funds have entered into interest rate swaps, which are agreements to exchange one stream of future interest payments for another based on a specified notional amount. Typically, interest rate swaps exchange a fixed interest rate for a payment that floats relative to a benchmark or vice versa. The series' investment adviser uses interest rate swaps to manage the interest rate sensitivity of the fund by increasing or decreasing the duration of the fund or a portion of the fund's portfolio. Risks may arise as a result of the series' investment adviser incorrectly anticipating changes in interest rates, increased volatility, reduced liquidity and the potential inability of counterparties to meet the terms of their agreements.

Upon entering into an interest rate swap contract, the fund is required to deposit cash, U.S. government securities or other liquid securities, which is known as "initial margin." Generally, the initial margin required for a particular interest rate swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract.

On a daily basis, the series' investment adviser records daily interest accruals related to the exchange of future payments as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a "variation margin" based on the increase or decrease in the value of the interest rate swaps, including accrued interest, and records variation margin on interest rate swaps in each fund's statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the interest rate swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from interest rate swaps are recorded in each fund's statement of operations. As of June 30, 2016, Asset Allocation Fund, Bond Fund, Global Bond Fund, Mortgage Fund and U.S. Government/AAA-Rated Securities Fund had open interest rate swaps. As of June 30, 2016, High-Income Bond Fund did not have any open interest rate swaps. The average month-end notional amount of open interest rate swaps while held by High-Income Bond Fund was $31,888,000.

Credit default swap indices — Some of the funds have entered into centrally cleared credit default swap agreements on credit indices ("CDSI") that involve one party (the protection buyer) making a stream of payments to another party (the protection seller) in exchange for the right to receive a specified return upon the occurrence of a credit event, such as a default or restructuring, with respect to any of the underlying issuers (reference obligations) in the referenced index. The series' investment adviser uses credit default swaps to assume exposure to a diversified portfolio of credits or to hedge against existing credit risks.

CDSI are portfolios of credit instruments or exposures designed to be representative of some part of the credit market, such as the high-yield or investment-grade credit market. CDSI are generally traded using standardized terms, including a fixed spread and standard maturity dates, and reference all the names in the index. If there is a credit event, it is settled based on that name's weight in the index. The composition of the underlying issuers or obligations within a particular index may change periodically, usually every six months. A specified credit event may affect all or individual underlying reference obligations included in the index, and will be settled based upon the relative weighting of the affected obligation(s) within the index. The value of each CDSI can be used as a measure of the current payment/performance risk of the CDSI and represents the likelihood of an expected liability or profit should the notional amount of the CDSI be closed or sold as of the period end. An increasing value, as compared to the notional amount of the CDSI, represents a deterioration of the referenced indices' credit soundness and a greater likelihood of risk of default or other credit event occurring as defined under the terms of the agreement. When a fund provides sell protection, its maximum exposure is the notional amount of the credit default swap agreement.

Upon entering into a centrally cleared CDSI contract, the fund is required to deposit with a derivatives clearing member ("DCM") in a segregated account in the name of the DCM an amount of cash, U.S. government securities or other liquid securities, which is known as initial margin. Generally, the initial margin required for a particular credit default swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract. Securities deposited as initial margin are designated on the investment portfolio.

On a daily basis, interest accruals related to the exchange of future payments are recorded as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a variation margin based on the increase or decrease in the value of the centrally cleared swaps, and records variation margin in each fund's statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from credit default swaps are recorded in each fund's statement of operations. As of June 30, 2016, High-Income Bond Fund had open credit default swaps.

Futures contracts – The managed risk funds have entered into futures contracts, which provide for the future sale by one party and purchase by another party of a specified amount of a specific financial instrument for a specified price, date, time and place designated at the time the contract is made. Futures contracts are used to strategically manage portfolio volatility and downside equity risk.

Upon entering into futures contracts, and to maintain the fund's open positions in futures contracts, the fund is required to deposit with a futures broker, or FCM, in a segregated account in the name of the FCM an amount of cash, U.S. government securities, suitable money market instruments, or other liquid securities, known as "initial margin." The margin required for a particular futures contract is set by the exchange on which the contract is traded to serve as collateral, and may be significantly modified from time to time by the exchange during the term of the contract. When initial margin is deposited with brokers, a receivable is recorded in the fund's statement of assets and liabilities.

On a daily basis, each fund pays or receives variation margin based on the increase or decrease in the value of the futures contracts and records variation margin on futures contracts in each fund's statement of assets and liabilities. In addition, each fund segregates liquid assets equivalent to the fund's outstanding obligations under the contract in excess of the initial margin and variation margin, if any. Futures contracts may involve a risk of loss in excess of the variation margin shown on each fund's statement of assets and liabilities. Each fund records realized gains or losses at the time the futures contract is closed or expires. Net realized gains or losses and net unrealized appreciation or depreciation from futures contracts are recorded in each fund's statement of operations. As of June 30, 2016, Mortgage Fund, U.S. Government/AAA-Rated Securities Fund, Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund held futures contracts.

The following tables present the financial statement impacts resulting from the funds' use of forward currency contracts, interest rate swaps, credit default swaps and/or futures contracts as of June 30, 2016 (dollars in thousands):

			Global Growth Fund	Global Small Capitalization Fund	International Fund
Assets	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$4,683	$ 4,735
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ –	$4,683	$ 4,735
Liabilities	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 322	$ 295	$ 4,488
Forward currency	Currency	Payables for closed forward currency contracts	38	60	233
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 360	$ 355	$ 4,721
Net realized (loss) gain	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net realized (loss) gain on forward currency contracts	$(3,311)	$1,707	$(4,878)
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(3,311)	$1,707	$(4,878)
Net unrealized appreciation (depreciation)	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net unrealized appreciation (depreciation) on forward currency contracts	$ 268	$3,887	$ (170)
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$ 268	$3,887	$ (170)

Assets	Risk type	Location on statements of assets and liabilities	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 61	$ 648	$1,784
Forward currency	Currency	Receivables for closed forward currency contracts	3	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 64	$ 648	$1,784

Liabilities	Risk type	Location on statements of assets and liabilities	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 136	$ 25	$ –
Forward currency	Currency	Payables for closed forward currency contracts	38	33	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 174	$ 58	$ –

Net realized (loss)	Risk type	Location on statements of operations	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Net realized loss on forward currency contracts	$(338)	$(656)	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(338)	$(656)	$ –

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Net unrealized (depreciation) appreciation on forward currency contracts	$(104)	$ 565	$1,784
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(104)	$ 565	$1,784

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	International Growth and Income Fund	Asset Allocation Fund	Global Balanced Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$506
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	42
Interest rate swaps	Interest	Net unrealized appreciation*	–	7,664	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ –	$ 7,664	$548

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 221	$ –	$144
Forward currency	Currency	Payables for closed forward currency contracts	–	–	86
Interest rate swaps	Interest	Net unrealized depreciation*	–	16,574	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 221	$16,574	$230

Net realized gain (loss)	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$282
Interest rate swaps	Interest	Net realized loss on interest rate swaps	–	(1,972)	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$ –	$ (1,972)	$282

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized (depreciation) appreciation on forward currency contracts	$(221)	$ –	$298
Interest rate swaps	Interest	Net unrealized depreciation on interest rate swaps	–	(4,158)	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(221)	$ (4,158)	$298

Assets	Risk type	Location on statements of assets and liabilities	Bond Fund	Global Bond Fund	High-Income Bond Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 3,408	$ 8,386	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	1,986	–
Interest rate swaps	Interest	Net unrealized appreciation*	34,915	1,239	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	179
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 38,323	$11,611	$ 179

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 4,224	$ 3,458	$ –
Forward currency	Currency	Payables for closed forward currency contracts	274	2,920	–
Interest rate swaps	Interest	Net unrealized depreciation*	57,023	8,541	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 61,521	$14,919	$ –

Net realized (loss) gain	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized (loss) gain on forward currency contracts	$(27,272)	$12,814	$ 21
Interest rate swaps	Interest	Net realized gain (loss) on interest rate swaps	6,950	(1,761)	(969)
Credit default swaps	Credit	Net realized loss on credit default swaps	–	–	(1,183)
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(20,322)	$11,053	$(2,131)

Net unrealized appreciation (depreciation)	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation (depreciation) on forward currency contracts	$ 216	$ 2,262	$ (38)
Interest rate swaps	Interest	Net unrealized (depreciation) appreciation on interest rate swaps	(23,945)	(7,367)	274
Credit default swaps	Credit	Net unrealized depreciation on credit default swaps	–	–	(527)
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(23,729)	$ (5,105)	$ (291)

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	3,940	45,400	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	1,794	20,177	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	79
			$ 5,734	$ 65,577	$ 79

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	8,924	100,025	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	518	2,329	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	1,535
Futures contracts	Currency	Net unrealized depreciation*	–	–	2
			$ 9,442	$102,354	$ 1,537

Net realized gain (loss)	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	2,523	8,053	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	1,073	4,258	–
Futures contracts	Equity	Net realized loss on futures contracts	–	–	(4,735)
Futures contracts	Currency	Net realized loss on futures contracts	–	–	(76)
			$ 3,596	$ 12,311	$(4,811)

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net unrealized depreciation on interest rate swaps	(6,139)	(55,853)	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	1,276	17,848	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	–	–	(1,472)
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	57
			$(4,863)	$ (38,005)	$(1,415)

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	103	–	–
Futures contracts	Currency	Net unrealized appreciation*	721	23	23
			$ 824	$ 23	$ 23

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	1,323	1,712	1,474
Futures contracts	Currency	Net unrealized depreciation*	170	–	–
			$ 1,493	$ 1,712	$ 1,474

Net realized (loss) gain	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized loss on futures contracts	(1,211)	(3,237)	(2,538)
Futures contracts	Currency	Net realized (loss) gain on futures contracts	(992)	14	(40)
			$(2,203)	$(3,223)	$(2,578)

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	(998)	(1,619)	(1,323)
Futures contracts	Currency	Net unrealized appreciation (depreciation) on futures contracts	495	1	(2)
			$ (503)	$(1,618)	$(1,325)

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk Asset Allocation Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–
Interest rate swaps	Interest	Net unrealized appreciation*	–
Credit default swaps	Credit	Net unrealized appreciation*	–
Futures contracts	Interest	Net unrealized appreciation*	–
Futures contracts	Equity	Net unrealized appreciation*	–
Futures contracts	Currency	Net unrealized appreciation*	35
			$ 35

Liabilities	Risk type	Location on statements of assets and liabilities	
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–
Interest rate swaps	Interest	Net unrealized depreciation*	–
Credit default swaps	Credit	Net unrealized depreciation*	–
Futures contracts	Interest	Net unrealized depreciation*	–
Futures contracts	Equity	Net unrealized depreciation*	2,200
Futures contracts	Currency	Net unrealized depreciation*	–
			$ 2,200

Net realized loss	Risk type	Location on statements of operations	
Forward currency	Currency	Net realized gain on forward currency contracts	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–
Futures contracts	Interest	Net realized gain on futures contracts	–
Futures contracts	Equity	Net realized loss on futures contracts	(27,934)
Futures contracts	Currency	Net realized loss on futures contracts	(310)
			$(28,244)

Net unrealized depreciation	Risk type	Location on statements of operations	
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	(626)
Futures contracts	Currency	Net unrealized depreciation on futures contracts	(13)
			$ (639)

*Includes cumulative appreciation/depreciation on interest rate swaps, credit default swaps and/or futures contracts as reported in the applicable table(s) following each fund's investment portfolio. Only current day's variation margin is reported within the statements of assets and liabilities.

Collateral – Funds that invest in forward currency contracts, interest rate swaps, credit default swaps, futures contracts and/or future delivery contracts participate in a collateral program. For forward currency contracts, the program calls for the fund to either receive or pledge collateral based on the net gain or loss on unsettled forward currency contracts by counterparty. For interest rate swaps, credit default swaps and futures contracts, the program calls for the fund to pledge collateral for initial and variation margin by contract. For future delivery contracts, the program calls for the fund to either receive or pledge collateral based on the net gain or loss on unsettled contracts by certain counterparties. The purpose of the collateral is to cover potential losses that could occur in the event that either party cannot meet its contractual obligations.

Rights of offset – Funds that hold forward currency contracts have enforceable master netting agreements with certain counterparties, where amounts payable by each party to the other in the same currency (with the same settlement date and with the same counterparty) are settled net of each party's payment obligation. If an early termination date occurs under these agreements following an event of default or termination event, all obligations of each party to its counterparty are settled net through a single payment in a single currency ("close-out netting"). For financial reporting purposes, the funds do not offset financial assets and financial liabilities that are subject to these master netting arrangements in the statements of assets and liabilities.

The following tables present each fund's forward currency contracts by counterparty that are subject to master netting agreements but that are not offset in the funds' statements of assets and liabilities. The net amount column shows the impact of offsetting on the funds' statement of assets and liabilities as of June 30, 2016 if close-out netting was exercised (dollars in thousands):

Global Growth Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Liabilities:					
Bank of America, N.A.	$360	$–	$(287)	$–	$73

Global Small Capitalization Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 161	$(134)	$ –	$–	$ 27
Citibank	1,327	–	(1,327)	–	–
HSBC Bank	2,861	(69)	(2,689)	–	103
JPMorgan Chase	182	–	(182)	–	–
UBS AG	152	(152)	–	–	–
Total	$4,683	$(355)	$(4,198)	$–	$130
Liabilities:					
Barclays Bank PLC	$ 134	$(134)	$ –	$–	$ –
HSBC Bank	69	(69)	–	–	–
UBS AG	152	(152)	–	–	–
Total	$ 355	$(355)	$ –	$–	$ –

See end of tables for footnote.

International Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 282	$(282)	$ –	$–	$ –
HSBC Bank	352	(78)	(274)	–	–
JPMorgan Chase	292	(40)	(252)	–	–
UBS AG	3,809	(91)	(3,636)	–	82
Total	$4,735	$(491)	$(4,162)	$–	$ 82
Liabilities:					
Bank of America, N.A.	$ 960	$ –	$ (581)	$–	$379
Barclays Bank PLC	3,516	(282)	(3,123)	–	111
Citibank	36	–	–	–	36
HSBC Bank	78	(78)	–	–	–
JPMorgan Chase	40	(40)	–	–	–
UBS AG	91	(91)	–	–	–
Total	$4,721	$(491)	$(3,704)	$–	$526

New World Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Citibank	$ 3	$ (3)	$–	$–	$ –
HSBC Bank	23	–	–	–	23
JPMorgan Chase	38	(38)	–	–	–
Total	$ 64	$(41)	$–	$–	$ 23
Liabilities:					
Bank of America, N.A.	$ 73	$ –	$–	$–	$ 73
Citibank	36	(3)	–	–	33
JPMorgan Chase	43	(38)	–	–	5
UBS AG	22	–	–	–	22
Total	$174	$(41)	$–	$–	$133

Global Growth and Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$498	$(33)	$(465)	$–	$ –
Citibank	150	–	–	–	150
Total	$648	$(33)	$(465)	$–	$150
Liabilities:					
Bank of America, N.A.	$ 33	$(33)	$ –	$–	$ –
HSBC Bank	25	–	–	–	25
Total	$ 58	$(33)	$ –	$–	$ 25

Growth-Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 449	$–	$(336)	$–	$113
HSBC Bank	444	–	(331)	–	113
JPMorgan Chase	447	–	–	–	447
UBS AG	444	–	(321)	–	123
Total	$1,784	$–	$(988)	$–	$796

International Growth and Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Liabilities:					
Bank of America, N.A.	$221	$–	$–	$–	$221

Global Balanced Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$122	$ (8)	$–	$–	$114
Citibank	69	(30)	–	–	39
HSBC Bank	213	(26)	–	–	187
JPMorgan Chase	56	(56)	–	–	–
UBS AG	88	(30)	–	–	58
Total	$548	$(150)	$–	$–	$398
Liabilities:					
Bank of America, N.A.	$ 32	$ –	$–	$–	$ 32
Bank of New York Mellon	6	–	–	–	6
Barclays Bank PLC	8	(8)	–	–	–
Citibank	30	(30)	–	–	–
HSBC Bank	26	(26)	–	–	–
JPMorgan Chase	98	(56)	–	–	42
UBS AG	30	(30)	–	–	–
Total	$230	$(150)	$–	$–	$ 80

See end of tables for footnote.

Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 624	$ (624)	$ –	$–	$ –
Barclays Bank PLC	71	(1)	–	–	70
Citibank	1,086	–	(580)	–	506
HSBC Bank	1,096	–	(718)	–	378
UBS AG	531	(531)	–	–	–
Total	$3,408	$(1,156)	$(1,298)	$–	$954
Liabilities:					
Bank of America, N.A.	$3,420	$ (624)	$(2,617)	$–	$179
Barclays Bank PLC	1	(1)	–	–	–
JPMorgan Chase	296	–	–	–	296
UBS AG	781	(531)	(250)	–	–
Total	$4,498	$(1,156)	$(2,867)	$–	$475

Global Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 491	$ (490)	$ –	$–	$1
Barclays Bank PLC	1,189	(1,088)	(101)	–	–
Citibank	1,478	(1,011)	(467)	–	–
HSBC Bank	4,369	(1,237)	(3,132)	–	–
JPMorgan Chase	1,195	(1,195)	–	–	–
UBS AG	1,651	(625)	(1,026)	–	–
Total	$10,373	$ 5,646	$(4,726)	$–	$1
Liabilities:					
Bank of America, N.A.	$ 490	$ (490)	$ –	$–	$–
Barclays Bank PLC	1,088	(1,088)	–	–	–
Citibank	1,011	(1,011)	–	–	–
HSBC Bank	1,237	(1,237)	–	–	–
JPMorgan Chase	1,929	(1,195)	(734)	–	–
UBS AG	625	(625)	–	–	–
Total	$ 6,380	$(5,646)	$ (734)	$–	$–

*Non-cash collateral is shown on a settlement basis.

6. Taxation and distributions

Federal income taxation – Each fund complies with the requirements under Subchapter M of the Internal Revenue Code applicable to mutual funds and intends to distribute substantially all of its net taxable income and net capital gains each year. The funds are not subject to income taxes to the extent such distributions are made. Therefore, no federal income tax provision is required.

As of and during the period ended June 30, 2016, none of the funds had a liability for any unrecognized tax benefits. Each fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statements of operations. During the period, none of the funds incurred any significant interest or penalties.

The funds are not subject to examination by U.S. federal tax authorities for tax years before 2012. Managed Risk Asset Allocation Fund is not subject to examination by U.S. federal tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by U.S. federal tax authorities for tax years before 2013, the year the funds commenced operations. Capital Income Builder is not subject to examination by U.S. federal tax authorities for tax years before 2014, the year the fund commenced operations.

The funds are not subject to examination by state tax authorities for tax years before 2011. Global Balanced Fund and Mortgage Fund are not subject to examination by state tax authorities for tax years before 2011, the year the funds commenced operations. Managed Risk Asset Allocation Fund is not subject to examination by state tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by state tax authorities for tax years before 2013, the year the funds commenced operations. Capital Income Builder is not subject to examination by state tax authorities for tax years before 2014, the year the fund commenced operations.

The following funds are not subject to examination by tax authorities outside the U.S. for the years indicated: Global Growth Fund, Global Small Capitalization Fund, International Fund, New World Fund and Global Growth and Income Fund for tax years before 2009; Growth Fund and Growth-Income Fund for tax years before 2010; International Growth and Income Fund and Global Balanced Fund for tax years before 2011; and Asset Allocation Fund, Bond Fund and Global Bond Fund for tax years before 2015. All other funds are not subject to examination by tax authorities outside the U.S.

Non-U.S. taxation — Dividend and interest income are recorded net of non-U.S. taxes paid. The funds may file withholding tax reclaims in certain jurisdictions to recover a portion of amounts previously withheld. As a result of recent rulings from European courts, some of the funds filed for additional reclaims related to prior years. These reclaims are recorded when the amount is known and there are no significant uncertainties on collectability. Gains realized by the funds on the sale of securities in certain countries are subject to non-U.S. taxes. The funds record a liability based on unrealized gains to provide for potential non-U.S. taxes payable upon the sale of these securities.

Distributions — Distributions paid to shareholders are based on net investment income and net realized gains determined on a tax basis, which may differ from net investment income and net realized gains for financial reporting purposes. These differences are due primarily to different treatment for items such as currency gains and losses; short-term capital gains and losses; capital losses related to sales of certain securities within 30 days of purchase; unrealized appreciation of certain investments in securities outside the U.S.; deferred expenses; cost of investments sold; non-U.S. taxes on capital gains; paydowns on fixed-income securities; net capital losses; net operating losses; amortization of premiums and discounts; and income on certain investments. The fiscal year in which amounts are distributed may differ from the year in which the net investment income and net realized gains are recorded by the funds for financial reporting purposes.

As indicated in the tables in this section, some of the funds had capital loss carryforwards available at December 31, 2015. These will be used to offset any capital gains realized by the funds in the current year or in subsequent years through the expiration dates. Funds with capital loss carryforwards will not make distributions from capital gains while a capital loss carryforward remains.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

Additional tax basis disclosures are as follows (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 32,894	$ 11,421	$ 41,300	$ 11,250	$ 2,125	$ 89,456
Undistributed long-term capital gain	425,513	714,068	1,900,761	637,417	–	533,399
Capital loss carryforward:						
No expiration	–	–	–	–	(72,641)	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	1,193,441	671,515	6,231,767	883,993	385,792	1,616,292
Gross unrealized depreciation on investment securities	(191,219)	(603,637)	(754,995)	(699,526)	(227,453)	(189,251)
Net unrealized appreciation (depreciation) on investment securities	1,002,222	67,878	5,476,772	184,467	158,339	1,427,041
Cost of investment securities	4,208,124	3,768,420	15,631,704	7,181,766	2,615,147	6,172,675

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 5,232	$ 199,886	$ 2,684	$ 21	$ 58,950	$ –
Late year ordinary loss deferral*	–	–	–	–	–	(355)
Undistributed long-term capital gain	–	2,563,501	4,647	–	463,050	–
Post-October capital loss deferral*	(12,225)	–	–	–	–	(855)
Capital loss carryforward:						
No expiration	–	–	–	(1,684)	–	–
Expiring 2017	(17,429)	–	–	–	–	–
Expiring 2018	(297)	–	–	–	–	–
	(17,726)	–	–	(1,684)	–	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	283,796	5,917,391	73,779	20,434	3,402,237	30,109
Gross unrealized depreciation on investment securities	(77,167)	(1,272,453)	(115,027)	(14,211)	(462,344)	(8,605)
Net unrealized appreciation (depreciation) on investment securities	206,629	4,644,938	(41,248)	6,223	2,939,893	21,504
Cost of investment securities	1,658,948	19,796,990	1,140,879	338,691	16,802,169	220,919

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund	U.S. Government/ AAA-Rated Securities Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 74,947	$ –	$ 20,431	$ 4,155	$ –	$ 51,560
Late year ordinary loss deferral*	–	(7,647)	–	–	–	–
Undistributed long-term capital gain	18,561	1,747	–	185	–	17,063
Post-October capital loss deferral*	–	(655)	–	–	–	–
Capital loss carryforward:						
No expiration	–	–	(97,754)	–	–	–
Expiring 2017	–	–	(45,026)	–	–	–
	–	–	(142,780)	–	–	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	344,534	98,964	32,698	6,584	28	75,418
Gross unrealized depreciation on investment securities	(49,639)	(68,598)	(147,966)	(232)	(1)	(528)
Net unrealized appreciation (depreciation) on investment securities	294,895	30,366	(115,268)	6,352	27	74,890
Cost of investment securities	11,430,617	2,406,565	1,821,422	385,494	360,142	2,996,501

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
As of December 31, 2015:					
Undistributed ordinary income	$ 328	$ 839	$ 2,223	$ 1,328	$ 34,133
Undistributed long-term capital gain	14,998	2,179	5,911	8,464	93,485
As of June 30, 2016:					
Gross unrealized appreciation on investment securities	–	–	–	–	–
Gross unrealized depreciation on investment securities	(25,699)	(18,829)	(14,464)	(22,879)	(81,939)
Net unrealized appreciation (depreciation) on investment securities	(25,699)	(18,829)	(14,464)	(22,879)	(81,939)
Cost of investment securities	192,747	104,647	201,815	157,957	3,160,306

*These deferrals are considered incurred in the subsequent year.

The tax character of distributions paid to shareholders of each fund was as follows (dollars in thousands):

Global Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$10,322	$126,735	$137,057	$ 34,454	$137,198	$171,652
Class 2	22,076	291,772	313,848	74,382	349,551	423,933
Class 4	510	7,147	7,657	1,272	4,175	5,447
Total	$32,908	$425,654	$458,562	$110,108	$490,924	$601,032

Global Small Capitalization Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total distributions paid
Class 1	$ 4,976	$273,687	$278,663	$14,631	$107,277	$121,908
Class 2	6,472	433,806	440,278	24,973	183,098	208,071
Class 4	100	6,715	6,815	189	1,383	1,572
Total	$11,548	$714,208	$725,756	$39,793	$291,758	$331,551

Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$15,245	$ 603,135	$ 618,380	$ 59,092	$1,460,328	$1,519,420
Class 2	25,371	1,244,603	1,269,974	88,259	3,114,763	3,203,022
Class 3	352	16,336	16,688	1,311	42,040	43,351
Class 4	600	36,779	37,379	2,709	9,375	12,084
Total	$41,568	$1,900,853	$1,942,421	$151,371	$4,626,506	$4,777,877

International Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 6,133	$296,124	$302,257	$ 63,527	$196,800	$260,327
Class 2	5,192	334,251	339,443	64,651	245,172	309,823
Class 3	40	2,445	2,485	540	2,060	2,600
Class 4	58	4,665	4,723	657	2,035	2,692
Total	$11,423	$637,485	$648,908	$129,375	$446,067	$575,442

New World Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,608	$–	$1,608	$33,998	$ 63,241	$ 97,239
Class 2	491	–	491	20,466	43,910	64,376
Class 4	65	–	65	2,315	4,736	7,051
Total	$2,164	$–	$2,164	$56,779	$111,887	$168,666

Blue Chip Income and Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$49,881	$292,080	$341,961	$104,537	$336,268	$440,805
Class 2	38,963	236,696	275,659	88,048	328,339	416,387
Class 4	817	4,933	5,750	650	1,651	2,301
Total	$89,661	$533,709	$623,370	$193,235	$666,258	$859,493

Global Growth and Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$1,361	$–	$1,361	$ 6,244	$–	$ 6,244
Class 2	3,873	–	3,873	30,016	–	30,016
Class 4	27	–	27	79	–	79
Total	$5,261	$–	$5,261	$36,339	$–	$36,339

Growth-Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 94,265	$1,172,061	$1,266,326	$211,212	$1,523,989	$1,735,201
Class 2	101,489	1,329,722	1,431,211	227,897	1,955,599	2,183,496
Class 3	1,258	16,262	17,520	2,968	24,839	27,807
Class 4	3,347	45,834	49,181	5,428	7,004	12,432
Total	$200,359	$2,563,879	$2,764,238	$447,505	$3,511,431	$3,958,936

International Growth and Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$2,107	$3,459	$5,566	$17,822	$15,393	$33,215
Class 2	540	1,080	1,620	5,743	5,535	11,278
Class 4	63	149	212	671	578	1,249
Total	$2,710	$4,688	$7,398	$24,236	$21,506	$45,742

Capital Income Builder

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$1,652	$–	$1,652	$1,286	$–	$1,286
Class 2	–*	–	–*	–*	–	–*
Class 4	2,592	–	2,592	3,002	–	3,002
Total	$4,244	$–	$4,244	$4,288	$–	$4,288

See end of tables for footnote.

Asset Allocation Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$38,474	$280,306	$318,780	$310,613	$ 785,247	$1,095,860
Class 2	14,389	120,303	134,692	126,004	335,062	461,066
Class 3	106	859	965	927	2,404	3,331
Class 4	6,409	61,673	68,082	36,628	4,226	40,854
Total	$59,378	$463,141	$522,519	$474,172	$1,126,939	$1,601,111

Global Balanced Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$–	$–	$–	$ 596	$ 605	$1,201
Class 2	–	–	–	1,802	2,359	4,161
Class 4	–	–	–	5	4	9
Total	$–	$–	$–	$2,403	$2,968	$5,371

Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$46,350	$11,305	$57,655	$195,551	$20,064	$215,615
Class 2	28,742	7,465	36,207	141,408	16,478	157,886
Class 4	569	150	719	1,556	156	1,712
Total	$75,661	$18,920	$94,581	$338,515	$36,698	$375,213

Global Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,163	$ 872	$2,035	$21,903	$12,052	$33,955
Class 2	1,230	923	2,153	23,532	13,266	36,798
Class 4	11	8	19	81	46	127
Total	$2,404	$1,803	$4,207	$45,516	$25,364	$70,880

High-Income Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$11,106	$–	$11,106	$ 65,080	$–	$ 65,080
Class 2	9,108	–	9,108	48,382	–	48,382
Class 3	146	–	146	742	–	742
Class 4	128	–	128	83	–	83
Total	$20,488	$–	$20,488	$114,287	$–	$114,287

Mortgage Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$3,320	$152	$3,472	$7,999	$–	$7,999
Class 2	740	35	775	1,499	–	1,499
Class 4	115	6	121	168	–	168
Total	$4,175	$193	$4,368	$9,666	$–	$9,666

U.S. Government/AAA-Rated Securities Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$24,402	$ 7,982	$32,384	$35,624	$1,712	$37,336
Class 2	25,935	8,728	34,663	35,376	1,904	37,280
Class 3	181	60	241	253	13	266
Class 4	1,091	371	1,462	821	26	847
Total	$51,609	$17,141	$68,750	$72,074	$3,655	$75,729

Managed Risk Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total distributions paid
Class P1	$ 3	$ 57	$ 60	$–	$–	$–
Class P2	328	14,955	15,283	–	–	–
Total	$331	$15,012	$15,343	$–	$–	$–

Managed Risk International Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 2	$ 4	$ 6	$ –*	$–	$ –*
Class P2	841	2,181	3,022	14	–	14
Total	$843	$2,185	$3,028	$14	$–	$14

Managed Risk Blue Chip Income and Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 3	$ 9	$ 12	$ 1	$–	$ 1
Class P2	2,234	5,915	8,149	529	–	529
Total	$2,237	$5,924	$8,161	$530	$–	$530

See end of tables for footnote.

Managed Risk Growth-Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 11	$ 64	$ 75	$ 3	$–	$ 3
Class P2	1,320	8,401	9,721	64	–	64
Total	$1,331	$8,465	$9,796	$67	$–	$67

Managed Risk Asset Allocation Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class P1	$11,051	$29,417	$ 40,468	$ 9,630	$ 8,843	$18,473
Class P2	23,237	64,161	87,398	28,454	39,547	68,001
Total	$34,288	$93,578	$127,866	$38,084	$48,390	$86,474

*Amount less than one thousand.

7. Fees and transactions

CRMC, the series' investment adviser, is the parent company of American Funds Distributors,® Inc. ("AFD"), the distributor of the series' shares, and American Funds Service Company® ("AFS"), the series' transfer agent. CRMC, AFD and AFS are considered related parties to the series.

Investment advisory services – The series has an investment advisory and service agreement with CRMC that provides for monthly fees accrued daily. These fees are based on annual rates that generally decrease as average net asset levels increase. CRMC receives investment advisory fees from the underlying funds held by the managed risk funds. Effective January 1, 2016, CRMC reduced the investment advisory services fee from an annual rate of 0.250% of average daily net assets to 0.150% of average daily net assets for the managed risk funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables. Subadvisory fees for the managed risk funds are paid by CRMC to Milliman FRM. The managed risk funds are not responsible for paying any subadvisory fees.

Investment advisory services waivers – The series' board of trustees approved an amended agreement for Asset Allocation Fund effective February 1, 2016, decreasing the annual rate on average daily net assets in excess of $21 billion to 0.240%. CRMC is waiving a portion of its investment advisory services fees for each of the managed risk funds. Investment advisory services fees are presented in each fund's statement of operations gross of the waivers from CRMC. For the six months ended June 30, 2016, total investment advisory services fees waived by CRMC were $833,000.

The range of rates and asset levels, and the current annualized rates of average net assets for each fund before and after any investment advisory services waivers (if applicable), are as follows:

Fund	Rates		Net asset level (in billions)		For the period ended June 30, 2016, before waiver	For the period ended June 30, 2016, after waiver
	Beginning with	Ending with	Up to	In excess of		
Global Growth Fund	0.690%	0.460%	$0.6	$ 5.0	0.528%	0.528%
Global Small Capitalization Fund	0.800	0.635	0.6	5.0	0.700	0.700
Growth Fund	0.500	0.280	0.6	34.0	0.331	0.331
International Fund	0.690	0.430	0.5	21.0	0.503	0.503
New World Fund	0.850	0.620	0.5	2.5	0.725	0.725
Blue Chip Income and Growth Fund	0.500	0.360	0.6	6.5	0.397	0.397
Global Growth and Income Fund	0.690	0.480	0.6	3.0	0.604	0.604
Growth-Income Fund	0.500	0.219	0.6	34.0	0.270	0.270
International Growth and Income Fund	0.690	0.530	0.5	1.0	0.640	0.640
Capital Income Builder Fund	0.500		all		0.500	0.500
Asset Allocation Fund	0.500	0.240	0.6	21.0	0.275	0.275
Global Balanced Fund	0.660	0.510	0.5	1.0	0.660	0.660
Bond Fund	0.480	0.330	0.6	8.0	0.364	0.364
Global Bond Fund	0.570	0.450	1.0	3.0	0.531	0.531
High-Income Bond Fund	0.500	0.420	0.6	2.0	0.465	0.465
Mortgage Fund	0.420	0.290	0.6	3.0	0.420	0.420
Ultra-Short Bond Fund	0.320	0.270	1.0	2.0	0.320	0.320
U.S. Government/AAA-Rated Securities Fund	0.420	0.290	0.6	3.0	0.338	0.338
Managed Risk Growth Fund	0.150		all		0.150	0.100
Managed Risk International Fund	0.150		all		0.150	0.100
Managed Risk Blue Chip Income and Growth Fund	0.150		all		0.150	0.100
Managed Risk Growth-Income Fund	0.150		all		0.150	0.100
Managed Risk Asset Allocation Fund	0.150		all		0.150	0.100

Distribution services – The series has plans of distribution for all share classes except Class 1. Under the plans, the board of trustees approves certain categories of expenses that are used to finance activities primarily intended to sell fund shares. The plans provide for payments to pay service fees to firms that have entered into agreements with the series. These payments, based on an annualized percentage of average daily net assets, range from 0.18% to 0.50% as noted in the table below. In some cases, the board of trustees has limited the amounts that may be paid to less than the maximum allowed by the plans.

Share class	Currently approved limits	Plan limits
Class 2	0.25%	0.25%
Class 3	0.18	0.18
Class 4	0.25	0.25
Class P1	0.00	0.25
Class P2	0.25	0.50

Insurance administrative services – The series has an insurance administrative services plan for Class 4, P1 and P2 shares. Under the plan, these share classes pay 0.25% of each insurance company's respective average daily net assets in each share class to compensate the insurance companies for services provided to their separate accounts and contractholders for which the shares of the fund are beneficially owned as underlying investments of such contractholders' annuities. These services include, but are not limited to, maintenance, shareholder communications and transactional services. The insurance companies are not related parties to the series.

Transfer agent services – The series has a shareholder services agreement with AFS under which the funds compensate AFS for providing transfer agent services to all of the funds' share classes. These services include recordkeeping, shareholder communications and transaction processing. In addition, the managed risk funds reimburse AFS for amounts paid to third parties for performing transfer agent services on behalf of fund shareholders.

Administrative services – The series has an administrative services agreement with CRMC to provide administrative services to all of the funds' share classes. The services include, but are not limited to, coordinating, monitoring, assisting and overseeing third parties that provide services to fund shareholders. Under the agreement, each share class of each fund, except the managed risk funds, pays an annual fee of 0.01% based on its respective average daily net assets to compensate CRMC for providing administrative services. For the

managed risk funds, CRMC receives administrative services fees of 0.01% of average daily net assets from Class 1 shares of the underlying funds for administrative services provided to the series.

Accounting and administrative services – The managed risk funds have a subadministration agreement with BNY Mellon under which the fund compensates BNY Mellon for providing accounting and administrative services to each of the managed risk funds' share classes. These services include, but are not limited to, fund accounting (including calculation of net asset value), financial reporting and tax services. BNY Mellon is not a related party to the managed risk funds.

Reimbursement of fees and expenses – CRMC is currently reimbursing a portion of other expenses for each of the managed risk funds so that each fund's expenses do not exceed 0.28% of its respective average daily net assets. Other expenses exclude investment advisory services and distribution services fees. For the six months ended June 30, 2016, total expenses reimbursed by CRMC were $289,000.

Class-specific expenses under the agreements described above were as follows (dollars in thousands):

Global Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 76
Class 2	4,392	–	176
Class 4	105	106	4
Total class-specific expenses	$4,497	$106	$256

New World Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 76
Class 2	1,134	–	45
Class 4	227	227	9
Total class-specific expenses	$1,361	$227	$130

Global Small Capitalization Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 78
Class 2	2,884	–	115
Class 4	42	42	2
Total class-specific expenses	$2,926	$42	$195

Blue Chip Income and Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$189
Class 2	3,991	–	160
Class 4	62	62	2
Total class-specific expenses	$4,053	$62	$351

Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 324
Class 2	16,807	–	672
Class 3	160	–	9
Class 4	477	477	19
Total class-specific expenses	$17,444	$477	$1,024

Global Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$18
Class 2	1,756	–	70
Class 4	8	8	1
Total class-specific expenses	$1,764	$8	$89

International Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$166
Class 2	4,722	–	189
Class 3	26	–	2
Class 4	60	61	2
Total class-specific expenses	$4,808	$61	$359

Growth-Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 533
Class 2	15,382	–	615
Class 3	137	–	8
Class 4	509	509	20
Total class-specific expenses	$16,028	$509	$1,176

International Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$36
Class 2	307	–	12
Class 4	41	41	2
Total class-specific expenses	$348	$41	$50

Capital Income Builder

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 5
Class 2	–*	–	–
Class 4	225	225	9
Total class-specific expenses	$225	$225	$14

Asset Allocation Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$554
Class 2	6,081	–	243
Class 3	32	–	2
Class 4	3,026	3,026	121
Total class-specific expenses	$9,139	$3,026	$920

Global Balanced Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$ 3
Class 2	212	–	8
Class 4	3	3	–*
Total class-specific expenses	$215	$3	$11

Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$295
Class 2	5,108	–	204
Class 4	91	90	4
Total class-specific expenses	$5,199	$90	$503

See end of tables for footnote.

Global Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 54
Class 2	1,485	–	59
Class 4	10	10	1
Total class-specific expenses	$1,495	$10	$114

High-Income Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$47
Class 2	954	–	38
Class 3	11	–	1
Class 4	7	8	–*
Total class-specific expenses	$972	$8	$86

Mortgage Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$13
Class 2	80	–	3
Class 4	15	16	1
Total class-specific expenses	$95	$16	$17

Ultra-Short Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 2
Class 2	385	–	15
Class 3	5	–	–*
Class 4	16	16	1
Total class-specific expenses	$406	$16	$18

U.S. Government/AAA-Rated Securities Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 71
Class 2	1,943	–	78
Class 3	10	–	–*
Class 4	81	81	3
Total class-specific expenses	$2,034	$81	$152

Managed Risk Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	190	190
Total class-specific expenses	$190	$190

Managed Risk Growth-Income Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ 1
Class P2	158	158
Total class-specific expenses	$158	$159

Managed Risk International Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	107	107
Total class-specific expenses	$107	$107

Managed Risk Asset Allocation Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$1,037
Class P2	2,474	2,474
Total class-specific expenses	$2,474	$3,511

Managed Risk Blue Chip Income and Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	199	199
Total class-specific expenses	$199	$199

*Amount less than one thousand.

Trustees' deferred compensation – Trustees who are unaffiliated with CRMC may elect to defer the cash payment of part or all of their compensation. These deferred amounts, which remain as liabilities of the funds, are treated as if invested in one or more of the American Funds. These amounts represent general, unsecured liabilities of the funds and vary according to the total returns of the selected funds. Trustees' compensation, shown on the accompanying financial statements, reflects current fees (either paid in cash or deferred) and a net increase in the value of the deferred amounts as follows (dollars in thousands):

	Current fees	Increase in value of deferred amounts	Total trustees' compensation
Global Growth Fund	$22	$1	$ 23
Global Small Capitalization Fund	16	1	17
Growth Fund	87	3	90
International Fund	30	1	31
New World Fund	11	1	12
Blue Chip Income and Growth Fund	29	1	30
Global Growth and Income Fund	7	–*	7
Growth-Income Fund	99	3	102
International Growth and Income Fund	4	–*	4
Capital Income Builder	1	–*	1
Asset Allocation Fund	76	3	79
Global Balanced Fund	1	–*	1
Bond Fund	41	1	42
Global Bond Fund	9	–*	9
High-Income Bond Fund	7	–*	7
Mortgage Fund	1	–*	1
Ultra-Short Bond Fund	1	–*	1
U.S. Government/AAA-Rated Securities Fund	13	–*	13
Managed Risk Growth Fund	1	–*	1
Managed Risk International Fund	–*	–*	–*
Managed Risk Blue Chip Income and Growth Fund	1	–*	1
Managed Risk Growth-Income Fund	1	–*	1
Managed Risk Asset Allocation Fund	11	–*	11

*Amount less than one thousand.

Affiliated officers and trustees – Officers and certain trustees of the series are or may be considered to be affiliated with CRMC, AFD and AFS. No affiliated officers or trustees received any compensation directly from any fund in the series.

Security transactions with related funds – The funds may purchase from, or sell securities to, other CRMC-managed funds (or funds managed by certain affiliates of CRMC) under procedures adopted by the fund's board of trustees. The funds involved in such transactions are considered related by virtue of having a common investment adviser (or affiliated investment advisers), common trustees and/or common officers. When such transactions occur, each transaction is executed at the current market price of the security and no brokerage commissions or fees are paid in accordance with Rule 17a-7 of the 1940 Act. During the six months ended June 30, 2016, such purchase and sale transactions occurred between Global Growth Fund and related funds in the amounts of $652,454,000 and $819,688,000, respectively.

8. Committed line of credit

Global Small Capitalization Fund and High-Income Bond Fund participate with other funds managed by CRMC in a $500 million credit facility (the "line of credit") to be utilized for temporary purposes to fund shareholder redemptions. Each fund has agreed to pay commitment fees on its pro-rata portion of the line of credit, which are reflected in other expenses in each fund's statement of operations. During the period, neither fund borrowed on this line of credit.

9. Capital share transactions

Capital share transactions in the funds were as follows (dollars and shares in thousands):

Global Growth Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$108,950	4,449	$137,056	5,951	$(117,777)	(4,763)	$128,229	5,637
Class 2	54,049	2,228	313,848	13,753	(198,489)	(8,096)	169,408	7,885
Class 4	17,945	740	7,657	336	(17,169)	(708)	8,433	368
Total net increase (decrease)	$180,944	7,417	$458,561	20,040	$(333,435)	(13,567)	$306,070	13,890
Year ended December 31, 2015								
Class 1	$242,608	8,797	$171,652	6,332	$(284,375)	(10,186)	$129,885	4,943
Class 2	63,278	2,321	423,933	15,756	(513,101)	(18,595)	(25,890)	(518)
Class 4	80,540	2,928	5,447	203	(10,490)	(389)	75,497	2,742
Total net increase (decrease)	$386,426	14,046	$601,032	22,291	$(807,966)	(29,170)	$179,492	7,167

Global Small Capitalization Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 87,982	4,003	$278,663	14,598	$(227,864)	(9,895)	$138,781	8,706
Class 2	35,976	1,678	440,277	23,696	(116,372)	(5,219)	359,881	20,155
Class 4	8,676	397	6,815	364	(4,501)	(211)	10,990	550
Total net increase (decrease)	$132,634	6,078	$725,755	38,658	$(348,737)	(15,325)	$509,652	29,411
Year ended December 31, 2015								
Class 1	$513,999	19,169	$121,908	4,341	$(211,242)	(7,700)	$424,665	15,810
Class 2	80,928	3,206	208,071	7,558	(354,071)	(13,220)	(65,072)	(2,456)
Class 4	29,896	1,122	1,572	57	(6,551)	(252)	24,917	927
Total net increase (decrease)	$624,823	23,497	$331,551	11,956	$(571,864)	(21,172)	$384,510	14,281

Growth Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 254,509	3,981	$ 616,334	9,912	$ (373,808)	(5,719)	$ 497,035	8,174
Class 2	97,736	1,528	1,269,974	20,550	(835,655)	(12,899)	532,055	9,179
Class 3	1,102	18	16,688	267	(12,803)	(199)	4,987	86
Class 4	36,211	570	37,379	609	(24,379)	(383)	49,211	796
Total net increase (decrease)	$ 389,558	6,097	$1,940,375	31,338	$(1,246,645)	(19,200)	$1,083,288	18,235
Year ended December 31, 2015								
Class 1	$ 545,748	7,598	$1,516,077	22,116	$(1,366,376)	(18,624)	$ 695,449	11,090
Class 2	178,141	2,443	3,203,022	46,982	(2,197,881)	(29,528)	1,183,282	19,897
Class 3	783	11	43,350	629	(28,825)	(389)	15,308	251
Class 4	382,752	5,567	12,085	178	(12,814)	(184)	382,023	5,561
Total net increase (decrease)	$1,107,424	15,619	$4,774,534	69,905	$(3,605,896)	(48,725)	$2,276,062	36,799

International Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$199,830	11,732	$302,258	19,034	$(158,313)	(9,159)	$343,775	21,607
Class 2	119,738	7,078	339,443	21,470	(199,625)	(11,558)	259,556	16,990
Class 3	3	–[†]	2,485	156	(3,014)	(176)	(526)	(20)
Class 4	13,143	778	4,722	301	(3,984)	(236)	13,881	843
Total net increase (decrease)	$332,714	19,588	$648,908	40,961	$(364,936)	(21,129)	$616,686	39,420
Year ended December 31, 2015								
Class 1	$613,096	30,399	$260,327	13,102	$(308,218)	(15,161)	$565,205	28,340
Class 2	243,300	12,263	309,824	15,584	(460,836)	(22,675)	92,288	5,172
Class 3	591	29	2,600	130	(5,955)	(292)	(2,764)	(133)
Class 4	37,705	1,848	2,691	136	(6,576)	(332)	33,820	1,652
Total net increase (decrease)	$894,692	44,539	$575,442	28,952	$(781,585)	(38,460)	$688,549	35,031

New World Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$152,463	8,122	$ 1,608	86	$(115,199)	(6,216)	$ 38,872	1,992
Class 2	19,890	1,097	491	27	(65,609)	(3,593)	(45,228)	(2,469)
Class 4	38,035	2,083	65	3	(5,680)	(315)	32,420	1,771
Total net increase (decrease)	$210,388	11,302	$ 2,164	116	$(186,488)	(10,124)	$ 26,064	1,294
Year ended December 31, 2015								
Class 1	$250,385	12,453	$ 97,239	4,794	$ (74,017)	(3,664)	$273,607	13,583
Class 2	52,944	2,691	64,376	3,193	(146,327)	(7,294)	(29,007)	(1,410)
Class 4	120,968	6,065	7,051	351	(7,843)	(403)	120,176	6,013
Total net increase (decrease)	$424,297	21,209	$168,666	8,338	$(228,187)	(11,361)	$364,776	18,186

Blue Chip Income and Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class 1	$338,238	25,928	$338,947	27,224	$(130,120)	(10,125)	$547,065	43,027
Class 2	19,292	1,498	275,658	22,375	(220,625)	(17,292)	74,325	6,581
Class 4	44,683	3,463	5,751	467	(7,663)	(599)	42,771	3,331
Total net increase (decrease)	$402,213	30,889	$620,356	50,066	$(358,408)	(28,016)	$664,161	52,939
Year ended December 31, 2015								
Class 1	$452,522	32,801	$437,325	32,701	$(252,335)	(18,381)	$637,512	47,121
Class 2	32,390	2,382	416,386	31,379	(427,875)	(31,163)	20,901	2,598
Class 4	28,833	2,128	2,302	174	(5,348)	(390)	25,787	1,912
Total net increase (decrease)	$513,745	37,311	$856,013	64,254	$(685,558)	(49,934)	$684,200	51,631

See end of tables for footnotes.

Global Growth and Income Fund

	Sales*		Reinvestments of dividends		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$145,461	12,035	$ 1,285	105	$ (20,097)	(1,645)	$ 126,649	10,495
Class 2	13,812	1,143	3,873	316	(92,043)	(7,601)	(74,358)	(6,142)
Class 4	6,313	522	27	2	(1,399)	(116)	4,941	408
Total net increase (decrease)	$165,586	13,700	$ 5,185	423	$(113,539)	(9,362)	$ 57,232	4,761
Year ended December 31, 2015								
Class 1	$123,370	9,539	$ 5,769	464	$ (24,549)	(1,895)	$ 104,590	8,108
Class 2	31,965	2,464	30,016	2,406	(222,457)	(17,093)	(160,476)	(12,223)
Class 4	7,444	579	79	6	(4,032)	(318)	3,491	267
Total net increase (decrease)	$162,779	12,582	$35,864	2,876	$(251,038)	(19,306)	$ (52,395)	(3,848)

Growth-Income Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 581,154	13,271	$1,261,227	30,590	$ (378,230)	(8,506)	$1,464,151	35,355
Class 2	65,168	1,492	1,431,211	35,053	(722,682)	(16,413)	773,697	20,132
Class 3	918	21	17,520	425	(11,546)	(262)	6,892	184
Class 4	32,935	762	49,181	1,212	(18,045)	(414)	64,071	1,560
Total net increase (decrease)	$ 680,175	15,546	$2,759,139	67,280	$(1,130,503)	(25,595)	$2,308,811	57,231
Year ended December 31, 2015								
Class 1	$1,314,853	26,814	$1,729,526	36,549	$(1,566,420)	(31,547)	$1,477,959	31,816
Class 2	145,682	2,979	2,183,497	46,507	(1,808,597)	(36,727)	520,582	12,759
Class 3	517	9	27,807	587	(26,339)	(533)	1,985	63
Class 4	400,638	8,616	12,432	270	(15,657)	(325)	397,413	8,561
Total net increase (decrease)	$1,861,690	38,418	$3,953,262	83,913	$(3,417,013)	(69,132)	$2,397,939	53,199

International Growth and Income Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 93,560	6,382	$ 5,566	387	$ (1,727)	(119)	$97,399	6,650
Class 2	7,324	513	1,620	113	(12,156)	(837)	(3,212)	(211)
Class 4	4,095	283	212	14	(2,248)	(155)	2,059	142
Total net increase (decrease)	$104,979	7,178	$ 7,398	514	$(16,131)	(1,111)	$96,246	6,581
Year ended December 31, 2015								
Class 1	$ 15,184	932	$33,215	2,124	$ (9,326)	(556)	$39,073	2,500
Class 2	42,188	2,495	11,279	722	(19,855)	(1,216)	33,612	2,001
Class 4	17,667	1,083	1,248	81	(3,033)	(190)	15,882	974
Total net increase (decrease)	$ 75,039	4,510	$45,742	2,927	$(32,214)	(1,962)	$88,567	5,475

Capital Income Builder

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends Amount	Reinvestments of dividends Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class 1	$ 45,611	4,816	$1,652	173	$ (7,275)	(786)	$ 39,988	4,203
Class 2	2	–†	–†	–†	–†	–†	2	–†
Class 4	58,358	6,148	2,592	272	(5,311)	(564)	55,639	5,856
Total net increase (decrease)	$103,971	10,964	$4,244	445	$(12,586)	(1,350)	$ 95,629	10,059
Year ended December 31, 2015								
Class 1	$ 61,778	6,412	$1,286	136	$ (1,229)	(132)	$ 61,835	6,416
Class 2	–	–	–†	–†	–	–	–†	–†
Class 4	111,713	11,396	3,002	315	(5,308)	(549)	109,407	11,162
Total net increase (decrease)	$173,491	17,808	$4,288	451	$ (6,537)	(681)	$171,242	17,578

Asset Allocation Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 646,741	31,583	$ 318,780	15,334	$ (200,241)	(9,770)	$ 765,280	37,147
Class 2	66,976	3,286	134,692	6,539	(265,129)	(13,069)	(63,461)	(3,244)
Class 3	570	27	965	46	(2,051)	(100)	(516)	(27)
Class 4	114,246	5,626	68,082	3,316	(54,172)	(2,716)	128,156	6,226
Total net increase (decrease)	$ 828,533	40,522	$ 522,519	25,235	$ (521,593)	(25,655)	$ 829,459	40,102
Year ended December 31, 2015								
Class 1	$1,535,220	71,399	$1,095,859	52,092	$(2,848,179)	(133,856)	$ (217,100)	(10,365)
Class 2	124,804	5,833	461,066	22,110	(682,572)	(32,022)	(96,702)	(4,079)
Class 3	856	40	3,331	159	(4,803)	(223)	(616)	(24)
Class 4	2,429,290	115,496	40,855	1,991	(12,761)	(607)	2,457,384	116,880
Total net increase (decrease)	$4,090,170	192,768	$1,601,111	76,352	$(3,548,315)	(166,708)	$2,142,966	102,412

Global Balanced Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$11,434	1,066	$ –	–	$ (960)	(88)	$10,474	978
Class 2	9,821	904	–	–	(8,905)	(836)	916	68
Class 4	4,168	390	–	–	(211)	(20)	3,957	370
Total net increase (decrease)	$25,423	2,360	$ –	–	$(10,076)	(944)	$15,347	1,416
Year ended December 31, 2015								
Class 1	$16,784	1,513	$1,201	111	$ (5,668)	(512)	$12,317	1,112
Class 2	15,210	1,360	4,161	386	(21,309)	(1,924)	(1,938)	(178)
Class 4	659	60	9	1	(1)	–†	667	61
Total net increase (decrease)	$32,653	2,933	$5,371	498	$(26,978)	(2,436)	$11,046	995

See end of tables for footnotes.

Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 594,756	53,787	$ 57,082	5,143	$(257,822)	(23,636)	$ 394,016	35,294
Class 2	67,010	6,159	36,207	3,303	(275,636)	(25,511)	(172,419)	(16,049)
Class 4	30,809	2,828	719	65	(6,669)	(610)	24,859	2,283
Total net increase (decrease)	$ 692,575	62,774	$ 94,008	8,511	$(540,127)	(49,757)	$ 246,456	21,528
Year ended December 31, 2015								
Class 1	$1,036,298	93,861	$213,571	19,839	$(300,859)	(27,378)	$ 949,010	86,322
Class 2	110,070	10,143	157,887	14,830	(551,976)	(50,779)	(284,019)	(25,806)
Class 4	43,727	4,005	1,711	160	(13,279)	(1,216)	32,159	2,949
Total net increase (decrease)	$1,190,095	108,009	$373,169	34,829	$(866,114)	(79,373)	$ 697,150	63,465

Global Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$100,631	8,721	$ 2,035	174	$ (54,749)	(4,821)	$ 47,917	4,074
Class 2	12,812	1,114	2,153	185	(110,232)	(9,776)	(95,267)	(8,477)
Class 4	6,566	576	19	2	(1,771)	(156)	4,814	422
Total net increase (decrease)	$120,009	10,411	$ 4,207	361	$(166,752)	(14,753)	$ (42,536)	(3,981)
Year ended December 31, 2015								
Class 1	$165,830	14,553	$33,954	3,037	$(282,448)	(25,245)	$ (82,664)	(7,655)
Class 2	33,635	2,962	36,798	3,309	(158,924)	(14,073)	(88,491)	(7,802)
Class 4	3,452	304	128	12	(1,543)	(134)	2,037	182
Total net increase (decrease)	$202,917	17,819	$70,880	6,358	$(442,915)	(39,452)	$(169,118)	(15,275)

High-Income Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends Amount	Reinvestments of dividends Shares	Repurchases* Amount	Repurchases* Shares	Net (decrease) increase Amount	Net (decrease) increase Shares
Six months ended June 30, 2016								
Class 1	$ 25,744	2,746	$ 11,106	1,136	$(177,538)	(18,998)	$(140,688)	(15,116)
Class 2	12,012	1,324	9,108	945	(59,374)	(6,367)	(38,254)	(4,098)
Class 3	1,712	187	146	15	(2,335)	(248)	(477)	(46)
Class 4	16,896	1,662	128	12	(7,420)	(717)	9,604	957
Total net increase (decrease)	$ 56,364	5,919	$ 20,488	2,108	$(246,667)	(26,330)	$(169,815)	(18,303)
Year ended December 31, 2015								
Class 1	$223,032	21,529	$ 65,080	6,936	$(148,108)	(14,222)	$ 140,004	14,243
Class 2	32,524	3,169	48,382	5,222	(137,078)	(13,259)	(56,172)	(4,868)
Class 3	2,044	194	742	79	(5,538)	(528)	(2,752)	(255)
Class 4	16,932	1,527	83	8	(16,023)	(1,447)	992	88
Total net increase (decrease)	$274,532	26,419	$114,287	12,245	$(306,747)	(29,456)	$ 82,072	9,208

Mortgage Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$19,668	1,818	$3,473	324	$(22,478)	(2,088)	$ 663	54
Class 2	13,683	1,276	775	73	(10,632)	(989)	3,826	360
Class 4	11,758	1,102	120	11	(12,185)	(1,143)	(307)	(30)
Total net increase (decrease)	$45,109	4,196	$4,368	408	$(45,295)	(4,220)	$ 4,182	384
Year ended December 31, 2015								
Class 1	$41,987	3,898	$7,999	754	$(67,729)	(6,313)	$(17,743)	(1,661)
Class 2	10,830	1,011	1,499	142	(5,502)	(512)	6,827	641
Class 4	15,842	1,482	168	16	(4,875)	(457)	11,135	1,041
Total net increase (decrease)	$68,659	6,391	$9,666	912	$(78,106)	(7,282)	$ 219	21

Ultra-Short Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net (decrease) increase Amount	Net (decrease) increase Shares
Six months ended June 30, 2016								
Class 1	$ 7,395	657	$–	–	$ (8,547)	(759)	$ (1,152)	(102)
Class 2	71,334	6,485	–	–	(65,236)	(5,931)	6,098	554
Class 3	1,996	180	–	–	(3,102)	(279)	(1,106)	(99)
Class 4	8,089	725	–	–	(12,780)	(1,146)	(4,691)	(421)
Total net increase (decrease)	$ 88,814	8,047	$–	–	$ (89,665)	(8,115)	$ (851)	(68)
Year ended December 31, 2015								
Class 1	$ 19,088	1,694	$–	–	$ (28,360)	(2,517)	$ (9,272)	(823)
Class 2	133,190	12,075	–	–	(161,001)	(14,591)	(27,811)	(2,516)
Class 3	4,437	398	–	–	(5,921)	(532)	(1,484)	(134)
Class 4	30,215	2,699	–	–	(21,575)	(1,926)	8,640	773
Total net increase (decrease)	$186,930	16,866	$–	–	$(216,857)	(19,566)	$(29,927)	(2,700)

U.S. Government/AAA-Rated Securities Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 49,064	3,903	$32,384	2,606	$ (70,689)	(5,660)	$ 10,759	849
Class 2	38,187	3,061	34,662	2,818	(96,947)	(7,813)	(24,098)	(1,934)
Class 3	979	78	242	19	(1,400)	(111)	(179)	(14)
Class 4	46,742	3,765	1,462	119	(27,975)	(2,242)	20,229	1,642
Total net increase (decrease)	$134,972	10,807	$68,750	5,562	$(197,011)	(15,826)	$ 6,711	543
Year ended December 31, 2015								
Class 1	$ 70,484	5,630	$37,336	3,026	$(397,508)	(31,768)	$(289,688)	(23,112)
Class 2	24,610	1,988	37,280	3,053	(190,136)	(15,348)	(128,246)	(10,307)
Class 3	1,477	118	266	21	(3,640)	(290)	(1,897)	(151)
Class 4	50,075	4,027	847	69	(25,031)	(2,017)	25,891	2,079
Total net increase (decrease)	$146,646	11,763	$75,729	6,169	$(616,315)	(49,423)	$(393,940)	(31,491)

See end of tables for footnotes.

Managed Risk Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 279	26	$ 60	6	$ (82)	(8)	$ 257	24
Class P2	32,390	3,000	15,283	1,507	(5,517)	(508)	42,156	3,999
Total net increase (decrease)	$32,669	3,026	$15,343	1,513	$(5,599)	(516)	$42,413	4,023
Year ended December 31, 2015								
Class P1	$ 308	27	$ –	–	$ (70)	(6)	$ 238	21
Class P2	74,489	6,445	–	–	(7,945)	(689)	66,544	5,756
Total net increase (decrease)	$74,797	6,472	$ –	–	$(8,015)	(695)	$66,782	5,777

Managed Risk International Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 38	4	$ 6	–†	$ (41)	(4)	$ 3	–†
Class P2	14,456	1,594	3,022	346	(4,683)	(513)	12,795	1,427
Total net increase (decrease)	$14,494	1,598	$3,028	346	$(4,724)	(517)	$12,798	1,427
Year ended December 31, 2015								
Class P1	$ 44	5	$ –†	–†	$ –†	–†	$ 44	5
Class P2	46,083	4,510	14	2	(2,628)	(265)	43,469	4,247
Total net increase (decrease)	$46,127	4,515	$ 14	2	$(2,628)	(265)	$43,513	4,252

Managed Risk Blue Chip Income and Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class P1	$ 60	6	$ 12	1	$ (3)	–†	$ 69	7
Class P2	47,786	4,303	8,149	750	(6,208)	(560)	49,727	4,493
Total net increase (decrease)	$47,846	4,309	$8,161	751	$ (6,211)	(560)	$49,796	4,500
Year ended December 31, 2015								
Class P1	$ 2	–†	$ 1	–†	$ (22)	(1)	$ (19)	(1)
Class P2	70,110	6,160	529	48	(20,979)	(1,845)	49,660	4,363
Total net increase (decrease)	$70,112	6,160	$ 530	48	$(21,001)	(1,846)	$49,641	4,362

Managed Risk Growth-Income Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 431	39	$ 75	7	$ (142)	(13)	$ 364	33
Class P2	20,438	1,865	9,721	930	(7,271)	(664)	22,888	2,131
Total net increase (decrease)	$20,869	1,904	$9,796	937	$(7,413)	(677)	$23,252	2,164
Year ended December 31, 2015								
Class P1	$ 623	53	$ 3	–†	$ (17)	(1)	$ 609	52
Class P2	57,640	4,977	64	6	(7,010)	(604)	50,694	4,379
Total net increase (decrease)	$58,263	5,030	$ 67	6	$(7,027)	(605)	$51,303	4,431

Managed Risk Asset Allocation Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$242,574	20,918	$ 40,468	3,519	$ (13,834)	(1,206)	$269,208	23,231
Class P2	150,281	12,978	87,398	7,607	(65,547)	(5,634)	172,132	14,951
Total net increase (decrease)	$392,855	33,896	$127,866	11,126	$ (79,381)	(6,840)	$441,340	38,182
Year ended December 31, 2015								
Class P1	$452,013	37,546	$ 18,473	1,532	$ (10,594)	(913)	$459,892	38,165
Class P2	355,940	29,485	68,001	5,622	(161,379)	(13,400)	262,562	21,707
Total net increase (decrease)	$807,953	67,031	$ 86,474	7,154	$(171,973)	(14,313)	$722,454	59,872

*Includes exchanges between share classes of the fund.
†Amount less than one thousand.

10. Investment transactions and other disclosures

The following tables present additional information for each of the funds for the six months ended June 30, 2016 (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
Purchases of investment securities*	$650,450	$550,989	$3,241,873	$1,236,387	$402,385	$805,631
Sales of investment securities*	819,688	714,085	4,297,569	1,052,064	308,670	824,179
Non-U.S. taxes paid on dividend income	5,076	1,592	5,059	7,307	2,097	896
Non-U.S. taxes paid on interest income	–	–	–	–	81	–
Non-U.S. taxes paid on realized gains	–	–	–	–	139	–
Non-U.S. taxes provided on unrealized gains	–	2,892	–	5,095	1,952	–
Dividends from affiliated issuers	–	–	1,709	–	–	–
Net realized (loss) gain from affiliated issuers	–	(10,556)	20,124	–	–	–

See end of tables for footnote.

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
Purchases of investment securities*	$606,501	$3,182,522	$246,854	$142,321	$8,746,136	$68,014
Sales of investment securities*	553,973	3,327,293	129,092	54,633	8,753,088	64,511
Non-U.S. taxes paid on dividend income	1,870	4,255	2,019	259	4,438	135
Non-U.S. taxes paid on interest income	–	–	48	–	–	7
Non-U.S. taxes paid on realized gains	8	–	2	–	–	1
Non-U.S. taxes provided on unrealized gains	32	122	25	–	108	3
Dividends from affiliated issuers	–	–	–	–	–	–
Net realized (loss) gain from affiliated issuers	–	–	–	–	–	–

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund	U.S. Government/ AAA-Rated Securities Fund
Purchases of investment securities*	$17,813,968	$1,744,500	$852,950	$1,652,548	$–	$5,463,071
Sales of investment securities*	17,288,914	1,704,205	897,232	1,634,050	–	5,724,865
Non-U.S. taxes paid on dividend income	–	–	–	–	–	–
Non-U.S. taxes paid on interest income	30	64	6	–	–	–
Non-U.S. taxes paid on realized gains	69	57	–	–	–	–
Non-U.S. taxes provided on unrealized gains	10	188	6	–	–	–
Dividends from affiliated issuers	–	–	–	–	–	–
Net realized (loss) gain from affiliated issuers	–	–	–	–	–	–

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
Purchases of investment securities*	$48,041	$29,370	$62,201	$35,901	$382,443
Sales of investment securities*	13,046	12,387	10,770	11,369	13,027
Non-U.S. taxes paid on dividend income	–	–	–	–	–
Non-U.S. taxes paid on interest income	–	–	–	–	–
Non-U.S. taxes paid on realized gains	–	–	–	–	–
Non-U.S. taxes provided on unrealized gains	–	–	–	–	–
Dividends from affiliated issuers	351	150	682	395	8,997
Net realized (loss) gain from affiliated issuers	(2,658)	(3,209)	(721)	(1,685)	393

*Excludes short-term securities and U.S. government obligations, if any.

11. Ownership concentration

At June 30, 2016, CRMC held aggregate ownership of 14% of the outstanding shares of Global Balanced Fund. The ownership represents the seed money invested in the fund when the fund began operations. In addition, American Funds Insurance Series - Portfolio Series - Managed Risk Global Allocation Portfolio and American Funds Insurance Series - Portfolio Series - Managed Risk Growth and Income Portfolio held 11% and 28% of the outstanding shares of Global Balanced Fund and Capital Income Builder, respectively.

Financial highlights

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
Global Growth Fund												
Class 1:												
6/30/16[2,3]	$26.39	$ .18	$ (1.08)	$ (.90)	$ (.08)	$ (2.16)	$ (2.24)	$23.25	(3.31)%[4]	$ 1,564	.56%[5]	1.44%[5]
12/31/15	27.48	.25	1.80	2.05	(.35)	(2.79)	(3.14)	26.39	7.24	1,626	.55	.90
12/31/14	30.11	.31[6]	.40	.71	(.40)	(2.94)	(3.34)	27.48	2.52	1,558	.55	1.08[6]
12/31/13	23.58	.31	6.62	6.93	(.40)	–	(.40)	30.11	29.51	1,508	.55	1.17
12/31/12	19.40	.30	4.14	4.44	(.26)	–	(.26)	23.58	22.89	1,466	.56	1.38
12/31/11	21.61	.29	(2.16)	(1.87)	(.34)	–	(.34)	19.40	(8.66)	1,277	.55	1.37
Class 2:												
6/30/16[2,3]	26.19	.14	(1.06)	(.92)	(.07)	(2.16)	(2.23)	23.04	(3.42)[4]	3,539	.81[5]	1.18[5]
12/31/15	27.30	.18	1.78	1.96	(.28)	(2.79)	(3.07)	26.19	6.94	3,817	.80	.66
12/31/14	29.92	.24[6]	.41	.65	(.33)	(2.94)	(3.27)	27.30	2.31	3,992	.80	.85[6]
12/31/13	23.44	.24	6.58	6.82	(.34)	–	(.34)	29.92	29.18	4,379	.80	.91
12/31/12	19.29	.24	4.11	4.35	(.20)	–	(.20)	23.44	22.56	3,723	.81	1.13
12/31/11	21.48	.24	(2.15)	(1.91)	(.28)	–	(.28)	19.29	(8.89)	3,535	.80	1.13
Class 4:												
6/30/16[2,3]	26.16	.11	(1.06)	(.95)	(.06)	(2.16)	(2.22)	22.99	(3.54)[4]	88	1.06[5]	.95[5]
12/31/15	27.34	.09	1.81	1.90	(.29)	(2.79)	(3.08)	26.16	6.69	91	1.05	.34
12/31/14	30.07	.07[6]	.50	.57	(.36)	(2.94)	(3.30)	27.34	2.01	19	1.05	.26[6]
12/31/13	23.58	.13	6.77	6.90	(.41)	–	(.41)	30.07	29.36	1	1.06	.43
12/31/12[3,7]	23.53	.01	.29	.30	(.25)	–	(.25)	23.58	1.27[4,8]	–[9]	.02[4,8]	.04[4,8]
Global Small Capitalization Fund												
Class 1:												
6/30/16[2,3]	$24.41	$ .11	$ (1.06)	$ (.95)	$ (.01)	$ (4.35)	$ (4.36)	$19.10	(3.85)%[4]	$ 1,501	.74%[5]	.94%[5]
12/31/15	26.09	.04	.36	.40	–	(2.08)	(2.08)	24.41	.50	1,706	.73	.15
12/31/14	25.69	.09	.52	.61	(.09)	(.12)	(.21)	26.09	2.36	1,411	.74	.34
12/31/13	20.16	.04	5.70	5.74	(.21)	–	(.21)	25.69	28.60	1,241	.74	.17
12/31/12	17.28	.09	3.09	3.18	(.30)	–	(.30)	20.16	18.51	1,019	.75	.46
12/31/11	21.67	.07	(4.14)	(4.07)	(.32)	–	(.32)	17.28	(18.94)	795	.74	.36
Class 2:												
6/30/16[2,3]	23.90	.08	(1.04)	(.96)	–	(4.35)	(4.35)	18.59	(3.99)[4]	2,314	.99[5]	.69[5]
12/31/15	25.64	(.03)	.37	.34	–	(2.08)	(2.08)	23.90	.27	2,492	.98	(.10)
12/31/14	25.25	.03	.51	.54	(.03)	(.12)	(.15)	25.64	2.12	2,738	.99	.10
12/31/13	19.86	(.01)	5.60	5.59	(.20)	–	(.20)	25.25	28.28	2,955	.99	(.05)
12/31/12	17.04	.04	3.03	3.07	(.25)	–	(.25)	19.86	18.18	2,603	1.00	.20
12/31/11	21.35	.02	(4.06)	(4.04)	(.27)	–	(.27)	17.04	(19.14)	2,450	.99	.10
Class 4:												
6/30/16[2,3]	24.11	.05	(1.04)	(.99)	–	(4.35)	(4.35)	18.77	(4.08)[4]	36	1.24[5]	.44[5]
12/31/15	25.92	(.10)	.37	.27	–	(2.08)	(2.08)	24.11	(.02)	34	1.23	(.37)
12/31/14	25.57	(.05)	.54	.49	(.02)	(.12)	(.14)	25.92	1.88	12	1.24	(.17)
12/31/13	20.16	(.12)	5.74	5.62	(.21)	–	(.21)	25.57	28.01	4	1.24	(.50)
12/31/12[3,7]	19.68	.01	.54	.55	(.07)	–	(.07)	20.16	2.80[4,8]	–[9]	.04[4,8]	.04[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Growth Fund												
Class 1:												
6/30/16[2,3]	$68.02	$ .38	$ .33	$ .71	$ (.16)	$ (6.13)	$ (6.29)	$62.44	1.08%[4]	$ 6,748	.35%[5]	1.18%[5]
12/31/15	80.15	.64	5.08	5.72	(.61)	(17.24)	(17.85)	68.02	7.12	6,796	.35	.87
12/31/14	78.54	.88[6]	5.79	6.67	(1.16)	(3.90)	(5.06)	80.15	8.78	7,118	.35	1.12[6]
12/31/13	60.90	.64	17.84	18.48	(.84)	–	(.84)	78.54	30.43	7,003	.35	.93
12/31/12	52.07	.63	8.83	9.46	(.63)	–	(.63)	60.90	18.19	7,116	.35	1.10
12/31/11	54.78	.45	(2.68)	(2.23)	(.48)	–	(.48)	52.07	(4.06)	7,426	.34	.81
Class 2:												
6/30/16[2,3]	67.69	.30	.32	.62	(.13)	(6.13)	(6.26)	62.05	.95[4]	13,781	.60[5]	.93[5]
12/31/15	79.84	.46	5.06	5.52	(.43)	(17.24)	(17.67)	67.69	6.86	14,414	.60	.62
12/31/14	77.94	.68[6]	5.75	6.43	(.63)	(3.90)	(4.53)	79.84	8.51	15,413	.60	.87[6]
12/31/13	60.45	.47	17.68	18.15	(.66)	–	(.66)	77.94	30.11	16,334	.60	.68
12/31/12	51.68	.47	8.77	9.24	(.47)	–	(.47)	60.45	17.89	14,911	.60	.83
12/31/11	54.35	.30	(2.63)	(2.33)	(.34)	–	(.34)	51.68	(4.27)	16,701	.59	.55
Class 3:												
6/30/16[2,3]	68.37	.32	.32	.64	(.13)	(6.13)	(6.26)	62.75	.98[4]	183	.53[5]	.99[5]
12/31/15	80.47	.51	5.11	5.62	(.48)	(17.24)	(17.72)	68.37	6.92	194	.53	.69
12/31/14	78.62	.74[6]	5.79	6.53	(.78)	(3.90)	(4.68)	80.47	8.58	208	.53	.94[6]
12/31/13	60.97	.52	17.84	18.36	(.71)	–	(.71)	78.62	30.20	216	.53	.75
12/31/12	52.13	.53	8.83	9.36	(.52)	–	(.52)	60.97	17.97	189	.53	.92
12/31/11	54.82	.34	(2.66)	(2.32)	(.37)	–	(.37)	52.13	(4.21)	189	.52	.62
Class 4:												
6/30/16[2,3]	67.26	.22	.31	.53	(.10)	(6.13)	(6.23)	61.56	.83[4]	410	.85[5]	.69[5]
12/31/15	79.74	.29	5.02	5.31	(.55)	(17.24)	(17.79)	67.26	6.59	394	.85	.42
12/31/14	78.32	.37[6]	5.87	6.24	(.92)	(3.90)	(4.82)	79.74	8.25	24	.85	.47[6]
12/31/13	60.90	.29	17.90	18.19	(.77)	–	(.77)	78.32	29.96	5	.85	.40
12/31/12[3,7]	60.55	.03	.78	.81	(.46)	–	(.46)	60.90	1.33[4,8]	–[9]	.02[4,8]	.05[4,8]
International Fund												
Class 1:												
6/30/16[2,3]	$18.08	$ .21	$ (.44)	$ (.23)	$ (.03)	$ (1.55)	$ (1.58)	$16.27	(1.08)%[4]	$ 3,436	.54%[5]	2.40%[5]
12/31/15	20.35	.29	(1.03)	(.74)	(.35)	(1.18)	(1.53)	18.08	(4.25)	3,427	.54	1.41
12/31/14	21.22	.30	(.81)	(.51)	(.36)	–	(.36)	20.35	(2.41)	3,282	.54	1.43
12/31/13	17.68	.27	3.59	3.86	(.32)	–	(.32)	21.22	21.91	3,324	.54	1.41
12/31/12	15.21	.30	2.47	2.77	(.30)	–	(.30)	17.68	18.21	3,618	.54	1.81
12/31/11	18.05	.35	(2.84)	(2.49)	(.35)	–	(.35)	15.21	(13.76)	3,314	.53	2.03
Class 2:												
6/30/16[2,3]	18.02	.18	(.43)	(.25)	(.02)	(1.55)	(1.57)	16.20	(1.18)[4]	3,850	.79[5]	2.14[5]
12/31/15	20.29	.24	(1.03)	(.79)	(.30)	(1.18)	(1.48)	18.02	(4.53)	3,978	.79	1.17
12/31/14	21.15	.25	(.81)	(.56)	(.30)	–	(.30)	20.29	(2.65)	4,374	.79	1.19
12/31/13	17.62	.22	3.58	3.80	(.27)	–	(.27)	21.15	21.64	5,916	.79	1.15
12/31/12	15.16	.26	2.45	2.71	(.25)	–	(.25)	17.62	17.91	5,465	.79	1.57
12/31/11	17.98	.31	(2.82)	(2.51)	(.31)	–	(.31)	15.16	(13.96)	5,210	.78	1.81
Class 3:												
6/30/16[2,3]	18.11	.19	(.43)	(.24)	(.03)	(1.55)	(1.58)	16.29	(1.17)[4]	28	.72[5]	2.19[5]
12/31/15	20.38	.25	(1.03)	(.78)	(.31)	(1.18)	(1.49)	18.11	(4.44)	32	.72	1.24
12/31/14	21.24	.27	(.82)	(.55)	(.31)	–	(.31)	20.38	(2.56)	38	.72	1.28
12/31/13	17.70	.23	3.59	3.82	(.28)	–	(.28)	21.24	21.67	46	.72	1.22
12/31/12	15.23	.27	2.47	2.74	(.27)	–	(.27)	17.70	17.97	44	.72	1.65
12/31/11	18.05	.33	(2.83)	(2.50)	(.32)	–	(.32)	15.23	(13.85)	43	.71	1.90
Class 4:												
6/30/16[2,3]	17.93	.16	(.43)	(.27)	(.02)	(1.55)	(1.57)	16.09	(1.33)[4]	55	1.04[5]	1.94[5]
12/31/15	20.23	.17	(1.00)	(.83)	(.29)	(1.18)	(1.47)	17.93	(4.75)	46	1.04	.88
12/31/14	21.16	.07	(.68)	(.61)	(.32)	–	(.32)	20.23	(2.88)	18	1.04	.31
12/31/13	17.68	(.01)	3.79	3.78	(.30)	–	(.30)	21.16	21.48	2	1.04	(.07)
12/31/12[3,7]	17.79	.01	.16	.17	(.28)	–	(.28)	17.68	.98[4,8]	–[9]	.02[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
New World Fund												
Class 1:												
6/30/16[2,3]	$18.87	$ .14	$ .31	$ .45	$ (.02)	$ –	$ (.02)	$19.30	2.38%[4]	$ 1,636	.78%[5]	1.54%[5]
12/31/15	20.72	.19	(.71)	(.52)	(.17)	(1.16)	(1.33)	18.87	(2.96)	1,562	.79	.92
12/31/14	25.08	.29[6]	(1.92)	(1.63)	(.29)	(2.44)	(2.73)	20.72	(7.63)	1,433	.78	1.23[6]
12/31/13	22.93	.34	2.31	2.65	(.39)	(.11)	(.50)	25.08	11.66	1,388	.78	1.45
12/31/12	19.65	.33	3.23	3.56	(.28)	–	(.28)	22.93	18.13	1,140	.79	1.54
12/31/11	23.28	.36	(3.55)	(3.19)	(.44)	–	(.44)	19.65	(13.75)	826	.78	1.62
Class 2:												
6/30/16[2,3]	18.71	.11	.31	.42	(.01)	–	(.01)	19.12	2.25[4]	935	1.03[5]	1.27[5]
12/31/15	20.54	.14	(.69)	(.55)	(.12)	(1.16)	(1.28)	18.71	(3.14)	961	1.04	.68
12/31/14	24.88	.24[6]	(1.91)	(1.67)	(.23)	(2.44)	(2.67)	20.54	(7.87)	1,084	1.03	1.01[6]
12/31/13	22.75	.28	2.29	2.57	(.33)	(.11)	(.44)	24.88	11.38	1,307	1.03	1.22
12/31/12	19.50	.28	3.19	3.47	(.22)	–	(.22)	22.75	17.82	1,378	1.04	1.31
12/31/11	23.09	.30	(3.51)	(3.21)	(.38)	–	(.38)	19.50	(13.95)	1,350	1.03	1.37
Class 4:												
6/30/16[2,3]	18.69	.10	.30	.40	(.01)	–	(.01)	19.08	2.12[4]	208	1.29[5]	1.09[5]
12/31/15	20.56	.08	(.68)	(.60)	(.11)	(1.16)	(1.27)	18.69	(3.37)	171	1.29	.39
12/31/14	24.99	.09[6]	(1.83)	(1.74)	(.25)	(2.44)	(2.69)	20.56	(8.13)	64	1.28	.40[6]
12/31/13	22.93	.14	2.41	2.55	(.38)	(.11)	(.49)	24.99	11.20	8	1.29	.56
12/31/12[3,7]	22.83	.01	.35	.36	(.26)	–	(.26)	22.93	1.58[4,8]	–[9]	.04[4,8]	.04[4,8]
Blue Chip Income and Growth Fund												
Class 1:												
6/30/16[2,3]	$12.62	$ .17	$ 1.06	$ 1.23	$ (.05)	$ (1.08)	$ (1.13)	$12.72	10.01%[4]	$ 4,216	.42%[5]	2.62%[5]
12/31/15	14.69	.31	(.64)	(.33)	(.29)	(1.45)	(1.74)	12.62	(2.72)	3,638	.41	2.23
12/31/14	13.12	.46[6]	1.59	2.05	(.48)	–	(.48)	14.69	15.69	3,542	.42	3.31[6]
12/31/13	10.05	.27	3.06	3.33	(.26)	–	(.26)	13.12	33.26	2,814	.42	2.27
12/31/12	9.00	.24	1.04	1.28	(.23)	–	(.23)	10.05	14.18	1,357	.43	2.41
12/31/11	9.25	.19	(.25)	(.06)	(.19)	–	(.19)	9.00	(.63)	992	.42	2.08
Class 2:												
6/30/16[2,3]	12.51	.15	1.06	1.21	(.05)	(1.08)	(1.13)	12.59	9.89[4]	3,331	.67[5]	2.37[5]
12/31/15	14.57	.27	(.62)	(.35)	(.26)	(1.45)	(1.71)	12.51	(2.93)	3,228	.66	1.97
12/31/14	13.02	.44[6]	1.55	1.99	(.44)	–	(.44)	14.57	15.36	3,722	.67	3.14[6]
12/31/13	9.97	.23	3.05	3.28	(.23)	–	(.23)	13.02	33.00	3,755	.67	2.03
12/31/12	8.93	.21	1.03	1.24	(.20)	–	(.20)	9.97	13.88	3,382	.68	2.17
12/31/11	9.18	.17	(.26)	(.09)	(.16)	–	(.16)	8.93	(.90)	3,340	.67	1.83
Class 4:												
6/30/16[2,3]	12.53	.13	1.07	1.20	(.05)	(1.08)	(1.13)	12.60	9.80[4]	74	.92[5]	2.09[5]
12/31/15	14.63	.24	(.63)	(.39)	(.26)	(1.45)	(1.71)	12.53	(3.21)	32	.91	1.75
12/31/14	13.12	.34[6]	1.63	1.97	(.46)	–	(.46)	14.63	15.13	9	.92	2.33[6]
12/31/13	10.05	.18	3.15	3.33	(.26)	–	(.26)	13.12	33.27	–[9]	.86	1.39
12/31/12[3,7]	10.20	.01	.03	.04	(.19)	–	(.19)	10.05	.38[4,8]	–[9]	.02[4,8]	.10[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Global Growth and Income Fund												
Class 1:												
6/30/16[2,3]	$12.35	$ .24	$ (.01)	$ .23	$ (.04)	$ –	$ (.04)	$12.54	1.87%[4]	$ 430	.63%[5]	3.89%[5]
12/31/15	12.78	.26	(.40)	(.14)	(.29)	–	(.29)	12.35	(1.14)	293	.64	2.04
12/31/14	12.53	.43[6]	.31	.74	(.49)	–	(.49)	12.78	6.00	200	.63	3.34[6]
12/31/13	10.56	.39	2.00	2.39	(.42)	–	(.42)	12.53	22.81	206	.62	3.35
12/31/12	9.20	.25	1.39	1.64	(.28)	–	(.28)	10.56	17.93	180	.62	2.56
12/31/11	9.96	.28	(.75)	(.47)	(.29)	–	(.29)	9.20	(4.68)	161	.61	2.86
Class 2:												
6/30/16[2,3]	12.33	.14	.07	.21	(.03)	–	(.03)	12.51	1.74[4]	1,423	.88[5]	2.28[5]
12/31/15	12.75	.24	(.41)	(.17)	(.25)	–	(.25)	12.33	(1.34)	1,479	.89	1.84
12/31/14	12.51	.41[6]	.29	.70	(.46)	–	(.46)	12.75	5.64	1,685	.88	3.22[6]
12/31/13	10.54	.36	2.00	2.36	(.39)	–	(.39)	12.51	22.54	1,822	.87	3.09
12/31/12	9.19	.23	1.38	1.61	(.26)	–	(.26)	10.54	17.56	1,837	.87	2.31
12/31/11	9.94	.25	(.74)	(.49)	(.26)	–	(.26)	9.19	(4.85)	1,839	.86	2.60
Class 4:												
6/30/16[2,3]	12.26	.14	.06	.20	(.04)	–	(.04)	12.42	1.60[4]	10	1.13[5]	2.30[5]
12/31/15	12.71	.19	(.39)	(.20)	(.25)	–	(.25)	12.26	(1.60)	5	1.14	1.46
12/31/14	12.50	.30[6]	.37	.67	(.46)	–	(.46)	12.71	5.41	1	1.13	2.30[6]
12/31/13	10.55	.28	2.09	2.37	(.42)	–	(.42)	12.50	22.60	1	1.12	2.27
12/31/12[3,7]	10.64	.01	.13	.14	(.23)	–	(.23)	10.55	1.27[4,8]	–[9]	.03[4,8]	.08[4,8]
Growth-Income Fund												
Class 1:												
6/30/16[2,3]	$45.40	$ .41	$ 1.01	$ 1.42	$ (.14)	$ (5.12)	$ (5.26)	$41.56	3.23%[4]	$11,309	.29%[5]	1.85%[5]
12/31/15	52.76	.79	.37	1.16	(.75)	(7.77)	(8.52)	45.40	1.72	10,747	.29	1.59
12/31/14	50.72	.81	4.57	5.38	(.80)	(2.54)	(3.34)	52.76	10.91	10,812	.29	1.56
12/31/13	38.48	.66	12.31	12.97	(.73)	–	(.73)	50.72	33.82	9,857	.29	1.49
12/31/12	33.27	.66	5.25	5.91	(.70)	–	(.70)	38.48	17.79	9,782	.29	1.79
12/31/11	34.47	.61	(1.18)	(.57)	(.63)	–	(.63)	33.27	(1.60)	9,496	.28	1.77
Class 2:												
6/30/16[2,3]	45.04	.35	1.01	1.36	(.12)	(5.12)	(5.24)	41.16	3.12[4]	12,612	.54[5]	1.60[5]
12/31/15	52.41	.66	.37	1.03	(.63)	(7.77)	(8.40)	45.04	1.45	12,895	.54	1.34
12/31/14	50.40	.67	4.55	5.22	(.67)	(2.54)	(3.21)	52.41	10.63	14,337	.54	1.31
12/31/13	38.24	.55	12.23	12.78	(.62)	–	(.62)	50.40	33.50	14,980	.54	1.25
12/31/12	33.07	.56	5.22	5.78	(.61)	–	(.61)	38.24	17.48	13,403	.54	1.53
12/31/11	34.25	.52	(1.16)	(.64)	(.54)	–	(.54)	33.07	(1.83)	13,235	.53	1.52
Class 3:												
6/30/16[2,3]	45.46	.37	1.02	1.39	(.13)	(5.12)	(5.25)	41.60	3.15[4]	155	.47[5]	1.67[5]
12/31/15	52.82	.70	.37	1.07	(.66)	(7.77)	(8.43)	45.46	1.53	161	.47	1.41
12/31/14	50.77	.71	4.59	5.30	(.71)	(2.54)	(3.25)	52.82	10.71	185	.47	1.38
12/31/13	38.52	.58	12.32	12.90	(.65)	–	(.65)	50.77	33.58	193	.47	1.32
12/31/12	33.30	.59	5.26	5.85	(.63)	–	(.63)	38.52	17.59	168	.47	1.60
12/31/11	34.49	.55	(1.18)	(.63)	(.56)	–	(.56)	33.30	(1.77)	172	.46	1.59
Class 4:												
6/30/16[2,3]	44.82	.29	1.01	1.30	(.11)	(5.12)	(5.23)	40.89	2.99[4]	438	.79[5]	1.35[5]
12/31/15	52.39	.58	.33	.91	(.71)	(7.77)	(8.48)	44.82	1.21	410	.79	1.25
12/31/14	50.56	.58	4.51	5.09	(.72)	(2.54)	(3.26)	52.39	10.34	30	.79	1.11
12/31/13	38.47	.45	12.33	12.78	(.69)	–	(.69)	50.56	33.32	3	.79	.96
12/31/12[3,7]	38.65	.01	.39	.40	(.58)	–	(.58)	38.47	1.02[4,8]	–[9]	.01[4,8]	.03[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
International Growth and Income Fund												
Class 1:												
6/30/16[2,3]	$14.72	$.31	$ (.14)	$ .17	$(.04)	$(.06)	$(.10)	$14.79	1.19%[4]	$808	.68%[5]	4.27%[5]
12/31/15	16.27	.42	(1.25)	(.83)	(.38)	(.34)	(.72)	14.72	(5.34)	707	.68	2.60
12/31/14	17.48	.58[6]	(1.09)	(.51)	(.53)	(.17)	(.70)	16.27	(2.93)	740	.68	3.32[6]
12/31/13	15.29	.44	2.50	2.94	(.47)	(.28)	(.75)	17.48	19.39	696	.69	2.63
12/31/12	13.40	.37	1.89	2.26	(.37)	–	(.37)	15.29	16.84	203	.74	2.50
12/31/11	15.25	.47	(1.77)	(1.30)	(.44)	(.11)	(.55)	13.40	(8.51)	35	.73	3.17
Class 2:												
6/30/16[2,3]	14.68	.28	(.14)	.14	(.03)	(.06)	(.09)	14.73	1.08[4]	252	.93[5]	3.96[5]
12/31/15	16.22	.38	(1.24)	(.86)	(.34)	(.34)	(.68)	14.68	(5.60)	254	.93	2.32
12/31/14	17.43	.56[6]	(1.10)	(.54)	(.50)	(.17)	(.67)	16.22	(3.15)	248	.93	3.21[6]
12/31/13	15.25	.38	2.51	2.89	(.43)	(.28)	(.71)	17.43	19.09	257	.94	2.28
12/31/12	13.37	.40	1.81	2.21	(.33)	–	(.33)	15.25	16.50	225	.99	2.77
12/31/11	15.21	.42	(1.75)	(1.33)	(.40)	(.11)	(.51)	13.37	(8.71)	199	.98	2.89
Class 4:												
6/30/16[2,3]	14.63	.27	(.13)	.14	(.03)	(.06)	(.09)	14.68	.98[4]	34	1.18[5]	3.76[5]
12/31/15	16.19	.33	(1.23)	(.90)	(.32)	(.34)	(.66)	14.63	(5.82)	32	1.18	2.02
12/31/14	17.45	.26[6]	(.85)	(.59)	(.50)	(.17)	(.67)	16.19	(3.39)	20	1.18	1.52[6]
12/31/13	15.29	.03	2.87	2.90	(.46)	(.28)	(.74)	17.45	19.16	1	1.19	.18
12/31/12[3,7]	15.56	.01	.09	.10	(.37)	–	(.37)	15.29	.62[4,8]	–[9]	.04[4,8]	.07[4,8]
Capital Income Builder												
Class 1:												
6/30/16[2,3]	$ 9.40	$.18	$ .33	$ .51	$(.15)	$ –	$(.15)	$ 9.76	5.47%[4]	$124	.54%[5]	3.90%[5]
12/31/15	9.81	.28	(.40)	(.12)	(.29)	–	(.29)	9.40	(1.23)	80	.56	2.88
12/31/14[3,10]	10.00	.19	(.18)	.01	(.19)	(.01)	(.20)	9.81	.12[4]	20	.56[5]	2.87[5]
Class 2:												
6/30/16[2,3]	9.40	.18	.33	.51	(.15)	–	(.15)	9.76	5.47[4,8]	–[9]	.50[5,8]	3.88[5,8]
12/31/15	9.81	.31	(.43)	(.12)	(.29)	–	(.29)	9.40	(1.23)[8]	–[9]	.46[8]	3.12[8]
12/31/14[3,10]	10.00	.20	(.19)	.01	(.19)	(.01)	(.20)	9.81	.12[4,8]	–[9]	.47[5,8]	2.94[5,8]
Class 4:												
6/30/16[2,3]	9.38	.16	.33	.49	(.13)	–	(.13)	9.74	5.24[4]	220	1.04[5]	3.35[5]
12/31/15	9.80	.25	(.42)	(.17)	(.25)	–	(.25)	9.38	(1.79)	157	1.05	2.55
12/31/14[3,10]	10.00	.14	(.16)	(.02)	(.17)	(.01)	(.18)	9.80	(.21)[4]	55	1.06[5]	2.08[5]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Asset Allocation Fund												
Class 1:												
6/30/16[2,3]	$20.62	$ .21	$ .76	$ .97	$ (.07)	$ (.51)	$ (.58)	$21.01	4.73%[4]	$11,898	.30%[5]	2.07%[5]
12/31/15	22.23	.40	(.02)	.38	(.40)	(1.59)	(1.99)	20.62	1.64	10,913	.29	1.85
12/31/14	22.49	.44	.81	1.25	(.39)	(1.12)	(1.51)	22.23	5.66	11,997	.30	1.95
12/31/13	18.43	.35	4.07	4.42	(.36)	–	(.36)	22.49	24.04	10,515	.31	1.71
12/31/12	16.17	.37	2.28	2.65	(.39)	–	(.39)	18.43	16.44	7,199	.31	2.11
12/31/11	16.28	.37	(.12)	.25	(.36)	–	(.36)	16.17	1.56	5,932	.31	2.25
Class 2:												
6/30/16[2,3]	20.45	.18	.75	.93	(.06)	(.51)	(.57)	20.81	4.58[4]	5,029	.55[5]	1.81[5]
12/31/15	22.06	.34	(.01)	.33	(.35)	(1.59)	(1.94)	20.45	1.40	5,008	.54	1.60
12/31/14	22.33	.37	.81	1.18	(.33)	(1.12)	(1.45)	22.06	5.40	5,494	.55	1.69
12/31/13	18.31	.30	4.03	4.33	(.31)	–	(.31)	22.33	23.69	5,760	.56	1.47
12/31/12	16.06	.33	2.27	2.60	(.35)	–	(.35)	18.31	16.19	5,225	.56	1.86
12/31/11	16.17	.33	(.13)	.20	(.31)	–	(.31)	16.06	1.30	5,151	.56	1.99
Class 3:												
6/30/16[2,3]	20.64	.19	.75	.94	(.06)	(.51)	(.57)	21.01	4.60[4]	36	.48[5]	1.88[5]
12/31/15	22.25	.36	(.02)	.34	(.36)	(1.59)	(1.95)	20.64	1.46	36	.47	1.67
12/31/14	22.51	.39	.81	1.20	(.34)	(1.12)	(1.46)	22.25	5.47	40	.48	1.76
12/31/13	18.45	.32	4.06	4.38	(.32)	–	(.32)	22.51	23.81	42	.49	1.54
12/31/12	16.18	.34	2.29	2.63	(.36)	–	(.36)	18.45	16.28	38	.49	1.93
12/31/11	16.29	.34	(.13)	.21	(.32)	–	(.32)	16.18	1.36	38	.49	2.05
Class 4:												
6/30/16[2,3]	20.40	.16	.74	.90	(.05)	(.51)	(.56)	20.74	4.45[4]	2,583	.80[5]	1.57[5]
12/31/15	22.11	.30	(.02)	.28	(.40)	(1.59)	(1.99)	20.40	1.14	2,414	.79	1.45
12/31/14	22.46	.34	.79	1.13	(.36)	(1.12)	(1.48)	22.11	5.16	32	.80	1.55
12/31/13	18.43	.27	4.12	4.39	(.36)	–	(.36)	22.46	23.89	1	.79	1.22
12/31/12[3,7]	18.52	.01	.21	.22	(.31)	–	(.31)	18.43	1.17[4,8]	–[9]	.01[4,8]	.08[4,8]
Global Balanced Fund												
Class 1:												
6/30/16[2,3]	$10.74	$ .11	$ .27	$ .38	$ –	$ –	$ –	$11.12	3.54%[4]	$ 60	.70%[5]	2.13%[5]
12/31/15	11.11	.20	(.28)	(.08)	(.14)	(.15)	(.29)	10.74	(.69)	47	.72	1.80
12/31/14	11.37	.25[6]	(.03)	.22	(.18)	(.30)	(.48)	11.11	1.87	37	.71	2.14[6]
12/31/13	10.34	.22	1.07	1.29	(.18)	(.08)	(.26)	11.37	12.56	36	.70	2.05
12/31/12	9.35	.20	.98	1.18	(.19)	–	(.19)	10.34	12.58	32	.72	2.00
12/31/11[3,11]	10.00	.13	(.72)	(.59)	(.06)	–	(.06)	9.35	(5.89)[4]	28	.69[5]	1.99[5]
Class 2:												
6/30/16[2,3]	10.72	.10	.27	.37	–	–	–	11.09	3.45[4]	178	.95[5]	1.86[5]
12/31/15	11.09	.18	(.28)	(.10)	(.12)	(.15)	(.27)	10.72	(.95)	171	.97	1.60
12/31/14	11.35	.22[6]	(.03)	.19	(.15)	(.30)	(.45)	11.09	1.63	179	.96	1.88[6]
12/31/13	10.33	.20	1.06	1.26	(.16)	(.08)	(.24)	11.35	12.23	156	.95	1.79
12/31/12	9.35	.17	.97	1.14	(.16)	–	(.16)	10.33	12.24	119	.97	1.76
12/31/11[3,11]	10.00	.09	(.69)	(.60)	(.05)	–	(.05)	9.35	(5.97)[4]	72	.94[5]	1.45[5]
Class 4:												
6/30/16[2,3]	10.69	.10	.25	.35	–	–	–	11.04	3.27[4]	5	1.20[5]	1.78[5]
12/31/15	11.09	.06	(.17)	(.11)	(.14)	(.15)	(.29)	10.69	(1.00)	1	1.34	.58
12/31/14	11.35	.24[6]	(.02)	.22	(.18)	(.30)	(.48)	11.09	1.88[8]	–[9]	.67[8]	2.07[6,8]
12/31/13	10.33	.22	1.06	1.28	(.18)	(.08)	(.26)	11.35	12.49[8]	–[9]	.71[8]	1.98[8]
12/31/12[3,7]	10.47	.01	.03	.04	(.18)	–	(.18)	10.33	.40[4,8]	–[9]	.03[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Bond Fund												
Class 1:												
6/30/16[2,3]	$10.70	$ .10	$ .50	$ .60	$ (.06)	$ (.04)	$ (.10)	$11.20	5.64%[4]	$ 6,391	.38%[5]	1.84%[5]
12/31/15	11.08	.22	(.17)	.05	(.21)	(.22)	(.43)	10.70	.45	5,731	.38	1.95
12/31/14	10.73	.23	.37	.60	(.25)	–[12]	(.25)	11.08	5.59	4,977	.39	2.03
12/31/13	11.29	.22	(.43)	(.21)	(.23)	(.12)	(.35)	10.73	(1.89)	4,506	.39	2.01
12/31/12	10.99	.25	.36	.61	(.31)	–	(.31)	11.29	5.58	3,917	.39	2.23
12/31/11	10.67	.32	.36	.68	(.36)	–	(.36)	10.99	6.41	4,354	.38	2.89
Class 2:												
6/30/16[2,3]	10.58	.09	.49	.58	(.06)	(.04)	(.10)	11.06	5.46[4]	4,145	.63[5]	1.59[5]
12/31/15	10.95	.18	(.15)	.03	(.18)	(.22)	(.40)	10.58	.28	4,135	.63	1.69
12/31/14	10.61	.20	.36	.56	(.22)	–[12]	(.22)	10.95	5.28	4,565	.64	1.79
12/31/13	11.17	.19	(.43)	(.24)	(.20)	(.12)	(.32)	10.61	(2.16)	4,763	.64	1.76
12/31/12	10.87	.22	.36	.58	(.28)	–	(.28)	11.17	5.37	5,044	.64	1.97
12/31/11	10.56	.29	.35	.64	(.33)	–	(.33)	10.87	6.10	4,984	.63	2.64
Class 4:												
6/30/16[2,3]	10.61	.07	.50	.57	(.06)	(.04)	(.10)	11.08	5.34[4]	87	.88[5]	1.34[5]
12/31/15	11.01	.16	(.16)	–	(.18)	(.22)	(.40)	10.61	(.08)	59	.88	1.47
12/31/14	10.69	.16	.39	.55	(.23)	–[12]	(.23)	11.01	5.15	29	.89	1.43
12/31/13	11.29	.17	(.43)	(.26)	(.22)	(.12)	(.34)	10.69	(2.34)	3	.89	1.58
12/31/12[3,7]	11.55	.01	(.02)	(.01)	(.25)	–	(.25)	11.29	(.04)[4,8]	–[9]	.02[4,8]	.10[4,8]
Global Bond Fund												
Class 1:												
6/30/16[2,3]	$11.01	$ .13	$ .75	$ .88	$ –	$ (.02)	$ (.02)	$11.87	8.01%[4]	$ 1,161	.57%[5]	2.24%[5]
12/31/15	11.77	.27	(.71)	(.44)	(.01)	(.31)	(.32)	11.01	(3.75)	1,032	.57	2.34
12/31/14	11.88	.29	(.08)	.21	(.21)	(.11)	(.32)	11.77	1.71	1,194	.57	2.35
12/31/13	12.32	.28	(.58)	(.30)	–	(.14)	(.14)	11.88	(2.40)	1,093	.56	2.37
12/31/12	11.96	.28	.48	.76	(.29)	(.11)	(.40)	12.32	6.43	959	.56	2.29
12/31/11	11.82	.36	.22	.58	(.37)	(.07)	(.44)	11.96	4.86	619	.56	2.97
Class 2:												
6/30/16[2,3]	10.93	.11	.76	.87	–	(.02)	(.02)	11.78	7.97[4]	1,202	.82[5]	1.99[5]
12/31/15	11.72	.24	(.71)	(.47)	(.01)	(.31)	(.32)	10.93	(4.07)	1,208	.82	2.09
12/31/14	11.81	.26	(.09)	.17	(.15)	(.11)	(.26)	11.72	1.39	1,386	.82	2.11
12/31/13	12.27	.25	(.57)	(.32)	–	(.14)	(.14)	11.81	(2.58)	1,496	.81	2.11
12/31/12	11.91	.25	.48	.73	(.26)	(.11)	(.37)	12.27	6.19	1,664	.81	2.06
12/31/11	11.78	.33	.21	.54	(.34)	(.07)	(.41)	11.91	4.54	1,639	.81	2.75
Class 4:												
6/30/16[2,3]	10.89	.10	.75	.85	–	(.02)	(.02)	11.72	7.82[4]	11	1.07[5]	1.75[5]
12/31/15	11.70	.21	(.71)	(.50)	–[12]	(.31)	(.31)	10.89	(4.27)	6	1.07	1.86
12/31/14	11.87	.20	(.05)	.15	(.21)	(.11)	(.32)	11.70	1.16	4	1.09	1.66
12/31/13	12.31	.27	(.57)	(.30)	–	(.14)	(.14)	11.87	(2.41)	–[9]	.79	2.25
12/31/12[3,7]	12.53	.01	(.04)	(.03)	(.19)	–	(.19)	12.31	(.28)[4,8]	–[9]	.02[4,8]	.11[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
High-Income Bond Fund												
Class 1:												
6/30/16[2,3]	$ 9.19	$ .30	$ .52	$ .82	$ (.12)	$ –	$ (.12)	$ 9.89	8.90%[4]	$ 945	.49%[5]	6.46%[5]
12/31/15	10.54	.64	(1.36)	(.72)	(.63)	–	(.63)	9.19	(6.94)	1,017	.48	6.12
12/31/14	11.13	.67	(.59)	.08	(.67)	–	(.67)	10.54	.80	1,017	.48	5.90
12/31/13	11.16	.75	.01	.76	(.79)	–	(.79)	11.13	6.89	856	.48	6.54
12/31/12	10.54	.81	.64	1.45	(.83)	–	(.83)	11.16	13.90	894	.48	7.25
12/31/11	11.20	.88	(.64)	.24	(.90)	–	(.90)	10.54	2.18	787	.47	7.70
Class 2:												
6/30/16[2,3]	9.06	.29	.50	.79	(.11)	–	(.11)	9.74	8.77[4]	783	.74[5]	6.20[5]
12/31/15	10.41	.60	(1.35)	(.75)	(.60)	–	(.60)	9.06	(7.30)	765	.73	5.85
12/31/14	10.99	.63	(.57)	.06	(.64)	–	(.64)	10.41	.63	929	.73	5.67
12/31/13	11.03	.71	.01	.72	(.76)	–	(.76)	10.99	6.60	1,061	.73	6.29
12/31/12	10.42	.78	.63	1.41	(.80)	–	(.80)	11.03	13.70	1,135	.73	7.00
12/31/11	11.08	.84	(.63)	.21	(.87)	–	(.87)	10.42	1.92	1,064	.72	7.44
Class 3:												
6/30/16[2,3]	9.22	.30	.51	.81	(.11)	–	(.11)	9.92	8.84[4]	12	.67[5]	6.27[5]
12/31/15	10.57	.62	(1.37)	(.75)	(.60)	–	(.60)	9.22	(7.13)	12	.66	5.91
12/31/14	11.16	.65	(.59)	.06	(.65)	–	(.65)	10.57	.59	16	.66	5.74
12/31/13	11.18	.73	.02	.75	(.77)	–	(.77)	11.16	6.77	19	.66	6.36
12/31/12	10.56	.80	.63	1.43	(.81)	–	(.81)	11.18	13.67	21	.66	7.07
12/31/11	11.22	.86	(.64)	.22	(.88)	–	(.88)	10.56	1.97	21	.65	7.51
Class 4:												
6/30/16[2,3]	9.73	.30	.54	.84	(.12)	–	(.12)	10.45	8.61[4]	11	.99[5]	5.87[5]
12/31/15	11.05	.62	(1.43)	(.81)	(.51)	–	(.51)	9.73	(7.42)	1	.98	5.51
12/31/14	11.12	.63	(.59)	.04	(.11)	–	(.11)	11.05	.35	–[9]	.98	5.49
12/31/13	11.16	.67	.08	.75	(.79)	–	(.79)	11.12	6.81	–[9]	.93	5.82
12/31/12[3,7]	11.80	.04	–[12]	.04	(.68)	–	(.68)	11.16	.34[4,8]	–[9]	.02[4,8]	.35[4,8]
Mortgage Fund												
Class 1:												
6/30/16[2,3]	$10.61	$ .07	$ .24	$ .31	$ (.03)	$ (.11)	$ (.14)	$10.78	2.90%[4]	$ 277	.44%[5]	1.38%[5]
12/31/15	10.70	.10	.13	.23	(.18)	(.14)	(.32)	10.61	2.09	272	.45	.89
12/31/14	10.23	.12	.45	.57	(.10)	–	(.10)	10.70	5.54	292	.45	1.12
12/31/13	10.47	.04	(.18)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)	198	.44	.35
12/31/12	10.37	.01	.25	.26	(.06)	(.10)	(.16)	10.47	2.57	87	.45	.08
12/31/11[3,11]	10.00	–[12]	.48	.48	(.01)	(.10)	(.11)	10.37	4.78	55	.42[5]	.04[5]
Class 2:												
6/30/16[2,3]	10.59	.06	.23	.29	(.02)	(.11)	(.13)	10.75	2.77[4]	64	.69[5]	1.13[5]
12/31/15	10.68	.07	.13	.20	(.15)	(.14)	(.29)	10.59	1.86	59	.70	.65
12/31/14	10.22	.10	.44	.54	(.08)	–	(.08)	10.68	5.23	52	.70	.91
12/31/13	10.46	–[12]	(.17)	(.17)	(.05)	(.02)	(.07)	10.22	(1.68)	49	.69	(.02)
12/31/12	10.36	(.02)	.26	.24	(.04)	(.10)	(.14)	10.46	2.38	49	.70	(.16)
12/31/11[3,11]	10.00	(.02)	.48	.46	–[12]	(.10)	(.10)	10.36	4.60	22	.67[5]	(.25)[5]
Class 4:												
6/30/16[2,3]	10.52	.04	.24	.28	(.02)	(.11)	(.13)	10.67	2.65[4]	11	.94[5]	.83[5]
12/31/15	10.65	.04	.14	.18	(.17)	(.14)	(.31)	10.52	1.62	11	.97	.37
12/31/14	10.23	.05	.46	.51	(.09)	–	(.09)	10.65	4.98	1	.94	.47
12/31/13	10.47	.02	(.16)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)[8]	–[9]	.38[8]	.23[8]
12/31/12[3,7]	10.60	–[12]	.01	.01	(.06)	(.08)	(.14)	10.47	.09[4,8]	–[9]	.02[4,8]	.04[4,8]

Period ended	Net asset value, beginning of period	Loss from investment operations[1]			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations					
Ultra-Short Bond Fund									
Class 1:									
6/30/16[2,3,13]	$11.26	$ –[12]	$ –[12]	$ –[12]	$11.26	.00%[4]	$ 38	.35%[5]	.06%[5]
12/31/15	11.28	(.03)	.01	(.02)	11.26	(.18)	39	.34	(.24)
12/31/14	11.31	(.03)	–	(.03)	11.28	(.27)	49	.34	(.26)
12/31/13	11.34	(.03)	–[12]	(.03)	11.31	(.27)	57	.34	(.24)
12/31/12	11.36	(.03)	.01	(.02)	11.34	(.18)	66	.34	(.22)
12/31/11	11.39	(.02)	(.01)	(.03)	11.36	(.26)	75	.33	(.21)
Class 2:									
6/30/16[2,3,13]	11.01	(.01)	–[12]	(.01)	11.00	(.09)[4]	308	.60[5]	(.19)[5]
12/31/15	11.06	(.05)	–[12]	(.05)	11.01	(.45)	302	.59	(.49)
12/31/14	11.12	(.06)	–	(.06)	11.06	(.54)	331	.59	(.51)
12/31/13	11.17	(.05)	–[12]	(.05)	11.12	(.45)	395	.59	(.49)
12/31/12	11.22	(.05)	–[12]	(.05)	11.17	(.45)	459	.59	(.47)
12/31/11	11.28	(.05)	(.01)	(.06)	11.22	(.53)	530	.58	(.47)
Class 3:									
6/30/16[2,3,13]	11.11	(.01)	.01	–	11.11	.00[4]	5	.53[5]	(.13)[5]
12/31/15	11.16	(.05)	–[12]	(.05)	11.11	(.45)	6	.52	(.42)
12/31/14	11.21	(.05)	–	(.05)	11.16	(.45)	8	.52	(.44)
12/31/13	11.26	(.05)	–[12]	(.05)	11.21	(.44)	8	.52	(.42)
12/31/12	11.30	(.05)	.01	(.04)	11.26	(.35)	11	.52	(.40)
12/31/11	11.34	(.04)	–[12]	(.04)	11.30	(.35)	12	.51	(.40)
Class 4:									
6/30/16[2,3,13]	11.17	(.03)	–[12]	(.03)	11.14	(.27)[4]	11	.85[5]	(.45)[5]
12/31/15	11.25	(.08)	–[12]	(.08)	11.17	(.71)	16	.85	(.74)
12/31/14	11.30	(.09)	.04	(.05)	11.25	(.44)	7	.84	(.77)
12/31/13	11.34	(.04)	–[12]	(.04)	11.30	(.35)[8]	–[9]	.37[8]	(.32)[8]
12/31/12[3,7]	11.34	–[12]	–[12]	–[12]	11.34	.00[4,8]	–[9]	.02[4,8]	(.01)[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
U.S. Government/AAA-Rated Securities Fund												
Class 1:												
6/30/16[2,3]	$12.31	$.08	$ .43	$ .51	$(.04)	$(.25)	$(.29)	$12.53	4.03%[4]	$1,462	.35%[5]	1.21%[5]
12/31/15	12.40	.13	.09	.22	(.21)	(.10)	(.31)	12.31	1.93	1,426	.35	1.02
12/31/14	11.94	.15	.48	.63	(.17)	–	(.17)	12.40	5.24	1,723	.35	1.24
12/31/13	12.75	.08	(.44)	(.36)	(.11)	(.34)	(.45)	11.94	(2.87)	1,584	.35	.67
12/31/12	13.00	.10	.18	.28	(.16)	(.37)	(.53)	12.75	2.22	1,809	.34	.75
12/31/11	12.59	.23	.74	.97	(.26)	(.30)	(.56)	13.00	7.85	1,785	.34	1.83
Class 2:												
6/30/16[2,3]	12.20	.06	.42	.48	(.03)	(.25)	(.28)	12.40	3.94[4]	1,581	.60[5]	.95[5]
12/31/15	12.29	.10	.09	.19	(.18)	(.10)	(.28)	12.20	1.59	1,579	.60	.79
12/31/14	11.83	.12	.47	.59	(.13)	–	(.13)	12.29	5.01	1,717	.60	1.00
12/31/13	12.63	.05	(.43)	(.38)	(.08)	(.34)	(.42)	11.83	(3.08)	1,801	.60	.42
12/31/12	12.89	.06	.18	.24	(.13)	(.37)	(.50)	12.63	1.91	1,995	.59	.50
12/31/11	12.49	.20	.73	.93	(.23)	(.30)	(.53)	12.89	7.58	2,002	.59	1.59
Class 3:												
6/30/16[2,3]	12.34	.06	.43	.49	(.03)	(.25)	(.28)	12.55	3.99[4]	11	.53[5]	1.01[5]
12/31/15	12.43	.11	.09	.20	(.19)	(.10)	(.29)	12.34	1.64	11	.53	.85
12/31/14	11.96	.13	.48	.61	(.14)	–	(.14)	12.43	5.11	13	.53	1.08
12/31/13	12.76	.06	(.43)	(.37)	(.09)	(.34)	(.43)	11.96	(3.00)	14	.53	.47
12/31/12	13.01	.07	.19	.26	(.14)	(.37)	(.51)	12.76	2.02	20	.52	.58
12/31/11	12.61	.21	.73	.94	(.24)	(.30)	(.54)	13.01	7.56	24	.52	1.65
Class 4:												
6/30/16[2,3]	12.22	.04	.44	.48	(.03)	(.25)	(.28)	12.42	3.91[4]	68	.85[5]	.72[5]
12/31/15	12.34	.07	.08	.15	(.17)	(.10)	(.27)	12.22	1.29	46	.85	.56
12/31/14	11.93	.06	.51	.57	(.16)	–	(.16)	12.34	4.76	21	.85	.50
12/31/13	12.75	.08	(.44)	(.36)	(.12)	(.34)	(.46)	11.93	(2.95)	–[9]	.84	.68
12/31/12[3,7]	12.88	.01	(.01)	–	(.13)	–	(.13)	12.75	(.01)[4,8]	–[9]	.02[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before waivers/ reimbursements	Ratio of expenses to average net assets after waivers/ reimbursements[14]	Net effective expense ratio[14,15]	Ratio of net income (loss) to average net assets[14]
Managed Risk Growth Fund														
Class P1:														
6/30/16[2,3]	$11.49	$ .01	$ (.31)	$ (.30)	$(.05)	$(1.01)	$(1.06)	$10.13	(2.68)%[4,8]	$ 1	.49%[5,8]	.33%[5,8]	.67%[5,8]	.18%[5,8]
12/31/15	11.37	.09	.03	.12	–	–	–	11.49	1.06[8]	–[9]	.53[8]	.29[8]	.63[8]	.80[8]
12/31/14	11.43	.31	(.06)	.25	(.12)	(.19)	(.31)	11.37	2.18[8]	–[9]	.50[8]	.32[8]	.65[8]	2.71[8]
12/31/13[3,16]	10.00	.12	1.38	1.50	(.07)	–	(.07)	11.43	15.05[4,8]	–[9]	.88[5,8]	.25[5,8]	.58[5,8]	1.64[5,8]
Class P2:														
6/30/16[2,3]	11.43	(.01)	(.31)	(.32)	(.02)	(1.01)	(1.03)	10.08	(2.88)[4]	168	.79[5]	.63[5]	.97[5]	(.16)[5]
12/31/15	11.35	.04	.04	.08	–	–	–	11.43	.71	146	.89	.66	1.00	.31
12/31/14	11.43	.12	.08	.20	(.09)	(.19)	(.28)	11.35	1.77	79	.87	.69	1.02	1.01
12/31/13[3,16]	10.00	.12	1.37	1.49	(.06)	–	(.06)	11.43	14.94[4,8]	28	1.05[5,8]	.52[5,8]	.85[5,8]	1.69[5,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before waivers/ reimbursements	Ratio of expenses to average net assets after waivers/ reimbursements[14]	Net effective expense ratio[14,15]	Ratio of net income (loss) to average net assets[14]
Managed Risk International Fund														
Class P1:														
6/30/16[2,3]	$ 9.48	$ –[12]	$ (.32)	$ (.32)	$(.12)	$(.22)	$(.34)	$ 8.82	(3.36)%[4,8]	$ –[9]	.40%[5,8]	.24%[5,8]	.75%[5,8]	.06%[5,8]
12/31/15	10.10	.18	(.80)	(.62)	–[12]	–	–[12]	9.48	(6.12)[8]	–[9]	.45[8]	.21[8]	.72[8]	1.75[8]
12/31/14	10.82	.14	(.71)	(.57)	(.15)	–	(.15)	10.10	(5.31)[8]	–[9]	.50[8]	.25[8]	.76[8]	1.33[8]
12/31/13[3,16]	10.00	.13	.78	.91	(.09)	–	(.09)	10.82	9.08[4,8]	–[9]	1.05[5,8]	.23[5,8]	.73[5,8]	1.92[5,8]
Class P2:														
6/30/16[2,3]	9.43	(.01)	(.34)	(.35)	(.09)	(.22)	(.31)	8.77	(3.71)[4]	90	.79[5]	.63[5]	1.14[5]	(.27)[5]
12/31/15	10.09	.13	(.79)	(.66)	–[12]	–	–[12]	9.43	(6.52)	83	.90	.66	1.17	1.30
12/31/14	10.82	.16	(.77)	(.61)	(.12)	–	(.12)	10.09	(5.68)	46	.91	.67	1.18	1.51
12/31/13[3,16]	10.00	.18	.72	.90	(.08)	–	(.08)	10.82	8.99[4,8]	17	1.19[5,8]	.44[5,8]	.94[5,8]	2.66[5,8]
Managed Risk Blue Chip Income and Growth Fund														
Class P1:														
6/30/16[2,3]	$10.80	$ .03	$ .70	$ .73	$(.15)	$(.37)	$(.52)	$11.01	6.74%[4,8]	$ –[9]	.42%[5,8]	.26%[5,8]	.67%[5,8]	.53%[5,8]
12/31/15	11.70	.19	(1.02)	(.83)	(.07)	–	(.07)	10.80	(7.07)[8]	–[9]	.50[8]	.27[8]	.66[8]	1.64[8]
12/31/14	11.05	.40	.55	.95	(.30)	–	(.30)	11.70	8.58[8]	–[9]	.50[8]	.31[8]	.70[8]	3.43[8]
12/31/13[3,16]	10.00	.20	1.01	1.21	(.16)	–	(.16)	11.05	12.16[4,8]	–[9]	.84[5,8]	.24[5,8]	.64[5,8]	2.80[5,8]
Class P2:														
6/30/16[2,3]	10.76	.01	.69	.70	(.14)	(.37)	(.51)	10.95	6.52[4]	189	.79[5]	.63[5]	1.04[5]	.23[5]
12/31/15	11.67	.18	(1.05)	(.87)	(.04)	–	(.04)	10.76	(7.43)	137	.89	.66	1.05	1.57
12/31/14	11.05	.50	.40	.90	(.28)	–	(.28)	11.67	8.10	98	.88	.69	1.08	4.27
12/31/13[3,16]	10.00	.28	.92	1.20	(.15)	–	(.15)	11.05	12.05[4,8]	26	1.04[5,8]	.54[5,8]	.94[5,8]	3.91[5,8]
Managed Risk Growth-Income Fund														
Class P1:														
6/30/16[2,3]	$11.25	$ .02	$ .01	$ .03	$(.12)	$(.70)	$(.82)	$10.46	.20%[4,8]	$ 1	.51%[5,8]	.35%[5,8]	.64%[5,8]	.31%[5,8]
12/31/15	11.67	.25	(.63)	(.38)	(.04)	–	(.04)	11.25	(3.27)[8]	1	.56[8]	.31[8]	.59[8]	2.17[8]
12/31/14	11.50	.35	.21	.56	(.14)	(.25)	(.39)	11.67	4.85[8]	–[9]	.45[8]	.25[8]	.52[8]	2.94[8]
12/31/13[3,16]	10.00	.14	1.47	1.61	(.11)	–	(.11)	11.50	16.15[4,8]	–[9]	.92[5,8]	.23[5,8]	.50[5,8]	2.01[5,8]
Class P2:														
6/30/16[2,3]	11.22	–[12]	–[12]	–[12]	(.11)	(.70)	(.81)	10.41	(.03)[4]	135	.79[5]	.63[5]	.92[5]	–[5,17]
12/31/15	11.65	.12	(.54)	(.42)	(.01)	–	(.01)	11.22	(3.64)	122	.89	.66	.94	1.04
12/31/14	11.50	.16	.35	.51	(.11)	(.25)	(.36)	11.65	4.42	76	.87	.69	.96	1.38
12/31/13[3,16]	10.00	.20	1.40	1.60	(.10)	–	(.10)	11.50	16.04[4,8]	24	1.09[5,8]	.50[5,8]	.77[5,8]	2.73[5,8]
Managed Risk Asset Allocation Fund														
Class P1:														
6/30/16[2,3]	$11.72	$ .02	$ .36	$ .38	$(.14)	$(.37)	$(.51)	$11.59	3.27%[4]	$ 973	.43%[5]	.38%[5]	.68%[5]	.31%[5]
12/31/15	12.29	.25	(.34)	(.09)	(.22)	(.26)	(.48)	11.72	(.83)	712	.54	.40	.68	2.06
12/31/14	11.93	.13	.26	.39	(.03)	–	(.03)	12.29	3.24	277	.53	.48	.76	1.04
12/31/13	9.99	.27	1.81	2.08	(.14)	–	(.14)	11.93	20.82[8]	112	.55[8]	.47[8]	.75[8]	2.37[8]
12/31/12[3,18]	10.00	.15	(.03)	.12	(.13)	–	(.13)	9.99	1.24[4,8]	–[9]	.15[5,8]	.07[5,8]	.37[5,8]	1.72[5,8]
Class P2:														
6/30/16[2,3]	11.71	–[12]	.36	.36	(.13)	(.37)	(.50)	11.57	3.14[4]	2,103	.68[5]	.63[5]	.93[5]	–[5,17]
12/31/15	12.27	.14	(.26)	(.12)	(.18)	(.26)	(.44)	11.71	(1.07)	1,953	.79	.66	.94	1.16
12/31/14	11.93	.16	.19	.35	(.01)	–	(.01)	12.27	2.91	1,780	.79	.73	1.01	1.33
12/31/13	9.99	.28	1.77	2.05	(.11)	–	(.11)	11.93	20.58[8]	795	.80[8]	.73[8]	1.01[8]	2.43[8]
12/31/12[3,18]	10.00	.17	(.05)	.12	(.13)	–	(.13)	9.99	1.21[4,8]	–[9]	.24[5,8]	.11[5,8]	.41[5,8]	2.38[5,8]

See end of tables for footnotes.

Financial highlights (continued)

Portfolio turnover rate for all share classes including mortgage dollar roll transactions[19]	Six months ended June 30, 2016[2,3,4]	Period ended December 31				
		2015	2014	2013	2012	2011
Global Growth Fund	13%	29%	22%	39%	22%	28%
Global Small Capitalization Fund	22	36	28	36	40	44
Growth Fund	16	20	29	19	21	19
International Fund	16	37	18	21	29	24
New World Fund	14	39	36	43	32	22
Blue Chip Income and Growth Fund	12	26	37	30	36	27
Global Growth and Income Fund	34	37	28	31	30	25
Growth-Income Fund	16	25	25	19	25	22
International Growth and Income Fund	14	35	34	34	31	48
Capital Income Builder Fund	24	128	35[4,10]			
Asset Allocation Fund	53	76	88	74	61	43
Global Balanced Fund	33	76	73	81	80	34[4,11]
Bond Fund	226	434	365	354	253	163
Global Bond Fund	91	159	200	213	160	101
High-Income Bond Fund	53	66	54	64	48	51
Mortgage Fund	490	1103	790	715	444	480[4,11]
Ultra-Short Bond Fund	–[13]	–	–	–	–	–
U.S. Government/AAA-Rated Securities Fund	313	901	387	621	447	234
Managed Risk Growth Fund	9	16	22	10[4,16]		
Managed Risk International Fund	15	15	22	6[4,16]		
Managed Risk Blue Chip Income and Growth Fund	7	20	22	3[4,16]		
Managed Risk Growth-Income Fund	9	11	28	2[4,16]		
Managed Risk Asset Allocation Fund	–[20]	3	3	3	–[4,18,20]	

Portfolio turnover rate for all share classes excluding mortgage dollar roll transactions[19]	Six months ended June 30, 2016[2,3,4]	Period ended December 31				
		2015	2014	2013	2012	2011
Capital Income Builder	17%	38%	24%[4,10]	Not available		
Asset Allocation Fund	29	28	42			
Global Balanced Fund	19	36	40			
Bond Fund	72	141	121			
Global Bond Fund	41	88	134			
Mortgage Fund	58	138	108			
U.S. Government/AAA-Rated Securities Fund	144	352	88			

[1]Based on average shares outstanding.
[2]Unaudited.
[3]Based on operations for the period shown and, accordingly, is not representative of a full year.
[4]Not annualized.
[5]Annualized.
[6]The year ended December 31, 2014, reflects the impact of a corporate action event that resulted in a one-time increase to net investment income. If the corporate action event had not occurred, the net investment income per share and ratio of net income to average net assets would have been lower for all share classes.
[7]Class 4 shares were offered beginning December 14, 2012.
[8]All or a significant portion of assets in this class consisted of seed capital invested by CRMC and/or its affiliates. Certain fees (including, where applicable, fees for distribution services) are not charged or accrued on these seed capital assets. If such fees were paid by the fund on seed capital assets, fund expenses would have been higher and net income and total return would have been lower.
[9]Amount less than $1 million.
[10]For the period May 1, 2014, commencement of operations, through December 31, 2014.
[11]For the period May 2, 2011, commencement of operations, through December 31, 2011.
[12]Amount less than $.01.
[13]On May 1, 2016, the fund converted from a cash fund to an ultra-short-term bond fund and changed its name from Cash Management Fund to Ultra-Short Bond Fund.
[14]This column reflects the impact of certain waivers/reimbursements by CRMC. CRMC waived a portion of investment advisory services and reimbursed certain expenses for the managed risk funds.
[15]Ratio reflects weighted average net expense ratio of the underlying fund for the period presented. See Expense Example for further information regarding fees and expenses.
[16]For the period May 1, 2013, commencement of operations, through December 31, 2013.
[17]Amount less than .01%.
[18]For the period September 28, 2012, commencement of operations, through December 31, 2012.
[19]Refer to Note 5 for further information on mortgage dollar rolls.
[20]Amount less than 1%.

See Notes to Financial Statements

Expense example

unaudited

The funds in American Funds Insurance Series serve as the underlying investment vehicle for various insurance products. As an owner of an insurance contract that invests in one of the funds in the series, you incur two types of costs: (1) transaction costs, such as initial sales charges on purchase payments and contingent deferred sales charges on redemptions (loads), and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other expenses. Additional fees are charged by the insurance companies related to the various benefits they provide. This example is intended to help you understand your ongoing costs (in dollars) of investing in the underlying funds so you can compare these costs with the ongoing costs of investing in other mutual funds that serve a similar function in other annuity products. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire six-month period (January 1, 2016, through June 30, 2016).

Actual expenses:

The first line of each share class in the tables on the following pages 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 of each share class in the tables on the following pages provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio for the share class and an assumed rate of return of 5.00% per year before expenses, which is not the actual return of the share class. 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 5.00% hypothetical example with the 5.00% hypothetical examples that appear in the shareholder reports of the other funds.

Notes:

Additional fees are charged by the insurance companies related to the various benefits they provide. You can estimate the impact of these fees by adding the amount of the fees to the total estimated expenses you paid on your account during the period as calculated above. In addition, your ending account value would be lower by the amount of these fees.

Note that the expenses shown in the tables on the following pages are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second line of each share class in the tables is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Global Growth Fund				
Class 1 – actual return	$1,000.00	$ 966.87	$2.74	.56%
Class 1 – assumed 5% return	1,000.00	1,022.08	2.82	.56
Class 2 – actual return	1,000.00	965.79	3.96	.81
Class 2 – assumed 5% return	1,000.00	1,020.84	4.07	.81
Class 4 – actual return	1,000.00	964.57	5.18	1.06
Class 4 – assumed 5% return	1,000.00	1,019.59	5.32	1.06
Global Small Capitalization Fund				
Class 1 – actual return	$1,000.00	$ 961.51	$3.61	.74%
Class 1 – assumed 5% return	1,000.00	1,021.18	3.72	.74
Class 2 – actual return	1,000.00	960.10	4.82	.99
Class 2 – assumed 5% return	1,000.00	1,019.94	4.97	.99
Class 4 – actual return	1,000.00	959.20	6.04	1.24
Class 4 – assumed 5% return	1,000.00	1,018.70	6.22	1.24
Growth Fund				
Class 1 – actual return	$1,000.00	$1,010.84	$1.75	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	1,009.49	3.00	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,009.77	2.65	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	1,008.29	4.24	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85
International Fund				
Class 1 – actual return	$1,000.00	$ 989.25	$2.67	.54%
Class 1 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 2 – actual return	1,000.00	988.22	3.91	.79
Class 2 – assumed 5% return	1,000.00	1,020.93	3.97	.79
Class 3 – actual return	1,000.00	988.33	3.56	.72
Class 3 – assumed 5% return	1,000.00	1,021.28	3.62	.72
Class 4 – actual return	1,000.00	986.70	5.14	1.04
Class 4 – assumed 5% return	1,000.00	1,019.69	5.22	1.04
New World Fund				
Class 1 – actual return	$1,000.00	$1,023.83	$3.92	.78%
Class 1 – assumed 5% return	1,000.00	1,020.98	3.92	.78
Class 2 – actual return	1,000.00	1,022.46	5.18	1.03
Class 2 – assumed 5% return	1,000.00	1,019.74	5.17	1.03
Class 4 – actual return	1,000.00	1,021.20	6.48	1.29
Class 4 – assumed 5% return	1,000.00	1,018.45	6.47	1.29
Blue Chip Income and Growth Fund				
Class 1 – actual return	$1,000.00	$1,100.05	$2.19	.42%
Class 1 – assumed 5% return	1,000.00	1,022.77	2.11	.42
Class 2 – actual return	1,000.00	1,098.86	3.50	.67
Class 2 – assumed 5% return	1,000.00	1,021.53	3.37	.67
Class 4 – actual return	1,000.00	1,097.98	4.80	.92
Class 4 – assumed 5% return	1,000.00	1,020.29	4.62	.92

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Global Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,018.69	$3.16	.63%
Class 1 – assumed 5% return	1,000.00	1,021.73	3.17	.63
Class 2 – actual return	1,000.00	1,017.41	4.41	.88
Class 2 – assumed 5% return	1,000.00	1,020.49	4.42	.88
Class 4 – actual return	1,000.00	1,015.96	5.66	1.13
Class 4 – assumed 5% return	1,000.00	1,019.24	5.67	1.13
Growth-Income Fund				
Class 1 – actual return	$1,000.00	$1,032.31	$1.47	.29%
Class 1 – assumed 5% return	1,000.00	1,023.42	1.46	.29
Class 2 – actual return	1,000.00	1,031.22	2.73	.54
Class 2 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 3 – actual return	1,000.00	1,031.51	2.37	.47
Class 3 – assumed 5% return	1,000.00	1,022.53	2.36	.47
Class 4 – actual return	1,000.00	1,029.90	3.99	.79
Class 4 – assumed 5% return	1,000.00	1,020.93	3.97	.79
International Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,011.95	$3.40	.68%
Class 1 – assumed 5% return	1,000.00	1,021.48	3.42	.68
Class 2 – actual return	1,000.00	1,010.80	4.65	.93
Class 2 – assumed 5% return	1,000.00	1,020.24	4.67	.93
Class 4 – actual return	1,000.00	1,009.81	5.90	1.18
Class 4 – assumed 5% return	1,000.00	1,019.00	5.92	1.18
Capital Income Builder				
Class 1 – actual return	$1,000.00	$1,054.69	$2.76	.54%
Class 1 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 2 – actual return	1,000.00	1,054.68	2.55	.50
Class 2 – assumed 5% return	1,000.00	1,022.38	2.51	.50
Class 4 – actual return	1,000.00	1,052.38	5.31	1.04
Class 4 – assumed 5% return	1,000.00	1,019.69	5.22	1.04
Asset Allocation Fund				
Class 1 – actual return	$1,000.00	$1,047.35	$1.53	.30%
Class 1 – assumed 5% return	1,000.00	1,023.37	1.51	.30
Class 2 – actual return	1,000.00	1,045.83	2.80	.55
Class 2 – assumed 5% return	1,000.00	1,022.13	2.77	.55
Class 3 – actual return	1,000.00	1,045.98	2.44	.48
Class 3 – assumed 5% return	1,000.00	1,022.48	2.41	.48
Class 4 – actual return	1,000.00	1,044.55	4.07	.80
Class 4 – assumed 5% return	1,000.00	1,020.89	4.02	.80
Global Balanced Fund				
Class 1 – actual return	$1,000.00	$1,035.38	$3.54	.70%
Class 1 – assumed 5% return	1,000.00	1,021.38	3.52	.70
Class 2 – actual return	1,000.00	1,034.52	4.81	.95
Class 2 – assumed 5% return	1,000.00	1,020.14	4.77	.95
Class 4 – actual return	1,000.00	1,032.74	6.06	1.20
Class 4 – assumed 5% return	1,000.00	1,018.90	6.02	1.20

See end of tables for footnotes.

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Bond Fund				
Class 1 – actual return	$1,000.00	$1,056.35	$1.94	.38%
Class 1 – assumed 5% return	1,000.00	1,022.97	1.91	.38
Class 2 – actual return	1,000.00	1,054.63	3.22	.63
Class 2 – assumed 5% return	1,000.00	1,021.73	3.17	.63
Class 4 – actual return	1,000.00	1,053.43	4.49	.88
Class 4 – assumed 5% return	1,000.00	1,020.49	4.42	.88
Global Bond Fund				
Class 1 – actual return	$1,000.00	$1,080.05	$2.95	.57%
Class 1 – assumed 5% return	1,000.00	1,022.03	2.87	.57
Class 2 – actual return	1,000.00	1,079.71	4.24	.82
Class 2 – assumed 5% return	1,000.00	1,020.79	4.12	.82
Class 4 – actual return	1,000.00	1,078.17	5.53	1.07
Class 4 – assumed 5% return	1,000.00	1,019.54	5.37	1.07
High-Income Bond Fund				
Class 1 – actual return	$1,000.00	$1,089.05	$2.55	.49%
Class 1 – assumed 5% return	1,000.00	1,022.43	2.46	.49
Class 2 – actual return	1,000.00	1,087.66	3.84	.74
Class 2 – assumed 5% return	1,000.00	1,021.18	3.72	.74
Class 3 – actual return	1,000.00	1,088.42	3.48	.67
Class 3 – assumed 5% return	1,000.00	1,021.53	3.37	.67
Class 4 – actual return	1,000.00	1,086.06	5.13	.99
Class 4 – assumed 5% return	1,000.00	1,019.94	4.97	.99
Mortgage Fund				
Class 1 – actual return	$1,000.00	$1,029.00	$2.22	.44%
Class 1 – assumed 5% return	1,000.00	1,022.68	2.21	.44
Class 2 – actual return	1,000.00	1,027.74	3.48	.69
Class 2 – assumed 5% return	1,000.00	1,021.43	3.47	.69
Class 4 – actual return	1,000.00	1,026.49	4.74	.94
Class 4 – assumed 5% return	1,000.00	1,020.19	4.72	.94
Ultra-Short Bond Fund				
Class 1 – actual return	$1,000.00	$1,000.00	$1.74	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	999.10	2.98	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,000.00	2.64	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	997.32	4.22	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85
U.S. Government/AAA-Rated Securities Fund				
Class 1 – actual return	$1,000.00	$1,040.29	$1.78	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	1,039.36	3.04	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,039.89	2.69	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	1,039.13	4.31	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1,2]	Annualized expense ratio[2]	Effective expenses paid during period[3]	Effective annualized expense ratio[4]
Managed Risk Growth Fund						
Class P1 – actual return	$1,000.00	$ 973.18	$1.62	.33%	$3.29	.67%
Class P1 – assumed 5% return	1,000.00	1,023.22	1.66	.33	3.37	.67
Class P2 – actual return	1,000.00	971.21	3.09	.63	4.75	.97
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.87	.97
Managed Risk International Fund						
Class P1 – actual return	$1,000.00	$ 966.44	$1.17	.24%	$3.67	.75%
Class P1 – assumed 5% return	1,000.00	1,023.67	1.21	.24	3.77	.75
Class P2 – actual return	1,000.00	962.94	3.07	.63	5.56	1.14
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	5.72	1.14
Managed Risk Blue Chip Income and Growth Fund						
Class P1 – actual return	$1,000.00	$1,067.39	$1.34	.26%	$3.44	.67%
Class P1 – assumed 5% return	1,000.00	1,023.57	1.31	.26	3.37	.67
Class P2 – actual return	1,000.00	1,065.17	3.23	.63	5.34	1.04
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	5.22	1.04
Managed Risk Growth-Income Fund						
Class P1 – actual return	$1,000.00	$1,001.95	$1.74	.35%	$3.19	.64%
Class P1 – assumed 5% return	1,000.00	1,023.12	1.76	.35	3.22	.64
Class P2 – actual return	1,000.00	999.72	3.13	.63	4.57	.92
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.62	.92
Managed Risk Asset Allocation Fund						
Class P1 – actual return	$1,000.00	$1,032.67	$1.92	.38%	$3.44	.68%
Class P1 – assumed 5% return	1,000.00	1,022.97	1.91	.38	3.42	.68
Class P2 – actual return	1,000.00	1,031.38	3.18	.63	4.70	.93
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.67	.93

[1]The "expenses paid during period" are equal to the "annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 366 (to reflect the one-half year period).

[2]The "expenses paid during period" and "annualized expense ratio" do not include the expenses of the underlying funds in which each fund invests.

[3]The "effective expenses paid during period" are equal to the "effective annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 366 (to reflect the period).

[4]The "effective annualized expense ratio" reflects the net annualized expense ratio of the class plus the class's pro-rata share of the weighted average expense ratio of the underlying funds in which it invests.

Offices of the series and of the investment adviser
Capital Research and Management Company
333 South Hope Street
Los Angeles, CA 90071-1406

6455 Irvine Center Drive
Irvine, CA 92618-4518

Investment subadviser
Milliman Financial Risk Management LLC
(Managed Risk Funds only)
71 South Wacker Drive, 31st Floor
Chicago, IL 60606

Custodians of assets
State Street Bank and Trust Company
One Lincoln Street
Boston, MA 02111

Bank of New York Mellon
(Managed Risk Funds only)
One Wall Street
New York, NY 10286

Counsel
Morgan, Lewis & Bockius LLP
300 South Grand Avenue, 22nd Floor
Los Angeles, CA 90071-3132

Independent registered public accounting firm
PricewaterhouseCoopers LLP
601 South Figueroa Street
Los Angeles, CA 90017-3874

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the series prospectuses and summary prospectuses, which can be obtained from your financial professional and should be read carefully before investing. You may also call American Funds Service Company (AFS) at (800) 421-4225 or visit the American Funds website at americanfunds.com.

"American Funds Proxy Voting Procedures and Principles" – which describes how we vote proxies relating to portfolio securities – is available on the American Funds website or upon request by calling AFS. The series files its proxy voting record with the U.S. Securities and Exchange Commission (SEC) for the 12 months ended June 30 by August 31. The proxy voting record is available free of charge on the SEC website at sec.gov and on the American Funds website.

Complete June 30, 2016, portfolios of American Funds Insurance Series investments are available free of charge by calling AFS or visiting the SEC website (where they are part of Form N-CSR).

American Funds Insurance Series files a complete list of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. This filing is available free of charge on the SEC website. You may also review or, for a fee, copy this filing at the SEC's Public Reference Room in Washington, D.C. Additional information regarding the operation of the Public Reference Room may be obtained by calling the SEC's Office of Investor Education and Advocacy at (800) SEC-0330. Additionally, the list of portfolio holdings is available by calling AFS.

This report is for the information of American Funds Insurance Series investors, but it also may be used as sales literature when preceded or accompanied by the current prospectuses or summary prospectuses for American Funds Insurance Series and the prospectus for the applicable insurance contract, which give details about charges, expenses, investment objectives and operating policies of the series. If used as sales material after September 30, 2016, this report must be accompanied by a statistical update for the most recently completed calendar quarter.

The American Funds Advantage℠

Since 1931, American Funds, part of Capital Group, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System℠ – has resulted in a superior long-term track record for American Funds Insurance Series®.

Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. American Funds Insurance Series (AFIS) portfolio managers average 26 years of investment experience, including 23 years at our company, reflecting a career commitment to our long-term approach.[1]

The Capital System℠

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

Superior long-term track record

Our AFIS equity funds have beaten their comparable Lipper indexes in 91% of 10-year periods and 100% of 20-year periods. Our AFIS fixed income funds have beaten comparable Lipper indexes in 55% of 10-year periods and 87% of 20-year periods.[2] We strive to keep management fees competitive. Over the past 20 years, most funds' fees have been below industry averages.[3]

[1] Portfolio manager experience as of November 2015.

[2]Based on Class 2 share results for rolling periods through December 31, 2015. Periods covered are the shorter of the fund's lifetime or since the inception date of the comparable Lipper index (except Global Small Capitalization Fund, for which the Lipper average was used). The comparable Lipper indexes are: Global Funds Index (Global Growth Fund), Growth Funds Index (Growth Fund), International Funds Index (International Fund), Emerging Markets Funds Index (New World Fund), Growth & Income Funds Index (Blue Chip Income and Growth Fund, Growth-Income Fund), Balanced Portfolio Funds Index (Asset Allocation Fund), Core Bond Funds Index (Bond Fund), High Yield Funds Index (High-Income Bond Fund) and General U.S. Government Funds Index (U.S. Government/ AAA-Rated Securities Fund).

[3]Based on management fees for the 20-year period ended December 31, 2015, versus comparable Lipper categories, excluding funds of funds.

Lit. No. INGESRX-998-0816P

AMERICAN FUNDS®

From Capital Group

American Funds Insurance Series®

Semi-annual report
for the six months ended
June 30, 2016

American Funds Insurance Series, from Capital Group, is the underlying investment vehicle for many variable annuities and insurance products. For 85 years, Capital has invested with a long-term focus based on thorough research and attention to risk. All the variable funds in American Funds Insurance Series may not be available in your product.

Investing for short periods makes losses more likely. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

Investing outside the United States may be subject to risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Investing in small-capitalization stocks can involve greater risk than is customarily associated with investing in stocks of larger, more established companies. The return of principal for bond funds and for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. High-yield bonds are subject to greater fluctuations in value and risk of loss of income and principal than investment-grade bonds. Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch as an indication of an issuer's creditworthiness. Futures contracts may not provide an effective hedge of the underlying securities because changes in the prices of futures contracts may not track those of the securities they are intended to hedge. In addition, the managed risk strategy may not effectively protect the funds from market declines and will limit the funds participation in market gains. The use of the managed risk strategy could cause the funds' returns to lag those of the applicable underlying funds in certain rising market conditions. Refer to the funds' prospectuses and the Risk Factors section of this report for more information on these and other risks associated with investing in the funds.

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Fellow investors:

Market returns were mixed for the six months ended June 30, 2016. U.S. and emerging markets stocks closed higher while many European markets fell. Slowing global growth, aggressive action on the part of central banks, the possibility of another interest rate hike in the U.S. and the decision by British voters to leave the European Union created uncertainty for investors.

Global equity market returns were tepid in aggregate, as the MSCI World Index rose 0.66%* for the period, but there were pockets of strength and weakness. Emerging markets registered some of the best results as the MSCI EM (Emerging Markets) Index climbed 6.41%. Brazil (+46.34%), Russia (+20.43%), Indonesia (+15.79%) and South Africa (+15.64%) were among the biggest gainers. A rebound in commodity prices, expectations for political reform and economic stimulus measures fueled returns.

The MSCI USA Index advanced 3.58%, helped in part by stronger job and housing numbers.

Sluggish growth, deflationary pressures and the potential impact of a "Brexit" dampened returns in a number of European markets. Overall, the MSCI Europe Index declined 5.13%, with Italy (–20.89%), Ireland (–13.61%) and Spain (–11.45%) suffering double-digit losses. Elsewhere among developed markets, Japan slipped 5.58%, hindered by a strengthening yen and the effects of negative interest rates on its banking system.

In bond markets, U.S. investment-grade and high-yield corporates advanced 7.68% and 9.06%, respectively, as investors sought higher yields than those offered by U.S. Treasuries. Barclays Global Aggregate Index, a measure of global investment-grade bonds (rated BBB/Baa and above), rose 8.96%, while the Barclays U.S. Aggregate Index (which measures U.S. investment-grade bonds) improved 5.31%. The 10-year Treasury yield, which stood at 2.27% on December 31, 2015, dropped to 1.49% as weak employment data and the Brexit referendum lowered expectations of a rate hike by the Federal Reserve. U.S. dollar–denominated emerging markets bonds, as measured by the J.P. Morgan EMBI (Emerging Markets Bond Index) Global, rose 10.90% as their higher yields were popular in a low-rate environment.

The U.S. dollar depreciated against most currencies. In developed markets, gains were led by the Japanese yen (+17.26%), Canadian dollar (+6.96%) and Singapore dollar (+5.41%). The Swiss franc and euro also improved, up 2.75% and 2.27%, respectively. The British pound, however, declined 9.30% against the greenback.

* Country returns are based on MSCI indexes, which reflect reinvestment of distributions and dividends net of withholding taxes, except for the MSCI USA Index, which reflects dividends gross of withholding taxes. All market indexes referenced in this report are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Among developing markets, the Brazilian real (+23.49%) and Russian ruble (+14.34%) finished strong, while the Mexican peso (–6.39%) and Chinese renminbi (–2.26%) fell. Currency returns are calculated by MSCI.

AFIS funds with exposure to U.S. equities and REITS fared well during the period. With the exception of Ultra-Short Bond Fund, which was hampered by low short-term interest rates, the series' bond funds all recorded positive returns. On May 1, 2016, the Cash Management Fund was converted to Ultra-Short Bond Fund in accordance with shareholder approval on December 4, 2015.

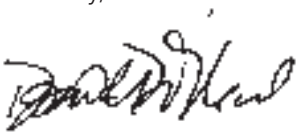
Looking ahead

The U.S. economy continues to show signs of slow improvement, even as many countries around the globe struggle with sluggish growth and low inflation. As the Fed adopts a more data-driven approach to rate hikes and central banks focus on lowering rates to inject liquidity into the global financial system, we could have a "lower-for-longer" rate environment. We will, of course, closely monitor the impact to security markets and currencies. We are also headed into the final innings of the U.S. presidential election cycle, and will be watching for changes in that arena. We may be in a low-return environment overall, but we will continue to actively seek securities that are particularly attractive due to their innovation, fundamentals or valuation levels.

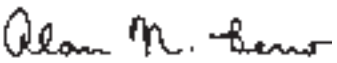
Our investment approach – based on extensive research, a long-term outlook and close attention to valuation – has served investors well over time. We continue to have confidence this will remain the case, and thank you for your support.

We look forward to reporting to you again in six months' time.

Sincerely,



Donald D. O'Neal
Vice Chairman of the Board



Alan N. Berro
President

August 9, 2016

Summary investment portfolios

Summary investment portfolios are designed to streamline this report and help investors better focus on the funds' principal holdings. Ultra-Short Bond Fund,* Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund show a complete listing of portfolio holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings for each fund in the series.

Unless otherwise indicated, American Funds Insurance Series investment results are for Class 2 shares (Class P2 shares for managed risk funds). Class 2 shares began operations on April 30, 1997. Class 3 shares began operations on January 16, 2004. Class 4 shares began operations on December 14, 2012. Results encompassing periods prior to those dates assume a hypothetical investment in Class 1 shares and include the deduction of additional annual expenses (0.25% for Class 2 shares, 0.18% for Class 3 shares and 0.50% for Class 4 shares).

The variable annuities and life insurance contracts that use the series funds contain certain fees and expenses not reflected in this report. Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The series investment adviser waived a portion of its management fees for all existing funds from September 1, 2004, through December 31, 2008, for U.S. Government/AAA-Rated Securities Fund from July 1, 2010, through December 31, 2010, and for Blue Chip Income and Growth Fund from February 1, 2014, through January 31, 2015. For the managed risk funds, the investment adviser is currently waiving a portion of its management fee equal to 0.05% of the funds' net assets and is currently reimbursing a portion of other expenses so that they will not exceed 0.28%. The waivers and reimbursements will be in effect through at least May 1, 2017, unless modified or terminated by the series board. After that time, the investment adviser may elect to extend, modify or terminate the reimbursements. The waivers may only be modified or terminated with the approval of the series board. Applicable fund results shown reflect the waivers and reimbursements, without which results would have been lower. See the Financial Highlights table in this report for details.

Although Capital Income Builder has a plan of distribution for Class 2 shares, fees for distribution services are not paid on amounts invested in the fund by the investment adviser and/or its affiliates. If fees for these services were charged on these assets, fund results would have been lower and expenses would have been higher. See the "Plans of distribution" section of the prospectus for information on the fees for distribution permitted to be charged by the funds.

Individual funds are listed in this report according to their risk potential, with managed risk funds listed last.

*Effective May 1, 2016, Cash Management Fund was converted to American Funds Insurance Series – Ultra-Short Bond Fund.℠

High-Income Bond Fund

Fund results shown are for past periods and are not predictive of results for future periods. Current and future results may be lower or higher than those shown. Unit prices and returns will vary, so investors may lose money. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

High-Income Bond Fund gained 8.77% for the six months ended June 30, 2016. The fund's benchmark, the Barclays U.S. Corporate High Yield 2% Issuer Capped Index, increased 9.06%.

High-yield markets bottomed in mid-February – as did other markets, particularly commodities. Since then, there has been a strong and broad recovery in high yield, with the biggest bounce in commodities-related sectors. The fund took advantage of that bounce by holding and adding to energy positions. Default rates have been modestly rising and are expected to continue to rise, particularly in the commodity-related space.

The fund's portfolio managers are less optimistic than they were in the early part of the year. Bonds that were considered cheap are now in a fair value range. Portfolio managers are reassessing positions in riskier segments. This has led to a higher credit quality portfolio in the past few months. Yield spreads are slightly above long-term averages – in the category of fair value spreads – but higher within commodities.

The economy will likely continue its weak growth, which is a challenge for high-yield companies. The Federal Reserve's continuing low rates are a reflection of a sluggish economy. Despite a modest widening of spreads, positive returns are still possible. As long as there's some growth, the fund's portfolio managers are cautiously optimistic about the economic road ahead.

Percent of net assets

Largest holdings (by issuer)	Inventiv	2.1%	Wind Acquisition Finance	1.6%
	Altice	2.1	Cheniere Energy	1.4
	Kinetic Concepts	2.0	T-Mobile US	1.4
	Valeant Pharmaceuticals International	1.9	Frontier Communications	1.3
	First Quantum Minerals	1.7	NGPL Pipeco	1.2

High-Income Bond Fund

Average annual total returns based on a $1,000 investment

For periods ended June 30, 2016

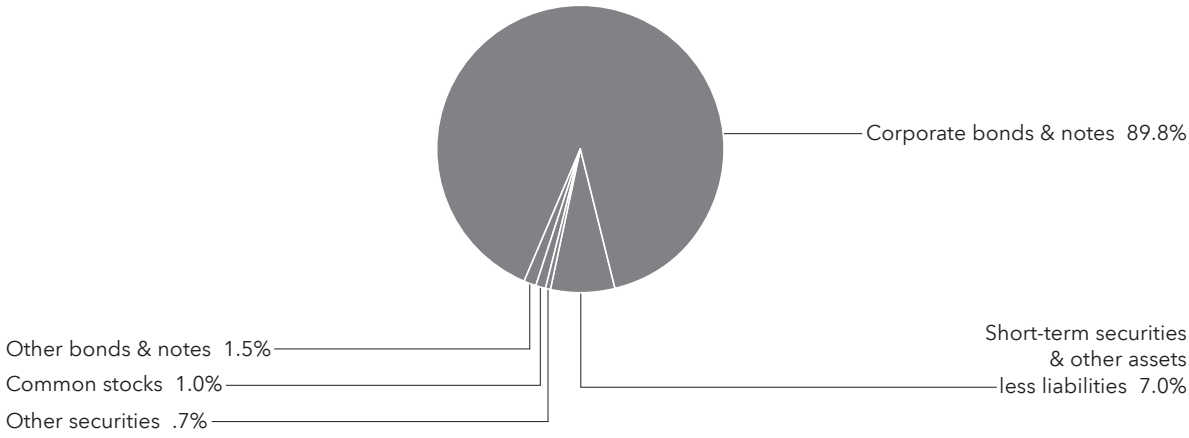
	1 year	5 years	10 years	Lifetime (since February 8, 1984)	Expense ratio
Class 1	–0.60%	3.95%	5.45%	8.81%	.48%
Class 2	–0.89	3.68	5.18	8.47	.73
Class 3	–0.72	3.77	5.26	8.62	.66
Class 4	–1.12	3.52	4.98	8.28	.98

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The fund's investment adviser waived a portion of its management fees from September 1, 2004, through December 31, 2008. Applicable fund results shown reflect the waiver, without which they would have been lower. Expense ratios are as of the fund's prospectus dated May 1, 2016. See the Financial Highlights table in this report for details.

Any market index shown is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index.

Where the fund's assets were invested as of June 30, 2016

Percent of net assets



High-Income Bond Fund

Summary investment portfolio June 30, 2016 unaudited

Bonds, notes & other debt instruments 91.25%		Principal amount (000)	Value (000)
Corporate bonds & notes 89.76%			
Energy 15.85%	Cheniere Energy, Inc. 7.00% 2024[1]	$ 4,670	$ 4,801
	CONSOL Energy Inc. 5.875% 2022	9,925	8,722
	NGL Energy Partners LP 6.875% 2021	8,680	7,660
	NGPL PipeCo LLC 9.625% 2019[1]	13,910	14,588
	NGPL PipeCo LLC 7.12%–7.77% 2017–2037[1]	6,860	7,056
	NGPL PipeCo LLC, Term Loan B, 6.75% 2017[2,3,4]	113	112
	Sabine Pass Liquefaction, LLC 5.63%–5.75% 2021–2025	19,845	19,916
	Sabine Pass LNG, LP 5.875% 2026[1]	525	525
	Teekay Corp. 8.50% 2020	8,993	7,577
	Weatherford International PLC 8.25% 2023	8,550	8,144
	Weatherford International PLC 4.50%–7.75% 2021–2040	11,545	9,780
	Other securities		188,614
			277,495
Health care 13.23%	Centene Corp. 4.75% 2022	11,690	11,982
	Centene Corp. 5.63%–6.13% 2021–2024[1]	6,955	7,338
	DJO Finco Inc. 8.125% 2021[1]	10,160	8,839
	inVentiv Health Inc. 10.00% 2018[1,5]	20,070	20,672
	inVentiv Health Inc. 10.00% 2018	8,597	8,597
	inVentiv Health Inc. 9.00%–10.00% 2018[1]	7,435	7,559
	Kinetic Concepts, Inc. 10.50% 2018	20,215	20,266
	Kinetic Concepts, Inc. 12.50% 2019	13,628	12,913
	Kinetic Concepts, Inc. 7.875% 2021[1]	1,990	2,121
	Valeant Pharmaceuticals International Inc. 5.50%–7.00% 2020–2023[1]	2,020	1,660
	VPI Escrow Corp. 6.75% 2018[1]	11,700	11,315
	VPI Escrow Corp. 6.375% 2020[1]	10,070	8,711
	VPI Escrow Corp. 7.50% 2021[1]	3,025	2,683
	VRX Escrow Corp. 5.38%–6.13% 2020–2025[1]	9,670	8,082
	Other securities		98,994
			231,732
Telecommunication services 12.30%	Altice Financing SA 6.625% 2023[1]	835	823
	Altice Finco SA 6.50%–9.88% 2020–2022[1]	1,850	1,924
	Altice Finco SA, First Lien, 7.75% 2022[1]	1,400	1,419
	Altice NV 5.50% 2026[1]	1,600	1,604
	Altice SA 7.625% 2025[1]	650	637
	Cequel Communications Holdings I, LLC and Cequel Capital Corp. 6.375% 2020[1]	12,670	12,860
	Digicel Group Ltd. 8.25% 2020[1]	16,800	14,112
	Digicel Group Ltd. 6.00%–7.13% 2021–2022[1]	5,600	4,531
	Frontier Communications Corp. 10.50% 2022	8,680	9,217
	Frontier Communications Corp. 11.00% 2025	8,902	9,280
	Frontier Communications Corp. 8.50%–8.88% 2020–2022	4,250	4,522
	Intelsat Jackson Holding Co. 7.25% 2019	10,450	7,681
	Ligado Networks, Term Loan, 9.75% 2020[2,3,4,5]	24,400	21,656
	MetroPCS Wireless, Inc. 6.25% 2021	12,150	12,720
	MetroPCS Wireless, Inc. 6.625% 2023	3,950	4,190
	Neptune Finco Corp. (Altice NV) 6.63%–10.13% 2023–2025[1]	2,950	3,205
	Numericable Group SA 6.00%–7.38% 2022–2026[1]	4,615	4,551
	SoftBank Corp. 4.50% 2020[1]	8,725	9,030
	T-Mobile US, Inc. 6.00%–6.73% 2022–2026	7,275	7,650
	Trilogy International Partners, LLC 13.375% 2019[1]	11,125	11,208
	Wind Acquisition SA 4.75% 2020[1]	6,275	6,181
	Wind Acquisition SA 7.375% 2021[1]	22,625	21,777
	Other securities		44,627
			215,405

High-Income Bond Fund

Bonds, notes & other debt instruments		Principal amount (000)	Value (000)
Consumer discretionary 11.52%	Boyd Gaming Corp. 9.00% 2020	$ 8,600	$ 9,037
	Cablevision Systems Corp. 6.75%–7.75% 2018–2021	9,125	9,476
	CCO Holdings LLC and CCO Holdings Capital Corp. 5.75% 2026[1]	12,520	12,927
	Clear Channel Worldwide Holdings, Inc. 7.625% 2020	8,628	8,253
	Wynn Macau, Ltd. 5.25% 2021[1]	10,325	10,096
	Other securities		151,841
			201,630
Industrials 11.26%	Associated Materials, LLC and AMH New Finance, Inc. 9.125% 2017	19,430	17,390
	Builders Firstsource 7.625% 2021[1]	10,767	11,305
	Corporate Risk Holdings LLC 9.50% 2019[1]	12,782	11,695
	General Electric Co. 5.00% (undated)	1,515	1,612
	Navios Maritime Acquisition Corp. and Navios Acquisition Finance (US) Inc. 8.125% 2021[1]	9,200	7,268
	Prime Security Services Borrower, LLC 9.25% 2023[1]	7,700	8,181
	Silver II Borrower S.C.A./Silver II U.S. Holdings, LLC 7.75% 2020[1]	13,470	11,955
	Other securities		127,770
			197,176
Materials 10.66%	ArcelorMittal 7.75% 2041	15,855	15,181
	ArcelorMittal 6.13%–10.85% 2018–2019	2,200	2,519
	Chemours Co. 7.00% 2025	8,490	7,163
	First Quantum Minerals Ltd. 6.75% 2020[1]	16,443	13,812
	First Quantum Minerals Ltd. 7.00% 2021[1]	17,193	13,905
	First Quantum Minerals Ltd. 7.25% 2022[1]	3,025	2,352
	FMG Resources 4.25% 2019[2,3,4]	3,806	3,651
	FMG Resources 9.75% 2022[1]	14,765	16,389
	Reynolds Group Inc. 5.75% 2020	9,970	10,323
	Ryerson Inc. 11.00% 2022[1]	11,282	11,705
	Other securities		89,745
			186,745
Financials 7.05%	CIT Group Inc. 3.875% 2019	16,085	16,206
	Other securities		107,286
			123,492
Information technology 5.18%	First Data Corp. 7.00% 2023[1]	8,105	8,257
	Gogo Inc. 12.50% 2022[1]	10,450	10,372
	Western Digital Corp. 7.375% 2023[1]	7,400	7,899
	Other securities		64,105
			90,633
Utilities 2.29%	AES Corp. 5.50%–8.00% 2020–2026	16,765	17,836
	Other securities		22,295
			40,131
Consumer staples 0.42%	Other securities		7,260
	Total corporate bonds & notes		1,571,699
Asset-backed obligations 0.68%			
	Other securities		11,915

High-Income Bond Fund

Bonds, notes & other debt instruments (continued)		Principal amount (000)	Value (000)
Other bonds & notes 0.81%			
	U.S. Treasury 1.375% 2020[6]	$10,000	$ 10,192
	Other securities		3,989
			14,181
	Total bonds, notes & other debt instruments (cost: $1,671,781,000)		1,597,795

Convertible bonds 0.23%

Financials 0.19%	Other securities		3,357
Miscellaneous 0.04%	Other convertible bonds in initial period of acquisition		646
	Total convertible bonds (cost: $4,267,000)		4,003

Convertible stocks 0.42%

		Shares	
Telecommunication services 0.02%	Frontier Communications Corp., Series A, convertible preferred	4,500	427
Other 0.32%	Other securities		5,675
Miscellaneous 0.08%	Other convertible stocks in initial period of acquisition		1,359
	Total convertible stocks (cost: $11,428,000)		7,461

Preferred securities 0.13%

Miscellaneous 0.13%	Other preferred securities in initial period of acquisition		2,226
	Total preferred securities (cost: $2,074,000)		2,226

Common stocks 0.93%

Other 0.81%	Other securities		14,344
Miscellaneous 0.12%	Other common stocks in initial period of acquisition		2,039
	Total common stocks (cost: $40,780,000)		16,383

High-Income Bond Fund

Short-term securities 4.47%	Principal amount (000)	Value (000)
Apple Inc. 0.45% due 7/20/2016[1]	$20,000	$ 19,996
Emerson Electric Co. 0.42% due 8/8/2016[1]	12,800	12,794
General Electric Co. 0.35% due 7/1/2016	25,000	25,000
Intel Corp. 0.37% due 7/26/2016	8,900	8,898
PepsiCo Inc. 0.41% due 7/15/2016[1]	10,000	9,998
Other securities		1,600
Total short-term securities (cost: $78,285,000)		78,286
Total investment securities 97.43% (cost: $1,808,615,000)		1,706,154
Other assets less liabilities 2.57%		44,927
Net assets 100.00%		$1,751,081

This summary investment portfolio is designed to streamline the report and help investors better focus on the fund's principal holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings.

As permitted by U.S. Securities and Exchange Commission regulations, "Miscellaneous" securities include holdings in their first year of acquisition that have not previously been publicly disclosed.

"Other securities" includes all issues that are not disclosed separately in the summary investment portfolio. "Miscellaneous" and "Other securities" include securities which were valued under fair value procedures adopted by authority of the board of trustees. The total value of securities which were valued under fair value procedures was $21,223,000, which represented 1.21% of the net assets of the fund. Some securities in "Other securities" (with an aggregate value of $5,947,000, an aggregate cost of $13,197,000, and which represented .34% of the net assets of the fund) were acquired from 3/10/2010 to 8/22/2014 through private placement transactions exempt from registration under the Securities Act of 1933, which may subject them to legal or contractual restrictions on resale.

Credit default swaps

The fund has entered into a credit default swap as shown in the following table. The average month-end notional amount of credit default swaps while held was $19,963,000.

Centrally cleared credit default swaps on credit indices — sell protection

Referenced index	Clearinghouse	Receive fixed rate	Expiration date	Notional (000)	Value (000)	Upfront premiums received (000)	Unrealized appreciation at 6/30/2016 (000)
CDX.NA.HY.26	ICE	5.00%	6/20/2021	$15,000	$485	$306	$179

The following footnotes apply to either the individual securities noted or one or more of the securities aggregated and listed as a single line item.

[1]Acquired in a transaction exempt from registration under Rule 144A or Section 4(2) of the Securities Act of 1933. May be resold in the U.S. in transactions exempt from registration, normally to qualified institutional buyers. The total value of all such securities, including those in "Other securities," was $798,290,000, which represented 45.59% of the net assets of the fund.
[2]Coupon rate may change periodically.
[3]Loan participations and assignments; may be subject to legal or contractual restrictions on resale. The total value of all such loans, including those in "Other securities," was $94,632,000, which represented 5.40% of the net assets of the fund.
[4]Principal payments may be made periodically. Therefore, the effective maturity date may be earlier than the stated maturity date.
[5]Payment in kind; the issuer has the option of paying additional securities in lieu of cash.
[6]A portion of this security was pledged as collateral. The total value of pledged collateral was $820,000, which represented .05% of the net assets of the fund.

Key to abbreviation
ICE = Intercontinental Exchange, Inc.

See Notes to Financial Statements

Financial statements

Statements of assets and liabilities at June 30, 2016

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$5,210,346	$3,824,207	$21,107,039	$7,366,233	$2,773,486
Affiliated issuers	–	12,091	1,437	–	–
Cash	346	1,930	1,775	642	360
Cash denominated in currencies other than U.S. dollars	1,227	820	1,816	4,256	756
Unrealized appreciation on open forward currency contracts	–	4,683	–	4,735	61
Receivables for:					
Sales of investments	35,853	24,252	84,083	31,582	6,527
Sales of fund's shares	9,008	3,151	5,051	9,525	2,474
Dividends and interest	18,177	6,763	26,084	17,411	10,277
Closed forward currency contracts	–	–	–	–	3
Variation margin	–	–	–	–	–
Other	47	248	–	430	282
	5,275,004	3,878,145	21,227,285	7,434,814	2,794,226
Liabilities:					
Unrealized depreciation on open forward currency contracts	322	295	–	4,488	136
Payables for:					
Purchases of investments	76,121	18,538	69,455	47,641	8,396
Repurchases of fund's shares	2,581	2,007	23,666	3,887	2,163
Investment advisory services	2,259	2,250	5,728	3,031	1,607
Services provided by related parties	792	520	3,114	864	253
Trustees' deferred compensation	57	37	495	217	22
Closed forward currency contracts	38	60	–	233	38
Variation margin	–	–	–	–	–
Non-U.S. taxes	1,951	3,002	2,506	5,757	2,715
Other	245	67	286	138	175
	84,366	26,776	105,250	66,256	15,505
Net assets at June 30, 2016	$5,190,638	$3,851,369	$21,122,035	$7,368,558	$2,778,721
Net assets consist of:					
Capital paid in on shares of beneficial interest	$4,128,412	$3,820,845	$14,334,721	$7,129,906	$2,720,650
Undistributed (distributions in excess of) net investment income	17,224	7,475	90,956	50,256	(2,616)
Undistributed (accumulated) net realized gain (loss)	23,680	23,503	1,041,702	(29,249)	(119,444)
Net unrealized appreciation (depreciation)	1,021,322	(454)	5,654,656	217,645	180,131
Net assets at June 30, 2016	$5,190,638	$3,851,369	$21,122,035	$7,368,558	$2,778,721
Investment securities, at cost:					
Unaffiliated issuers	$4,188,568	$3,807,675	$15,452,608	$7,143,933	$2,591,611
Affiliated issuers	–	30,820	1,203	–	–
Cash denominated in currencies other than U.S. dollars, at cost	1,227	820	1,816	4,256	756

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$7,599,716	$1,865,577	$24,441,928	$1,099,631	$344,914	$19,742,062	$242,423	$11,725,512	$2,436,931
–	–	–	–	–	–	–	–	–
1,689	454	1,553	160	182	8,924	176	6,200	891
–	133	816	191	343	–	41	4,732	980
–	648	1,784	–	–	–	506	3,408	8,386
–	353	94,040	6,595	503	423,610	3,847	547,868	186,677
16,619	707	7,903	753	1,695	8,619	119	6,302	5,097
9,904	6,869	32,087	5,860	1,736	68,401	989	53,684	21,034
–	–	–	–	–	–	42	–	1,986
–	–	–	–	–	310	–	1,844	193
–	–	–	–	–	28	–	–	–
7,627,928	1,874,741	24,580,111	1,113,190	349,373	20,251,954	248,143	12,349,550	2,662,175
–	25	–	221	–	–	144	4,224	3,458
–	6,432	35,647	17,343	2,762	681,851	5,180	1,707,055	276,125
3,551	3,396	20,900	85	2,035	12,726	2	9,030	4,017
2,416	914	5,380	562	136	4,350	130	3,113	1,020
747	308	2,893	67	46	1,711	39	949	267
50	17	561	5	–*	191	1	84	17
–	33	–	–	–	–	86	274	2,920
–	–	–	–	–	165	–	1,541	53
207	567	458	341	43	2,933	19	–	255
45	31	331	83	168	1,686	8	277	142
7,016	11,723	66,170	18,707	5,190	705,613	5,609	1,726,547	288,274
$7,620,912	$1,863,018	$24,513,941	$1,094,483	$344,183	$19,546,341	$242,534	$10,623,003	$2,373,901
$5,978,584	$1,666,301	$18,774,184	$1,131,691	$343,533	$15,663,066	$221,949	$10,159,825	$2,333,281
87,846	23,405	205,449	19,251	377	177,952	986	89,995	10,801
148,048	(34,334)	874,412	(14,238)	(6,501)	772,167	(2,279)	97,435	1,246
1,406,434	207,646	4,659,896	(42,221)	6,774	2,933,156	21,878	275,748	28,573
$7,620,912	$1,863,018	$24,513,941	$1,094,483	$344,183	$19,546,341	$242,534	$10,623,003	$2,373,901
$6,193,276	$1,658,513	$19,783,656	$1,141,564	$338,098	$16,799,917	$220,902	$11,426,645	$2,405,647
–	–	–	–	–	–	–	–	–
–	133	816	191	343	–	41	4,767	979

Statements of assets and liabilities at June 30, 2016

	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$1,706,154	$391,846	$360,169	$3,071,391	$ 7,867
Affiliated issuers	–	–	–	–	159,181
Cash	4,456	394	140	4,708	–
Cash denominated in currencies other than U.S. dollars	–	–	–	–	–
Receivables for:					
Sales of investments	39,278	117,375	–	176,374	7
Sales of fund's shares	488	280	2,203	1,048	444
Dividends and interest	30,802	957	42	11,805	2
Deposits at brokers for futures contracts	–	–	–	–	2,986
Variation margin	82	248	–	2,617	25
Other	5	–	–	–	–
	1,781,265	511,100	362,554	3,267,943	170,512
Liabilities:					
Payables for:					
Purchases of investments	26,623	158,997	–	141,623	395
Repurchases of fund's shares	2,453	109	101	1,522	27
Investment advisory services	669	119	93	856	14
Services provided by related parties	180	18	68	363	135
Trustees' deferred compensation	53	2	21	57	–*
Variation margin	–	91	–	1,728	843
Non-U.S. taxes	7	–	–	–	–
Bank overdraft	–	–	–	–	–
Other	199	7	7	53	4
	30,184	159,343	290	146,202	1,418
Net assets at June 30, 2016	$1,751,081	$351,757	$362,264	$3,121,741	$169,094
Net assets consist of:					
Capital paid in on shares of beneficial interest	$2,023,789	$341,195	$362,582	$3,013,906	$187,234
Undistributed (distributions in excess of) net investment income	52,833	2,233	(345)	15,898	(124)
Undistributed (accumulated) net realized gain (loss)	(223,258)	5,158	–	44,247	4,473
Net unrealized appreciation (depreciation)	(102,283)	3,171	27	47,690	(22,489)
Net assets at June 30, 2016	$1,751,081	$351,757	$362,264	$3,121,741	$169,094
Investment securities, at cost:					
Unaffiliated issuers	$1,808,615	$384,968	$360,142	$2,986,923	$ 7,867
Affiliated issuers	–	–	–	–	180,212
Cash denominated in currencies other than U.S. dollars, at cost	–	–	–	–	–

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ –	$ 6,943	$ 5,878	$ 159,495
85,818	180,408	129,200	2,918,872
–	–	–	–
–	–	–	–
–	434	–	7,026
267	1,067	389	3,369
1	2	1	29
4,778	2,533	1,936	3,074
198	10	17	29
–	–	–	–
91,062	191,397	137,421	3,091,894
248	934	360	1,959
–*	529	2	8,817
7	15	11	249
74	146	111	2,262
–*	–*	–*	6
792	704	544	1,902
–	–	–	–
22	–	–	–
2	5	3	545
1,145	2,333	1,031	15,740
$ 89,917	$189,064	$136,390	$3,076,154
$104,211	$194,513	$149,119	$3,116,487
(120)	174	(1)	1,191
1,400	9,614	9,532	42,524
(15,574)	(15,237)	(22,260)	(84,048)
$ 89,917	$189,064	$136,390	$3,076,154
$ –	$ 6,943	$ 5,878	$ 159,495
100,723	193,956	150,009	3,000,755
–	–	–	–

Statements of assets and liabilities at June 30, 2016

		Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized						
Class 1:	Net assets	$1,563,735	$1,501,196	$6,748,085	$3,435,489	$1,635,970
	Shares outstanding	67,249	78,599	108,082	211,202	84,761
	Net asset value per share	$23.25	$19.10	$62.44	$16.27	$19.30
Class 2:	Net assets	$3,539,166	$2,313,915	$13,781,270	$3,850,314	$934,490
	Shares outstanding	153,619	124,449	222,116	237,731	48,887
	Net asset value per share	$23.04	$18.59	$62.05	$16.20	$19.12
Class 3:	Net assets			$183,123	$28,082	
	Shares outstanding			2,918	1,724	
	Net asset value per share			$62.75	$16.29	
Class 4:	Net assets	$87,737	$36,258	$409,557	$54,673	$208,261
	Shares outstanding	3,817	1,932	6,653	3,398	10,917
	Net asset value per share	$22.99	$18.77	$61.56	$16.09	$19.08

		High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized						
Class 1:	Net assets	$944,872	$276,938	$38,290	$1,461,726	
	Shares outstanding	95,556	25,684	3,401	116,612	
	Net asset value per share	$9.89	$10.78	$11.26	$12.53	
Class 2:	Net assets	$782,977	$63,554	$307,937	$1,581,363	
	Shares outstanding	80,353	5,911	28,005	127,495	
	Net asset value per share	$9.74	$10.75	$11.00	$12.40	
Class 3:	Net assets	$12,030		$4,962	$10,996	
	Shares outstanding	1,213		447	876	
	Net asset value per share	$9.92		$11.11	$12.55	
Class 4:	Net assets	$11,202	$11,265	$11,075	$67,656	
	Shares outstanding	1,072	1,055	994	5,449	
	Net asset value per share	$10.45	$10.67	$11.14	$12.42	
Class P1:	Net assets					$618
	Shares outstanding					61
	Net asset value per share					$10.13
Class P2:	Net assets					$168,476
	Shares outstanding					16,720
	Net asset value per share					$10.08

*Amount less than one thousand.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$4,215,511	$429,595	$11,308,944	$808,337	$123,649	$11,897,640	$60,035	$6,390,901	$1,161,314
331,301	34,248	272,092	54,656	12,672	566,389	5,400	570,796	97,830
$12.72	$12.54	$41.56	$14.79	$9.76	$21.01	$11.12	$11.20	$11.87
$3,331,392	$1,423,582	$12,612,139	$251,590	$3	$5,029,366	$177,738	$4,144,582	$1,201,452
264,650	113,771	306,450	17,078	–*	241,700	16,032	374,885	102,011
$12.59	$12.51	$41.16	$14.73	$9.76	$20.81	$11.09	$11.06	$11.78
		$155,419			$36,338			
		3,736			1,729			
		$41.60			$21.01			
$74,009	$9,841	$437,439	$34,556	$220,531	$2,582,997	$4,761	$87,520	$11,135
5,876	792	10,698	2,354	22,636	124,546	431	7,900	950
$12.60	$12.42	$40.89	$14.68	$9.74	$20.74	$11.04	$11.08	$11.72

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$146	$263	$1,030	$972,935
16	24	98	83,925
$8.82	$11.01	$10.46	$11.59
$89,771	$188,801	$135,360	$2,103,219
10,232	17,243	13,002	181,706
$8.77	$10.95	$10.41	$11.57

Statements of operations for the six months ended June 30, 2016

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 50,322	$ 29,570	$ 154,315	$ 100,614	$ 24,204
Interest	709	2,995	2,135	4,610	5,973
	51,031	32,565	156,450	105,224	30,177
Fees and expenses*:					
Investment advisory services	13,524	13,624	33,880	18,055	9,433
Distribution services	4,497	2,926	17,444	4,808	1,361
Insurance administrative services	106	42	477	61	227
Transfer agent services	–†	–†	1	1	–†
Administrative services	256	195	1,024	359	130
Reports to shareholders	136	73	587	187	65
Registration statement and prospectus	19	7	42	13	41
Trustees' compensation	23	17	90	31	12
Auditing and legal	27	18	24	36	20
Custodian	300	359	202	702	499
Other	12	31	17	14	14
Total fees and expenses before waivers/reimbursements	18,900	17,292	53,788	24,267	11,802
Less waivers/reimbursements of fees and expenses:					
Investment advisory services waivers	–	–	–	–	–
Miscellaneous fee reimbursements	–	–	–	–	–
Total waivers/reimbursements of fees and expenses	–	–	–	–	–
Total fees and expenses after waivers/reimbursements	18,900	17,292	53,788	24,267	11,802
Net investment income (loss)	32,131	15,273	102,662	80,957	18,375
Net realized gain (loss) and unrealized (depreciation) appreciation:					
Net realized gain (loss) on*:					
Investments	30,890	(55,904)	1,209,114	(16,164)	(44,016)
Forward currency contracts	(3,311)	1,707	–	(4,878)	(338)
Interest rate swaps	–	–	–	–	–
Currency transactions	371	624	(355)	(200)	159
	27,950	(53,573)	1,208,759	(21,242)	(44,195)
Net unrealized (depreciation) appreciation on:					
Investments	(250,988)	(129,899)	(1,127,972)	(142,019)	86,789
Forward currency contracts	268	3,887	–	(170)	(104)
Interest rate swaps	–	–	–	–	–
Currency translations	137	282	35	604	175
	(250,583)	(125,730)	(1,127,937)	(141,585)	86,860
Net realized gain (loss) and unrealized (depreciation) appreciation	(222,633)	(179,303)	80,822	(162,827)	42,665
Net (decrease) increase in net assets resulting from operations	$(190,502)	$(164,030)	$ 183,484	$ (81,870)	$ 61,040

See end of statements of operations for footnotes.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$105,700	$29,528	$ 244,974	$ 23,600	$ 5,713	$140,710	$ 2,234	$ 16	$ –
859	1,040	6,833	1,102	395	76,948	923	111,704	31,872
106,559	30,568	251,807	24,702	6,108	217,658	3,157	111,720	31,872
13,935	5,362	31,744	3,193	693	25,324	740	18,304	6,030
4,053	1,764	16,028	348	225	9,139	215	5,199	1,495
62	8	509	41	225	3,026	3	90	10
–†	–†	1	–†	–†	1	–†	–†	–†
351	89	1,176	50	14	920	11	503	114
118	26	666	9	2	461	2	209	37
73	3	44	11	18	266	1	14	4
30	7	102	4	1	79	1	42	9
9	7	29	7	3	22	4	13	6
137	123	144	117	13	127	13	64	231
6	8	19	3	1	22	11	30	19
18,774	7,397	50,462	3,783	1,195	39,387	1,001	24,468	7,955
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
18,774	7,397	50,462	3,783	1,195	39,387	1,001	24,468	7,955
87,785	23,171	201,345	20,919	4,913	178,271	2,156	87,252	23,917
128,048	(2,747)	896,071	(16,634)	(4,760)	777,108	(2,430)	122,972	(7,451)
–	(656)	–	–	–	–	282	(27,272)	12,814
–	–	–	–	–	(1,972)	–	6,950	(1,761)
23	(208)	(2,793)	114	(33)	(103)	(22)	1,842	(1,143)
128,071	(3,611)	893,278	(16,520)	(4,793)	775,033	(2,170)	104,492	2,459
465,986	14,113	(340,345)	8,542	15,709	(80,304)	7,628	378,301	153,787
–	565	1,784	(221)	–	–	298	216	2,262
–	–	–	–	–	(4,158)	–	(23,945)	(7,367)
5	27	(87)	36	(36)	(8)	11	(87)	35
465,991	14,705	(338,648)	8,357	15,673	(84,470)	7,937	354,485	148,717
594,062	11,094	554,630	(8,163)	10,880	690,563	5,767	458,977	151,176
$681,847	$34,265	$ 755,975	$ 12,756	$15,793	$868,834	$ 7,923	$546,229	$175,093

Statements of operations for the six months ended June 30, 2016

	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund (formerly Cash Management Fund)	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 221	$ –	$ –	$ –	$ 351
Interest	59,698	3,140	731	23,775	7
	59,919	3,140	731	23,775	358
Fees and expenses*:					
Investment advisory services	4,017	723	583	5,144	114
Distribution services	972	95	406	2,034	190
Insurance administrative services	8	16	16	81	190
Transfer agent services	–†	–†	–†	–†	–†
Administrative services	86	17	18	152	–
Accounting and administrative services	–	–	–	–	27
Reports to shareholders	28	2	6	47	2
Registration statement and prospectus	11	–†	1	6	7
Trustees' compensation	7	1	1	13	1
Auditing and legal	15	3	3	6	1
Custodian	7	9	1	13	6
Other	20	10	18	16	63
Total fees and expenses before waivers/reimbursements	5,171	876	1,053	7,512	601
Less waivers/reimbursements of fees and expenses:					
Investment advisory services waivers	–	–	–	–	38
Miscellaneous fee reimbursements	–	–	–	–	84
Total waivers/reimbursements of fees and expenses	–	–	–	–	122
Total fees and expenses after waivers/reimbursements	5,171	876	1,053	7,512	479
Net investment income (loss)	54,748	2,264	(322)	16,263	(121)
Net realized gain (loss) and unrealized (depreciation) appreciation:					
Net realized gain (loss) on*:					
Investments	(67,177)	2,088	–	41,371	(2,658)
Forward currency contracts	21	–	–	–	–
Interest rate swaps	(969)	2,523	–	8,053	–
Credit default swaps	(1,183)	–	–	–	–
Futures contracts	–	1,073	–	4,258	(4,811)
Currency transactions	(88)	–	–	–	8
Capital gain distributions received	–	–	–	–	13,899
	(69,396)	5,684	–	53,682	6,438
Net unrealized (depreciation) appreciation on:					
Investments	160,979	6,728	1	89,954	(8,710)
Forward currency contracts	(38)	–	–	–	–
Interest rate swaps	274	(6,139)	–	(55,853)	–
Credit default swaps	(527)	–	–	–	–
Futures contracts	–	1,276	–	17,848	(1,415)
Currency translations	112	–	–	–	–
	160,800	1,865	1	51,949	(10,125)
Net realized gain (loss) and unrealized (depreciation) appreciation	91,404	7,549	1	105,631	(3,687)
Net (decrease) increase in net assets resulting from operations	$146,152	$ 9,813	$ (321)	$121,894	$ (3,808)

*Additional information related to non-U.S. taxes, affiliated transactions and class-specific fees and expenses is included in the Notes to Financial Statements.
† Amount less than one thousand.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ 150	$ 682	$ 395	$ 8,997
3	8	6	159
153	690	401	9,156
64	120	95	2,106
107	199	158	2,474
107	199	159	3,511
–†	–†	–†	–†
–	–	–	–
26	27	27	58
1	2	1	34
5	5	5	76
–†	1	1	11
1	1	1	3
6	6	6	6
20	70	48	233
337	630	501	8,512
21	40	32	702
47	88	70	–
68	128	102	702
269	502	399	7,810
(116)	188	2	1,346
(3,209)	(721)	(1,685)	393
–	–	–	–
–	–	–	–
–	–	–	–
(2,203)	(3,223)	(2,578)	(28,244)
38	2	6	32
7,236	13,693	14,044	68,888
1,862	9,751	9,787	41,069
(4,256)	1,703	(8,199)	55,885
–	–	–	–
–	–	–	–
–	–	–	–
(503)	(1,618)	(1,325)	(639)
–	–	–	–
(4,759)	85	(9,524)	55,246
(2,897)	9,836	263	96,315
$(3,013)	$10,024	$ 265	$ 97,661

Statements of changes in net assets

	Global Growth Fund		Global Small Capitalization Fund		Growth Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ 32,131	$ 41,258	$ 15,273	$ (387)	$ 102,662	$ 156,971
Net realized gain (loss)	27,950	454,855	(53,573)	817,379	1,208,759	1,899,173
Net unrealized (depreciation) appreciation	(250,583)	(109,786)	(125,730)	(798,992)	(1,127,937)	(519,610)
Net (decrease) increase in net assets resulting from operations	(190,502)	386,327	(164,030)	18,000	183,484	1,536,534
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(14,651)	(61,500)	(893)	–	(41,568)	(151,371)
Distributions from net realized gain on investments	(443,911)	(539,532)	(724,863)	(331,551)	(1,900,853)	(4,626,506)
Total dividends and distributions paid to shareholders	(458,562)	(601,032)	(725,756)	(331,551)	(1,942,421)	(4,777,877)
Net capital share transactions	306,070	179,492	509,652	384,510	1,083,288	2,276,062
Total (decrease) increase in net assets	(342,994)	(35,213)	(380,134)	70,959	(675,649)	(965,281)
Net assets:						
Beginning of period	5,533,632	5,568,845	4,231,503	4,160,544	21,797,684	22,762,965
End of period	$5,190,638	$5,533,632	$3,851,369	$4,231,503	$21,122,035	$21,797,684
Undistributed (distributions in excess of) net investment income	$17,224	$(256)	$7,475	$(6,905)	$90,956	$29,862

	International Growth and Income Fund		Capital Income Builder		Asset Allocation Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ 20,919	$ 26,405	$ 4,913	$ 3,949	$ 178,271	$ 317,583
Net realized gain (loss)	(16,520)	7,489	(4,793)	(1,225)	775,033	471,975
Net unrealized (depreciation) appreciation	8,357	(92,050)	15,673	(7,839)	(84,470)	(523,714)
Net (decrease) increase in net assets resulting from operations	12,756	(58,156)	15,793	(5,115)	868,834	265,844
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(2,710)	(24,236)	(4,244)	(4,288)	(56,654)	(334,403)
Distributions from net realized gain on investments	(4,688)	(21,506)	–	–	(465,865)	(1,266,708)
Total dividends and distributions paid to shareholders	(7,398)	(45,742)	(4,244)	(4,288)	(522,519)	(1,601,111)
Net capital share transactions	96,246	88,567	95,629	171,242	829,459	2,142,966
Total (decrease) increase in net assets	101,604	(15,331)	107,178	161,839	1,175,774	807,699
Net assets:						
Beginning of period	992,879	1,008,210	237,005	75,166	18,370,567	17,562,868
End of period	$1,094,483	$ 992,879	$344,183	$237,005	$19,546,341	$18,370,567
Undistributed (distributions in excess of) net investment income	$19,251	$1,042	$377	$(292)	$177,952	$56,335

See end of statements of changes in net assets for footnotes.

See Notes to Financial Statements

(dollars in thousands)

International Fund		New World Fund		Blue Chip Income and Growth Fund		Global Growth and Income Fund		Growth-Income Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ 80,957	$ 101,049	$ 18,375	$ 21,693	$ 87,785	$ 150,411	$ 23,171	$ 32,504	$ 201,345	$ 362,367
(21,242)	671,574	(44,195)	(83,494)	128,071	617,232	(3,611)	62,422	893,278	2,678,192
(141,585)	(1,114,934)	86,860	(22,006)	465,991	(966,960)	14,705	(115,761)	(338,648)	(2,629,717)
(81,870)	(342,311)	61,040	(83,807)	681,847	(199,317)	34,265	(20,835)	755,975	410,842
(11,423)	(129,375)	(2,164)	(19,569)	(28,164)	(147,049)	(5,261)	(36,339)	(69,903)	(352,790)
(637,485)	(446,067)	–	(149,097)	(595,206)	(712,444)	–	–	(2,694,335)	(3,606,146)
(648,908)	(575,442)	(2,164)	(168,666)	(623,370)	(859,493)	(5,261)	(36,339)	(2,764,238)	(3,958,936)
616,686	688,549	26,064	364,776	664,161	684,200	57,232	(52,395)	2,308,811	2,397,939
(114,092)	(229,204)	84,940	112,303	722,638	(374,610)	86,236	(109,569)	300,548	(1,150,155)
7,482,650	7,711,854	2,693,781	2,581,478	6,898,274	7,272,884	1,776,782	1,886,351	24,213,393	25,363,548
$7,368,558	$ 7,482,650	$2,778,721	$2,693,781	$7,620,912	$6,898,274	$1,863,018	$1,776,782	$24,513,941	$24,213,393
$50,256	$(19,278)	$(2,616)	$(18,827)	$87,846	$28,224	$23,405	$5,495	$205,449	$74,007

Global Balanced Fund		Bond Fund		Global Bond Fund		High-Income Bond Fund		Mortgage Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ 2,156	$ 3,604	$ 87,252	$ 180,900	$ 23,917	$ 54,947	$ 54,748	$ 116,865	$ 2,264	$ 2,886
(2,170)	201	104,492	66,981	2,459	(73,021)	(69,396)	(76,908)	5,684	5,622
7,937	(5,965)	354,485	(215,539)	148,717	(80,680)	160,800	(174,986)	1,865	(1,739)
7,923	(2,160)	546,229	32,342	175,093	(98,754)	146,152	(135,029)	9,813	6,769
–	(2,403)	(58,633)	(182,773)	–	(1,846)	(20,488)	(114,287)	(835)	(5,398)
–	(2,968)	(35,948)	(192,440)	(4,207)	(69,034)	–	–	(3,533)	(4,268)
–	(5,371)	(94,581)	(375,213)	(4,207)	(70,880)	(20,488)	(114,287)	(4,368)	(9,666)
15,347	11,046	246,456	697,150	(42,536)	(169,118)	(169,815)	82,072	4,182	219
23,270	3,515	698,104	354,279	128,350	(338,752)	(44,151)	(167,244)	9,627	(2,678)
219,264	215,749	9,924,899	9,570,620	2,245,551	2,584,303	1,795,232	1,962,476	342,130	344,808
$242,534	$219,264	$10,623,003	$9,924,899	$2,373,901	$2,245,551	$1,751,081	$1,795,232	$351,757	$342,130
$986	$(1,170)	$89,995	$61,376	$10,801	$(13,116)	$52,833	$18,573	$2,233	$804

Statements of changes in net assets

	Ultra-Short Bond Fund (formerly Cash Management Fund)		U.S. Government/ AAA-Rated Securities Fund		Managed Risk Growth Fund	
	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
Operations:						
Net investment income (loss)	$ (322)	$ (1,713)	$ 16,263	$ 29,322	$ (121)	$ 351
Net realized gain (loss)	–	1	53,682	73,799	6,438	13,382
Net unrealized (depreciation) appreciation	1	10	51,949	(45,379)	(10,125)	(13,947)
Net (decrease) increase in net assets resulting from operations	(321)	(1,702)	121,894	57,742	(3,808)	(214)
Dividends and distributions paid to shareholders:						
Dividends from net investment income	–	–	(7,777)	(48,582)	(331)	–
Distributions from net realized gain on investments	–	–	(60,973)	(27,147)	(15,012)	–
Total dividends and distributions paid to shareholders	–	–	(68,750)	(75,729)	(15,343)	–
Net capital share transactions	(851)	(29,927)	6,711	(393,940)	42,413	66,782
Total (decrease) increase in net assets	(1,172)	(31,629)	59,855	(411,927)	23,262	66,568
Net assets:						
Beginning of period	363,436	395,065	3,061,886	3,473,813	145,832	79,264
End of period	$362,264	$363,436	$3,121,741	$3,061,886	$169,094	$145,832
Undistributed (distributions in excess of) net investment income	$(345)	$(23)	$15,898	$7,412	$(124)	$328

*Unaudited.

See Notes to Financial Statements

(dollars in thousands)

Managed Risk International Fund		Managed Risk Blue Chip Income and Growth Fund		Managed Risk Growth-Income Fund		Managed Risk Asset Allocation Fund	
Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015	Six months ended June 30 2016*	Year ended December 31 2015
$ (116)	$ 904	$ 188	$ 1,959	$ 2	$ 1,056	$ 1,346	$ 31,209
1,862	1,838	9,751	7,704	9,787	8,928	41,069	111,792
(4,759)	(9,188)	85	(19,476)	(9,524)	(14,317)	55,246	(170,931)
(3,013)	(6,446)	10,024	(9,813)	265	(4,333)	97,661	(27,930)
(843)	(14)	(2,237)	(530)	(1,331)	(67)	(34,288)	(38,084)
(2,185)	–	(5,924)	–	(8,465)	–	(93,578)	(48,390)
(3,028)	(14)	(8,161)	(530)	(9,796)	(67)	(127,866)	(86,474)
12,798	43,513	49,796	49,641	23,252	51,303	441,340	722,454
6,757	37,053	51,659	39,298	13,721	46,903	411,135	608,050
83,160	46,107	137,405	98,107	122,669	75,766	2,665,019	2,056,969
$89,917	$83,160	$189,064	$137,405	$136,390	$122,669	$3,076,154	$2,665,019
$(120)	$839	$174	$2,223	$(1)	$1,328	$1,191	$34,133

Notes to financial statements

unaudited

1. Organization

American Funds Insurance Series (the "series") is registered under the Investment Company Act of 1940 as an open-end, diversified management investment company with 28 different funds (the "funds"). Twenty-three funds in the series are covered in this report. The other five funds in the series are covered in a separate report. The assets of each fund are segregated, with each fund accounted for separately. Capital Research and Management Company ("CRMC") is the series' investment adviser. Milliman Financial Risk Management LLC ("Milliman FRM") is the subadviser for the risk management strategy for eight of the funds (the "managed risk funds"), five of which are covered in this report.

The managed risk funds covered in this report are Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund. The managed risk funds invest in other funds within the series (the "underlying funds") and employ Milliman FRM to implement the risk management strategy, which consists of using hedging instruments – primarily short positions on exchange-traded futures contracts – to attempt to stabilize the volatility of the funds around target volatility levels and reduce the downside exposure of the funds during periods of significant market declines.

Shareholders approved a proposal to reorganize the series from a Massachusetts business trust to a Delaware statutory trust. The reorganization may be completed in the next 12 months; however, the series reserves the right to delay the implementation.

The investment objectives for each fund covered in this report are as follows:

Global Growth Fund – Seeks to provide long-term growth of capital.

Global Small Capitalization Fund – Seeks to provide long-term growth of capital.

Growth Fund – Seeks to provide growth of capital.

International Fund – Seeks to provide long-term growth of capital.

New World Fund – Seeks long-term capital appreciation.

Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing.

Global Growth and Income Fund – Seeks to provide long-term growth of capital while providing current income.

Growth-Income Fund – Seeks to achieve long-term growth of capital and income.

International Growth and Income Fund – Seeks to provide long-term growth of capital while providing current income.

Capital Income Builder – Seeks to provide a level of current income that exceeds the average yield on U.S. stocks generally and to provide a growing stream of income over the years. Secondarily, seeks to provide growth of capital.

Asset Allocation Fund – Seeks to provide high total return consistent with preservation of capital over the long term.

Global Balanced Fund – Seeks the balanced accomplishment of three objectives: long-term growth of capital, conservation of principal and current income.

Bond Fund – Seeks to provide as high a level of current income as is consistent with the preservation of capital.

Global Bond Fund – Seeks to provide, over the long term, a high level of total return consistent with prudent investment management.

High-Income Bond Fund – Seeks to provide a high level of current income and, secondarily, capital appreciation.

Mortgage Fund – Seeks to provide current income and preservation of capital.

Ultra-Short Bond Fund – On May 1, 2016, the fund changed its name from Cash Management Fund to Ultra-Short Bond Fund in accordance with a resolution approved by shareholders on December 4, 2015, to convert the fund to an ultra-short-term bond fund. The fund seeks to provide current income, consistent with the maturity and quality standards applicable to the fund, and preservation of capital and liquidity.

U.S. Government/AAA-Rated Securities Fund – Seeks to provide a high level of current income consistent with preservation of capital.

Managed Risk Growth Fund – Seeks to provide growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk International Fund – Seeks to provide long-term growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing, in each case while seeking to manage volatility and provide downside protection.

Managed Risk Growth-Income Fund – Seeks to achieve long-term growth of capital and income while seeking to manage volatility and provide downside protection.

Managed Risk Asset Allocation Fund – Seeks to provide high total return consistent with preservation of capital over the long term while seeking to manage volatility and provide downside protection.

Each fund in the series, except the managed risk funds, offers either three or four share classes (Classes 1, 2, 3 or 4); the managed risk funds offer two share classes (Classes P1 and P2). Holders of all share classes of each fund have equal pro rata rights to assets, dividends and liquidation proceeds of each fund held. Each share class of each fund has identical voting rights, except for the exclusive right to vote on matters affecting only its class. Share classes have different fees and expenses ("class-specific fees and expenses"), primarily due to different arrangements for certain distribution expenses. Differences in class-specific fees and expenses will result in differences in net investment income and, therefore, the payment of different per-share dividends by each class of each fund.

2. Significant accounting policies

Each fund is an investment company that applies the accounting and reporting guidance issued in Topic 946 by the U.S. Financial Accounting Standards Board. Each fund's financial statements have been prepared to comply with U.S. generally accepted accounting principles ("U.S. GAAP"). These principles require the series' investment adviser to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Subsequent events, if any, have been evaluated through the date of issuance in the preparation of the financial statements. The funds follow the significant accounting policies described in this section, as well as the valuation policies described in the next section on valuation.

Security transactions and related investment income – Security transactions are recorded by the funds as of the date the trades are executed with brokers. Realized gains and losses from security transactions are determined based on the specific identified cost of the securities. In the event a security is purchased with a delayed payment date, the funds will segregate liquid assets sufficient to meet their payment obligations. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Market discounts, premiums and original issue discounts on fixed-income securities are amortized daily over the expected life of the security.

Fees and expenses – The fees and expenses of the underlying funds held by the managed risk funds are not included in the fees and expenses reported for each of the managed risk funds; however, they are indirectly reflected in the valuation of each of the underlying funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables.

Class allocations – Income, fees and expenses (other than class-specific fees and expenses) and realized and unrealized gains and losses are allocated daily among the various share classes of each fund based on their relative net assets. Class-specific fees and expenses, such as distribution expenses, are accrued daily and charged directly to the respective share class of each fund.

Dividends and distributions to shareholders – Dividends and distributions to shareholders are recorded on each fund's ex-dividend date.

Currency translation – Assets and liabilities, including investment securities, denominated in currencies other than U.S. dollars are translated into U.S. dollars at the exchange rates supplied by one or more pricing vendors on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the exchange rates on the dates of such transactions. The effects of changes in exchange rates on investment securities are included with the net realized gain or loss and net unrealized appreciation or depreciation on investments in the funds' statements of operations. The realized gain or loss and unrealized appreciation or depreciation resulting from all other transactions denominated in currencies other than U.S. dollars are disclosed separately.

3. Valuation

CRMC, the series' investment adviser, values the funds' investments at fair value as defined by U.S. GAAP. The net asset value of each share class of each fund is generally determined as of approximately 4:00 p.m. New York time each day the New York Stock Exchange is open.

Methods and inputs – The series' investment adviser uses the following methods and inputs to establish the fair value of each fund's assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve.

Equity securities are generally valued at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market on which the security trades. The value of an underlying fund is based on its reported net asset value.

Fixed-income securities, including short-term securities, are generally valued at prices obtained from one or more pricing vendors. Vendors value such securities based on one or more of the inputs described in the following table. The table provides examples of inputs that are commonly relevant for valuing particular classes of fixed-income securities in which the funds are authorized to invest. However, these classifications are not exclusive and any of the inputs may be used to value any other class of fixed-income security.

Fixed-income class	Examples of standard inputs
All	Benchmark yields, transactions, bids, offers, quotations from dealers and trading systems, new issues, spreads and other relationships observed in the markets among comparable securities; and proprietary pricing models such as yield measures calculated using factors such as cash flows, financial or collateral performance and other reference data (collectively referred to as "standard inputs")
Corporate bonds & notes; convertible securities	Standard inputs and underlying equity of the issuer
Bonds & notes of governments & government agencies	Standard inputs and interest rate volatilities
Mortgage-backed; asset-backed obligations	Standard inputs and cash flows, prepayment information, default rates, delinquency and loss assumptions, collateral characteristics, credit enhancements and specific deal information
Municipal securities	Standard inputs and, for certain distressed securities, cash flows or liquidation values using a net present value calculation based on inputs that include, but are not limited to, financial statements and debt contracts

When the series' investment adviser deems it appropriate to do so (such as when vendor prices are unavailable or not deemed to be representative), fixed-income securities will be valued in good faith at the mean quoted bid and ask prices that are reasonably and timely available (or bid prices, if ask prices are not available) or at prices for securities of comparable maturity, quality and type.

Securities with both fixed-income and equity characteristics, or equity securities traded principally among fixed-income dealers, are generally valued in the manner described for either equity or fixed-income securities, depending on which method is deemed most appropriate by the series' investment adviser. The Government Cash Management Fund held by the managed risk funds is managed to maintain a $1.00 net asset value per share. The net asset value of each share class of each managed risk fund is calculated based on the reported net asset values of the underlying funds in which each fund invests.

Forward currency contracts are valued at the mean of representative quoted bid and ask prices, generally based on prices supplied by one or more pricing vendors. Interest rate swaps and credit default swaps are generally valued by pricing vendors based on market inputs that include the index and term of index, reset frequency, payer/receiver, currency and pay frequency. Exchange-traded futures are generally valued at the official settlement price of, or the last reported sale price on, the exchange or market on which such instruments are traded, as of the close of business on the day the futures are being valued or, lacking any sales, at the last available bid price. Prices for each future are taken from the exchange or market on which the security trades.

Securities and other assets for which representative market quotations are not readily available or are considered unreliable by the series' investment adviser are fair valued as determined in good faith under fair value guidelines adopted by authority of the series' board of trustees as further described. The investment adviser follows fair valuation guidelines, consistent with U.S. Securities and Exchange Commission rules and guidance, to consider relevant principles and factors when making fair value determinations. The investment adviser considers relevant indications of value that are reasonably and timely available to it in determining the fair value to be assigned to a particular security, such as the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; significant events occurring after the close of trading in the security; and changes in overall market conditions. In addition, the closing prices of equity securities and futures that trade in markets outside U.S. time zones may be adjusted to reflect significant events that occur after the close of local trading but before the net asset value of each share class of each fund is determined. Fair valuations and valuations of investments and futures that are not actively trading involve judgment and may differ materially from valuations that would have been used had greater market activity occurred.

Processes and structure — The series' board of trustees has delegated authority to the series' investment adviser to make fair value determinations, subject to board oversight. The investment adviser has established a Joint Fair Valuation Committee (the "Fair Valuation Committee") to administer, implement and oversee the fair valuation process, and to make fair value decisions. The Fair Valuation Committee regularly reviews its own fair value decisions, as well as decisions made under its standing instructions to the investment adviser's valuation teams. The Fair Valuation Committee reviews changes in fair value measurements from period to period and may, as deemed appropriate, update the fair valuation guidelines to better reflect the results of back testing and address new or evolving issues. The Fair Valuation Committee reports any changes to the fair valuation guidelines to the board of trustees with supplemental information to support the changes. The series' board and audit committee also regularly review reports that describe fair value determinations and methods.

The series' investment adviser has also established a Fixed-Income Pricing Review Group to administer and oversee the fixed-income valuation process, including the use of fixed-income pricing vendors. This group regularly reviews pricing vendor information and market data. Pricing decisions, processes and controls over security valuation are also subject to additional internal reviews, including an annual control self-evaluation program facilitated by the investment adviser's compliance group.

Classifications — The series' investment adviser classifies the funds' assets and liabilities into three levels based on the inputs used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Certain securities trading outside the U.S. may transfer between Level 1 and Level 2 due to valuation adjustments resulting from significant market movements following the close of local trading. Level 3 values are based on significant unobservable inputs that reflect the investment adviser's determination of assumptions that market participants might reasonably use in valuing the securities.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. For example, U.S. government securities are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. The following tables present the funds' valuation levels as of June 30, 2016 (dollars in thousands):

Global Growth Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 633,369	$ 631,466	$–	$1,264,835
Consumer discretionary	805,224	282,754	–	1,087,978
Health care	490,154	408,056	–	898,210
Financials	153,037	359,249	–	512,286
Consumer staples	50,742	284,580	–	335,322
Industrials	80,217	153,323	–	233,540
Energy	112,190	68,184	–	180,374
Telecommunication services	–	76,297	–	76,297
Other	25,901	24,029	–	49,930
Miscellaneous	83,928	173,305	–	257,233
Bonds, notes & other debt instruments	–	2,007	–	2,007
Short-term securities	–	312,334	–	312,334
Total	$2,434,762	$2,775,584	$–	$5,210,346

	Other investments†			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Unrealized depreciation on open forward currency contracts	$–	$(322)	$–	$(322)

*Securities with a value of $2,461,243,000, which represented 47.42% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Global Small Capitalization Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer discretionary	$ 315,634	$ 340,036	$ 4	$ 655,674
Information technology	316,427	206,663	–	523,090
Health care	429,474	80,655	–	510,129
Industrials	95,239	183,490	–	278,729
Financials	90,951	174,719	–	265,670
Consumer staples	84,702	173,896	–	258,598
Energy	179,463	42,776	8,828	231,067
Materials	106,972	73,029	–	180,001
Utilities	–	83,655	31	83,686
Telecommunication services	–	11,560	–	11,560
Miscellaneous	96,227	91,281	–	187,508
Rights & warrants	208	–	39	247
Bonds, notes & other debt instruments	–	121,812	–	121,812
Short-term securities	–	528,527	–	528,527
Total	$1,715,297	$2,112,099	$8,902	$3,836,298

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$4,683	$–	$4,683
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(295)	–	(295)
Total	$–	$4,388	$–	$4,388

*Securities with a value of $1,455,844,000, which represented 37.80% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Growth Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 4,216,815	$ 730,538	$ –	$ 4,947,353
Consumer discretionary	4,570,452	27,481	–	4,597,933
Health care	3,020,880	9,626	–	3,030,506
Financials	1,885,682	117,048	–	2,002,730
Energy	1,842,346	–	–	1,842,346
Consumer staples	1,412,858	151,043	–	1,563,901
Industrials	1,005,249	167,972	–	1,173,221
Telecommunication services	211,039	13,090	–	224,129
Other	266,609	1,437	–	268,046
Miscellaneous	396,414	80,345	–	476,759
Convertible stocks	–	–	13,104	13,104
Convertible bonds	–	5,300	–	5,300
Short-term securities	–	963,148	–	963,148
Total	$18,828,344	$2,267,028	$13,104	$21,108,476

*Securities with a value of $1,297,142,000, which represented 6.14% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

International Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 41,252	$1,173,335	$–	$1,214,587
Information technology	192,494	750,242	–	942,736
Health care	59,207	823,249	–	882,456
Consumer discretionary	56,435	777,132	–	833,567
Industrials	21,050	636,023	–	657,073
Consumer staples	28,049	568,308	–	596,357
Materials	85,955	421,136	–	507,091
Utilities	–	392,038	–	392,038
Energy	75,473	240,981	–	316,454
Telecommunication services	–	240,610	–	240,610
Miscellaneous	12,908	233,877	–	246,785
Bonds, notes & other debt instruments	–	73,875	–	73,875
Short-term securities	–	462,604	–	462,604
Total	$572,823	$6,793,410	$–	$7,366,233

See next page for footnote.

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 4,735	$–	$ 4,735
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(4,488)	–	(4,488)
Total	$–	$ 247	$–	$ 247

*Securities with a value of $6,032,519,000, which represented 81.87% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

New World Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer discretionary	$161,379	$ 273,043	$ –	$ 434,422
Information technology	161,527	258,347	–	419,874
Financials	180,607	174,977	29	355,613
Health care	95,909	140,791	–	236,700
Industrials	58,060	122,221	–	180,281
Energy	64,986	96,865	–	161,851
Consumer staples	58,470	96,273	–	154,743
Telecommunication services	4,942	49,092	–	54,034
Materials	28,672	22,498	885	52,055
Utilities	–	37,613	–	37,613
Miscellaneous	24,394	105,934	–	130,328
Rights & warrants	–	33,559	11,234	44,793
Convertible bonds	–	6,581	–	6,581
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	140,911	–	140,911
Corporate bonds & notes	–	14,493	–	14,493
U.S. Treasury bonds & notes	–	1,505	–	1,505
Short-term securities	–	347,689	–	347,689
Total	$838,946	$1,922,392	$12,148	$2,773,486

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 61	$–	$ 61
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(136)	–	(136)
Total	$–	$ (75)	$–	$ (75)

*Securities with a value of $1,363,311,000, which represented 49.06% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Blue Chip Income and Growth Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks:				
Health care	$1,231,149	$ –	$–	$1,231,149
Information technology	1,019,138	–	–	1,019,138
Industrials	969,593	–	–	969,593
Consumer staples	801,252	–	–	801,252
Telecommunication services	745,097	–	–	745,097
Energy	729,912	–	–	729,912
Materials	408,076	–	–	408,076
Financials	353,080	–	–	353,080
Consumer discretionary	313,550	–	–	313,550
Utilities	309,139	–	–	309,139
Miscellaneous	291,024	–	–	291,024
Short-term securities	–	428,706	–	428,706
Total	$7,171,010	$428,706	$–	$7,599,716

Global Growth and Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 213,178	$ 62,313	$–	$ 275,491
Information technology	114,440	126,613	–	241,053
Consumer discretionary	107,519	129,175	–	236,694
Health care	116,060	58,310	–	174,370
Consumer staples	99,659	71,519	–	171,178
Industrials	105,872	48,016	–	153,888
Energy	82,249	14,801	–	97,050
Utilities	32,164	59,857	–	92,021
Materials	46,134	34,549	–	80,683
Telecommunication services	31,918	36,461	–	68,379
Miscellaneous	58,441	29,854	–	88,295
Preferred securities	459	–	–	459
Bonds, notes & other debt instruments	–	41,296	–	41,296
Short-term securities	–	144,720	–	144,720
Total	$1,008,093	$857,484	$–	$1,865,577

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$648	$–	$648
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(25)	–	(25)
Total	$–	$623	$–	$623

*Securities with a value of $671,468,000, which represented 36.04% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

†Forward currency contracts are not included in the investment portfolio.

Growth-Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Health care	$ 3,933,566	$ 77,772	$–	$ 4,011,338
Information technology	3,569,287	96,727	–	3,666,014
Consumer discretionary	2,991,538	202,180	–	3,193,718
Financials	2,344,062	130,406	–	2,474,468
Consumer staples	1,913,375	215,721	–	2,129,096
Energy	1,741,794	304,888	–	2,046,682
Industrials	1,821,208	122,606	–	1,943,814
Materials	1,177,239	91,748	–	1,268,987
Telecommunication services	699,018	–	–	699,018
Utilities	264,800	–	–	264,800
Miscellaneous	758,270	160,758	–	919,028
Convertible stocks	5,178	5,157	–	10,335
Convertible bonds	–	129,071	–	129,071
Bonds, notes & other debt instruments	–	297,947	–	297,947
Short-term securities	–	1,387,612	–	1,387,612
Total	$21,219,335	$3,222,593	$–	$24,441,928

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$1,784	$–	$1,784

*Securities with a value of $1,312,902,000, which represented 5.36% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

International Growth and Income Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 18,481	$173,704	$–	$ 192,185
Consumer staples	42,753	142,107	–	184,860
Utilities	–	136,403	–	136,403
Consumer discretionary	–	97,001	–	97,001
Health care	6,580	88,566	–	95,146
Industrials	–	86,604	–	86,604
Energy	29,021	51,929	–	80,950
Telecommunication services	2,471	38,634	–	41,105
Information technology	–	32,967	–	32,967
Materials	3,265	14,229	–	17,494
Miscellaneous	5,680	3,103	–	8,783
Convertible bonds	–	2,438	–	2,438
Bonds, notes & other debt instruments	–	31,418	–	31,418
Short-term securities	–	92,277	–	92,277
Total	$108,251	$991,380	$–	$1,099,631

	Other investments†			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Unrealized depreciation on open forward currency contracts	$–	$(221)	$–	$(221)

*Securities with a value of $851,908,000, which represented 77.84% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Capital Income Builder

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Consumer staples	$ 36,848	$ 17,038	$–	$ 53,886
Financials	22,826	17,597	–	40,423
Telecommunication services	13,580	19,795	–	33,375
Utilities	6,816	24,486	–	31,302
Energy	20,943	5,856	–	26,799
Health care	12,424	10,837	–	23,261
Information technology	14,951	6,566	–	21,517
Consumer discretionary	8,263	9,749	–	18,012
Industrials	5,943	10,720	–	16,663
Materials	3,946	4,449	–	8,395
Miscellaneous	2,601	2,093	–	4,694
Convertible stocks	1,370	–	–	1,370
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	–	19,296	–	19,296
Mortgage-backed obligations	–	18,612	–	18,612
Corporate bonds & notes	–	10,276	–	10,276
Asset-backed obligations	–	4,334	–	4,334
Short-term securities	–	12,699	–	12,699
Total	$150,511	$194,403	$–	$344,914

*Securities with a value of $129,186,000, which represented 37.53% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.

Asset Allocation Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 2,928,299	$ 137,512	$ –	$ 3,065,811
Health care	1,589,929	–	184	1,590,113
Consumer discretionary	1,404,836	50,565	–	1,455,401
Financials	1,346,502	–	–	1,346,502
Energy	1,068,507	–	–	1,068,507
Industrials	983,264	45,500	–	1,028,764
Materials	873,406	–	941	874,347
Consumer staples	761,306	–	–	761,306
Telecommunication services	206,814	–	–	206,814
Utilities	124,426	–	–	124,426
Miscellaneous	661,821	183,510	1,525	846,856
Convertible stocks	–	6,081	–	6,081
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	–	2,839,302	–	2,839,302
Corporate bonds & notes	–	1,687,339	11,501	1,698,840
Mortgage-backed obligations	–	973,440	–	973,440
Federal agency bonds & notes	–	50,362	–	50,362
Other	–	116,907	–	116,907
Short-term securities	–	1,688,283	–	1,688,283
Total	$11,949,110	$7,778,801	$14,151	$19,742,062

See next page for footnote.

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$–	$ 7,664	$–	$ 7,664
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(16,574)	–	(16,574)
Total	$–	$ (8,910)	$–	$ (8,910)

*Securities with a value of $408,609,000, which represented 2.09% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Interest rate swaps are not included in the investment portfolio.

Global Balanced Fund

	Investment securities			
	Level 1	Level 2*	Level 3	Total
Assets:				
Common stocks:				
Industrials	$ 8,388	$ 15,018	$–	$ 23,406
Health care	17,229	4,768	–	21,997
Consumer staples	12,655	8,686	–	21,341
Information technology	7,899	10,604	–	18,503
Energy	9,837	3,503	–	13,340
Financials	5,791	6,999	–	12,790
Consumer discretionary	8,153	3,359	–	11,512
Materials	8,005	2,484	–	10,489
Utilities	–	3,061	–	3,061
Telecommunication services	1,555	568	–	2,123
Convertible bonds	–	276	–	276
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	39,953	–	39,953
U.S. Treasury bonds & notes	–	23,032	–	23,032
Corporate bonds & notes	–	15,946	–	15,946
Mortgage-backed obligations	–	5,232	–	5,232
Asset-backed obligations	–	325	–	325
Short-term securities	–	19,097	–	19,097
Total	$79,512	$162,911	$–	$242,423

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 506	$–	$ 506
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(144)	–	(144)
Total	$–	$ 362	$–	$ 362

*Securities with a value of $59,050,000, which represented 24.35% of the net assets of the fund, were classified as Level 2 due to significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	$ –	$ 3,795,950	$ –	$ 3,795,950
Corporate bonds & notes	–	3,068,655	372	3,069,027
Mortgage-backed obligations	–	2,365,535	–	2,365,535
Bonds & notes of governments & government agencies outside the U.S.	–	471,822	–	471,822
Asset-backed obligations	–	154,015	–	154,015
Municipals	–	101,976	–	101,976
Federal agency bonds & notes	–	75,611	–	75,611
Common stocks	149	–	655	804
Short-term securities	–	1,690,772	–	1,690,772
Total	$149	$11,724,336	$1,027	$11,725,512

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 3,408	$–	$ 3,408
Unrealized appreciation on interest rate swaps	–	34,915	–	34,915
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(4,224)	–	(4,224)
Unrealized depreciation on interest rate swaps	–	(57,023)	–	(57,023)
Total	$–	$(22,924)	$–	$(22,924)

*Forward currency contracts and interest rate swaps are not included in the investment portfolio.

Global Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Euros	$ –	$ 282,156	$ –	$ 282,156
Japanese yen	–	222,772	–	222,772
Mexican pesos	–	120,933	–	120,933
Polish zloty	–	97,636	–	97,636
Hungarian forints	–	80,932	–	80,932
Danish kroner	–	77,535	–	77,535
British pounds	–	64,039	–	64,039
Malaysian ringgits	–	51,681	–	51,681
Indian rupees	–	32,166	–	32,166
U.S. dollars	–	1,198,887	159	1,199,046
Other	–	54,814	–	54,814
Convertible stocks	–	208	–	208
Common stocks	411	173	459	1,043
Short-term securities	–	151,970	–	151,970
Total	$411	$2,435,902	$618	$2,436,931

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 8,386	$–	$ 8,386
Unrealized appreciation on interest rate swaps	–	1,239	–	1,239
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(3,458)	–	(3,458)
Unrealized depreciation on interest rate swaps	–	(8,541)	–	(8,541)
Total	$–	$(2,374)	$–	$(2,374)

*Forward currency contracts and interest rate swaps are not included in the investment portfolio.

High-Income Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Corporate bonds & notes	$ –	$1,560,425	$11,274	$1,571,699
Asset-backed obligations	–	11,915	–	11,915
Other	–	14,181	–	14,181
Convertible bonds	–	4,003	–	4,003
Convertible stocks	3,763	3,698	–	7,461
Preferred securities	2,226	–	–	2,226
Common stocks	10,452	2,249	3,682	16,383
Short-term securities	–	78,286	–	78,286
Total	$16,441	$1,674,757	$14,956	$1,706,154

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on credit default swaps	$–	$179	$–	$179

*Credit default swaps are not included in the investment portfolio.

Mortgage Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Mortgage-backed obligations	$–	$257,935	$ –	$257,935
U.S. Treasury bonds & notes	–	35,365	–	35,365
Asset-backed obligations	–	33,300	1,867	35,167
Federal agency bonds & notes	–	15,548	–	15,548
Short-term securities	–	47,831	–	47,831
Total	$–	$389,979	$1,867	$391,846

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$ –	$ 3,940	$–	$ 3,940
Unrealized appreciation on futures contracts	1,794	–	–	1,794
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(8,924)	–	(8,924)
Unrealized depreciation on futures contracts	(518)	–	–	(518)
Total	$1,276	$(4,984)	$–	$(3,708)

*Interest rate swaps and futures contracts are not included in the investment portfolio.

Ultra-Short Bond Fund

At June 30, 2016, all of the fund's investment securities were classified as Level 2.

U.S. Government/AAA-Rated Securities Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	$–	$1,325,445	$–	$1,325,445
Federal agency bonds & notes	–	860,767	–	860,767
Mortgage-backed obligations	–	685,174	–	685,174
Short-term securities	–	200,005	–	200,005
Total	$–	$3,071,391	$–	$3,071,391

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$ –	$ 45,400	$–	$ 45,400
Unrealized appreciation on futures contracts	20,177	–	–	20,177
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(100,025)	–	(100,025)
Unrealized depreciation on futures contracts	(2,329)	–	–	(2,329)
Total	$17,848	$ (54,625)	$–	$ (36,777)

*Interest rate swaps and futures contracts are not included in the investment portfolio.

Managed Risk Growth Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk International Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Blue Chip Income and Growth Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Growth-Income Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

Managed Risk Asset Allocation Fund

At June 30, 2016, all of the fund's investments were classified as Level 1.

4. Risk factors

Investing in the funds may involve certain risks including, but not limited to, those described below.

Market conditions – The prices of, and the income generated by, the common stocks, bonds and other securities held by a fund may decline – sometimes rapidly or unpredictably – due to various factors, including events or conditions affecting the general economy or particular industries; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency exchange, interest rate and commodity price fluctuations.

Issuer risks –The prices of, and the income generated by, securities held by a fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance and strategic initiatives such as mergers, acquisitions or dispositions, and the market response to any such initiatives.

Investing in growth-oriented stocks – Growth-oriented common stocks and other equity-type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) may involve larger price swings and greater potential for loss than other types of investments. These risks may be even greater in the case of smaller capitalization stocks.

Investing in income-oriented stocks – Income provided by a fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests.

Investing in small companies – Investing in smaller companies may pose additional risks. For example, it is often more difficult to value or dispose of small company stocks and more difficult to obtain information about smaller companies than about larger companies. Furthermore, smaller companies often have limited product lines, operating histories, markets and/or financial resources, may be dependent on one or a few key persons for management, and can be more susceptible to losses. Moreover, the prices of their stocks maybe more volatile than stocks of larger, more established companies.

Investing outside the U.S. – Securities of issuers domiciled outside the U.S., or with significant operations or revenues outside the U.S., may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism and war) in the countries or regions in which the issuers operate or generate revenue. These securities may also lose value due to changes in foreign currency exchange rates against the U.S. dollar and/or currencies of other countries. Issuers of these securities may be more susceptible to actions of foreign governments, such as the imposition of price controls or punitive taxes, that could adversely impact revenues. Securities markets in certain countries may be more volatile and/or less liquid than those in the U.S. Investments outside the U.S. may also be subject to different accounting practices and different regulatory, legal and reporting standards and practices, and may be more difficult to value, than those in the U.S. In addition, the value of investments outside the U.S. may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities purchased or sold by the fund. The risks of investing outside the U.S. may be heightened in connection with investments in emerging markets.

Investing in developing countries – Investing in countries with developing economies and/or markets may involve risks in addition to and greater than those generally associated with investing in developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating the fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Investing in emerging markets – Investing in emerging markets may involve risks in addition to and greater than those generally associated with investing in the securities markets of developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating a fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Investing in debt instruments – The prices of, and the income generated by, bonds and other debt securities held by a fund may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities.

Rising interest rates will generally cause the prices of bonds and other debt securities to fall. Falling interest rates may cause an issuer to redeem, call or refinance a debt security before its stated maturity, which may result in a fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities.

Bonds and other debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities. Credit risk is gauged, in part, by the credit ratings of the debt securities in which a fund invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees as to credit quality or an evaluation of market risk. The funds' investment adviser relies on its own credit analysts to research issuers and issues in seeking to mitigate various credit and default risks.

Investing in lower rated debt instruments — Lower rated bonds and other lower rated debt securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer's creditworthiness than those of higher quality debt securities. The market prices of these securities may fluctuate more than the prices of higher quality debt securities and may decline significantly in periods of general economic difficulty. These risks may be increased with respect to investments in junk bonds.

Investing in derivatives — The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional cash securities, such as stocks and bonds. Changes in the value of a derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and a derivative instrument may expose a fund to losses in excess of its initial investment. Derivatives may be difficult for a fund to buy or sell at an opportune time or price and may be difficult to terminate or otherwise offset. A fund's use of derivatives may result in losses to the fund, and investing in derivatives may reduce a fund's returns and increase a fund's price volatility. A fund's counterparty to a derivative transaction (including, if applicable, the fund's clearing broker, the derivatives exchange or the clearinghouse) may be unable or unwilling to honor its financial obligations in respect of the transaction.

Thinly traded securities — There may be little trading in the secondary market for particular bonds, other debt securities or derivatives, which may make them more difficult to value, acquire or sell.

Currency — The prices of, and the income generated by, most debt securities held by a fund may also be affected by changes in relative currency values. If the U.S. dollar appreciates against foreign currencies, the value in U.S. dollars of a fund's securities denominated in such currencies would generally fall and vice versa. U.S. dollar-denominated securities of foreign issuers may also be affected by changes in relative currency values.

Investing in mortgage-related securities and other asset-backed securities — Mortgage-related securities, such as mortgage-backed securities, and other asset-backed securities, include debt obligations that represent interests in pools of mortgages or other income-bearing assets, such as consumer loans or receivables. Such securities often involve risks that are different from or more acute than the risks associated with investing in other types of debt securities. Mortgage-backed and other asset-backed securities are subject to changes in the payment patterns of borrowers of the underlying debt. When interest rates fall, borrowers are more likely to refinance or prepay their debt before its stated maturity. This may result in a fund having to reinvest the proceeds in lower yielding securities, effectively reducing a fund's income. Conversely, if interest rates rise and borrowers repay their debt more slowly than expected, the time in which the mortgage-backed and other asset-backed securities are paid off could be extended, reducing a fund's cash available for reinvestment in higher yielding securities.

Investing in future delivery contracts — Contracts for future delivery of mortgage-related securities, such as to be announced contracts and mortgage dollar rolls, involve a fund selling mortgage-related securities and simultaneously contracting to repurchase similar securities for delivery at a future date at a predetermined price. This can increase a fund's market exposure, and the market price of the securities the fund contracts to repurchase could drop below their purchase price. While a fund can preserve and generate capital through the use of such contracts by, for example, realizing the difference between the sale price and the future purchase price, the income generated by the fund may be reduced by engaging in such transactions. In addition, these transactions may increase the turnover rate of a fund.

Investing in inflation linked bonds — The values of inflation linked bonds generally fluctuate in response to changes in real interest rates – i.e., rates of interest after factoring in inflation. A rise in real interest rates may cause the prices of inflation linked securities to fall, while a decline in real interest rates may cause the prices to increase. Inflation linked bonds may experience greater losses than other debt securities with similar durations when real interest rates rise faster than nominal interest rates. There can be no assurance that the value of an inflation linked security will be directly correlated to changes in interest rates; for example, if interest rates rise for reasons other than inflation, the increase may not be reflected in the security's inflation measure.

Investing in inflation linked bonds may also reduce a fund's distributable income during periods of extreme deflation. If prices for goods and services decline throughout the economy, the principal and income on inflation linked securities may decline and result in losses to a fund.

Investing in securities backed by the U.S. government — Securities backed by the U.S. Treasury or the full faith and credit of the U.S. government are guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates. Securities issued by government-sponsored entities and federal agencies and instrumentalities that are not backed by the full faith and credit of the U.S. government are neither issued nor guaranteed by the U.S. government.

Investing in repurchase agreements – Upon entering into a repurchase agreement, a fund purchases a security from a bank or broker-dealer, which simultaneously commits to repurchase the security within a specified time at the fund's cost with interest. The security purchased by the fund constitutes collateral for the seller's repurchase obligation. If the party agreeing to repurchase should default, the fund may seek to sell the security it holds as collateral. The fund may incur a loss if the value of the collateral securing the repurchase obligation has fallen below the repurchase price. The fund may also incur disposition costs and encounter procedural delays in connection with liquidating the collateral.

Interest rate risk – The values and liquidity of the securities held by a fund may be affected by changing interest rates. For example, the values of these securities may decline when interest rates rise and increase when interest rates fall. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities. A fund may invest in variable and floating rate securities. Although such securities are generally less sensitive to interest rate changes, the value of variable and floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates. Conversely, floating rate securities will not generally increase in value if interest rates decline. During periods of extremely low short-term interest rates, a fund may not be able to maintain a positive yield, and, given the historically low interest rate environment, risks associated with rising rates are currently heightened.

Credit and liquidity support – Changes in the credit quality of banks and financial institutions providing credit and liquidity support features with respect to securities held by a fund could cause the values of these securities to decline.

Asset allocation – A fund's percentage allocation to equity securities, debt securities and money market instruments could cause the fund to underperform relative to relevant benchmarks and other funds with similar investment objectives.

Nondiversification – As nondiversified funds, certain funds have the ability to invest a larger percentage of their assets in the securities of a smaller number of issuers than diversified funds. Although the funds do not intend to limit their investments to the securities of a small number of issuers, if they were to do so, poor performance by a single large holding would adversely impact the funds' investment results more than if the funds were invested in a larger number of issuers.

Management – The investment adviser to the funds actively manages the funds' investments. Consequently, the funds are subject to the risk that the methods and analyses employed by the investment adviser in this process may not produce the desired results. This could cause the funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Investing in the managed risk funds may involve additional risks including, but not limited to, those described below.

Fund structure – The managed risk funds invest in underlying funds and incur expenses related to those underlying funds. In addition, investors in the managed risk funds will incur fees to pay for certain expenses related to the operations of the managed risk funds. An investor holding the underlying fund directly would incur lower overall expenses but would not receive the benefit of the risk management strategy of the managed risk fund.

Management – The managed risk funds are subject to the risk that the methods employed by the subadviser in implementing the managed risk strategy may not produce the desired results. This could cause the managed risk funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Underlying fund risks – Because the managed risk funds' investments consist of individual underlying funds, the managed risk funds' risks are directly related to the risks of the respective underlying fund in which each managed fund invests. For this reason, it is important to understand the risks associated with investing both in the managed risk fund and the respective underlying fund.

Investing in futures contracts – In addition to the risks generally associated with investing in derivative instruments, futures contracts are subject to the creditworthiness of the clearing organizations, exchanges and futures commission merchants with which a fund transacts. Additionally, although futures require only a small initial investment in the form of a deposit of initial margin, the amount of a potential loss on a futures contract could greatly exceed the initial amount invested. While futures contracts are generally liquid instruments, under certain market conditions, futures may be deemed to be illiquid. For example a fund may be temporarily prohibited from closing out its position in a futures contract if intraday price change limits or limits on trading volume imposed by the applicable futures exchange are triggered. If a fund is unable to close out a position on a futures contract, the fund would remain subject to the risk of adverse price movements until the fund is able to close out the futures position. The ability of a fund to successfully utilize futures contracts may depend in part upon the ability of the fund's investment adviser or subadviser to accurately forecast interest rates and other economic factors and to assess and predict the impact of such economic factors on the futures in which the fund invests. If the investment adviser or subadviser incorrectly forecasts economic developments or incorrectly predicts the impact of such developments on the futures in which it invests, a fund could be exposed to the risk of loss.

Hedging – There may be imperfect or even negative correlation between the prices of the futures contracts and the prices of the underlying securities. For example, futures contracts may not provide an effective hedge because changes in futures contract prices may not track those of the underlying securities or indexes they are intended to hedge. In addition, there are significant differences between the securities and futures markets that could result in an imperfect correlation between the markets, causing a given hedge not to achieve its objectives. The degree of imperfection of correlation depends on circumstances such as variations in speculative market demand for futures, including technical influences in futures trading, and differences between the financial instruments being hedged and the instruments underlying the standard contracts available for trading. A decision as to whether, when and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected interest rate trends. In addition, the fund's investment in exchange-traded futures and their resulting costs could limit the fund's gains in rising markets relative to those of the underlying fund, or to those of unhedged funds in general.

Short positions – Losses from short positions in futures contracts occur when the underlying index increases in value. As the underlying index increases in value, the holder of the short position in the corresponding futures contract is required to pay the difference in value of the futures contract resulting from the increase in the index on a daily basis. Losses from a short position in an index futures contract could potentially be very large if the value of the underlying index rises dramatically in a short period of time.

5. Certain investment techniques

Index-linked bonds – Some of the funds have invested in index-linked bonds, which are fixed-income securities whose principal value is periodically adjusted to a government price index. Over the life of an index-linked bond, interest is paid on the adjusted principal value. Increases or decreases in the principal value of index-linked bonds are recorded as interest income in the fund's statement of operations.

Mortgage dollar rolls – Some of the funds have entered into mortgage dollar roll transactions in which the fund sells a mortgage-backed security to a counterparty and simultaneously enters into an agreement with the same counterparty to buy back a similar security on a specific future date at a predetermined price. Mortgage dollar rolls are accounted for as purchase and sale transactions, which may increase the funds' portfolio turnover rates.

Loan transactions – Some of the funds have entered into loan transactions in which the fund acquires a loan either through an agent, by assignment from another holder, or as a participation interest in another holder's portion of a loan. The loan is often administered by a financial institution that acts as agent for the holders of the loan, and the fund may be required to receive approval from the agent and/or borrower prior to the sale of the investment. The loan's interest rate and maturity date may change based on the terms of the loan, including potential early payments of principal.

Unfunded commitments – Asset Allocation Fund, Global Bond Fund and High-Income Bond Fund have participated in a transaction that involves unfunded commitments, which may obligate each fund to purchase additional shares of the applicable issuer. Under the terms of the commitments, which will expire no later than April 1, 2021, the maximum potential exposure of Asset Allocation Fund, Global Bond Fund and High-Income Bond Fund as of June 30, 2016 was $471,000, $109,000 and $719,000, respectively. Should such commitments become due in full, these amounts would represent less than 0.01% of the net assets of Asset Allocation Fund and 0.04% of the net assets of Global Bond Fund and High-Income Bond Fund, in each case as of June 30, 2016.

Short-term securities – The managed risk funds hold shares of the Government Cash Management Fund, a cash management vehicle offered by the Bank of New York Mellon ("BNY Mellon"), the funds' custodian bank. The Government Cash Management Fund is managed by the Dreyfus Corporation.

Forward currency contracts – Some of the funds have entered into forward currency contracts, which represent agreements to exchange currencies on specific future dates at predetermined rates. The series' investment adviser uses forward currency contracts to manage the fund's exposure to changes in exchange rates. Upon entering into these contracts, risks may arise from the potential inability of counterparties to meet the terms of their contracts and from possible movements in exchange rates.

On a daily basis, the series' investment adviser values forward currency contracts based on the applicable exchange rates and records unrealized appreciation or depreciation for open forward currency contracts in each fund's statement of assets and liabilities. Realized gains or losses are recorded at the time the forward contract is closed or offset by another contract with the same broker for the same settlement date and currency. Closed forward currency contracts that have not reached their settlement date are included in the respective receivables or payables for closed forward currency contracts in each fund's statement of assets and liabilities. Net realized gains or losses from closed forward currency contracts and net unrealized appreciation or depreciation from open forward currency contracts are recorded in each fund's statement of operations. As of June 30, 2016, Global Growth Fund, Global Small Capitalization

Fund, International Fund, New World Fund, Global Growth and Income Fund, Growth-Income Fund, International Growth and Income Fund, Global Balanced Fund, Bond Fund and Global Bond Fund had open forward currency contracts. As of June 30, 2016, High-Income Bond Fund did not have any open forward currency contracts. The average month-end notional amount of open forward currency contracts while held by High-Income Bond Fund was $2,585,000.

Interest rate swaps — Some of the funds have entered into interest rate swaps, which are agreements to exchange one stream of future interest payments for another based on a specified notional amount. Typically, interest rate swaps exchange a fixed interest rate for a payment that floats relative to a benchmark or vice versa. The series' investment adviser uses interest rate swaps to manage the interest rate sensitivity of the fund by increasing or decreasing the duration of the fund or a portion of the fund's portfolio. Risks may arise as a result of the series' investment adviser incorrectly anticipating changes in interest rates, increased volatility, reduced liquidity and the potential inability of counterparties to meet the terms of their agreements.

Upon entering into an interest rate swap contract, the fund is required to deposit cash, U.S. government securities or other liquid securities, which is known as "initial margin." Generally, the initial margin required for a particular interest rate swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract.

On a daily basis, the series' investment adviser records daily interest accruals related to the exchange of future payments as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a "variation margin" based on the increase or decrease in the value of the interest rate swaps, including accrued interest, and records variation margin on interest rate swaps in each fund's statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the interest rate swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from interest rate swaps are recorded in each fund's statement of operations. As of June 30, 2016, Asset Allocation Fund, Bond Fund, Global Bond Fund, Mortgage Fund and U.S. Government/AAA-Rated Securities Fund had open interest rate swaps. As of June 30, 2016, High-Income Bond Fund did not have any open interest rate swaps. The average month-end notional amount of open interest rate swaps while held by High-Income Bond Fund was $31,888,000.

Credit default swap indices — Some of the funds have entered into centrally cleared credit default swap agreements on credit indices ("CDSI") that involve one party (the protection buyer) making a stream of payments to another party (the protection seller) in exchange for the right to receive a specified return upon the occurrence of a credit event, such as a default or restructuring, with respect to any of the underlying issuers (reference obligations) in the referenced index. The series' investment adviser uses credit default swaps to assume exposure to a diversified portfolio of credits or to hedge against existing credit risks.

CDSI are portfolios of credit instruments or exposures designed to be representative of some part of the credit market, such as the high-yield or investment-grade credit market. CDSI are generally traded using standardized terms, including a fixed spread and standard maturity dates, and reference all the names in the index. If there is a credit event, it is settled based on that name's weight in the index. The composition of the underlying issuers or obligations within a particular index may change periodically, usually every six months. A specified credit event may affect all or individual underlying reference obligations included in the index, and will be settled based upon the relative weighting of the affected obligation(s) within the index. The value of each CDSI can be used as a measure of the current payment/performance risk of the CDSI and represents the likelihood of an expected liability or profit should the notional amount of the CDSI be closed or sold as of the period end. An increasing value, as compared to the notional amount of the CDSI, represents a deterioration of the referenced indices' credit soundness and a greater likelihood of risk of default or other credit event occurring as defined under the terms of the agreement. When a fund provides sell protection, its maximum exposure is the notional amount of the credit default swap agreement.

Upon entering into a centrally cleared CDSI contract, the fund is required to deposit with a derivatives clearing member ("DCM") in a segregated account in the name of the DCM an amount of cash, U.S. government securities or other liquid securities, which is known as initial margin. Generally, the initial margin required for a particular credit default swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract. Securities deposited as initial margin are designated on the investment portfolio.

On a daily basis, interest accruals related to the exchange of future payments are recorded as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a variation margin based on the increase or decrease in the value of the centrally cleared swaps, and records variation margin in each fund's statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from credit default swaps are recorded in each fund's statement of operations. As of June 30, 2016, High-Income Bond Fund had open credit default swaps.

Futures contracts – The managed risk funds have entered into futures contracts, which provide for the future sale by one party and purchase by another party of a specified amount of a specific financial instrument for a specified price, date, time and place designated at the time the contract is made. Futures contracts are used to strategically manage portfolio volatility and downside equity risk.

Upon entering into futures contracts, and to maintain the fund's open positions in futures contracts, the fund is required to deposit with a futures broker, or FCM, in a segregated account in the name of the FCM an amount of cash, U.S. government securities, suitable money market instruments, or other liquid securities, known as "initial margin." The margin required for a particular futures contract is set by the exchange on which the contract is traded to serve as collateral, and may be significantly modified from time to time by the exchange during the term of the contract. When initial margin is deposited with brokers, a receivable is recorded in the fund's statement of assets and liabilities.

On a daily basis, each fund pays or receives variation margin based on the increase or decrease in the value of the futures contracts and records variation margin on futures contracts in each fund's statement of assets and liabilities. In addition, each fund segregates liquid assets equivalent to the fund's outstanding obligations under the contract in excess of the initial margin and variation margin, if any. Futures contracts may involve a risk of loss in excess of the variation margin shown on each fund's statement of assets and liabilities. Each fund records realized gains or losses at the time the futures contract is closed or expires. Net realized gains or losses and net unrealized appreciation or depreciation from futures contracts are recorded in each fund's statement of operations. As of June 30, 2016, Mortgage Fund, U.S. Government/AAA-Rated Securities Fund, Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund held futures contracts.

The following tables present the financial statement impacts resulting from the funds' use of forward currency contracts, interest rate swaps, credit default swaps and/or futures contracts as of June 30, 2016 (dollars in thousands):

			Global Growth Fund	Global Small Capitalization Fund	International Fund
Assets	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$4,683	$ 4,735
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ –	$4,683	$ 4,735
Liabilities	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 322	$ 295	$ 4,488
Forward currency	Currency	Payables for closed forward currency contracts	38	60	233
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 360	$ 355	$ 4,721
Net realized (loss) gain	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net realized (loss) gain on forward currency contracts	$(3,311)	$1,707	$(4,878)
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(3,311)	$1,707	$(4,878)
Net unrealized appreciation (depreciation)	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net unrealized appreciation (depreciation) on forward currency contracts	$ 268	$3,887	$ (170)
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$ 268	$3,887	$ (170)

Assets	Risk type	Location on statements of assets and liabilities	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 61	$ 648	$1,784
Forward currency	Currency	Receivables for closed forward currency contracts	3	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 64	$ 648	$1,784

Liabilities	Risk type	Location on statements of assets and liabilities	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 136	$ 25	$ –
Forward currency	Currency	Payables for closed forward currency contracts	38	33	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 174	$ 58	$ –

Net realized (loss)	Risk type	Location on statements of operations	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Net realized loss on forward currency contracts	$(338)	$(656)	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(338)	$(656)	$ –

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations	New World Fund	Global Growth and Income Fund	Growth-Income Fund
Forward currency	Currency	Net unrealized (depreciation) appreciation on forward currency contracts	$(104)	$ 565	$1,784
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(104)	$ 565	$1,784

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	International Growth and Income Fund	Asset Allocation Fund	Global Balanced Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$506
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	42
Interest rate swaps	Interest	Net unrealized appreciation*	–	7,664	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ –	$ 7,664	$548

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 221	$ –	$144
Forward currency	Currency	Payables for closed forward currency contracts	–	–	86
Interest rate swaps	Interest	Net unrealized depreciation*	–	16,574	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 221	$16,574	$230

Net realized gain (loss)	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$282
Interest rate swaps	Interest	Net realized loss on interest rate swaps	–	(1,972)	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$ –	$ (1,972)	$282

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized (depreciation) appreciation on forward currency contracts	$(221)	$ –	$298
Interest rate swaps	Interest	Net unrealized depreciation on interest rate swaps	–	(4,158)	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(221)	$ (4,158)	$298

Assets	Risk type	Location on statements of assets and liabilities	Bond Fund	Global Bond Fund	High-Income Bond Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 3,408	$ 8,386	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	1,986	–
Interest rate swaps	Interest	Net unrealized appreciation*	34,915	1,239	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	179
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 38,323	$11,611	$ 179

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 4,224	$ 3,458	$ –
Forward currency	Currency	Payables for closed forward currency contracts	274	2,920	–
Interest rate swaps	Interest	Net unrealized depreciation*	57,023	8,541	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 61,521	$14,919	$ –

Net realized (loss) gain	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized (loss) gain on forward currency contracts	$(27,272)	$12,814	$ 21
Interest rate swaps	Interest	Net realized gain (loss) on interest rate swaps	6,950	(1,761)	(969)
Credit default swaps	Credit	Net realized loss on credit default swaps	–	–	(1,183)
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$(20,322)	$11,053	$(2,131)

Net unrealized appreciation (depreciation)	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation (depreciation) on forward currency contracts	$ 216	$ 2,262	$ (38)
Interest rate swaps	Interest	Net unrealized (depreciation) appreciation on interest rate swaps	(23,945)	(7,367)	274
Credit default swaps	Credit	Net unrealized depreciation on credit default swaps	–	–	(527)
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(23,729)	$ (5,105)	$ (291)

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund	Managed Risk Growth Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	3,940	45,400	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	1,794	20,177	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	79
			$ 5,734	$ 65,577	$ 79

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	8,924	100,025	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	518	2,329	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	1,535
Futures contracts	Currency	Net unrealized depreciation*	–	–	2
			$ 9,442	$102,354	$ 1,537

Net realized gain (loss)	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	2,523	8,053	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	1,073	4,258	–
Futures contracts	Equity	Net realized loss on futures contracts	–	–	(4,735)
Futures contracts	Currency	Net realized loss on futures contracts	–	–	(76)
			$ 3,596	$ 12,311	$(4,811)

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net unrealized depreciation on interest rate swaps	(6,139)	(55,853)	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	1,276	17,848	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	–	–	(1,472)
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	57
			$(4,863)	$ (38,005)	$(1,415)

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Interest	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	103	–	–
Futures contracts	Currency	Net unrealized appreciation*	721	23	23
			$ 824	$ 23	$ 23

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Interest	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	1,323	1,712	1,474
Futures contracts	Currency	Net unrealized depreciation*	170	–	–
			$ 1,493	$ 1,712	$ 1,474

Net realized (loss) gain	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Interest	Net realized gain on futures contracts	–	–	–
Futures contracts	Equity	Net realized loss on futures contracts	(1,211)	(3,237)	(2,538)
Futures contracts	Currency	Net realized (loss) gain on futures contracts	(992)	14	(40)
			$(2,203)	$(3,223)	$(2,578)

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	(998)	(1,619)	(1,323)
Futures contracts	Currency	Net unrealized appreciation (depreciation) on futures contracts	495	1	(2)
			$ (503)	$(1,618)	$(1,325)

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk Asset Allocation Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–
Interest rate swaps	Interest	Net unrealized appreciation*	–
Credit default swaps	Credit	Net unrealized appreciation*	–
Futures contracts	Interest	Net unrealized appreciation*	–
Futures contracts	Equity	Net unrealized appreciation*	–
Futures contracts	Currency	Net unrealized appreciation*	35
			$ 35

Liabilities	Risk type	Location on statements of assets and liabilities	
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–
Interest rate swaps	Interest	Net unrealized depreciation*	–
Credit default swaps	Credit	Net unrealized depreciation*	–
Futures contracts	Interest	Net unrealized depreciation*	–
Futures contracts	Equity	Net unrealized depreciation*	2,200
Futures contracts	Currency	Net unrealized depreciation*	–
			$ 2,200

Net realized loss	Risk type	Location on statements of operations	
Forward currency	Currency	Net realized gain on forward currency contracts	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–
Futures contracts	Interest	Net realized gain on futures contracts	–
Futures contracts	Equity	Net realized loss on futures contracts	(27,934)
Futures contracts	Currency	Net realized loss on futures contracts	(310)
			$(28,244)

Net unrealized depreciation	Risk type	Location on statements of operations	
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–
Futures contracts	Interest	Net unrealized appreciation on futures contracts	–
Futures contracts	Equity	Net unrealized depreciation on futures contracts	(626)
Futures contracts	Currency	Net unrealized depreciation on futures contracts	(13)
			$ (639)

*Includes cumulative appreciation/depreciation on interest rate swaps, credit default swaps and/or futures contracts as reported in the applicable table(s) following each fund's investment portfolio. Only current day's variation margin is reported within the statements of assets and liabilities.

Collateral – Funds that invest in forward currency contracts, interest rate swaps, credit default swaps, futures contracts and/or future delivery contracts participate in a collateral program. For forward currency contracts, the program calls for the fund to either receive or pledge collateral based on the net gain or loss on unsettled forward currency contracts by counterparty. For interest rate swaps, credit default swaps and futures contracts, the program calls for the fund to pledge collateral for initial and variation margin by contract. For future delivery contracts, the program calls for the fund to either receive or pledge collateral based on the net gain or loss on unsettled contracts by certain counterparties. The purpose of the collateral is to cover potential losses that could occur in the event that either party cannot meet its contractual obligations.

Rights of offset – Funds that hold forward currency contracts have enforceable master netting agreements with certain counterparties, where amounts payable by each party to the other in the same currency (with the same settlement date and with the same counterparty) are settled net of each party's payment obligation. If an early termination date occurs under these agreements following an event of default or termination event, all obligations of each party to its counterparty are settled net through a single payment in a single currency ("close-out netting"). For financial reporting purposes, the funds do not offset financial assets and financial liabilities that are subject to these master netting arrangements in the statements of assets and liabilities.

The following tables present each fund's forward currency contracts by counterparty that are subject to master netting agreements but that are not offset in the funds' statements of assets and liabilities. The net amount column shows the impact of offsetting on the funds' statement of assets and liabilities as of June 30, 2016 if close-out netting was exercised (dollars in thousands):

Global Growth Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Liabilities:					
Bank of America, N.A.	$360	$–	$(287)	$–	$73

Global Small Capitalization Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 161	$(134)	$ –	$–	$ 27
Citibank	1,327	–	(1,327)	–	–
HSBC Bank	2,861	(69)	(2,689)	–	103
JPMorgan Chase	182	–	(182)	–	–
UBS AG	152	(152)	–	–	–
Total	$4,683	$(355)	$(4,198)	$–	$130
Liabilities:					
Barclays Bank PLC	$ 134	$(134)	$ –	$–	$ –
HSBC Bank	69	(69)	–	–	–
UBS AG	152	(152)	–	–	–
Total	$ 355	$(355)	$ –	$–	$ –

See end of tables for footnote.

International Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 282	$(282)	$ –	$–	$ –
HSBC Bank	352	(78)	(274)	–	–
JPMorgan Chase	292	(40)	(252)	–	–
UBS AG	3,809	(91)	(3,636)	–	82
Total	$4,735	$(491)	$(4,162)	$–	$ 82
Liabilities:					
Bank of America, N.A.	$ 960	$ –	$ (581)	$–	$379
Barclays Bank PLC	3,516	(282)	(3,123)	–	111
Citibank	36	–	–	–	36
HSBC Bank	78	(78)	–	–	–
JPMorgan Chase	40	(40)	–	–	–
UBS AG	91	(91)	–	–	–
Total	$4,721	$(491)	$(3,704)	$–	$526

New World Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Citibank	$ 3	$ (3)	$–	$–	$ –
HSBC Bank	23	–	–	–	23
JPMorgan Chase	38	(38)	–	–	–
Total	$ 64	$(41)	$–	$–	$ 23
Liabilities:					
Bank of America, N.A.	$ 73	$ –	$–	$–	$ 73
Citibank	36	(3)	–	–	33
JPMorgan Chase	43	(38)	–	–	5
UBS AG	22	–	–	–	22
Total	$174	$(41)	$–	$–	$133

Global Growth and Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$498	$(33)	$(465)	$–	$ –
Citibank	150	–	–	–	150
Total	$648	$(33)	$(465)	$–	$150
Liabilities:					
Bank of America, N.A.	$ 33	$(33)	$ –	$–	$ –
HSBC Bank	25	–	–	–	25
Total	$ 58	$(33)	$ –	$–	$ 25

Growth-Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$ 449	$–	$(336)	$–	$113
HSBC Bank	444	–	(331)	–	113
JPMorgan Chase	447	–	–	–	447
UBS AG	444	–	(321)	–	123
Total	$1,784	$–	$(988)	$–	$796

International Growth and Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Liabilities:					
Bank of America, N.A.	$221	$–	$–	$–	$221

Global Balanced Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Barclays Bank PLC	$122	$ (8)	$–	$–	$114
Citibank	69	(30)	–	–	39
HSBC Bank	213	(26)	–	–	187
JPMorgan Chase	56	(56)	–	–	–
UBS AG	88	(30)	–	–	58
Total	$548	$(150)	$–	$–	$398
Liabilities:					
Bank of America, N.A.	$ 32	$ –	$–	$–	$ 32
Bank of New York Mellon	6	–	–	–	6
Barclays Bank PLC	8	(8)	–	–	–
Citibank	30	(30)	–	–	–
HSBC Bank	26	(26)	–	–	–
JPMorgan Chase	98	(56)	–	–	42
UBS AG	30	(30)	–	–	–
Total	$230	$(150)	$–	$–	$ 80

See end of tables for footnote.

Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 624	$ (624)	$ –	$–	$ –
Barclays Bank PLC	71	(1)	–	–	70
Citibank	1,086	–	(580)	–	506
HSBC Bank	1,096	–	(718)	–	378
UBS AG	531	(531)	–	–	–
Total	$3,408	$(1,156)	$(1,298)	$–	$954
Liabilities:					
Bank of America, N.A.	$3,420	$ (624)	$(2,617)	$–	$179
Barclays Bank PLC	1	(1)	–	–	–
JPMorgan Chase	296	–	–	–	296
UBS AG	781	(531)	(250)	–	–
Total	$4,498	$(1,156)	$(2,867)	$–	$475

Global Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 491	$ (490)	$ –	$–	$1
Barclays Bank PLC	1,189	(1,088)	(101)	–	–
Citibank	1,478	(1,011)	(467)	–	–
HSBC Bank	4,369	(1,237)	(3,132)	–	–
JPMorgan Chase	1,195	(1,195)	–	–	–
UBS AG	1,651	(625)	(1,026)	–	–
Total	$10,373	$ 5,646	$(4,726)	$–	$1
Liabilities:					
Bank of America, N.A.	$ 490	$ (490)	$ –	$–	$–
Barclays Bank PLC	1,088	(1,088)	–	–	–
Citibank	1,011	(1,011)	–	–	–
HSBC Bank	1,237	(1,237)	–	–	–
JPMorgan Chase	1,929	(1,195)	(734)	–	–
UBS AG	625	(625)	–	–	–
Total	$ 6,380	$(5,646)	$ (734)	$–	$–

*Non-cash collateral is shown on a settlement basis.

6. Taxation and distributions

Federal income taxation – Each fund complies with the requirements under Subchapter M of the Internal Revenue Code applicable to mutual funds and intends to distribute substantially all of its net taxable income and net capital gains each year. The funds are not subject to income taxes to the extent such distributions are made. Therefore, no federal income tax provision is required.

As of and during the period ended June 30, 2016, none of the funds had a liability for any unrecognized tax benefits. Each fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statements of operations. During the period, none of the funds incurred any significant interest or penalties.

The funds are not subject to examination by U.S. federal tax authorities for tax years before 2012. Managed Risk Asset Allocation Fund is not subject to examination by U.S. federal tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by U.S. federal tax authorities for tax years before 2013, the year the funds commenced operations. Capital Income Builder is not subject to examination by U.S. federal tax authorities for tax years before 2014, the year the fund commenced operations.

The funds are not subject to examination by state tax authorities for tax years before 2011. Global Balanced Fund and Mortgage Fund are not subject to examination by state tax authorities for tax years before 2011, the year the funds commenced operations. Managed Risk Asset Allocation Fund is not subject to examination by state tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by state tax authorities for tax years before 2013, the year the funds commenced operations. Capital Income Builder is not subject to examination by state tax authorities for tax years before 2014, the year the fund commenced operations.

The following funds are not subject to examination by tax authorities outside the U.S. for the years indicated: Global Growth Fund, Global Small Capitalization Fund, International Fund, New World Fund and Global Growth and Income Fund for tax years before 2009; Growth Fund and Growth-Income Fund for tax years before 2010; International Growth and Income Fund and Global Balanced Fund for tax years before 2011; and Asset Allocation Fund, Bond Fund and Global Bond Fund for tax years before 2015. All other funds are not subject to examination by tax authorities outside the U.S.

Non-U.S. taxation — Dividend and interest income are recorded net of non-U.S. taxes paid. The funds may file withholding tax reclaims in certain jurisdictions to recover a portion of amounts previously withheld. As a result of recent rulings from European courts, some of the funds filed for additional reclaims related to prior years. These reclaims are recorded when the amount is known and there are no significant uncertainties on collectability. Gains realized by the funds on the sale of securities in certain countries are subject to non-U.S. taxes. The funds record a liability based on unrealized gains to provide for potential non-U.S. taxes payable upon the sale of these securities.

Distributions — Distributions paid to shareholders are based on net investment income and net realized gains determined on a tax basis, which may differ from net investment income and net realized gains for financial reporting purposes. These differences are due primarily to different treatment for items such as currency gains and losses; short-term capital gains and losses; capital losses related to sales of certain securities within 30 days of purchase; unrealized appreciation of certain investments in securities outside the U.S.; deferred expenses; cost of investments sold; non-U.S. taxes on capital gains; paydowns on fixed-income securities; net capital losses; net operating losses; amortization of premiums and discounts; and income on certain investments. The fiscal year in which amounts are distributed may differ from the year in which the net investment income and net realized gains are recorded by the funds for financial reporting purposes.

As indicated in the tables in this section, some of the funds had capital loss carryforwards available at December 31, 2015. These will be used to offset any capital gains realized by the funds in the current year or in subsequent years through the expiration dates. Funds with capital loss carryforwards will not make distributions from capital gains while a capital loss carryforward remains.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

Additional tax basis disclosures are as follows (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 32,894	$ 11,421	$ 41,300	$ 11,250	$ 2,125	$ 89,456
Undistributed long-term capital gain	425,513	714,068	1,900,761	637,417	–	533,399
Capital loss carryforward:						
No expiration	–	–	–	–	(72,641)	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	1,193,441	671,515	6,231,767	883,993	385,792	1,616,292
Gross unrealized depreciation on investment securities	(191,219)	(603,637)	(754,995)	(699,526)	(227,453)	(189,251)
Net unrealized appreciation (depreciation) on investment securities	1,002,222	67,878	5,476,772	184,467	158,339	1,427,041
Cost of investment securities	4,208,124	3,768,420	15,631,704	7,181,766	2,615,147	6,172,675

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 5,232	$ 199,886	$ 2,684	$ 21	$ 58,950	$ –
Late year ordinary loss deferral*	–	–	–	–	–	(355)
Undistributed long-term capital gain	–	2,563,501	4,647	–	463,050	–
Post-October capital loss deferral*	(12,225)	–	–	–	–	(855)
Capital loss carryforward:						
No expiration	–	–	–	(1,684)	–	–
Expiring 2017	(17,429)	–	–	–	–	–
Expiring 2018	(297)	–	–	–	–	–
	(17,726)	–	–	(1,684)	–	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	283,796	5,917,391	73,779	20,434	3,402,237	30,109
Gross unrealized depreciation on investment securities	(77,167)	(1,272,453)	(115,027)	(14,211)	(462,344)	(8,605)
Net unrealized appreciation (depreciation) on investment securities	206,629	4,644,938	(41,248)	6,223	2,939,893	21,504
Cost of investment securities	1,658,948	19,796,990	1,140,879	338,691	16,802,169	220,919

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund	U.S. Government/ AAA-Rated Securities Fund
As of December 31, 2015:						
Undistributed ordinary income	$ 74,947	$ –	$ 20,431	$ 4,155	$ –	$ 51,560
Late year ordinary loss deferral*	–	(7,647)	–	–	–	–
Undistributed long-term capital gain	18,561	1,747	–	185	–	17,063
Post-October capital loss deferral*	–	(655)	–	–	–	–
Capital loss carryforward:						
No expiration	–	–	(97,754)	–	–	–
Expiring 2017	–	–	(45,026)	–	–	–
	–	–	(142,780)	–	–	–
As of June 30, 2016:						
Gross unrealized appreciation on investment securities	344,534	98,964	32,698	6,584	28	75,418
Gross unrealized depreciation on investment securities	(49,639)	(68,598)	(147,966)	(232)	(1)	(528)
Net unrealized appreciation (depreciation) on investment securities	294,895	30,366	(115,268)	6,352	27	74,890
Cost of investment securities	11,430,617	2,406,565	1,821,422	385,494	360,142	2,996,501

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
As of December 31, 2015:					
Undistributed ordinary income	$ 328	$ 839	$ 2,223	$ 1,328	$ 34,133
Undistributed long-term capital gain	14,998	2,179	5,911	8,464	93,485
As of June 30, 2016:					
Gross unrealized appreciation on investment securities	–	–	–	–	–
Gross unrealized depreciation on investment securities	(25,699)	(18,829)	(14,464)	(22,879)	(81,939)
Net unrealized appreciation (depreciation) on investment securities	(25,699)	(18,829)	(14,464)	(22,879)	(81,939)
Cost of investment securities	192,747	104,647	201,815	157,957	3,160,306

*These deferrals are considered incurred in the subsequent year.

The tax character of distributions paid to shareholders of each fund was as follows (dollars in thousands):

Global Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$10,322	$126,735	$137,057	$ 34,454	$137,198	$171,652
Class 2	22,076	291,772	313,848	74,382	349,551	423,933
Class 4	510	7,147	7,657	1,272	4,175	5,447
Total	$32,908	$425,654	$458,562	$110,108	$490,924	$601,032

Global Small Capitalization Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total distributions paid
Class 1	$ 4,976	$273,687	$278,663	$14,631	$107,277	$121,908
Class 2	6,472	433,806	440,278	24,973	183,098	208,071
Class 4	100	6,715	6,815	189	1,383	1,572
Total	$11,548	$714,208	$725,756	$39,793	$291,758	$331,551

Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$15,245	$ 603,135	$ 618,380	$ 59,092	$1,460,328	$1,519,420
Class 2	25,371	1,244,603	1,269,974	88,259	3,114,763	3,203,022
Class 3	352	16,336	16,688	1,311	42,040	43,351
Class 4	600	36,779	37,379	2,709	9,375	12,084
Total	$41,568	$1,900,853	$1,942,421	$151,371	$4,626,506	$4,777,877

International Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 6,133	$296,124	$302,257	$ 63,527	$196,800	$260,327
Class 2	5,192	334,251	339,443	64,651	245,172	309,823
Class 3	40	2,445	2,485	540	2,060	2,600
Class 4	58	4,665	4,723	657	2,035	2,692
Total	$11,423	$637,485	$648,908	$129,375	$446,067	$575,442

New World Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,608	$–	$1,608	$33,998	$ 63,241	$ 97,239
Class 2	491	–	491	20,466	43,910	64,376
Class 4	65	–	65	2,315	4,736	7,051
Total	$2,164	$–	$2,164	$56,779	$111,887	$168,666

Blue Chip Income and Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$49,881	$292,080	$341,961	$104,537	$336,268	$440,805
Class 2	38,963	236,696	275,659	88,048	328,339	416,387
Class 4	817	4,933	5,750	650	1,651	2,301
Total	$89,661	$533,709	$623,370	$193,235	$666,258	$859,493

Global Growth and Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$1,361	$–	$1,361	$ 6,244	$–	$ 6,244
Class 2	3,873	–	3,873	30,016	–	30,016
Class 4	27	–	27	79	–	79
Total	$5,261	$–	$5,261	$36,339	$–	$36,339

Growth-Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 94,265	$1,172,061	$1,266,326	$211,212	$1,523,989	$1,735,201
Class 2	101,489	1,329,722	1,431,211	227,897	1,955,599	2,183,496
Class 3	1,258	16,262	17,520	2,968	24,839	27,807
Class 4	3,347	45,834	49,181	5,428	7,004	12,432
Total	$200,359	$2,563,879	$2,764,238	$447,505	$3,511,431	$3,958,936

International Growth and Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$2,107	$3,459	$5,566	$17,822	$15,393	$33,215
Class 2	540	1,080	1,620	5,743	5,535	11,278
Class 4	63	149	212	671	578	1,249
Total	$2,710	$4,688	$7,398	$24,236	$21,506	$45,742

Capital Income Builder

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$1,652	$–	$1,652	$1,286	$–	$1,286
Class 2	–*	–	–*	–*	–	–*
Class 4	2,592	–	2,592	3,002	–	3,002
Total	$4,244	$–	$4,244	$4,288	$–	$4,288

See end of tables for footnote.

Asset Allocation Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$38,474	$280,306	$318,780	$310,613	$ 785,247	$1,095,860
Class 2	14,389	120,303	134,692	126,004	335,062	461,066
Class 3	106	859	965	927	2,404	3,331
Class 4	6,409	61,673	68,082	36,628	4,226	40,854
Total	$59,378	$463,141	$522,519	$474,172	$1,126,939	$1,601,111

Global Balanced Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$–	$–	$–	$ 596	$ 605	$1,201
Class 2	–	–	–	1,802	2,359	4,161
Class 4	–	–	–	5	4	9
Total	$–	$–	$–	$2,403	$2,968	$5,371

Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$46,350	$11,305	$57,655	$195,551	$20,064	$215,615
Class 2	28,742	7,465	36,207	141,408	16,478	157,886
Class 4	569	150	719	1,556	156	1,712
Total	$75,661	$18,920	$94,581	$338,515	$36,698	$375,213

Global Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,163	$ 872	$2,035	$21,903	$12,052	$33,955
Class 2	1,230	923	2,153	23,532	13,266	36,798
Class 4	11	8	19	81	46	127
Total	$2,404	$1,803	$4,207	$45,516	$25,364	$70,880

High-Income Bond Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class 1	$11,106	$–	$11,106	$ 65,080	$–	$ 65,080
Class 2	9,108	–	9,108	48,382	–	48,382
Class 3	146	–	146	742	–	742
Class 4	128	–	128	83	–	83
Total	$20,488	$–	$20,488	$114,287	$–	$114,287

Mortgage Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$3,320	$152	$3,472	$7,999	$–	$7,999
Class 2	740	35	775	1,499	–	1,499
Class 4	115	6	121	168	–	168
Total	$4,175	$193	$4,368	$9,666	$–	$9,666

U.S. Government/AAA-Rated Securities Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$24,402	$ 7,982	$32,384	$35,624	$1,712	$37,336
Class 2	25,935	8,728	34,663	35,376	1,904	37,280
Class 3	181	60	241	253	13	266
Class 4	1,091	371	1,462	821	26	847
Total	$51,609	$17,141	$68,750	$72,074	$3,655	$75,729

Managed Risk Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total distributions paid
Class P1	$ 3	$ 57	$ 60	$–	$–	$–
Class P2	328	14,955	15,283	–	–	–
Total	$331	$15,012	$15,343	$–	$–	$–

Managed Risk International Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 2	$ 4	$ 6	$ –*	$–	$ –*
Class P2	841	2,181	3,022	14	–	14
Total	$843	$2,185	$3,028	$14	$–	$14

Managed Risk Blue Chip Income and Growth Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 3	$ 9	$ 12	$ 1	$–	$ 1
Class P2	2,234	5,915	8,149	529	–	529
Total	$2,237	$5,924	$8,161	$530	$–	$530

See end of tables for footnote.

Managed Risk Growth-Income Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ 11	$ 64	$ 75	$ 3	$–	$ 3
Class P2	1,320	8,401	9,721	64	–	64
Total	$1,331	$8,465	$9,796	$67	$–	$67

Managed Risk Asset Allocation Fund

	Six months ended June 30, 2016			Year ended December 31, 2015		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class P1	$11,051	$29,417	$ 40,468	$ 9,630	$ 8,843	$18,473
Class P2	23,237	64,161	87,398	28,454	39,547	68,001
Total	$34,288	$93,578	$127,866	$38,084	$48,390	$86,474

*Amount less than one thousand.

7. Fees and transactions

CRMC, the series' investment adviser, is the parent company of American Funds Distributors,® Inc. ("AFD"), the distributor of the series' shares, and American Funds Service Company® ("AFS"), the series' transfer agent. CRMC, AFD and AFS are considered related parties to the series.

Investment advisory services – The series has an investment advisory and service agreement with CRMC that provides for monthly fees accrued daily. These fees are based on annual rates that generally decrease as average net asset levels increase. CRMC receives investment advisory fees from the underlying funds held by the managed risk funds. Effective January 1, 2016, CRMC reduced the investment advisory services fee from an annual rate of 0.250% of average daily net assets to 0.150% of average daily net assets for the managed risk funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables. Subadvisory fees for the managed risk funds are paid by CRMC to Milliman FRM. The managed risk funds are not responsible for paying any subadvisory fees.

Investment advisory services waivers – The series' board of trustees approved an amended agreement for Asset Allocation Fund effective February 1, 2016, decreasing the annual rate on average daily net assets in excess of $21 billion to 0.240%. CRMC is waiving a portion of its investment advisory services fees for each of the managed risk funds. Investment advisory services fees are presented in each fund's statement of operations gross of the waivers from CRMC. For the six months ended June 30, 2016, total investment advisory services fees waived by CRMC were $833,000.

The range of rates and asset levels, and the current annualized rates of average net assets for each fund before and after any investment advisory services waivers (if applicable), are as follows:

Fund	Rates		Net asset level (in billions)		For the period ended June 30, 2016, before waiver	For the period ended June 30, 2016, after waiver
	Beginning with	Ending with	Up to	In excess of		
Global Growth Fund	0.690%	0.460%	$0.6	$ 5.0	0.528%	0.528%
Global Small Capitalization Fund	0.800	0.635	0.6	5.0	0.700	0.700
Growth Fund	0.500	0.280	0.6	34.0	0.331	0.331
International Fund	0.690	0.430	0.5	21.0	0.503	0.503
New World Fund	0.850	0.620	0.5	2.5	0.725	0.725
Blue Chip Income and Growth Fund	0.500	0.360	0.6	6.5	0.397	0.397
Global Growth and Income Fund	0.690	0.480	0.6	3.0	0.604	0.604
Growth-Income Fund	0.500	0.219	0.6	34.0	0.270	0.270
International Growth and Income Fund	0.690	0.530	0.5	1.0	0.640	0.640
Capital Income Builder Fund	0.500		all		0.500	0.500
Asset Allocation Fund	0.500	0.240	0.6	21.0	0.275	0.275
Global Balanced Fund	0.660	0.510	0.5	1.0	0.660	0.660
Bond Fund	0.480	0.330	0.6	8.0	0.364	0.364
Global Bond Fund	0.570	0.450	1.0	3.0	0.531	0.531
High-Income Bond Fund	0.500	0.420	0.6	2.0	0.465	0.465
Mortgage Fund	0.420	0.290	0.6	3.0	0.420	0.420
Ultra-Short Bond Fund	0.320	0.270	1.0	2.0	0.320	0.320
U.S. Government/AAA-Rated Securities Fund	0.420	0.290	0.6	3.0	0.338	0.338
Managed Risk Growth Fund	0.150		all		0.150	0.100
Managed Risk International Fund	0.150		all		0.150	0.100
Managed Risk Blue Chip Income and Growth Fund	0.150		all		0.150	0.100
Managed Risk Growth-Income Fund	0.150		all		0.150	0.100
Managed Risk Asset Allocation Fund	0.150		all		0.150	0.100

Distribution services – The series has plans of distribution for all share classes except Class 1. Under the plans, the board of trustees approves certain categories of expenses that are used to finance activities primarily intended to sell fund shares. The plans provide for payments to pay service fees to firms that have entered into agreements with the series. These payments, based on an annualized percentage of average daily net assets, range from 0.18% to 0.50% as noted in the table below. In some cases, the board of trustees has limited the amounts that may be paid to less than the maximum allowed by the plans.

Share class	Currently approved limits	Plan limits
Class 2	0.25%	0.25%
Class 3	0.18	0.18
Class 4	0.25	0.25
Class P1	0.00	0.25
Class P2	0.25	0.50

Insurance administrative services – The series has an insurance administrative services plan for Class 4, P1 and P2 shares. Under the plan, these share classes pay 0.25% of each insurance company's respective average daily net assets in each share class to compensate the insurance companies for services provided to their separate accounts and contractholders for which the shares of the fund are beneficially owned as underlying investments of such contractholders' annuities. These services include, but are not limited to, maintenance, shareholder communications and transactional services. The insurance companies are not related parties to the series.

Transfer agent services – The series has a shareholder services agreement with AFS under which the funds compensate AFS for providing transfer agent services to all of the funds' share classes. These services include recordkeeping, shareholder communications and transaction processing. In addition, the managed risk funds reimburse AFS for amounts paid to third parties for performing transfer agent services on behalf of fund shareholders.

Administrative services – The series has an administrative services agreement with CRMC to provide administrative services to all of the funds' share classes. The services include, but are not limited to, coordinating, monitoring, assisting and overseeing third parties that provide services to fund shareholders. Under the agreement, each share class of each fund, except the managed risk funds, pays an annual fee of 0.01% based on its respective average daily net assets to compensate CRMC for providing administrative services. For the

managed risk funds, CRMC receives administrative services fees of 0.01% of average daily net assets from Class 1 shares of the underlying funds for administrative services provided to the series.

Accounting and administrative services – The managed risk funds have a subadministration agreement with BNY Mellon under which the fund compensates BNY Mellon for providing accounting and administrative services to each of the managed risk funds' share classes. These services include, but are not limited to, fund accounting (including calculation of net asset value), financial reporting and tax services. BNY Mellon is not a related party to the managed risk funds.

Reimbursement of fees and expenses – CRMC is currently reimbursing a portion of other expenses for each of the managed risk funds so that each fund's expenses do not exceed 0.28% of its respective average daily net assets. Other expenses exclude investment advisory services and distribution services fees. For the six months ended June 30, 2016, total expenses reimbursed by CRMC were $289,000.

Class-specific expenses under the agreements described above were as follows (dollars in thousands):

Global Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 76
Class 2	4,392	–	176
Class 4	105	106	4
Total class-specific expenses	$4,497	$106	$256

New World Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 76
Class 2	1,134	–	45
Class 4	227	227	9
Total class-specific expenses	$1,361	$227	$130

Global Small Capitalization Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 78
Class 2	2,884	–	115
Class 4	42	42	2
Total class-specific expenses	$2,926	$42	$195

Blue Chip Income and Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$189
Class 2	3,991	–	160
Class 4	62	62	2
Total class-specific expenses	$4,053	$62	$351

Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 324
Class 2	16,807	–	672
Class 3	160	–	9
Class 4	477	477	19
Total class-specific expenses	$17,444	$477	$1,024

Global Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$18
Class 2	1,756	–	70
Class 4	8	8	1
Total class-specific expenses	$1,764	$8	$89

International Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$166
Class 2	4,722	–	189
Class 3	26	–	2
Class 4	60	61	2
Total class-specific expenses	$4,808	$61	$359

Growth-Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 533
Class 2	15,382	–	615
Class 3	137	–	8
Class 4	509	509	20
Total class-specific expenses	$16,028	$509	$1,176

International Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$36
Class 2	307	–	12
Class 4	41	41	2
Total class-specific expenses	$348	$41	$50

Capital Income Builder

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 5
Class 2	–*	–	–
Class 4	225	225	9
Total class-specific expenses	$225	$225	$14

Asset Allocation Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$554
Class 2	6,081	–	243
Class 3	32	–	2
Class 4	3,026	3,026	121
Total class-specific expenses	$9,139	$3,026	$920

Global Balanced Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$ 3
Class 2	212	–	8
Class 4	3	3	–*
Total class-specific expenses	$215	$3	$11

Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$295
Class 2	5,108	–	204
Class 4	91	90	4
Total class-specific expenses	$5,199	$90	$503

See end of tables for footnote.

Global Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 54
Class 2	1,485	–	59
Class 4	10	10	1
Total class-specific expenses	$1,495	$10	$114

High-Income Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$47
Class 2	954	–	38
Class 3	11	–	1
Class 4	7	8	–*
Total class-specific expenses	$972	$8	$86

Mortgage Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$13
Class 2	80	–	3
Class 4	15	16	1
Total class-specific expenses	$95	$16	$17

Ultra-Short Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 2
Class 2	385	–	15
Class 3	5	–	–*
Class 4	16	16	1
Total class-specific expenses	$406	$16	$18

U.S. Government/AAA-Rated Securities Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 71
Class 2	1,943	–	78
Class 3	10	–	–*
Class 4	81	81	3
Total class-specific expenses	$2,034	$81	$152

Managed Risk Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	190	190
Total class-specific expenses	$190	$190

Managed Risk Growth-Income Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ 1
Class P2	158	158
Total class-specific expenses	$158	$159

Managed Risk International Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	107	107
Total class-specific expenses	$107	$107

Managed Risk Asset Allocation Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$1,037
Class P2	2,474	2,474
Total class-specific expenses	$2,474	$3,511

Managed Risk Blue Chip Income and Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	199	199
Total class-specific expenses	$199	$199

*Amount less than one thousand.

Trustees' deferred compensation – Trustees who are unaffiliated with CRMC may elect to defer the cash payment of part or all of their compensation. These deferred amounts, which remain as liabilities of the funds, are treated as if invested in one or more of the American Funds. These amounts represent general, unsecured liabilities of the funds and vary according to the total returns of the selected funds. Trustees' compensation, shown on the accompanying financial statements, reflects current fees (either paid in cash or deferred) and a net increase in the value of the deferred amounts as follows (dollars in thousands):

	Current fees	Increase in value of deferred amounts	Total trustees' compensation
Global Growth Fund	$22	$1	$ 23
Global Small Capitalization Fund	16	1	17
Growth Fund	87	3	90
International Fund	30	1	31
New World Fund	11	1	12
Blue Chip Income and Growth Fund	29	1	30
Global Growth and Income Fund	7	–*	7
Growth-Income Fund	99	3	102
International Growth and Income Fund	4	–*	4
Capital Income Builder	1	–*	1
Asset Allocation Fund	76	3	79
Global Balanced Fund	1	–*	1
Bond Fund	41	1	42
Global Bond Fund	9	–*	9
High-Income Bond Fund	7	–*	7
Mortgage Fund	1	–*	1
Ultra-Short Bond Fund	1	–*	1
U.S. Government/AAA-Rated Securities Fund	13	–*	13
Managed Risk Growth Fund	1	–*	1
Managed Risk International Fund	–*	–*	–*
Managed Risk Blue Chip Income and Growth Fund	1	–*	1
Managed Risk Growth-Income Fund	1	–*	1
Managed Risk Asset Allocation Fund	11	–*	11

*Amount less than one thousand.

Affiliated officers and trustees – Officers and certain trustees of the series are or may be considered to be affiliated with CRMC, AFD and AFS. No affiliated officers or trustees received any compensation directly from any fund in the series.

Security transactions with related funds – The funds may purchase from, or sell securities to, other CRMC-managed funds (or funds managed by certain affiliates of CRMC) under procedures adopted by the fund's board of trustees. The funds involved in such transactions are considered related by virtue of having a common investment adviser (or affiliated investment advisers), common trustees and/or common officers. When such transactions occur, each transaction is executed at the current market price of the security and no brokerage commissions or fees are paid in accordance with Rule 17a-7 of the 1940 Act. During the six months ended June 30, 2016, such purchase and sale transactions occurred between Global Growth Fund and related funds in the amounts of $652,454,000 and $819,688,000, respectively.

8. Committed line of credit

Global Small Capitalization Fund and High-Income Bond Fund participate with other funds managed by CRMC in a $500 million credit facility (the "line of credit") to be utilized for temporary purposes to fund shareholder redemptions. Each fund has agreed to pay commitment fees on its pro-rata portion of the line of credit, which are reflected in other expenses in each fund's statement of operations. During the period, neither fund borrowed on this line of credit.

9. Capital share transactions

Capital share transactions in the funds were as follows (dollars and shares in thousands):

Global Growth Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$108,950	4,449	$137,056	5,951	$(117,777)	(4,763)	$128,229	5,637
Class 2	54,049	2,228	313,848	13,753	(198,489)	(8,096)	169,408	7,885
Class 4	17,945	740	7,657	336	(17,169)	(708)	8,433	368
Total net increase (decrease)	$180,944	7,417	$458,561	20,040	$(333,435)	(13,567)	$306,070	13,890
Year ended December 31, 2015								
Class 1	$242,608	8,797	$171,652	6,332	$(284,375)	(10,186)	$129,885	4,943
Class 2	63,278	2,321	423,933	15,756	(513,101)	(18,595)	(25,890)	(518)
Class 4	80,540	2,928	5,447	203	(10,490)	(389)	75,497	2,742
Total net increase (decrease)	$386,426	14,046	$601,032	22,291	$(807,966)	(29,170)	$179,492	7,167

Global Small Capitalization Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 87,982	4,003	$278,663	14,598	$(227,864)	(9,895)	$138,781	8,706
Class 2	35,976	1,678	440,277	23,696	(116,372)	(5,219)	359,881	20,155
Class 4	8,676	397	6,815	364	(4,501)	(211)	10,990	550
Total net increase (decrease)	$132,634	6,078	$725,755	38,658	$(348,737)	(15,325)	$509,652	29,411
Year ended December 31, 2015								
Class 1	$513,999	19,169	$121,908	4,341	$(211,242)	(7,700)	$424,665	15,810
Class 2	80,928	3,206	208,071	7,558	(354,071)	(13,220)	(65,072)	(2,456)
Class 4	29,896	1,122	1,572	57	(6,551)	(252)	24,917	927
Total net increase (decrease)	$624,823	23,497	$331,551	11,956	$(571,864)	(21,172)	$384,510	14,281

Growth Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 254,509	3,981	$ 616,334	9,912	$ (373,808)	(5,719)	$ 497,035	8,174
Class 2	97,736	1,528	1,269,974	20,550	(835,655)	(12,899)	532,055	9,179
Class 3	1,102	18	16,688	267	(12,803)	(199)	4,987	86
Class 4	36,211	570	37,379	609	(24,379)	(383)	49,211	796
Total net increase (decrease)	$ 389,558	6,097	$1,940,375	31,338	$(1,246,645)	(19,200)	$1,083,288	18,235
Year ended December 31, 2015								
Class 1	$ 545,748	7,598	$1,516,077	22,116	$(1,366,376)	(18,624)	$ 695,449	11,090
Class 2	178,141	2,443	3,203,022	46,982	(2,197,881)	(29,528)	1,183,282	19,897
Class 3	783	11	43,350	629	(28,825)	(389)	15,308	251
Class 4	382,752	5,567	12,085	178	(12,814)	(184)	382,023	5,561
Total net increase (decrease)	$1,107,424	15,619	$4,774,534	69,905	$(3,605,896)	(48,725)	$2,276,062	36,799

International Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$199,830	11,732	$302,258	19,034	$(158,313)	(9,159)	$343,775	21,607
Class 2	119,738	7,078	339,443	21,470	(199,625)	(11,558)	259,556	16,990
Class 3	3	–[†]	2,485	156	(3,014)	(176)	(526)	(20)
Class 4	13,143	778	4,722	301	(3,984)	(236)	13,881	843
Total net increase (decrease)	$332,714	19,588	$648,908	40,961	$(364,936)	(21,129)	$616,686	39,420
Year ended December 31, 2015								
Class 1	$613,096	30,399	$260,327	13,102	$(308,218)	(15,161)	$565,205	28,340
Class 2	243,300	12,263	309,824	15,584	(460,836)	(22,675)	92,288	5,172
Class 3	591	29	2,600	130	(5,955)	(292)	(2,764)	(133)
Class 4	37,705	1,848	2,691	136	(6,576)	(332)	33,820	1,652
Total net increase (decrease)	$894,692	44,539	$575,442	28,952	$(781,585)	(38,460)	$688,549	35,031

New World Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$152,463	8,122	$ 1,608	86	$(115,199)	(6,216)	$ 38,872	1,992
Class 2	19,890	1,097	491	27	(65,609)	(3,593)	(45,228)	(2,469)
Class 4	38,035	2,083	65	3	(5,680)	(315)	32,420	1,771
Total net increase (decrease)	$210,388	11,302	$ 2,164	116	$(186,488)	(10,124)	$ 26,064	1,294
Year ended December 31, 2015								
Class 1	$250,385	12,453	$ 97,239	4,794	$ (74,017)	(3,664)	$273,607	13,583
Class 2	52,944	2,691	64,376	3,193	(146,327)	(7,294)	(29,007)	(1,410)
Class 4	120,968	6,065	7,051	351	(7,843)	(403)	120,176	6,013
Total net increase (decrease)	$424,297	21,209	$168,666	8,338	$(228,187)	(11,361)	$364,776	18,186

Blue Chip Income and Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class 1	$338,238	25,928	$338,947	27,224	$(130,120)	(10,125)	$547,065	43,027
Class 2	19,292	1,498	275,658	22,375	(220,625)	(17,292)	74,325	6,581
Class 4	44,683	3,463	5,751	467	(7,663)	(599)	42,771	3,331
Total net increase (decrease)	$402,213	30,889	$620,356	50,066	$(358,408)	(28,016)	$664,161	52,939
Year ended December 31, 2015								
Class 1	$452,522	32,801	$437,325	32,701	$(252,335)	(18,381)	$637,512	47,121
Class 2	32,390	2,382	416,386	31,379	(427,875)	(31,163)	20,901	2,598
Class 4	28,833	2,128	2,302	174	(5,348)	(390)	25,787	1,912
Total net increase (decrease)	$513,745	37,311	$856,013	64,254	$(685,558)	(49,934)	$684,200	51,631

See end of tables for footnotes.

Global Growth and Income Fund

	Sales*		Reinvestments of dividends		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$145,461	12,035	$ 1,285	105	$ (20,097)	(1,645)	$ 126,649	10,495
Class 2	13,812	1,143	3,873	316	(92,043)	(7,601)	(74,358)	(6,142)
Class 4	6,313	522	27	2	(1,399)	(116)	4,941	408
Total net increase (decrease)	$165,586	13,700	$ 5,185	423	$(113,539)	(9,362)	$ 57,232	4,761
Year ended December 31, 2015								
Class 1	$123,370	9,539	$ 5,769	464	$ (24,549)	(1,895)	$ 104,590	8,108
Class 2	31,965	2,464	30,016	2,406	(222,457)	(17,093)	(160,476)	(12,223)
Class 4	7,444	579	79	6	(4,032)	(318)	3,491	267
Total net increase (decrease)	$162,779	12,582	$35,864	2,876	$(251,038)	(19,306)	$ (52,395)	(3,848)

Growth-Income Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 581,154	13,271	$1,261,227	30,590	$ (378,230)	(8,506)	$1,464,151	35,355
Class 2	65,168	1,492	1,431,211	35,053	(722,682)	(16,413)	773,697	20,132
Class 3	918	21	17,520	425	(11,546)	(262)	6,892	184
Class 4	32,935	762	49,181	1,212	(18,045)	(414)	64,071	1,560
Total net increase (decrease)	$ 680,175	15,546	$2,759,139	67,280	$(1,130,503)	(25,595)	$2,308,811	57,231
Year ended December 31, 2015								
Class 1	$1,314,853	26,814	$1,729,526	36,549	$(1,566,420)	(31,547)	$1,477,959	31,816
Class 2	145,682	2,979	2,183,497	46,507	(1,808,597)	(36,727)	520,582	12,759
Class 3	517	9	27,807	587	(26,339)	(533)	1,985	63
Class 4	400,638	8,616	12,432	270	(15,657)	(325)	397,413	8,561
Total net increase (decrease)	$1,861,690	38,418	$3,953,262	83,913	$(3,417,013)	(69,132)	$2,397,939	53,199

International Growth and Income Fund

	Sales*		Reinvestments of dividends and distributions		Repurchases*		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2016								
Class 1	$ 93,560	6,382	$ 5,566	387	$ (1,727)	(119)	$97,399	6,650
Class 2	7,324	513	1,620	113	(12,156)	(837)	(3,212)	(211)
Class 4	4,095	283	212	14	(2,248)	(155)	2,059	142
Total net increase (decrease)	$104,979	7,178	$ 7,398	514	$(16,131)	(1,111)	$96,246	6,581
Year ended December 31, 2015								
Class 1	$ 15,184	932	$33,215	2,124	$ (9,326)	(556)	$39,073	2,500
Class 2	42,188	2,495	11,279	722	(19,855)	(1,216)	33,612	2,001
Class 4	17,667	1,083	1,248	81	(3,033)	(190)	15,882	974
Total net increase (decrease)	$ 75,039	4,510	$45,742	2,927	$(32,214)	(1,962)	$88,567	5,475

Capital Income Builder

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends Amount	Reinvestments of dividends Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class 1	$ 45,611	4,816	$1,652	173	$ (7,275)	(786)	$ 39,988	4,203
Class 2	2	–†	–†	–†	–†	–†	2	–†
Class 4	58,358	6,148	2,592	272	(5,311)	(564)	55,639	5,856
Total net increase (decrease)	$103,971	10,964	$4,244	445	$(12,586)	(1,350)	$ 95,629	10,059
Year ended December 31, 2015								
Class 1	$ 61,778	6,412	$1,286	136	$ (1,229)	(132)	$ 61,835	6,416
Class 2	–	–	–†	–†	–	–	–†	–†
Class 4	111,713	11,396	3,002	315	(5,308)	(549)	109,407	11,162
Total net increase (decrease)	$173,491	17,808	$4,288	451	$ (6,537)	(681)	$171,242	17,578

Asset Allocation Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 646,741	31,583	$ 318,780	15,334	$ (200,241)	(9,770)	$ 765,280	37,147
Class 2	66,976	3,286	134,692	6,539	(265,129)	(13,069)	(63,461)	(3,244)
Class 3	570	27	965	46	(2,051)	(100)	(516)	(27)
Class 4	114,246	5,626	68,082	3,316	(54,172)	(2,716)	128,156	6,226
Total net increase (decrease)	$ 828,533	40,522	$ 522,519	25,235	$ (521,593)	(25,655)	$ 829,459	40,102
Year ended December 31, 2015								
Class 1	$1,535,220	71,399	$1,095,859	52,092	$(2,848,179)	(133,856)	$ (217,100)	(10,365)
Class 2	124,804	5,833	461,066	22,110	(682,572)	(32,022)	(96,702)	(4,079)
Class 3	856	40	3,331	159	(4,803)	(223)	(616)	(24)
Class 4	2,429,290	115,496	40,855	1,991	(12,761)	(607)	2,457,384	116,880
Total net increase (decrease)	$4,090,170	192,768	$1,601,111	76,352	$(3,548,315)	(166,708)	$2,142,966	102,412

Global Balanced Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$11,434	1,066	$ –	–	$ (960)	(88)	$10,474	978
Class 2	9,821	904	–	–	(8,905)	(836)	916	68
Class 4	4,168	390	–	–	(211)	(20)	3,957	370
Total net increase (decrease)	$25,423	2,360	$ –	–	$(10,076)	(944)	$15,347	1,416
Year ended December 31, 2015								
Class 1	$16,784	1,513	$1,201	111	$ (5,668)	(512)	$12,317	1,112
Class 2	15,210	1,360	4,161	386	(21,309)	(1,924)	(1,938)	(178)
Class 4	659	60	9	1	(1)	–†	667	61
Total net increase (decrease)	$32,653	2,933	$5,371	498	$(26,978)	(2,436)	$11,046	995

See end of tables for footnotes.

Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 594,756	53,787	$ 57,082	5,143	$(257,822)	(23,636)	$ 394,016	35,294
Class 2	67,010	6,159	36,207	3,303	(275,636)	(25,511)	(172,419)	(16,049)
Class 4	30,809	2,828	719	65	(6,669)	(610)	24,859	2,283
Total net increase (decrease)	$ 692,575	62,774	$ 94,008	8,511	$(540,127)	(49,757)	$ 246,456	21,528
Year ended December 31, 2015								
Class 1	$1,036,298	93,861	$213,571	19,839	$(300,859)	(27,378)	$ 949,010	86,322
Class 2	110,070	10,143	157,887	14,830	(551,976)	(50,779)	(284,019)	(25,806)
Class 4	43,727	4,005	1,711	160	(13,279)	(1,216)	32,159	2,949
Total net increase (decrease)	$1,190,095	108,009	$373,169	34,829	$(866,114)	(79,373)	$ 697,150	63,465

Global Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$100,631	8,721	$ 2,035	174	$ (54,749)	(4,821)	$ 47,917	4,074
Class 2	12,812	1,114	2,153	185	(110,232)	(9,776)	(95,267)	(8,477)
Class 4	6,566	576	19	2	(1,771)	(156)	4,814	422
Total net increase (decrease)	$120,009	10,411	$ 4,207	361	$(166,752)	(14,753)	$ (42,536)	(3,981)
Year ended December 31, 2015								
Class 1	$165,830	14,553	$33,954	3,037	$(282,448)	(25,245)	$ (82,664)	(7,655)
Class 2	33,635	2,962	36,798	3,309	(158,924)	(14,073)	(88,491)	(7,802)
Class 4	3,452	304	128	12	(1,543)	(134)	2,037	182
Total net increase (decrease)	$202,917	17,819	$70,880	6,358	$(442,915)	(39,452)	$(169,118)	(15,275)

High-Income Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends Amount	Reinvestments of dividends Shares	Repurchases* Amount	Repurchases* Shares	Net (decrease) increase Amount	Net (decrease) increase Shares
Six months ended June 30, 2016								
Class 1	$ 25,744	2,746	$ 11,106	1,136	$(177,538)	(18,998)	$(140,688)	(15,116)
Class 2	12,012	1,324	9,108	945	(59,374)	(6,367)	(38,254)	(4,098)
Class 3	1,712	187	146	15	(2,335)	(248)	(477)	(46)
Class 4	16,896	1,662	128	12	(7,420)	(717)	9,604	957
Total net increase (decrease)	$ 56,364	5,919	$ 20,488	2,108	$(246,667)	(26,330)	$(169,815)	(18,303)
Year ended December 31, 2015								
Class 1	$223,032	21,529	$ 65,080	6,936	$(148,108)	(14,222)	$ 140,004	14,243
Class 2	32,524	3,169	48,382	5,222	(137,078)	(13,259)	(56,172)	(4,868)
Class 3	2,044	194	742	79	(5,538)	(528)	(2,752)	(255)
Class 4	16,932	1,527	83	8	(16,023)	(1,447)	992	88
Total net increase (decrease)	$274,532	26,419	$114,287	12,245	$(306,747)	(29,456)	$ 82,072	9,208

Mortgage Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$19,668	1,818	$3,473	324	$(22,478)	(2,088)	$ 663	54
Class 2	13,683	1,276	775	73	(10,632)	(989)	3,826	360
Class 4	11,758	1,102	120	11	(12,185)	(1,143)	(307)	(30)
Total net increase (decrease)	$45,109	4,196	$4,368	408	$(45,295)	(4,220)	$ 4,182	384
Year ended December 31, 2015								
Class 1	$41,987	3,898	$7,999	754	$(67,729)	(6,313)	$(17,743)	(1,661)
Class 2	10,830	1,011	1,499	142	(5,502)	(512)	6,827	641
Class 4	15,842	1,482	168	16	(4,875)	(457)	11,135	1,041
Total net increase (decrease)	$68,659	6,391	$9,666	912	$(78,106)	(7,282)	$ 219	21

Ultra-Short Bond Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net (decrease) increase Amount	Net (decrease) increase Shares
Six months ended June 30, 2016								
Class 1	$ 7,395	657	$–	–	$ (8,547)	(759)	$ (1,152)	(102)
Class 2	71,334	6,485	–	–	(65,236)	(5,931)	6,098	554
Class 3	1,996	180	–	–	(3,102)	(279)	(1,106)	(99)
Class 4	8,089	725	–	–	(12,780)	(1,146)	(4,691)	(421)
Total net increase (decrease)	$ 88,814	8,047	$–	–	$ (89,665)	(8,115)	$ (851)	(68)
Year ended December 31, 2015								
Class 1	$ 19,088	1,694	$–	–	$ (28,360)	(2,517)	$ (9,272)	(823)
Class 2	133,190	12,075	–	–	(161,001)	(14,591)	(27,811)	(2,516)
Class 3	4,437	398	–	–	(5,921)	(532)	(1,484)	(134)
Class 4	30,215	2,699	–	–	(21,575)	(1,926)	8,640	773
Total net increase (decrease)	$186,930	16,866	$–	–	$(216,857)	(19,566)	$(29,927)	(2,700)

U.S. Government/AAA-Rated Securities Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class 1	$ 49,064	3,903	$32,384	2,606	$ (70,689)	(5,660)	$ 10,759	849
Class 2	38,187	3,061	34,662	2,818	(96,947)	(7,813)	(24,098)	(1,934)
Class 3	979	78	242	19	(1,400)	(111)	(179)	(14)
Class 4	46,742	3,765	1,462	119	(27,975)	(2,242)	20,229	1,642
Total net increase (decrease)	$134,972	10,807	$68,750	5,562	$(197,011)	(15,826)	$ 6,711	543
Year ended December 31, 2015								
Class 1	$ 70,484	5,630	$37,336	3,026	$(397,508)	(31,768)	$(289,688)	(23,112)
Class 2	24,610	1,988	37,280	3,053	(190,136)	(15,348)	(128,246)	(10,307)
Class 3	1,477	118	266	21	(3,640)	(290)	(1,897)	(151)
Class 4	50,075	4,027	847	69	(25,031)	(2,017)	25,891	2,079
Total net increase (decrease)	$146,646	11,763	$75,729	6,169	$(616,315)	(49,423)	$(393,940)	(31,491)

See end of tables for footnotes.

Managed Risk Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 279	26	$ 60	6	$ (82)	(8)	$ 257	24
Class P2	32,390	3,000	15,283	1,507	(5,517)	(508)	42,156	3,999
Total net increase (decrease)	$32,669	3,026	$15,343	1,513	$(5,599)	(516)	$42,413	4,023
Year ended December 31, 2015								
Class P1	$ 308	27	$ –	–	$ (70)	(6)	$ 238	21
Class P2	74,489	6,445	–	–	(7,945)	(689)	66,544	5,756
Total net increase (decrease)	$74,797	6,472	$ –	–	$(8,015)	(695)	$66,782	5,777

Managed Risk International Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 38	4	$ 6	–†	$ (41)	(4)	$ 3	–†
Class P2	14,456	1,594	3,022	346	(4,683)	(513)	12,795	1,427
Total net increase (decrease)	$14,494	1,598	$3,028	346	$(4,724)	(517)	$12,798	1,427
Year ended December 31, 2015								
Class P1	$ 44	5	$ –†	–†	$ –†	–†	$ 44	5
Class P2	46,083	4,510	14	2	(2,628)	(265)	43,469	4,247
Total net increase (decrease)	$46,127	4,515	$ 14	2	$(2,628)	(265)	$43,513	4,252

Managed Risk Blue Chip Income and Growth Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2016								
Class P1	$ 60	6	$ 12	1	$ (3)	–†	$ 69	7
Class P2	47,786	4,303	8,149	750	(6,208)	(560)	49,727	4,493
Total net increase (decrease)	$47,846	4,309	$8,161	751	$ (6,211)	(560)	$49,796	4,500
Year ended December 31, 2015								
Class P1	$ 2	–†	$ 1	–†	$ (22)	(1)	$ (19)	(1)
Class P2	70,110	6,160	529	48	(20,979)	(1,845)	49,660	4,363
Total net increase (decrease)	$70,112	6,160	$ 530	48	$(21,001)	(1,846)	$49,641	4,362

Managed Risk Growth-Income Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$ 431	39	$ 75	7	$ (142)	(13)	$ 364	33
Class P2	20,438	1,865	9,721	930	(7,271)	(664)	22,888	2,131
Total net increase (decrease)	$20,869	1,904	$9,796	937	$(7,413)	(677)	$23,252	2,164
Year ended December 31, 2015								
Class P1	$ 623	53	$ 3	–†	$ (17)	(1)	$ 609	52
Class P2	57,640	4,977	64	6	(7,010)	(604)	50,694	4,379
Total net increase (decrease)	$58,263	5,030	$ 67	6	$(7,027)	(605)	$51,303	4,431

Managed Risk Asset Allocation Fund

Share class	Sales* Amount	Sales* Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases* Amount	Repurchases* Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2016								
Class P1	$242,574	20,918	$ 40,468	3,519	$ (13,834)	(1,206)	$269,208	23,231
Class P2	150,281	12,978	87,398	7,607	(65,547)	(5,634)	172,132	14,951
Total net increase (decrease)	$392,855	33,896	$127,866	11,126	$ (79,381)	(6,840)	$441,340	38,182
Year ended December 31, 2015								
Class P1	$452,013	37,546	$ 18,473	1,532	$ (10,594)	(913)	$459,892	38,165
Class P2	355,940	29,485	68,001	5,622	(161,379)	(13,400)	262,562	21,707
Total net increase (decrease)	$807,953	67,031	$ 86,474	7,154	$(171,973)	(14,313)	$722,454	59,872

*Includes exchanges between share classes of the fund.
†Amount less than one thousand.

10. Investment transactions and other disclosures

The following tables present additional information for each of the funds for the six months ended June 30, 2016 (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
Purchases of investment securities*	$650,450	$550,989	$3,241,873	$1,236,387	$402,385	$805,631
Sales of investment securities*	819,688	714,085	4,297,569	1,052,064	308,670	824,179
Non-U.S. taxes paid on dividend income	5,076	1,592	5,059	7,307	2,097	896
Non-U.S. taxes paid on interest income	–	–	–	–	81	–
Non-U.S. taxes paid on realized gains	–	–	–	–	139	–
Non-U.S. taxes provided on unrealized gains	–	2,892	–	5,095	1,952	–
Dividends from affiliated issuers	–	–	1,709	–	–	–
Net realized (loss) gain from affiliated issuers	–	(10,556)	20,124	–	–	–

See end of tables for footnote.

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
Purchases of investment securities*	$606,501	$3,182,522	$246,854	$142,321	$8,746,136	$68,014
Sales of investment securities*	553,973	3,327,293	129,092	54,633	8,753,088	64,511
Non-U.S. taxes paid on dividend income	1,870	4,255	2,019	259	4,438	135
Non-U.S. taxes paid on interest income	–	–	48	–	–	7
Non-U.S. taxes paid on realized gains	8	–	2	–	–	1
Non-U.S. taxes provided on unrealized gains	32	122	25	–	108	3
Dividends from affiliated issuers	–	–	–	–	–	–
Net realized (loss) gain from affiliated issuers	–	–	–	–	–	–

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	Ultra-Short Bond Fund	U.S. Government/ AAA-Rated Securities Fund
Purchases of investment securities*	$17,813,968	$1,744,500	$852,950	$1,652,548	$–	$5,463,071
Sales of investment securities*	17,288,914	1,704,205	897,232	1,634,050	–	5,724,865
Non-U.S. taxes paid on dividend income	–	–	–	–	–	–
Non-U.S. taxes paid on interest income	30	64	6	–	–	–
Non-U.S. taxes paid on realized gains	69	57	–	–	–	–
Non-U.S. taxes provided on unrealized gains	10	188	6	–	–	–
Dividends from affiliated issuers	–	–	–	–	–	–
Net realized (loss) gain from affiliated issuers	–	–	–	–	–	–

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
Purchases of investment securities*	$48,041	$29,370	$62,201	$35,901	$382,443
Sales of investment securities*	13,046	12,387	10,770	11,369	13,027
Non-U.S. taxes paid on dividend income	–	–	–	–	–
Non-U.S. taxes paid on interest income	–	–	–	–	–
Non-U.S. taxes paid on realized gains	–	–	–	–	–
Non-U.S. taxes provided on unrealized gains	–	–	–	–	–
Dividends from affiliated issuers	351	150	682	395	8,997
Net realized (loss) gain from affiliated issuers	(2,658)	(3,209)	(721)	(1,685)	393

*Excludes short-term securities and U.S. government obligations, if any.

11. Ownership concentration

At June 30, 2016, CRMC held aggregate ownership of 14% of the outstanding shares of Global Balanced Fund. The ownership represents the seed money invested in the fund when the fund began operations. In addition, American Funds Insurance Series - Portfolio Series - Managed Risk Global Allocation Portfolio and American Funds Insurance Series - Portfolio Series - Managed Risk Growth and Income Portfolio held 11% and 28% of the outstanding shares of Global Balanced Fund and Capital Income Builder, respectively.

Financial highlights

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
Global Growth Fund												
Class 1:												
6/30/16[2,3]	$26.39	$ .18	$ (1.08)	$ (.90)	$ (.08)	$ (2.16)	$ (2.24)	$23.25	(3.31)%[4]	$ 1,564	.56%[5]	1.44%[5]
12/31/15	27.48	.25	1.80	2.05	(.35)	(2.79)	(3.14)	26.39	7.24	1,626	.55	.90
12/31/14	30.11	.31[6]	.40	.71	(.40)	(2.94)	(3.34)	27.48	2.52	1,558	.55	1.08[6]
12/31/13	23.58	.31	6.62	6.93	(.40)	–	(.40)	30.11	29.51	1,508	.55	1.17
12/31/12	19.40	.30	4.14	4.44	(.26)	–	(.26)	23.58	22.89	1,466	.56	1.38
12/31/11	21.61	.29	(2.16)	(1.87)	(.34)	–	(.34)	19.40	(8.66)	1,277	.55	1.37
Class 2:												
6/30/16[2,3]	26.19	.14	(1.06)	(.92)	(.07)	(2.16)	(2.23)	23.04	(3.42)[4]	3,539	.81[5]	1.18[5]
12/31/15	27.30	.18	1.78	1.96	(.28)	(2.79)	(3.07)	26.19	6.94	3,817	.80	.66
12/31/14	29.92	.24[6]	.41	.65	(.33)	(2.94)	(3.27)	27.30	2.31	3,992	.80	.85[6]
12/31/13	23.44	.24	6.58	6.82	(.34)	–	(.34)	29.92	29.18	4,379	.80	.91
12/31/12	19.29	.24	4.11	4.35	(.20)	–	(.20)	23.44	22.56	3,723	.81	1.13
12/31/11	21.48	.24	(2.15)	(1.91)	(.28)	–	(.28)	19.29	(8.89)	3,535	.80	1.13
Class 4:												
6/30/16[2,3]	26.16	.11	(1.06)	(.95)	(.06)	(2.16)	(2.22)	22.99	(3.54)[4]	88	1.06[5]	.95[5]
12/31/15	27.34	.09	1.81	1.90	(.29)	(2.79)	(3.08)	26.16	6.69	91	1.05	.34
12/31/14	30.07	.07[6]	.50	.57	(.36)	(2.94)	(3.30)	27.34	2.01	19	1.05	.26[6]
12/31/13	23.58	.13	6.77	6.90	(.41)	–	(.41)	30.07	29.36	1	1.06	.43
12/31/12[3,7]	23.53	.01	.29	.30	(.25)	–	(.25)	23.58	1.27[4,8]	–[9]	.02[4,8]	.04[4,8]
Global Small Capitalization Fund												
Class 1:												
6/30/16[2,3]	$24.41	$ .11	$ (1.06)	$ (.95)	$ (.01)	$ (4.35)	$ (4.36)	$19.10	(3.85)%[4]	$ 1,501	.74%[5]	.94%[5]
12/31/15	26.09	.04	.36	.40	–	(2.08)	(2.08)	24.41	.50	1,706	.73	.15
12/31/14	25.69	.09	.52	.61	(.09)	(.12)	(.21)	26.09	2.36	1,411	.74	.34
12/31/13	20.16	.04	5.70	5.74	(.21)	–	(.21)	25.69	28.60	1,241	.74	.17
12/31/12	17.28	.09	3.09	3.18	(.30)	–	(.30)	20.16	18.51	1,019	.75	.46
12/31/11	21.67	.07	(4.14)	(4.07)	(.32)	–	(.32)	17.28	(18.94)	795	.74	.36
Class 2:												
6/30/16[2,3]	23.90	.08	(1.04)	(.96)	–	(4.35)	(4.35)	18.59	(3.99)[4]	2,314	.99[5]	.69[5]
12/31/15	25.64	(.03)	.37	.34	–	(2.08)	(2.08)	23.90	.27	2,492	.98	(.10)
12/31/14	25.25	.03	.51	.54	(.03)	(.12)	(.15)	25.64	2.12	2,738	.99	.10
12/31/13	19.86	(.01)	5.60	5.59	(.20)	–	(.20)	25.25	28.28	2,955	.99	(.05)
12/31/12	17.04	.04	3.03	3.07	(.25)	–	(.25)	19.86	18.18	2,603	1.00	.20
12/31/11	21.35	.02	(4.06)	(4.04)	(.27)	–	(.27)	17.04	(19.14)	2,450	.99	.10
Class 4:												
6/30/16[2,3]	24.11	.05	(1.04)	(.99)	–	(4.35)	(4.35)	18.77	(4.08)[4]	36	1.24[5]	.44[5]
12/31/15	25.92	(.10)	.37	.27	–	(2.08)	(2.08)	24.11	(.02)	34	1.23	(.37)
12/31/14	25.57	(.05)	.54	.49	(.02)	(.12)	(.14)	25.92	1.88	12	1.24	(.17)
12/31/13	20.16	(.12)	5.74	5.62	(.21)	–	(.21)	25.57	28.01	4	1.24	(.50)
12/31/12[3,7]	19.68	.01	.54	.55	(.07)	–	(.07)	20.16	2.80[4,8]	–[9]	.04[4,8]	.04[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Growth Fund												
Class 1:												
6/30/16[2,3]	$68.02	$ .38	$ .33	$ .71	$ (.16)	$ (6.13)	$ (6.29)	$62.44	1.08%[4]	$ 6,748	.35%[5]	1.18%[5]
12/31/15	80.15	.64	5.08	5.72	(.61)	(17.24)	(17.85)	68.02	7.12	6,796	.35	.87
12/31/14	78.54	.88[6]	5.79	6.67	(1.16)	(3.90)	(5.06)	80.15	8.78	7,118	.35	1.12[6]
12/31/13	60.90	.64	17.84	18.48	(.84)	–	(.84)	78.54	30.43	7,003	.35	.93
12/31/12	52.07	.63	8.83	9.46	(.63)	–	(.63)	60.90	18.19	7,116	.35	1.10
12/31/11	54.78	.45	(2.68)	(2.23)	(.48)	–	(.48)	52.07	(4.06)	7,426	.34	.81
Class 2:												
6/30/16[2,3]	67.69	.30	.32	.62	(.13)	(6.13)	(6.26)	62.05	.95[4]	13,781	.60[5]	.93[5]
12/31/15	79.84	.46	5.06	5.52	(.43)	(17.24)	(17.67)	67.69	6.86	14,414	.60	.62
12/31/14	77.94	.68[6]	5.75	6.43	(.63)	(3.90)	(4.53)	79.84	8.51	15,413	.60	.87[6]
12/31/13	60.45	.47	17.68	18.15	(.66)	–	(.66)	77.94	30.11	16,334	.60	.68
12/31/12	51.68	.47	8.77	9.24	(.47)	–	(.47)	60.45	17.89	14,911	.60	.83
12/31/11	54.35	.30	(2.63)	(2.33)	(.34)	–	(.34)	51.68	(4.27)	16,701	.59	.55
Class 3:												
6/30/16[2,3]	68.37	.32	.32	.64	(.13)	(6.13)	(6.26)	62.75	.98[4]	183	.53[5]	.99[5]
12/31/15	80.47	.51	5.11	5.62	(.48)	(17.24)	(17.72)	68.37	6.92	194	.53	.69
12/31/14	78.62	.74[6]	5.79	6.53	(.78)	(3.90)	(4.68)	80.47	8.58	208	.53	.94[6]
12/31/13	60.97	.52	17.84	18.36	(.71)	–	(.71)	78.62	30.20	216	.53	.75
12/31/12	52.13	.53	8.83	9.36	(.52)	–	(.52)	60.97	17.97	189	.53	.92
12/31/11	54.82	.34	(2.66)	(2.32)	(.37)	–	(.37)	52.13	(4.21)	189	.52	.62
Class 4:												
6/30/16[2,3]	67.26	.22	.31	.53	(.10)	(6.13)	(6.23)	61.56	.83[4]	410	.85[5]	.69[5]
12/31/15	79.74	.29	5.02	5.31	(.55)	(17.24)	(17.79)	67.26	6.59	394	.85	.42
12/31/14	78.32	.37[6]	5.87	6.24	(.92)	(3.90)	(4.82)	79.74	8.25	24	.85	.47[6]
12/31/13	60.90	.29	17.90	18.19	(.77)	–	(.77)	78.32	29.96	5	.85	.40
12/31/12[3,7]	60.55	.03	.78	.81	(.46)	–	(.46)	60.90	1.33[4,8]	–[9]	.02[4,8]	.05[4,8]
International Fund												
Class 1:												
6/30/16[2,3]	$18.08	$ .21	$ (.44)	$ (.23)	$ (.03)	$ (1.55)	$ (1.58)	$16.27	(1.08)%[4]	$ 3,436	.54%[5]	2.40%[5]
12/31/15	20.35	.29	(1.03)	(.74)	(.35)	(1.18)	(1.53)	18.08	(4.25)	3,427	.54	1.41
12/31/14	21.22	.30	(.81)	(.51)	(.36)	–	(.36)	20.35	(2.41)	3,282	.54	1.43
12/31/13	17.68	.27	3.59	3.86	(.32)	–	(.32)	21.22	21.91	3,324	.54	1.41
12/31/12	15.21	.30	2.47	2.77	(.30)	–	(.30)	17.68	18.21	3,618	.54	1.81
12/31/11	18.05	.35	(2.84)	(2.49)	(.35)	–	(.35)	15.21	(13.76)	3,314	.53	2.03
Class 2:												
6/30/16[2,3]	18.02	.18	(.43)	(.25)	(.02)	(1.55)	(1.57)	16.20	(1.18)[4]	3,850	.79[5]	2.14[5]
12/31/15	20.29	.24	(1.03)	(.79)	(.30)	(1.18)	(1.48)	18.02	(4.53)	3,978	.79	1.17
12/31/14	21.15	.25	(.81)	(.56)	(.30)	–	(.30)	20.29	(2.65)	4,374	.79	1.19
12/31/13	17.62	.22	3.58	3.80	(.27)	–	(.27)	21.15	21.64	5,916	.79	1.15
12/31/12	15.16	.26	2.45	2.71	(.25)	–	(.25)	17.62	17.91	5,465	.79	1.57
12/31/11	17.98	.31	(2.82)	(2.51)	(.31)	–	(.31)	15.16	(13.96)	5,210	.78	1.81
Class 3:												
6/30/16[2,3]	18.11	.19	(.43)	(.24)	(.03)	(1.55)	(1.58)	16.29	(1.17)[4]	28	.72[5]	2.19[5]
12/31/15	20.38	.25	(1.03)	(.78)	(.31)	(1.18)	(1.49)	18.11	(4.44)	32	.72	1.24
12/31/14	21.24	.27	(.82)	(.55)	(.31)	–	(.31)	20.38	(2.56)	38	.72	1.28
12/31/13	17.70	.23	3.59	3.82	(.28)	–	(.28)	21.24	21.67	46	.72	1.22
12/31/12	15.23	.27	2.47	2.74	(.27)	–	(.27)	17.70	17.97	44	.72	1.65
12/31/11	18.05	.33	(2.83)	(2.50)	(.32)	–	(.32)	15.23	(13.85)	43	.71	1.90
Class 4:												
6/30/16[2,3]	17.93	.16	(.43)	(.27)	(.02)	(1.55)	(1.57)	16.09	(1.33)[4]	55	1.04[5]	1.94[5]
12/31/15	20.23	.17	(1.00)	(.83)	(.29)	(1.18)	(1.47)	17.93	(4.75)	46	1.04	.88
12/31/14	21.16	.07	(.68)	(.61)	(.32)	–	(.32)	20.23	(2.88)	18	1.04	.31
12/31/13	17.68	(.01)	3.79	3.78	(.30)	–	(.30)	21.16	21.48	2	1.04	(.07)
12/31/12[3,7]	17.79	.01	.16	.17	(.28)	–	(.28)	17.68	.98[4,8]	–[9]	.02[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
New World Fund												
Class 1:												
6/30/16[2,3]	$18.87	$ .14	$ .31	$ .45	$ (.02)	$ –	$ (.02)	$19.30	2.38%[4]	$ 1,636	.78%[5]	1.54%[5]
12/31/15	20.72	.19	(.71)	(.52)	(.17)	(1.16)	(1.33)	18.87	(2.96)	1,562	.79	.92
12/31/14	25.08	.29[6]	(1.92)	(1.63)	(.29)	(2.44)	(2.73)	20.72	(7.63)	1,433	.78	1.23[6]
12/31/13	22.93	.34	2.31	2.65	(.39)	(.11)	(.50)	25.08	11.66	1,388	.78	1.45
12/31/12	19.65	.33	3.23	3.56	(.28)	–	(.28)	22.93	18.13	1,140	.79	1.54
12/31/11	23.28	.36	(3.55)	(3.19)	(.44)	–	(.44)	19.65	(13.75)	826	.78	1.62
Class 2:												
6/30/16[2,3]	18.71	.11	.31	.42	(.01)	–	(.01)	19.12	2.25[4]	935	1.03[5]	1.27[5]
12/31/15	20.54	.14	(.69)	(.55)	(.12)	(1.16)	(1.28)	18.71	(3.14)	961	1.04	.68
12/31/14	24.88	.24[6]	(1.91)	(1.67)	(.23)	(2.44)	(2.67)	20.54	(7.87)	1,084	1.03	1.01[6]
12/31/13	22.75	.28	2.29	2.57	(.33)	(.11)	(.44)	24.88	11.38	1,307	1.03	1.22
12/31/12	19.50	.28	3.19	3.47	(.22)	–	(.22)	22.75	17.82	1,378	1.04	1.31
12/31/11	23.09	.30	(3.51)	(3.21)	(.38)	–	(.38)	19.50	(13.95)	1,350	1.03	1.37
Class 4:												
6/30/16[2,3]	18.69	.10	.30	.40	(.01)	–	(.01)	19.08	2.12[4]	208	1.29[5]	1.09[5]
12/31/15	20.56	.08	(.68)	(.60)	(.11)	(1.16)	(1.27)	18.69	(3.37)	171	1.29	.39
12/31/14	24.99	.09[6]	(1.83)	(1.74)	(.25)	(2.44)	(2.69)	20.56	(8.13)	64	1.28	.40[6]
12/31/13	22.93	.14	2.41	2.55	(.38)	(.11)	(.49)	24.99	11.20	8	1.29	.56
12/31/12[3,7]	22.83	.01	.35	.36	(.26)	–	(.26)	22.93	1.58[4,8]	–[9]	.04[4,8]	.04[4,8]
Blue Chip Income and Growth Fund												
Class 1:												
6/30/16[2,3]	$12.62	$ .17	$ 1.06	$ 1.23	$ (.05)	$ (1.08)	$ (1.13)	$12.72	10.01%[4]	$ 4,216	.42%[5]	2.62%[5]
12/31/15	14.69	.31	(.64)	(.33)	(.29)	(1.45)	(1.74)	12.62	(2.72)	3,638	.41	2.23
12/31/14	13.12	.46[6]	1.59	2.05	(.48)	–	(.48)	14.69	15.69	3,542	.42	3.31[6]
12/31/13	10.05	.27	3.06	3.33	(.26)	–	(.26)	13.12	33.26	2,814	.42	2.27
12/31/12	9.00	.24	1.04	1.28	(.23)	–	(.23)	10.05	14.18	1,357	.43	2.41
12/31/11	9.25	.19	(.25)	(.06)	(.19)	–	(.19)	9.00	(.63)	992	.42	2.08
Class 2:												
6/30/16[2,3]	12.51	.15	1.06	1.21	(.05)	(1.08)	(1.13)	12.59	9.89[4]	3,331	.67[5]	2.37[5]
12/31/15	14.57	.27	(.62)	(.35)	(.26)	(1.45)	(1.71)	12.51	(2.93)	3,228	.66	1.97
12/31/14	13.02	.44[6]	1.55	1.99	(.44)	–	(.44)	14.57	15.36	3,722	.67	3.14[6]
12/31/13	9.97	.23	3.05	3.28	(.23)	–	(.23)	13.02	33.00	3,755	.67	2.03
12/31/12	8.93	.21	1.03	1.24	(.20)	–	(.20)	9.97	13.88	3,382	.68	2.17
12/31/11	9.18	.17	(.26)	(.09)	(.16)	–	(.16)	8.93	(.90)	3,340	.67	1.83
Class 4:												
6/30/16[2,3]	12.53	.13	1.07	1.20	(.05)	(1.08)	(1.13)	12.60	9.80[4]	74	.92[5]	2.09[5]
12/31/15	14.63	.24	(.63)	(.39)	(.26)	(1.45)	(1.71)	12.53	(3.21)	32	.91	1.75
12/31/14	13.12	.34[6]	1.63	1.97	(.46)	–	(.46)	14.63	15.13	9	.92	2.33[6]
12/31/13	10.05	.18	3.15	3.33	(.26)	–	(.26)	13.12	33.27	–[9]	.86	1.39
12/31/12[3,7]	10.20	.01	.03	.04	(.19)	–	(.19)	10.05	.38[4,8]	–[9]	.02[4,8]	.10[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Global Growth and Income Fund												
Class 1:												
6/30/16[2,3]	$12.35	$ .24	$ (.01)	$ .23	$ (.04)	$ –	$ (.04)	$12.54	1.87%[4]	$ 430	.63%[5]	3.89%[5]
12/31/15	12.78	.26	(.40)	(.14)	(.29)	–	(.29)	12.35	(1.14)	293	.64	2.04
12/31/14	12.53	.43[6]	.31	.74	(.49)	–	(.49)	12.78	6.00	200	.63	3.34[6]
12/31/13	10.56	.39	2.00	2.39	(.42)	–	(.42)	12.53	22.81	206	.62	3.35
12/31/12	9.20	.25	1.39	1.64	(.28)	–	(.28)	10.56	17.93	180	.62	2.56
12/31/11	9.96	.28	(.75)	(.47)	(.29)	–	(.29)	9.20	(4.68)	161	.61	2.86
Class 2:												
6/30/16[2,3]	12.33	.14	.07	.21	(.03)	–	(.03)	12.51	1.74[4]	1,423	.88[5]	2.28[5]
12/31/15	12.75	.24	(.41)	(.17)	(.25)	–	(.25)	12.33	(1.34)	1,479	.89	1.84
12/31/14	12.51	.41[6]	.29	.70	(.46)	–	(.46)	12.75	5.64	1,685	.88	3.22[6]
12/31/13	10.54	.36	2.00	2.36	(.39)	–	(.39)	12.51	22.54	1,822	.87	3.09
12/31/12	9.19	.23	1.38	1.61	(.26)	–	(.26)	10.54	17.56	1,837	.87	2.31
12/31/11	9.94	.25	(.74)	(.49)	(.26)	–	(.26)	9.19	(4.85)	1,839	.86	2.60
Class 4:												
6/30/16[2,3]	12.26	.14	.06	.20	(.04)	–	(.04)	12.42	1.60[4]	10	1.13[5]	2.30[5]
12/31/15	12.71	.19	(.39)	(.20)	(.25)	–	(.25)	12.26	(1.60)	5	1.14	1.46
12/31/14	12.50	.30[6]	.37	.67	(.46)	–	(.46)	12.71	5.41	1	1.13	2.30[6]
12/31/13	10.55	.28	2.09	2.37	(.42)	–	(.42)	12.50	22.60	1	1.12	2.27
12/31/12[3,7]	10.64	.01	.13	.14	(.23)	–	(.23)	10.55	1.27[4,8]	–[9]	.03[4,8]	.08[4,8]
Growth-Income Fund												
Class 1:												
6/30/16[2,3]	$45.40	$ .41	$ 1.01	$ 1.42	$ (.14)	$ (5.12)	$ (5.26)	$41.56	3.23%[4]	$11,309	.29%[5]	1.85%[5]
12/31/15	52.76	.79	.37	1.16	(.75)	(7.77)	(8.52)	45.40	1.72	10,747	.29	1.59
12/31/14	50.72	.81	4.57	5.38	(.80)	(2.54)	(3.34)	52.76	10.91	10,812	.29	1.56
12/31/13	38.48	.66	12.31	12.97	(.73)	–	(.73)	50.72	33.82	9,857	.29	1.49
12/31/12	33.27	.66	5.25	5.91	(.70)	–	(.70)	38.48	17.79	9,782	.29	1.79
12/31/11	34.47	.61	(1.18)	(.57)	(.63)	–	(.63)	33.27	(1.60)	9,496	.28	1.77
Class 2:												
6/30/16[2,3]	45.04	.35	1.01	1.36	(.12)	(5.12)	(5.24)	41.16	3.12[4]	12,612	.54[5]	1.60[5]
12/31/15	52.41	.66	.37	1.03	(.63)	(7.77)	(8.40)	45.04	1.45	12,895	.54	1.34
12/31/14	50.40	.67	4.55	5.22	(.67)	(2.54)	(3.21)	52.41	10.63	14,337	.54	1.31
12/31/13	38.24	.55	12.23	12.78	(.62)	–	(.62)	50.40	33.50	14,980	.54	1.25
12/31/12	33.07	.56	5.22	5.78	(.61)	–	(.61)	38.24	17.48	13,403	.54	1.53
12/31/11	34.25	.52	(1.16)	(.64)	(.54)	–	(.54)	33.07	(1.83)	13,235	.53	1.52
Class 3:												
6/30/16[2,3]	45.46	.37	1.02	1.39	(.13)	(5.12)	(5.25)	41.60	3.15[4]	155	.47[5]	1.67[5]
12/31/15	52.82	.70	.37	1.07	(.66)	(7.77)	(8.43)	45.46	1.53	161	.47	1.41
12/31/14	50.77	.71	4.59	5.30	(.71)	(2.54)	(3.25)	52.82	10.71	185	.47	1.38
12/31/13	38.52	.58	12.32	12.90	(.65)	–	(.65)	50.77	33.58	193	.47	1.32
12/31/12	33.30	.59	5.26	5.85	(.63)	–	(.63)	38.52	17.59	168	.47	1.60
12/31/11	34.49	.55	(1.18)	(.63)	(.56)	–	(.56)	33.30	(1.77)	172	.46	1.59
Class 4:												
6/30/16[2,3]	44.82	.29	1.01	1.30	(.11)	(5.12)	(5.23)	40.89	2.99[4]	438	.79[5]	1.35[5]
12/31/15	52.39	.58	.33	.91	(.71)	(7.77)	(8.48)	44.82	1.21	410	.79	1.25
12/31/14	50.56	.58	4.51	5.09	(.72)	(2.54)	(3.26)	52.39	10.34	30	.79	1.11
12/31/13	38.47	.45	12.33	12.78	(.69)	–	(.69)	50.56	33.32	3	.79	.96
12/31/12[3,7]	38.65	.01	.39	.40	(.58)	–	(.58)	38.47	1.02[4,8]	–[9]	.01[4,8]	.03[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
International Growth and Income Fund												
Class 1:												
6/30/16[2,3]	$14.72	$.31	$ (.14)	$ .17	$(.04)	$(.06)	$(.10)	$14.79	1.19%[4]	$808	.68%[5]	4.27%[5]
12/31/15	16.27	.42	(1.25)	(.83)	(.38)	(.34)	(.72)	14.72	(5.34)	707	.68	2.60
12/31/14	17.48	.58[6]	(1.09)	(.51)	(.53)	(.17)	(.70)	16.27	(2.93)	740	.68	3.32[6]
12/31/13	15.29	.44	2.50	2.94	(.47)	(.28)	(.75)	17.48	19.39	696	.69	2.63
12/31/12	13.40	.37	1.89	2.26	(.37)	–	(.37)	15.29	16.84	203	.74	2.50
12/31/11	15.25	.47	(1.77)	(1.30)	(.44)	(.11)	(.55)	13.40	(8.51)	35	.73	3.17
Class 2:												
6/30/16[2,3]	14.68	.28	(.14)	.14	(.03)	(.06)	(.09)	14.73	1.08[4]	252	.93[5]	3.96[5]
12/31/15	16.22	.38	(1.24)	(.86)	(.34)	(.34)	(.68)	14.68	(5.60)	254	.93	2.32
12/31/14	17.43	.56[6]	(1.10)	(.54)	(.50)	(.17)	(.67)	16.22	(3.15)	248	.93	3.21[6]
12/31/13	15.25	.38	2.51	2.89	(.43)	(.28)	(.71)	17.43	19.09	257	.94	2.28
12/31/12	13.37	.40	1.81	2.21	(.33)	–	(.33)	15.25	16.50	225	.99	2.77
12/31/11	15.21	.42	(1.75)	(1.33)	(.40)	(.11)	(.51)	13.37	(8.71)	199	.98	2.89
Class 4:												
6/30/16[2,3]	14.63	.27	(.13)	.14	(.03)	(.06)	(.09)	14.68	.98[4]	34	1.18[5]	3.76[5]
12/31/15	16.19	.33	(1.23)	(.90)	(.32)	(.34)	(.66)	14.63	(5.82)	32	1.18	2.02
12/31/14	17.45	.26[6]	(.85)	(.59)	(.50)	(.17)	(.67)	16.19	(3.39)	20	1.18	1.52[6]
12/31/13	15.29	.03	2.87	2.90	(.46)	(.28)	(.74)	17.45	19.16	1	1.19	.18
12/31/12[3,7]	15.56	.01	.09	.10	(.37)	–	(.37)	15.29	.62[4,8]	–[9]	.04[4,8]	.07[4,8]
Capital Income Builder												
Class 1:												
6/30/16[2,3]	$ 9.40	$.18	$ .33	$ .51	$(.15)	$ –	$(.15)	$ 9.76	5.47%[4]	$124	.54%[5]	3.90%[5]
12/31/15	9.81	.28	(.40)	(.12)	(.29)	–	(.29)	9.40	(1.23)	80	.56	2.88
12/31/14[3,10]	10.00	.19	(.18)	.01	(.19)	(.01)	(.20)	9.81	.12[4]	20	.56[5]	2.87[5]
Class 2:												
6/30/16[2,3]	9.40	.18	.33	.51	(.15)	–	(.15)	9.76	5.47[4,8]	–[9]	.50[5,8]	3.88[5,8]
12/31/15	9.81	.31	(.43)	(.12)	(.29)	–	(.29)	9.40	(1.23)[8]	–[9]	.46[8]	3.12[8]
12/31/14[3,10]	10.00	.20	(.19)	.01	(.19)	(.01)	(.20)	9.81	.12[4,8]	–[9]	.47[5,8]	2.94[5,8]
Class 4:												
6/30/16[2,3]	9.38	.16	.33	.49	(.13)	–	(.13)	9.74	5.24[4]	220	1.04[5]	3.35[5]
12/31/15	9.80	.25	(.42)	(.17)	(.25)	–	(.25)	9.38	(1.79)	157	1.05	2.55
12/31/14[3,10]	10.00	.14	(.16)	(.02)	(.17)	(.01)	(.18)	9.80	(.21)[4]	55	1.06[5]	2.08[5]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Asset Allocation Fund												
Class 1:												
6/30/16[2,3]	$20.62	$ .21	$ .76	$ .97	$ (.07)	$ (.51)	$ (.58)	$21.01	4.73%[4]	$11,898	.30%[5]	2.07%[5]
12/31/15	22.23	.40	(.02)	.38	(.40)	(1.59)	(1.99)	20.62	1.64	10,913	.29	1.85
12/31/14	22.49	.44	.81	1.25	(.39)	(1.12)	(1.51)	22.23	5.66	11,997	.30	1.95
12/31/13	18.43	.35	4.07	4.42	(.36)	–	(.36)	22.49	24.04	10,515	.31	1.71
12/31/12	16.17	.37	2.28	2.65	(.39)	–	(.39)	18.43	16.44	7,199	.31	2.11
12/31/11	16.28	.37	(.12)	.25	(.36)	–	(.36)	16.17	1.56	5,932	.31	2.25
Class 2:												
6/30/16[2,3]	20.45	.18	.75	.93	(.06)	(.51)	(.57)	20.81	4.58[4]	5,029	.55[5]	1.81[5]
12/31/15	22.06	.34	(.01)	.33	(.35)	(1.59)	(1.94)	20.45	1.40	5,008	.54	1.60
12/31/14	22.33	.37	.81	1.18	(.33)	(1.12)	(1.45)	22.06	5.40	5,494	.55	1.69
12/31/13	18.31	.30	4.03	4.33	(.31)	–	(.31)	22.33	23.69	5,760	.56	1.47
12/31/12	16.06	.33	2.27	2.60	(.35)	–	(.35)	18.31	16.19	5,225	.56	1.86
12/31/11	16.17	.33	(.13)	.20	(.31)	–	(.31)	16.06	1.30	5,151	.56	1.99
Class 3:												
6/30/16[2,3]	20.64	.19	.75	.94	(.06)	(.51)	(.57)	21.01	4.60[4]	36	.48[5]	1.88[5]
12/31/15	22.25	.36	(.02)	.34	(.36)	(1.59)	(1.95)	20.64	1.46	36	.47	1.67
12/31/14	22.51	.39	.81	1.20	(.34)	(1.12)	(1.46)	22.25	5.47	40	.48	1.76
12/31/13	18.45	.32	4.06	4.38	(.32)	–	(.32)	22.51	23.81	42	.49	1.54
12/31/12	16.18	.34	2.29	2.63	(.36)	–	(.36)	18.45	16.28	38	.49	1.93
12/31/11	16.29	.34	(.13)	.21	(.32)	–	(.32)	16.18	1.36	38	.49	2.05
Class 4:												
6/30/16[2,3]	20.40	.16	.74	.90	(.05)	(.51)	(.56)	20.74	4.45[4]	2,583	.80[5]	1.57[5]
12/31/15	22.11	.30	(.02)	.28	(.40)	(1.59)	(1.99)	20.40	1.14	2,414	.79	1.45
12/31/14	22.46	.34	.79	1.13	(.36)	(1.12)	(1.48)	22.11	5.16	32	.80	1.55
12/31/13	18.43	.27	4.12	4.39	(.36)	–	(.36)	22.46	23.89	1	.79	1.22
12/31/12[3,7]	18.52	.01	.21	.22	(.31)	–	(.31)	18.43	1.17[4,8]	–[9]	.01[4,8]	.08[4,8]
Global Balanced Fund												
Class 1:												
6/30/16[2,3]	$10.74	$ .11	$ .27	$ .38	$ –	$ –	$ –	$11.12	3.54%[4]	$ 60	.70%[5]	2.13%[5]
12/31/15	11.11	.20	(.28)	(.08)	(.14)	(.15)	(.29)	10.74	(.69)	47	.72	1.80
12/31/14	11.37	.25[6]	(.03)	.22	(.18)	(.30)	(.48)	11.11	1.87	37	.71	2.14[6]
12/31/13	10.34	.22	1.07	1.29	(.18)	(.08)	(.26)	11.37	12.56	36	.70	2.05
12/31/12	9.35	.20	.98	1.18	(.19)	–	(.19)	10.34	12.58	32	.72	2.00
12/31/11[3,11]	10.00	.13	(.72)	(.59)	(.06)	–	(.06)	9.35	(5.89)[4]	28	.69[5]	1.99[5]
Class 2:												
6/30/16[2,3]	10.72	.10	.27	.37	–	–	–	11.09	3.45[4]	178	.95[5]	1.86[5]
12/31/15	11.09	.18	(.28)	(.10)	(.12)	(.15)	(.27)	10.72	(.95)	171	.97	1.60
12/31/14	11.35	.22[6]	(.03)	.19	(.15)	(.30)	(.45)	11.09	1.63	179	.96	1.88[6]
12/31/13	10.33	.20	1.06	1.26	(.16)	(.08)	(.24)	11.35	12.23	156	.95	1.79
12/31/12	9.35	.17	.97	1.14	(.16)	–	(.16)	10.33	12.24	119	.97	1.76
12/31/11[3,11]	10.00	.09	(.69)	(.60)	(.05)	–	(.05)	9.35	(5.97)[4]	72	.94[5]	1.45[5]
Class 4:												
6/30/16[2,3]	10.69	.10	.25	.35	–	–	–	11.04	3.27[4]	5	1.20[5]	1.78[5]
12/31/15	11.09	.06	(.17)	(.11)	(.14)	(.15)	(.29)	10.69	(1.00)	1	1.34	.58
12/31/14	11.35	.24[6]	(.02)	.22	(.18)	(.30)	(.48)	11.09	1.88[8]	–[9]	.67[8]	2.07[6,8]
12/31/13	10.33	.22	1.06	1.28	(.18)	(.08)	(.26)	11.35	12.49[8]	–[9]	.71[8]	1.98[8]
12/31/12[3,7]	10.47	.01	.03	.04	(.18)	–	(.18)	10.33	.40[4,8]	–[9]	.03[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Bond Fund												
Class 1:												
6/30/16[2,3]	$10.70	$ .10	$ .50	$ .60	$ (.06)	$ (.04)	$ (.10)	$11.20	5.64%[4]	$ 6,391	.38%[5]	1.84%[5]
12/31/15	11.08	.22	(.17)	.05	(.21)	(.22)	(.43)	10.70	.45	5,731	.38	1.95
12/31/14	10.73	.23	.37	.60	(.25)	–[12]	(.25)	11.08	5.59	4,977	.39	2.03
12/31/13	11.29	.22	(.43)	(.21)	(.23)	(.12)	(.35)	10.73	(1.89)	4,506	.39	2.01
12/31/12	10.99	.25	.36	.61	(.31)	–	(.31)	11.29	5.58	3,917	.39	2.23
12/31/11	10.67	.32	.36	.68	(.36)	–	(.36)	10.99	6.41	4,354	.38	2.89
Class 2:												
6/30/16[2,3]	10.58	.09	.49	.58	(.06)	(.04)	(.10)	11.06	5.46[4]	4,145	.63[5]	1.59[5]
12/31/15	10.95	.18	(.15)	.03	(.18)	(.22)	(.40)	10.58	.28	4,135	.63	1.69
12/31/14	10.61	.20	.36	.56	(.22)	–[12]	(.22)	10.95	5.28	4,565	.64	1.79
12/31/13	11.17	.19	(.43)	(.24)	(.20)	(.12)	(.32)	10.61	(2.16)	4,763	.64	1.76
12/31/12	10.87	.22	.36	.58	(.28)	–	(.28)	11.17	5.37	5,044	.64	1.97
12/31/11	10.56	.29	.35	.64	(.33)	–	(.33)	10.87	6.10	4,984	.63	2.64
Class 4:												
6/30/16[2,3]	10.61	.07	.50	.57	(.06)	(.04)	(.10)	11.08	5.34[4]	87	.88[5]	1.34[5]
12/31/15	11.01	.16	(.16)	–	(.18)	(.22)	(.40)	10.61	(.08)	59	.88	1.47
12/31/14	10.69	.16	.39	.55	(.23)	–[12]	(.23)	11.01	5.15	29	.89	1.43
12/31/13	11.29	.17	(.43)	(.26)	(.22)	(.12)	(.34)	10.69	(2.34)	3	.89	1.58
12/31/12[3,7]	11.55	.01	(.02)	(.01)	(.25)	–	(.25)	11.29	(.04)[4,8]	–[9]	.02[4,8]	.10[4,8]
Global Bond Fund												
Class 1:												
6/30/16[2,3]	$11.01	$ .13	$ .75	$ .88	$ –	$ (.02)	$ (.02)	$11.87	8.01%[4]	$ 1,161	.57%[5]	2.24%[5]
12/31/15	11.77	.27	(.71)	(.44)	(.01)	(.31)	(.32)	11.01	(3.75)	1,032	.57	2.34
12/31/14	11.88	.29	(.08)	.21	(.21)	(.11)	(.32)	11.77	1.71	1,194	.57	2.35
12/31/13	12.32	.28	(.58)	(.30)	–	(.14)	(.14)	11.88	(2.40)	1,093	.56	2.37
12/31/12	11.96	.28	.48	.76	(.29)	(.11)	(.40)	12.32	6.43	959	.56	2.29
12/31/11	11.82	.36	.22	.58	(.37)	(.07)	(.44)	11.96	4.86	619	.56	2.97
Class 2:												
6/30/16[2,3]	10.93	.11	.76	.87	–	(.02)	(.02)	11.78	7.97[4]	1,202	.82[5]	1.99[5]
12/31/15	11.72	.24	(.71)	(.47)	(.01)	(.31)	(.32)	10.93	(4.07)	1,208	.82	2.09
12/31/14	11.81	.26	(.09)	.17	(.15)	(.11)	(.26)	11.72	1.39	1,386	.82	2.11
12/31/13	12.27	.25	(.57)	(.32)	–	(.14)	(.14)	11.81	(2.58)	1,496	.81	2.11
12/31/12	11.91	.25	.48	.73	(.26)	(.11)	(.37)	12.27	6.19	1,664	.81	2.06
12/31/11	11.78	.33	.21	.54	(.34)	(.07)	(.41)	11.91	4.54	1,639	.81	2.75
Class 4:												
6/30/16[2,3]	10.89	.10	.75	.85	–	(.02)	(.02)	11.72	7.82[4]	11	1.07[5]	1.75[5]
12/31/15	11.70	.21	(.71)	(.50)	–[12]	(.31)	(.31)	10.89	(4.27)	6	1.07	1.86
12/31/14	11.87	.20	(.05)	.15	(.21)	(.11)	(.32)	11.70	1.16	4	1.09	1.66
12/31/13	12.31	.27	(.57)	(.30)	–	(.14)	(.14)	11.87	(2.41)	–[9]	.79	2.25
12/31/12[3,7]	12.53	.01	(.04)	(.03)	(.19)	–	(.19)	12.31	(.28)[4,8]	–[9]	.02[4,8]	.11[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
High-Income Bond Fund												
Class 1:												
6/30/16[2,3]	$ 9.19	$ .30	$ .52	$ .82	$ (.12)	$ –	$ (.12)	$ 9.89	8.90%[4]	$ 945	.49%[5]	6.46%[5]
12/31/15	10.54	.64	(1.36)	(.72)	(.63)	–	(.63)	9.19	(6.94)	1,017	.48	6.12
12/31/14	11.13	.67	(.59)	.08	(.67)	–	(.67)	10.54	.80	1,017	.48	5.90
12/31/13	11.16	.75	.01	.76	(.79)	–	(.79)	11.13	6.89	856	.48	6.54
12/31/12	10.54	.81	.64	1.45	(.83)	–	(.83)	11.16	13.90	894	.48	7.25
12/31/11	11.20	.88	(.64)	.24	(.90)	–	(.90)	10.54	2.18	787	.47	7.70
Class 2:												
6/30/16[2,3]	9.06	.29	.50	.79	(.11)	–	(.11)	9.74	8.77[4]	783	.74[5]	6.20[5]
12/31/15	10.41	.60	(1.35)	(.75)	(.60)	–	(.60)	9.06	(7.30)	765	.73	5.85
12/31/14	10.99	.63	(.57)	.06	(.64)	–	(.64)	10.41	.63	929	.73	5.67
12/31/13	11.03	.71	.01	.72	(.76)	–	(.76)	10.99	6.60	1,061	.73	6.29
12/31/12	10.42	.78	.63	1.41	(.80)	–	(.80)	11.03	13.70	1,135	.73	7.00
12/31/11	11.08	.84	(.63)	.21	(.87)	–	(.87)	10.42	1.92	1,064	.72	7.44
Class 3:												
6/30/16[2,3]	9.22	.30	.51	.81	(.11)	–	(.11)	9.92	8.84[4]	12	.67[5]	6.27[5]
12/31/15	10.57	.62	(1.37)	(.75)	(.60)	–	(.60)	9.22	(7.13)	12	.66	5.91
12/31/14	11.16	.65	(.59)	.06	(.65)	–	(.65)	10.57	.59	16	.66	5.74
12/31/13	11.18	.73	.02	.75	(.77)	–	(.77)	11.16	6.77	19	.66	6.36
12/31/12	10.56	.80	.63	1.43	(.81)	–	(.81)	11.18	13.67	21	.66	7.07
12/31/11	11.22	.86	(.64)	.22	(.88)	–	(.88)	10.56	1.97	21	.65	7.51
Class 4:												
6/30/16[2,3]	9.73	.30	.54	.84	(.12)	–	(.12)	10.45	8.61[4]	11	.99[5]	5.87[5]
12/31/15	11.05	.62	(1.43)	(.81)	(.51)	–	(.51)	9.73	(7.42)	1	.98	5.51
12/31/14	11.12	.63	(.59)	.04	(.11)	–	(.11)	11.05	.35	–[9]	.98	5.49
12/31/13	11.16	.67	.08	.75	(.79)	–	(.79)	11.12	6.81	–[9]	.93	5.82
12/31/12[3,7]	11.80	.04	–[12]	.04	(.68)	–	(.68)	11.16	.34[4,8]	–[9]	.02[4,8]	.35[4,8]
Mortgage Fund												
Class 1:												
6/30/16[2,3]	$10.61	$ .07	$ .24	$ .31	$ (.03)	$ (.11)	$ (.14)	$10.78	2.90%[4]	$ 277	.44%[5]	1.38%[5]
12/31/15	10.70	.10	.13	.23	(.18)	(.14)	(.32)	10.61	2.09	272	.45	.89
12/31/14	10.23	.12	.45	.57	(.10)	–	(.10)	10.70	5.54	292	.45	1.12
12/31/13	10.47	.04	(.18)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)	198	.44	.35
12/31/12	10.37	.01	.25	.26	(.06)	(.10)	(.16)	10.47	2.57	87	.45	.08
12/31/11[3,11]	10.00	–[12]	.48	.48	(.01)	(.10)	(.11)	10.37	4.78	55	.42[5]	.04[5]
Class 2:												
6/30/16[2,3]	10.59	.06	.23	.29	(.02)	(.11)	(.13)	10.75	2.77[4]	64	.69[5]	1.13[5]
12/31/15	10.68	.07	.13	.20	(.15)	(.14)	(.29)	10.59	1.86	59	.70	.65
12/31/14	10.22	.10	.44	.54	(.08)	–	(.08)	10.68	5.23	52	.70	.91
12/31/13	10.46	–[12]	(.17)	(.17)	(.05)	(.02)	(.07)	10.22	(1.68)	49	.69	(.02)
12/31/12	10.36	(.02)	.26	.24	(.04)	(.10)	(.14)	10.46	2.38	49	.70	(.16)
12/31/11[3,11]	10.00	(.02)	.48	.46	–[12]	(.10)	(.10)	10.36	4.60	22	.67[5]	(.25)[5]
Class 4:												
6/30/16[2,3]	10.52	.04	.24	.28	(.02)	(.11)	(.13)	10.67	2.65[4]	11	.94[5]	.83[5]
12/31/15	10.65	.04	.14	.18	(.17)	(.14)	(.31)	10.52	1.62	11	.97	.37
12/31/14	10.23	.05	.46	.51	(.09)	–	(.09)	10.65	4.98	1	.94	.47
12/31/13	10.47	.02	(.16)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)[8]	–[9]	.38[8]	.23[8]
12/31/12[3,7]	10.60	–[12]	.01	.01	(.06)	(.08)	(.14)	10.47	.09[4,8]	–[9]	.02[4,8]	.04[4,8]

Period ended	Net asset value, beginning of period	Loss from investment operations[1]			Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations					
Ultra-Short Bond Fund									
Class 1:									
6/30/16[2,3,13]	$11.26	$ –[12]	$ –[12]	$ –[12]	$11.26	.00%[4]	$ 38	.35%[5]	.06%[5]
12/31/15	11.28	(.03)	.01	(.02)	11.26	(.18)	39	.34	(.24)
12/31/14	11.31	(.03)	–	(.03)	11.28	(.27)	49	.34	(.26)
12/31/13	11.34	(.03)	–[12]	(.03)	11.31	(.27)	57	.34	(.24)
12/31/12	11.36	(.03)	.01	(.02)	11.34	(.18)	66	.34	(.22)
12/31/11	11.39	(.02)	(.01)	(.03)	11.36	(.26)	75	.33	(.21)
Class 2:									
6/30/16[2,3,13]	11.01	(.01)	–[12]	(.01)	11.00	(.09)[4]	308	.60[5]	(.19)[5]
12/31/15	11.06	(.05)	–[12]	(.05)	11.01	(.45)	302	.59	(.49)
12/31/14	11.12	(.06)	–	(.06)	11.06	(.54)	331	.59	(.51)
12/31/13	11.17	(.05)	–[12]	(.05)	11.12	(.45)	395	.59	(.49)
12/31/12	11.22	(.05)	–[12]	(.05)	11.17	(.45)	459	.59	(.47)
12/31/11	11.28	(.05)	(.01)	(.06)	11.22	(.53)	530	.58	(.47)
Class 3:									
6/30/16[2,3,13]	11.11	(.01)	.01	–	11.11	.00[4]	5	.53[5]	(.13)[5]
12/31/15	11.16	(.05)	–[12]	(.05)	11.11	(.45)	6	.52	(.42)
12/31/14	11.21	(.05)	–	(.05)	11.16	(.45)	8	.52	(.44)
12/31/13	11.26	(.05)	–[12]	(.05)	11.21	(.44)	8	.52	(.42)
12/31/12	11.30	(.05)	.01	(.04)	11.26	(.35)	11	.52	(.40)
12/31/11	11.34	(.04)	–[12]	(.04)	11.30	(.35)	12	.51	(.40)
Class 4:									
6/30/16[2,3,13]	11.17	(.03)	–[12]	(.03)	11.14	(.27)[4]	11	.85[5]	(.45)[5]
12/31/15	11.25	(.08)	–[12]	(.08)	11.17	(.71)	16	.85	(.74)
12/31/14	11.30	(.09)	.04	(.05)	11.25	(.44)	7	.84	(.77)
12/31/13	11.34	(.04)	–[12]	(.04)	11.30	(.35)[8]	–[9]	.37[8]	(.32)[8]
12/31/12[3,7]	11.34	–[12]	–[12]	–[12]	11.34	.00[4,8]	–[9]	.02[4,8]	(.01)[4,8]

See end of tables for footnotes.

Financial highlights (continued)

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
U.S. Government/AAA-Rated Securities Fund												
Class 1:												
6/30/16[2,3]	$12.31	$.08	$ .43	$ .51	$(.04)	$(.25)	$(.29)	$12.53	4.03%[4]	$1,462	.35%[5]	1.21%[5]
12/31/15	12.40	.13	.09	.22	(.21)	(.10)	(.31)	12.31	1.93	1,426	.35	1.02
12/31/14	11.94	.15	.48	.63	(.17)	–	(.17)	12.40	5.24	1,723	.35	1.24
12/31/13	12.75	.08	(.44)	(.36)	(.11)	(.34)	(.45)	11.94	(2.87)	1,584	.35	.67
12/31/12	13.00	.10	.18	.28	(.16)	(.37)	(.53)	12.75	2.22	1,809	.34	.75
12/31/11	12.59	.23	.74	.97	(.26)	(.30)	(.56)	13.00	7.85	1,785	.34	1.83
Class 2:												
6/30/16[2,3]	12.20	.06	.42	.48	(.03)	(.25)	(.28)	12.40	3.94[4]	1,581	.60[5]	.95[5]
12/31/15	12.29	.10	.09	.19	(.18)	(.10)	(.28)	12.20	1.59	1,579	.60	.79
12/31/14	11.83	.12	.47	.59	(.13)	–	(.13)	12.29	5.01	1,717	.60	1.00
12/31/13	12.63	.05	(.43)	(.38)	(.08)	(.34)	(.42)	11.83	(3.08)	1,801	.60	.42
12/31/12	12.89	.06	.18	.24	(.13)	(.37)	(.50)	12.63	1.91	1,995	.59	.50
12/31/11	12.49	.20	.73	.93	(.23)	(.30)	(.53)	12.89	7.58	2,002	.59	1.59
Class 3:												
6/30/16[2,3]	12.34	.06	.43	.49	(.03)	(.25)	(.28)	12.55	3.99[4]	11	.53[5]	1.01[5]
12/31/15	12.43	.11	.09	.20	(.19)	(.10)	(.29)	12.34	1.64	11	.53	.85
12/31/14	11.96	.13	.48	.61	(.14)	–	(.14)	12.43	5.11	13	.53	1.08
12/31/13	12.76	.06	(.43)	(.37)	(.09)	(.34)	(.43)	11.96	(3.00)	14	.53	.47
12/31/12	13.01	.07	.19	.26	(.14)	(.37)	(.51)	12.76	2.02	20	.52	.58
12/31/11	12.61	.21	.73	.94	(.24)	(.30)	(.54)	13.01	7.56	24	.52	1.65
Class 4:												
6/30/16[2,3]	12.22	.04	.44	.48	(.03)	(.25)	(.28)	12.42	3.91[4]	68	.85[5]	.72[5]
12/31/15	12.34	.07	.08	.15	(.17)	(.10)	(.27)	12.22	1.29	46	.85	.56
12/31/14	11.93	.06	.51	.57	(.16)	–	(.16)	12.34	4.76	21	.85	.50
12/31/13	12.75	.08	(.44)	(.36)	(.12)	(.34)	(.46)	11.93	(2.95)	–[9]	.84	.68
12/31/12[3,7]	12.88	.01	(.01)	–	(.13)	–	(.13)	12.75	(.01)[4,8]	–[9]	.02[4,8]	.05[4,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before waivers/ reimbursements	Ratio of expenses to average net assets after waivers/ reimbursements[14]	Net effective expense ratio[14,15]	Ratio of net income (loss) to average net assets[14]
Managed Risk Growth Fund														
Class P1:														
6/30/16[2,3]	$11.49	$ .01	$ (.31)	$ (.30)	$(.05)	$(1.01)	$(1.06)	$10.13	(2.68)%[4,8]	$ 1	.49%[5,8]	.33%[5,8]	.67%[5,8]	.18%[5,8]
12/31/15	11.37	.09	.03	.12	–	–	–	11.49	1.06[8]	–[9]	.53[8]	.29[8]	.63[8]	.80[8]
12/31/14	11.43	.31	(.06)	.25	(.12)	(.19)	(.31)	11.37	2.18[8]	–[9]	.50[8]	.32[8]	.65[8]	2.71[8]
12/31/13[3,16]	10.00	.12	1.38	1.50	(.07)	–	(.07)	11.43	15.05[4,8]	–[9]	.88[5,8]	.25[5,8]	.58[5,8]	1.64[5,8]
Class P2:														
6/30/16[2,3]	11.43	(.01)	(.31)	(.32)	(.02)	(1.01)	(1.03)	10.08	(2.88)[4]	168	.79[5]	.63[5]	.97[5]	(.16)[5]
12/31/15	11.35	.04	.04	.08	–	–	–	11.43	.71	146	.89	.66	1.00	.31
12/31/14	11.43	.12	.08	.20	(.09)	(.19)	(.28)	11.35	1.77	79	.87	.69	1.02	1.01
12/31/13[3,16]	10.00	.12	1.37	1.49	(.06)	–	(.06)	11.43	14.94[4,8]	28	1.05[5,8]	.52[5,8]	.85[5,8]	1.69[5,8]

Period ended	Net asset value, beginning of period	(Loss) income from investment operations[1] Net investment income (loss)	Net (losses) gains on securities (both realized and unrealized)	Total from investment operations	Dividends and distributions Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before waivers/ reimbursements	Ratio of expenses to average net assets after waivers/ reimbursements[14]	Net effective expense ratio[14,15]	Ratio of net income (loss) to average net assets[14]
Managed Risk International Fund														
Class P1:														
6/30/16[2,3]	$ 9.48	$ –[12]	$ (.32)	$ (.32)	$(.12)	$(.22)	$(.34)	$ 8.82	(3.36)%[4,8]	$ –[9]	.40%[5,8]	.24%[5,8]	.75%[5,8]	.06%[5,8]
12/31/15	10.10	.18	(.80)	(.62)	–[12]	–	–[12]	9.48	(6.12)[8]	–[9]	.45[8]	.21[8]	.72[8]	1.75[8]
12/31/14	10.82	.14	(.71)	(.57)	(.15)	–	(.15)	10.10	(5.31)[8]	–[9]	.50[8]	.25[8]	.76[8]	1.33[8]
12/31/13[3,16]	10.00	.13	.78	.91	(.09)	–	(.09)	10.82	9.08[4,8]	–[9]	1.05[5,8]	.23[5,8]	.73[5,8]	1.92[5,8]
Class P2:														
6/30/16[2,3]	9.43	(.01)	(.34)	(.35)	(.09)	(.22)	(.31)	8.77	(3.71)[4]	90	.79[5]	.63[5]	1.14[5]	(.27)[5]
12/31/15	10.09	.13	(.79)	(.66)	–[12]	–	–[12]	9.43	(6.52)	83	.90	.66	1.17	1.30
12/31/14	10.82	.16	(.77)	(.61)	(.12)	–	(.12)	10.09	(5.68)	46	.91	.67	1.18	1.51
12/31/13[3,16]	10.00	.18	.72	.90	(.08)	–	(.08)	10.82	8.99[4,8]	17	1.19[5,8]	.44[5,8]	.94[5,8]	2.66[5,8]
Managed Risk Blue Chip Income and Growth Fund														
Class P1:														
6/30/16[2,3]	$10.80	$ .03	$ .70	$ .73	$(.15)	$(.37)	$(.52)	$11.01	6.74%[4,8]	$ –[9]	.42%[5,8]	.26%[5,8]	.67%[5,8]	.53%[5,8]
12/31/15	11.70	.19	(1.02)	(.83)	(.07)	–	(.07)	10.80	(7.07)[8]	–[9]	.50[8]	.27[8]	.66[8]	1.64[8]
12/31/14	11.05	.40	.55	.95	(.30)	–	(.30)	11.70	8.58[8]	–[9]	.50[8]	.31[8]	.70[8]	3.43[8]
12/31/13[3,16]	10.00	.20	1.01	1.21	(.16)	–	(.16)	11.05	12.16[4,8]	–[9]	.84[5,8]	.24[5,8]	.64[5,8]	2.80[5,8]
Class P2:														
6/30/16[2,3]	10.76	.01	.69	.70	(.14)	(.37)	(.51)	10.95	6.52[4]	189	.79[5]	.63[5]	1.04[5]	.23[5]
12/31/15	11.67	.18	(1.05)	(.87)	(.04)	–	(.04)	10.76	(7.43)	137	.89	.66	1.05	1.57
12/31/14	11.05	.50	.40	.90	(.28)	–	(.28)	11.67	8.10	98	.88	.69	1.08	4.27
12/31/13[3,16]	10.00	.28	.92	1.20	(.15)	–	(.15)	11.05	12.05[4,8]	26	1.04[5,8]	.54[5,8]	.94[5,8]	3.91[5,8]
Managed Risk Growth-Income Fund														
Class P1:														
6/30/16[2,3]	$11.25	$ .02	$ .01	$ .03	$(.12)	$(.70)	$(.82)	$10.46	.20%[4,8]	$ 1	.51%[5,8]	.35%[5,8]	.64%[5,8]	.31%[5,8]
12/31/15	11.67	.25	(.63)	(.38)	(.04)	–	(.04)	11.25	(3.27)[8]	1	.56[8]	.31[8]	.59[8]	2.17[8]
12/31/14	11.50	.35	.21	.56	(.14)	(.25)	(.39)	11.67	4.85[8]	–[9]	.45[8]	.25[8]	.52[8]	2.94[8]
12/31/13[3,16]	10.00	.14	1.47	1.61	(.11)	–	(.11)	11.50	16.15[4,8]	–[9]	.92[5,8]	.23[5,8]	.50[5,8]	2.01[5,8]
Class P2:														
6/30/16[2,3]	11.22	–[12]	–[12]	–[12]	(.11)	(.70)	(.81)	10.41	(.03)[4]	135	.79[5]	.63[5]	.92[5]	–[5,17]
12/31/15	11.65	.12	(.54)	(.42)	(.01)	–	(.01)	11.22	(3.64)	122	.89	.66	.94	1.04
12/31/14	11.50	.16	.35	.51	(.11)	(.25)	(.36)	11.65	4.42	76	.87	.69	.96	1.38
12/31/13[3,16]	10.00	.20	1.40	1.60	(.10)	–	(.10)	11.50	16.04[4,8]	24	1.09[5,8]	.50[5,8]	.77[5,8]	2.73[5,8]
Managed Risk Asset Allocation Fund														
Class P1:														
6/30/16[2,3]	$11.72	$ .02	$ .36	$ .38	$(.14)	$(.37)	$(.51)	$11.59	3.27%[4]	$ 973	.43%[5]	.38%[5]	.68%[5]	.31%[5]
12/31/15	12.29	.25	(.34)	(.09)	(.22)	(.26)	(.48)	11.72	(.83)	712	.54	.40	.68	2.06
12/31/14	11.93	.13	.26	.39	(.03)	–	(.03)	12.29	3.24	277	.53	.48	.76	1.04
12/31/13	9.99	.27	1.81	2.08	(.14)	–	(.14)	11.93	20.82[8]	112	.55[8]	.47[8]	.75[8]	2.37[8]
12/31/12[3,18]	10.00	.15	(.03)	.12	(.13)	–	(.13)	9.99	1.24[4,8]	–[9]	.15[5,8]	.07[5,8]	.37[5,8]	1.72[5,8]
Class P2:														
6/30/16[2,3]	11.71	–[12]	.36	.36	(.13)	(.37)	(.50)	11.57	3.14[4]	2,103	.68[5]	.63[5]	.93[5]	–[5,17]
12/31/15	12.27	.14	(.26)	(.12)	(.18)	(.26)	(.44)	11.71	(1.07)	1,953	.79	.66	.94	1.16
12/31/14	11.93	.16	.19	.35	(.01)	–	(.01)	12.27	2.91	1,780	.79	.73	1.01	1.33
12/31/13	9.99	.28	1.77	2.05	(.11)	–	(.11)	11.93	20.58[8]	795	.80[8]	.73[8]	1.01[8]	2.43[8]
12/31/12[3,18]	10.00	.17	(.05)	.12	(.13)	–	(.13)	9.99	1.21[4,8]	–[9]	.24[5,8]	.11[5,8]	.41[5,8]	2.38[5,8]

See end of tables for footnotes.

Financial highlights (continued)

Portfolio turnover rate for all share classes including mortgage dollar roll transactions[19]	Six months ended June 30, 2016[2,3,4]	Period ended December 31				
		2015	2014	2013	2012	2011
Global Growth Fund	13%	29%	22%	39%	22%	28%
Global Small Capitalization Fund	22	36	28	36	40	44
Growth Fund	16	20	29	19	21	19
International Fund	16	37	18	21	29	24
New World Fund	14	39	36	43	32	22
Blue Chip Income and Growth Fund	12	26	37	30	36	27
Global Growth and Income Fund	34	37	28	31	30	25
Growth-Income Fund	16	25	25	19	25	22
International Growth and Income Fund	14	35	34	34	31	48
Capital Income Builder Fund	24	128	35[4,10]			
Asset Allocation Fund	53	76	88	74	61	43
Global Balanced Fund	33	76	73	81	80	34[4,11]
Bond Fund	226	434	365	354	253	163
Global Bond Fund	91	159	200	213	160	101
High-Income Bond Fund	53	66	54	64	48	51
Mortgage Fund	490	1103	790	715	444	480[4,11]
Ultra-Short Bond Fund	–[13]	–	–	–	–	–
U.S. Government/AAA-Rated Securities Fund	313	901	387	621	447	234
Managed Risk Growth Fund	9	16	22	10[4,16]		
Managed Risk International Fund	15	15	22	6[4,16]		
Managed Risk Blue Chip Income and Growth Fund	7	20	22	3[4,16]		
Managed Risk Growth-Income Fund	9	11	28	2[4,16]		
Managed Risk Asset Allocation Fund	–[20]	3	3	3	–[4,18,20]	

Portfolio turnover rate for all share classes excluding mortgage dollar roll transactions[19]	Six months ended June 30, 2016[2,3,4]	Period ended December 31				
		2015	2014	2013	2012	2011
Capital Income Builder	17%	38%	24%[4,10]	Not available		
Asset Allocation Fund	29	28	42			
Global Balanced Fund	19	36	40			
Bond Fund	72	141	121			
Global Bond Fund	41	88	134			
Mortgage Fund	58	138	108			
U.S. Government/AAA-Rated Securities Fund	144	352	88			

[1]Based on average shares outstanding.
[2]Unaudited.
[3]Based on operations for the period shown and, accordingly, is not representative of a full year.
[4]Not annualized.
[5]Annualized.
[6]The year ended December 31, 2014, reflects the impact of a corporate action event that resulted in a one-time increase to net investment income. If the corporate action event had not occurred, the net investment income per share and ratio of net income to average net assets would have been lower for all share classes.
[7]Class 4 shares were offered beginning December 14, 2012.
[8]All or a significant portion of assets in this class consisted of seed capital invested by CRMC and/or its affiliates. Certain fees (including, where applicable, fees for distribution services) are not charged or accrued on these seed capital assets. If such fees were paid by the fund on seed capital assets, fund expenses would have been higher and net income and total return would have been lower.
[9]Amount less than $1 million.
[10]For the period May 1, 2014, commencement of operations, through December 31, 2014.
[11]For the period May 2, 2011, commencement of operations, through December 31, 2011.
[12]Amount less than $.01.
[13]On May 1, 2016, the fund converted from a cash fund to an ultra-short-term bond fund and changed its name from Cash Management Fund to Ultra-Short Bond Fund.
[14]This column reflects the impact of certain waivers/reimbursements by CRMC. CRMC waived a portion of investment advisory services and reimbursed certain expenses for the managed risk funds.
[15]Ratio reflects weighted average net expense ratio of the underlying fund for the period presented. See Expense Example for further information regarding fees and expenses.
[16]For the period May 1, 2013, commencement of operations, through December 31, 2013.
[17]Amount less than .01%.
[18]For the period September 28, 2012, commencement of operations, through December 31, 2012.
[19]Refer to Note 5 for further information on mortgage dollar rolls.
[20]Amount less than 1%.

See Notes to Financial Statements

Expense example

unaudited

The funds in American Funds Insurance Series serve as the underlying investment vehicle for various insurance products. As an owner of an insurance contract that invests in one of the funds in the series, you incur two types of costs: (1) transaction costs, such as initial sales charges on purchase payments and contingent deferred sales charges on redemptions (loads), and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other expenses. Additional fees are charged by the insurance companies related to the various benefits they provide. This example is intended to help you understand your ongoing costs (in dollars) of investing in the underlying funds so you can compare these costs with the ongoing costs of investing in other mutual funds that serve a similar function in other annuity products. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire six-month period (January 1, 2016, through June 30, 2016).

Actual expenses:

The first line of each share class in the tables on the following pages 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 of each share class in the tables on the following pages provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio for the share class and an assumed rate of return of 5.00% per year before expenses, which is not the actual return of the share class. 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 5.00% hypothetical example with the 5.00% hypothetical examples that appear in the shareholder reports of the other funds.

Notes:

Additional fees are charged by the insurance companies related to the various benefits they provide. You can estimate the impact of these fees by adding the amount of the fees to the total estimated expenses you paid on your account during the period as calculated above. In addition, your ending account value would be lower by the amount of these fees.

Note that the expenses shown in the tables on the following pages are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second line of each share class in the tables is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Global Growth Fund				
Class 1 – actual return	$1,000.00	$ 966.87	$2.74	.56%
Class 1 – assumed 5% return	1,000.00	1,022.08	2.82	.56
Class 2 – actual return	1,000.00	965.79	3.96	.81
Class 2 – assumed 5% return	1,000.00	1,020.84	4.07	.81
Class 4 – actual return	1,000.00	964.57	5.18	1.06
Class 4 – assumed 5% return	1,000.00	1,019.59	5.32	1.06
Global Small Capitalization Fund				
Class 1 – actual return	$1,000.00	$ 961.51	$3.61	.74%
Class 1 – assumed 5% return	1,000.00	1,021.18	3.72	.74
Class 2 – actual return	1,000.00	960.10	4.82	.99
Class 2 – assumed 5% return	1,000.00	1,019.94	4.97	.99
Class 4 – actual return	1,000.00	959.20	6.04	1.24
Class 4 – assumed 5% return	1,000.00	1,018.70	6.22	1.24
Growth Fund				
Class 1 – actual return	$1,000.00	$1,010.84	$1.75	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	1,009.49	3.00	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,009.77	2.65	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	1,008.29	4.24	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85
International Fund				
Class 1 – actual return	$1,000.00	$ 989.25	$2.67	.54%
Class 1 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 2 – actual return	1,000.00	988.22	3.91	.79
Class 2 – assumed 5% return	1,000.00	1,020.93	3.97	.79
Class 3 – actual return	1,000.00	988.33	3.56	.72
Class 3 – assumed 5% return	1,000.00	1,021.28	3.62	.72
Class 4 – actual return	1,000.00	986.70	5.14	1.04
Class 4 – assumed 5% return	1,000.00	1,019.69	5.22	1.04
New World Fund				
Class 1 – actual return	$1,000.00	$1,023.83	$3.92	.78%
Class 1 – assumed 5% return	1,000.00	1,020.98	3.92	.78
Class 2 – actual return	1,000.00	1,022.46	5.18	1.03
Class 2 – assumed 5% return	1,000.00	1,019.74	5.17	1.03
Class 4 – actual return	1,000.00	1,021.20	6.48	1.29
Class 4 – assumed 5% return	1,000.00	1,018.45	6.47	1.29
Blue Chip Income and Growth Fund				
Class 1 – actual return	$1,000.00	$1,100.05	$2.19	.42%
Class 1 – assumed 5% return	1,000.00	1,022.77	2.11	.42
Class 2 – actual return	1,000.00	1,098.86	3.50	.67
Class 2 – assumed 5% return	1,000.00	1,021.53	3.37	.67
Class 4 – actual return	1,000.00	1,097.98	4.80	.92
Class 4 – assumed 5% return	1,000.00	1,020.29	4.62	.92

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Global Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,018.69	$3.16	.63%
Class 1 – assumed 5% return	1,000.00	1,021.73	3.17	.63
Class 2 – actual return	1,000.00	1,017.41	4.41	.88
Class 2 – assumed 5% return	1,000.00	1,020.49	4.42	.88
Class 4 – actual return	1,000.00	1,015.96	5.66	1.13
Class 4 – assumed 5% return	1,000.00	1,019.24	5.67	1.13
Growth-Income Fund				
Class 1 – actual return	$1,000.00	$1,032.31	$1.47	.29%
Class 1 – assumed 5% return	1,000.00	1,023.42	1.46	.29
Class 2 – actual return	1,000.00	1,031.22	2.73	.54
Class 2 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 3 – actual return	1,000.00	1,031.51	2.37	.47
Class 3 – assumed 5% return	1,000.00	1,022.53	2.36	.47
Class 4 – actual return	1,000.00	1,029.90	3.99	.79
Class 4 – assumed 5% return	1,000.00	1,020.93	3.97	.79
International Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,011.95	$3.40	.68%
Class 1 – assumed 5% return	1,000.00	1,021.48	3.42	.68
Class 2 – actual return	1,000.00	1,010.80	4.65	.93
Class 2 – assumed 5% return	1,000.00	1,020.24	4.67	.93
Class 4 – actual return	1,000.00	1,009.81	5.90	1.18
Class 4 – assumed 5% return	1,000.00	1,019.00	5.92	1.18
Capital Income Builder				
Class 1 – actual return	$1,000.00	$1,054.69	$2.76	.54%
Class 1 – assumed 5% return	1,000.00	1,022.18	2.72	.54
Class 2 – actual return	1,000.00	1,054.68	2.55	.50
Class 2 – assumed 5% return	1,000.00	1,022.38	2.51	.50
Class 4 – actual return	1,000.00	1,052.38	5.31	1.04
Class 4 – assumed 5% return	1,000.00	1,019.69	5.22	1.04
Asset Allocation Fund				
Class 1 – actual return	$1,000.00	$1,047.35	$1.53	.30%
Class 1 – assumed 5% return	1,000.00	1,023.37	1.51	.30
Class 2 – actual return	1,000.00	1,045.83	2.80	.55
Class 2 – assumed 5% return	1,000.00	1,022.13	2.77	.55
Class 3 – actual return	1,000.00	1,045.98	2.44	.48
Class 3 – assumed 5% return	1,000.00	1,022.48	2.41	.48
Class 4 – actual return	1,000.00	1,044.55	4.07	.80
Class 4 – assumed 5% return	1,000.00	1,020.89	4.02	.80
Global Balanced Fund				
Class 1 – actual return	$1,000.00	$1,035.38	$3.54	.70%
Class 1 – assumed 5% return	1,000.00	1,021.38	3.52	.70
Class 2 – actual return	1,000.00	1,034.52	4.81	.95
Class 2 – assumed 5% return	1,000.00	1,020.14	4.77	.95
Class 4 – actual return	1,000.00	1,032.74	6.06	1.20
Class 4 – assumed 5% return	1,000.00	1,018.90	6.02	1.20

See end of tables for footnotes.

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1]	Annualized expense ratio
Bond Fund				
Class 1 – actual return	$1,000.00	$1,056.35	$1.94	.38%
Class 1 – assumed 5% return	1,000.00	1,022.97	1.91	.38
Class 2 – actual return	1,000.00	1,054.63	3.22	.63
Class 2 – assumed 5% return	1,000.00	1,021.73	3.17	.63
Class 4 – actual return	1,000.00	1,053.43	4.49	.88
Class 4 – assumed 5% return	1,000.00	1,020.49	4.42	.88
Global Bond Fund				
Class 1 – actual return	$1,000.00	$1,080.05	$2.95	.57%
Class 1 – assumed 5% return	1,000.00	1,022.03	2.87	.57
Class 2 – actual return	1,000.00	1,079.71	4.24	.82
Class 2 – assumed 5% return	1,000.00	1,020.79	4.12	.82
Class 4 – actual return	1,000.00	1,078.17	5.53	1.07
Class 4 – assumed 5% return	1,000.00	1,019.54	5.37	1.07
High-Income Bond Fund				
Class 1 – actual return	$1,000.00	$1,089.05	$2.55	.49%
Class 1 – assumed 5% return	1,000.00	1,022.43	2.46	.49
Class 2 – actual return	1,000.00	1,087.66	3.84	.74
Class 2 – assumed 5% return	1,000.00	1,021.18	3.72	.74
Class 3 – actual return	1,000.00	1,088.42	3.48	.67
Class 3 – assumed 5% return	1,000.00	1,021.53	3.37	.67
Class 4 – actual return	1,000.00	1,086.06	5.13	.99
Class 4 – assumed 5% return	1,000.00	1,019.94	4.97	.99
Mortgage Fund				
Class 1 – actual return	$1,000.00	$1,029.00	$2.22	.44%
Class 1 – assumed 5% return	1,000.00	1,022.68	2.21	.44
Class 2 – actual return	1,000.00	1,027.74	3.48	.69
Class 2 – assumed 5% return	1,000.00	1,021.43	3.47	.69
Class 4 – actual return	1,000.00	1,026.49	4.74	.94
Class 4 – assumed 5% return	1,000.00	1,020.19	4.72	.94
Ultra-Short Bond Fund				
Class 1 – actual return	$1,000.00	$1,000.00	$1.74	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	999.10	2.98	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,000.00	2.64	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	997.32	4.22	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85
U.S. Government/AAA-Rated Securities Fund				
Class 1 – actual return	$1,000.00	$1,040.29	$1.78	.35%
Class 1 – assumed 5% return	1,000.00	1,023.12	1.76	.35
Class 2 – actual return	1,000.00	1,039.36	3.04	.60
Class 2 – assumed 5% return	1,000.00	1,021.88	3.02	.60
Class 3 – actual return	1,000.00	1,039.89	2.69	.53
Class 3 – assumed 5% return	1,000.00	1,022.23	2.66	.53
Class 4 – actual return	1,000.00	1,039.13	4.31	.85
Class 4 – assumed 5% return	1,000.00	1,020.64	4.27	.85

	Beginning account value 1/1/2016	Ending account value 6/30/2016	Expenses paid during period[1,2]	Annualized expense ratio[2]	Effective expenses paid during period[3]	Effective annualized expense ratio[4]
Managed Risk Growth Fund						
Class P1 – actual return	$1,000.00	$ 973.18	$1.62	.33%	$3.29	.67%
Class P1 – assumed 5% return	1,000.00	1,023.22	1.66	.33	3.37	.67
Class P2 – actual return	1,000.00	971.21	3.09	.63	4.75	.97
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.87	.97
Managed Risk International Fund						
Class P1 – actual return	$1,000.00	$ 966.44	$1.17	.24%	$3.67	.75%
Class P1 – assumed 5% return	1,000.00	1,023.67	1.21	.24	3.77	.75
Class P2 – actual return	1,000.00	962.94	3.07	.63	5.56	1.14
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	5.72	1.14
Managed Risk Blue Chip Income and Growth Fund						
Class P1 – actual return	$1,000.00	$1,067.39	$1.34	.26%	$3.44	.67%
Class P1 – assumed 5% return	1,000.00	1,023.57	1.31	.26	3.37	.67
Class P2 – actual return	1,000.00	1,065.17	3.23	.63	5.34	1.04
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	5.22	1.04
Managed Risk Growth-Income Fund						
Class P1 – actual return	$1,000.00	$1,001.95	$1.74	.35%	$3.19	.64%
Class P1 – assumed 5% return	1,000.00	1,023.12	1.76	.35	3.22	.64
Class P2 – actual return	1,000.00	999.72	3.13	.63	4.57	.92
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.62	.92
Managed Risk Asset Allocation Fund						
Class P1 – actual return	$1,000.00	$1,032.67	$1.92	.38%	$3.44	.68%
Class P1 – assumed 5% return	1,000.00	1,022.97	1.91	.38	3.42	.68
Class P2 – actual return	1,000.00	1,031.38	3.18	.63	4.70	.93
Class P2 – assumed 5% return	1,000.00	1,021.73	3.17	.63	4.67	.93

[1]The "expenses paid during period" are equal to the "annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 366 (to reflect the one-half year period).

[2]The "expenses paid during period" and "annualized expense ratio" do not include the expenses of the underlying funds in which each fund invests.

[3]The "effective expenses paid during period" are equal to the "effective annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 366 (to reflect the period).

[4]The "effective annualized expense ratio" reflects the net annualized expense ratio of the class plus the class's pro-rata share of the weighted average expense ratio of the underlying funds in which it invests.

Offices of the series and of the investment adviser
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Chicago, IL 60606

Custodians of assets
State Street Bank and Trust Company
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Boston, MA 02111

Bank of New York Mellon
(Managed Risk Funds only)
One Wall Street
New York, NY 10286

Counsel
Morgan, Lewis & Bockius LLP
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Los Angeles, CA 90071-3132

Independent registered public accounting firm
PricewaterhouseCoopers LLP
601 South Figueroa Street
Los Angeles, CA 90017-3874

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the series prospectuses and summary prospectuses, which can be obtained from your financial professional and should be read carefully before investing. You may also call American Funds Service Company (AFS) at (800) 421-4225 or visit the American Funds website at americanfunds.com.

"American Funds Proxy Voting Procedures and Principles" – which describes how we vote proxies relating to portfolio securities – is available on the American Funds website or upon request by calling AFS. The series files its proxy voting record with the U.S. Securities and Exchange Commission (SEC) for the 12 months ended June 30 by August 31. The proxy voting record is available free of charge on the SEC website at sec.gov and on the American Funds website.

Complete June 30, 2016, portfolios of American Funds Insurance Series investments are available free of charge by calling AFS or visiting the SEC website (where they are part of Form N-CSR).

American Funds Insurance Series files a complete list of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. This filing is available free of charge on the SEC website. You may also review or, for a fee, copy this filing at the SEC's Public Reference Room in Washington, D.C. Additional information regarding the operation of the Public Reference Room may be obtained by calling the SEC's Office of Investor Education and Advocacy at (800) SEC-0330. Additionally, the list of portfolio holdings is available by calling AFS.

This report is for the information of American Funds Insurance Series investors, but it also may be used as sales literature when preceded or accompanied by the current prospectuses or summary prospectuses for American Funds Insurance Series and the prospectus for the applicable insurance contract, which give details about charges, expenses, investment objectives and operating policies of the series. If used as sales material after September 30, 2016, this report must be accompanied by a statistical update for the most recently completed calendar quarter.

The American Funds Advantage℠

Since 1931, American Funds, part of Capital Group, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System℠ – has resulted in a superior long-term track record for American Funds Insurance Series®.

Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. American Funds Insurance Series (AFIS) portfolio managers average 26 years of investment experience, including 23 years at our company, reflecting a career commitment to our long-term approach.[1]

The Capital System℠

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

Superior long-term track record

Our AFIS equity funds have beaten their comparable Lipper indexes in 91% of 10-year periods and 100% of 20-year periods. Our AFIS fixed income funds have beaten comparable Lipper indexes in 55% of 10-year periods and 87% of 20-year periods.[2] We strive to keep management fees competitive. Over the past 20 years, most funds' fees have been below industry averages.[3]

[1] Portfolio manager experience as of November 2015.

[2]Based on Class 2 share results for rolling periods through December 31, 2015. Periods covered are the shorter of the fund's lifetime or since the inception date of the comparable Lipper index (except Global Small Capitalization Fund, for which the Lipper average was used). The comparable Lipper indexes are: Global Funds Index (Global Growth Fund), Growth Funds Index (Growth Fund), International Funds Index (International Fund), Emerging Markets Funds Index (New World Fund), Growth & Income Funds Index (Blue Chip Income and Growth Fund, Growth-Income Fund), Balanced Portfolio Funds Index (Asset Allocation Fund), Core Bond Funds Index (Bond Fund), High Yield Funds Index (High-Income Bond Fund) and General U.S. Government Funds Index (U.S. Government/ AAA-Rated Securities Fund).

[3]Based on management fees for the 20-year period ended December 31, 2015, versus comparable Lipper categories, excluding funds of funds.

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AMERICAN FUNDS®

From Capital Group

American Funds Insurance Series®

Semi-annual report
for the six months ended
June 30, 2015

American Funds Insurance Series, from Capital Group, is the underlying investment vehicle for many variable annuities and insurance products. For more than 80 years, Capital has invested with a long-term focus based on thorough research and attention to risk. All the variable funds in American Funds Insurance Series may not be available in your product.

Investing for short periods makes losses more likely. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

Investing outside the United States may be subject to risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Investing in small-capitalization stocks can involve greater risk than is customarily associated with investing in stocks of larger, more established companies. The return of principal for bond funds and for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. High-yield bonds are subject to greater fluctuations in value and risk of loss of income and principal than investment-grade bonds. Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch as an indication of an issuer's creditworthiness. Futures contracts may not provide an effective hedge of the underlying securities because changes in the prices of futures contracts may not track those of the securities they are intended to hedge. In addition, the managed risk strategy may not effectively protect the funds from market declines and will limit the funds' participation in market gains. The use of the managed risk strategy could cause the funds' returns to lag those of the applicable underlying funds in certain rising market conditions. Refer to the funds' prospectuses and the Risk Factors section of this report for more information on these and other risks associated with investing in the funds.

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Fellow investors:

Investors set aside concerns about China's slowing economy and the Greek debt crisis such that we had a mild increase in the U.S. stock market during the six months ended June 30, 2015. With the long-anticipated increase in U.S. interest rates likely to happen this fall, interest-rate sensitive investments – such as dividend-paying companies and bonds – fared less well than growth-oriented stocks because prices of income-focused investments often fall when rates rise.

Generally, developed markets saw the best results, with gains in most major markets in the MSCI ACWI (All Country World Index) including the U.S. (+1.70%), United Kingdom (+2.00%), Germany (+2.23%), France (+5.02%) and Hong Kong (+11.90%). Buoyed by economic stimulus measures, Japan's stock market advanced 13.62%.

The specter of rising interest rates in the U.S. and declining commodity prices hurt some emerging markets, including Mexico (–1.62%), Brazil (–8.70%) and Malaysia (–9.36%). Not surprisingly, Greece was down the most, losing 25.66%. Despite the impact of falling oil prices and sanctions over its actions in Ukraine, Russian stocks rebounded and had the best return of any market, climbing 27.59%. After a breathtaking rise and headline-grabbing decline, China finished the period up 14.65%. Country returns are based on MSCI indexes, which reflect reinvestment of distributions and dividends net of withholding taxes, except for the MSCI USA Index, which reflects dividends gross of withholding taxes. All market indexes referenced in this report are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

In bond markets, investment-grade securities declined as investors initially sought higher yields than those offered by U.S. Treasuries. Barclays U.S. Aggregate Index fell 0.10% and Barclays Global Aggregate Index was down 3.08%. The 10-year U.S. Treasury yield, which was 2.17% at December 31, dropped to 1.68% at the end of January before rising to end the period at 2.35%. The Barclays U.S. Corporate High Yield 2% Issuer Capped Index gained 2.53%, and the JPMorgan Emerging Markets Bond Index Global rose 1.76%.

The U.S. dollar appreciated against almost all currencies. In developed markets, only the Swiss franc (+6.3%), Israeli shekel (+3.2%) and British pound (+0.9%) advanced.

The euro and Canadian dollar were down 7.9% and 7.2%, respectively, while the Japanese yen was off 2.0%. Among developing market currencies, only the Russian ruble (+7.7%) and Taiwanese dollar (+2.4%) had gains above 1.0%. Weakest were the Ukrainian hryvnia, which was down 24.7% (after declining 47.9% in 2014), Brazilian real (–14.4%) and Turkish lira (–12.7%). Currency returns are calculated by MSCI.

All but one of the AFIS equity funds recorded gains during the six-month period, with growth-oriented funds faring better than those that focus on dividend-paying investments. With the uncertainty around interest rates, two of the series' bond funds declined, while Cash Management Fund was again hampered by low short-term interest rates.

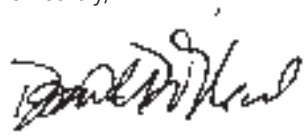
Looking ahead

The U.S. economy has continued to show signs of improvement. Unemployment has steadily declined, ending the period at 5.3%, the lowest level since April 2008. Consumer confidence has picked up, with auto sales through June the highest since 2005, helped by lower gas prices and affordable loans.

The probable interest rate increase later this year could trigger some market volatility, but we will not panic in such an event, and will evaluate whether good investment opportunities are being created. Our investment approach, based on extensive research, a long-term horizon, and close attention to valuation, has served our retirement investors very well over time. We continue to have confidence this will remain the case, and thank you for your support.

We look forward to reporting to you again at year-end.

Sincerely,



Donald D. O'Neal
Vice Chairman of the Board

Alan N. Berro
President

August 7, 2015

It is with deep sadness that we note the passing of Jim Rothenberg, who served as Chairman of the Board of The Capital Group Companies, parent company of the investment adviser to the American Funds Insurance Series. Jim was an admired colleague, insightful investor and forceful advocate for our funds' shareholders. We will greatly miss his leadership, which was marked by a deep sense of fairness and a staunch commitment to our firm and those it serves.

Summary investment portfolios

Summary investment portfolios are designed to streamline this report and help investors better focus on the funds' principal holdings. Cash Management Fund, Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund show a complete listing of portfolio holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings for each fund in the series.

Unless otherwise indicated, American Funds Insurance Series investment results are for Class 2 shares (Class P2 shares for managed risk funds). Class 2 shares began operations on April 30, 1997. Class 3 shares began operations on January 16, 2004. Class 4 shares began operations on December 14, 2012. Results encompassing periods prior to those dates assume a hypothetical investment in Class 1 shares and include the deduction of additional annual expenses (0.25% for Class 2 shares, 0.18% for Class 3 shares and 0.50% for Class 4 shares).

The variable annuities and life insurance contracts that use the series funds contain certain fees and expenses not reflected in this report. Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The series investment adviser waived a portion of its management fees for all existing funds from September 1, 2004, through December 31, 2008, for U.S. Government/AAA-Rated Securities Fund from July 1, 2010, through December 31, 2010, and for Blue Chip Income and Growth Fund from February 1, 2014, through January 31, 2015. For the managed risk funds, the investment adviser is currently waiving a portion of its management fee equal to 0.15% of the funds' net assets. In addition, the investment adviser is currently reimbursing a portion of the other expenses. Investment results and net expense ratios shown reflect the waivers and reimbursements, without which the results would have been lower and the expenses would have been higher. The waivers and reimbursements will be in effect through at least May 1, 2016. The adviser may elect at its discretion to extend, modify or terminate the reimbursements at that time. The waivers may only be modified or terminated with the approval of the series board. See the Financial Highlights table in this report for details.

Although Capital Income Builder has a plan of distribution for Class 2 shares and Global Balanced Fund has a plan of distribution and an insurance administrative services plan for Class 4 shares, fees for distribution and/or insurance administrative services are not paid on amounts invested in the funds by the investment adviser and/or its affiliates. If fees for these services were charged on these assets, fund results would have been lower and expenses would have been higher. See the "Plans of distribution" and the "Fund expenses" sections of the prospectus for information on the fees for distribution and/or insurance administrative services, respectively, permitted to be charged by the funds.

Individual funds are listed in this report according to their risk potential, with managed risk funds listed last.

International Fund

Fund results shown are for past periods and are not predictive of results for future periods. Current and future results may be lower or higher than those shown. Unit prices and returns will vary, so investors may lose money. For current information and month-end results, visit americanfunds.com/afis. For information about your insurance contract and month-end results, go to the website of the company that issued your contract.

International Fund increased 5.40% for the six months ended June 30, 2015, outpacing its benchmark, the MSCI ACWI (All Country World Index) ex USA,* which rose 4.03%.

The global economic picture was mixed. Supported by the European Central Bank's quantitative easing program, Europe's economic indicators were a pleasant surprise — except for Greece. Japan, while no longer in deflation, still struggled to ignite its economy. China's growth rate slowed further, but its government has many levers at its disposal to help improve the economy. After a strong 2014, India disappointed. Several Latin American economies were hurt by the low price of oil and other commodities.

Netherlands-based consumer discretionary company Altice was a highlight, along with Japanese information technology firms Murata Manufacturing and Nintendo. Investments in Macau gaming companies Sands China, GEG and Melco Crown Entertainment detracted, hurt by the Chinese government's continuing anticorruption efforts.

Uncertainty about the Federal Reserve's plans for interest rate hikes is making some investors cautious, but U.S. equities should "climb the wall of worry" as long as the underlying economy remains supportive. If the Greek debt crisis is resolved, then European markets should also have room to move higher. Managers expect the U.S. and Europe will thus be able to provide an engine of growth that extends to other markets. While we seek to invest in companies that we believe can prosper in any market environment, we emphasize companies that are economically sensitive when we have strong conviction the economy is going to experience a robust recovery.

Country diversification

Percent of net assets

Europe		**Asia/Pacific Basin** (continued)		**Other regions**	
France	9.7%	India	7.1%	Other	.7%
United Kingdom	9.3	China	5.4		
Germany	8.5	South Korea	2.7	Short-term securities & other assets less liabilities	8.6
Switzerland	8.4	Australia	1.2		
Netherlands	3.6	Indonesia	1.1		
Spain	1.6	Other	2.7	Total	100.0%
Sweden	1.2		40.4		
Ireland	1.0				
Other	3.9	**The Americas**			
	47.2	United States	1.5		
		Canada	1.1		
Asia/Pacific Basin		Other	.5		
Japan	10.4		3.1		
Hong Kong	9.8				

Largest individual equity securities

Percent of net assets

Novartis	4.35%	Airbus Group	1.80%
Bayer	2.82	Altice	1.72
AIA Group	2.33	Barclays	1.71
Baidu	2.12	Power Grid Corp. of India	1.69
SoftBank	1.83	HDFC Bank	1.58

International Fund

Average annual total returns based on a $1,000 investment

For periods ended June 30, 2015

	1 year	5 years	10 years	Lifetime (since May 1, 1990)	Expense ratio
Class 1	–0.85%	9.66%	7.04%	8.49%	.54%
Class 2	–1.14	9.37	6.77	8.21	.79
Class 3	–1.06	9.45	6.85	8.29	.72
Class 4	–1.37	9.15	6.52	7.95	1.04

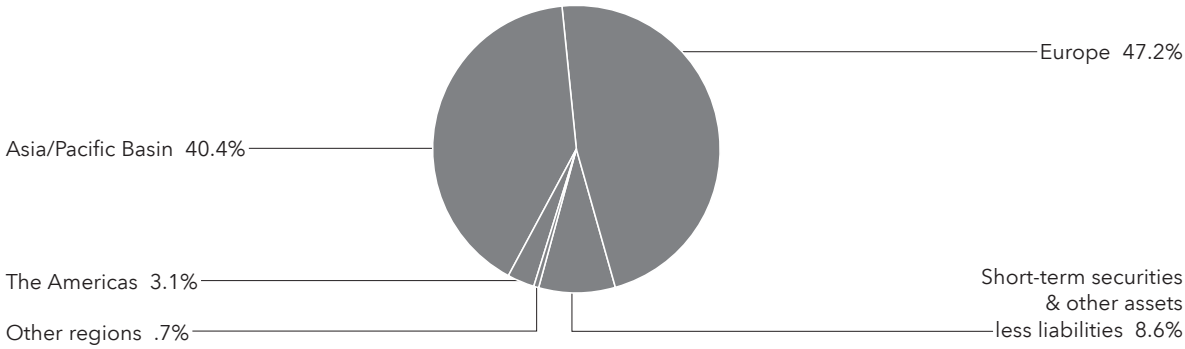
Investment results assume all distributions are reinvested and reflect applicable fees and expenses. The fund's investment adviser waived a portion of its management fees from September 1, 2004, through December 31, 2008. Applicable fund results shown reflect the waiver, without which they would have been lower. Expense ratios are as of the fund's prospectus dated May 1, 2015. See the Financial Highlights table in this report for details.

Any market index shown is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index.

*The MSCI index result reflects dividends net of withholding taxes and reinvestment of distributions.

Where the fund's assets were invested as of June 30, 2015

Percent of net assets



International Fund

Summary investment portfolio June 30, 2015 unaudited

Common stocks 90.48%		Shares	Value (000)
Financials 18.73%	AIA Group Ltd.	28,908,700	$ 189,268
	HDFC Bank Ltd.[1]	6,684,908	128,077
	HDFC Bank Ltd. (ADR)	366,700	22,196
	Barclays PLC	33,913,275	138,811
	Prudential PLC	4,380,265	105,474
	Cheung Kong Property Holdings Ltd.[1]	10,435,836	86,567
	Credit Suisse Group AG	2,531,097	69,575
	UBS Group AG	3,019,651	64,046
	BNP Paribas SA	966,046	58,319
	Sun Hung Kai Properties Ltd.	3,345,083	54,201
	Commerzbank AG, non-registered shares[1]	4,107,954	52,507
	Other securities		552,175
			1,521,216
Consumer discretionary 13.88%	Altice SA[1]	1,014,127	139,686
	Numericable-SFR, non-registered shares[1]	2,011,856	106,639
	Toyota Motor Corp.	1,380,700	92,543
	Volkswagen AG, nonvoting preferred	361,062	83,726
	Sands China Ltd.	16,642,000	56,035
	Other securities		649,138
			1,127,767
Health care 13.52%	Novartis AG	3,589,900	353,826
	Bayer AG	1,636,326	229,036
	Fresenius SE & Co. KGaA	1,381,806	88,656
	Grifols, SA, Class B, preferred nonvoting, non-registered shares	1,735,509	53,837
	Grifols, SA, Class A, non-registered shares	440,500	17,743
	Grifols, SA, Class B (ADR)	396,845	12,290
	UCB SA	962,000	69,057
	Novo Nordisk A/S, Class B	1,185,000	64,563
	Takeda Pharmaceutical Co. Ltd.	1,051,400	50,781
	Other securities		158,631
			1,098,420
Information technology 11.31%	Baidu, Inc., Class A (ADR)[1]	864,400	172,085
	Tencent Holdings Ltd.	6,206,500	123,865
	Samsung Electronics Co., Ltd.	103,840	118,041
	Nintendo Co., Ltd.	652,500	109,137
	Murata Manufacturing Co., Ltd.	464,900	81,140
	MediaTek Inc.	4,935,000	67,496
	Gemalto NV	741,864	66,066
	ASML Holding NV	617,834	63,851
	Other securities		117,136
			918,817
Industrials 11.26%	Airbus Group SE, non-registered shares	2,250,014	145,990
	SMC Corp.	324,800	97,837
	Safran SA	1,054,000	71,431
	Jardine Matheson Holdings Ltd.	1,170,600	66,432
	Legrand SA	1,091,500	61,281
	CK Hutchison Holdings Ltd.	3,350,836	49,237
	Other securities		422,854
			915,062

Common stocks (continued)		Shares	Value (000)
Consumer staples 4.78%	Nestlé SA	1,573,200	$ 113,579
	Pernod Ricard SA	799,200	92,306
	Associated British Foods PLC	1,443,588	65,121
	Other securities		117,328
			388,334
Materials 4.41%	Syngenta AG	186,850	75,943
	Other securities		281,940
			357,883
Telecommunication services 3.69%	SoftBank Corp.	2,528,500	148,939
	Other securities		150,426
			299,365
Utilities 3.65%	Power Grid Corp. of India Ltd.	62,539,040	137,148
	ENN Energy Holdings Ltd.	9,758,000	58,851
	Other securities		100,260
			296,259
Energy 3.23%	Royal Dutch Shell PLC, Class B	1,730,000	49,119
	Other securities		213,612
			262,731
Miscellaneous 2.02%	Other common stocks in initial period of acquisition		164,332
	Total common stocks (cost: $6,031,206,000)		7,350,186

Rights & warrants 0.00%

Miscellaneous 0.00%	Other rights & warrants in initial period of acquisition		350
	Total rights & warrants (cost: $370,000)		350

Bonds, notes & other debt instruments 0.93%

		Principal amount (000)	
U.S. Treasury bonds & notes 0.47%			
U.S. Treasury 0.47%	Other securities		38,443
Corporate bonds & notes 0.26%			
Other 0.26%	Other securities		21,078
	Total corporate bonds & notes		21,078
Bonds & notes of governments & government agencies outside the U.S. 0.20%			
	Other securities		15,828
	Total bonds, notes & other debt instruments (cost: $74,350,000)		75,349

International Fund

Short-term securities 8.65%	Principal amount (000)	Value (000)
Fannie Mae 0.17%–0.18% due 9/1/2015–1/4/2016	$ 75,000	$ 74,984
Federal Home Loan Bank 0.07%–0.14% due 7/17/2015–9/23/2015	202,700	202,697
Mitsubishi UFJ Trust and Banking Corp. 0.17% due 7/8/2015[2]	28,500	28,499
Mizuho Funding LLC 0.28% due 9/21/2015[2]	52,900	52,868
National Australia Bank Ltd. 0.18%–0.21% due 9/2/2015–9/14/2015[2]	75,500	75,481
Thunder Bay Funding, LLC 0.20% due 7/16/2015–9/18/2015[2]	58,700	58,679
Victory Receivables Corp. 0.17%–0.18% due 7/13/2015–7/17/2015[2]	27,200	27,198
Other securities		182,450
Total short-term securities (cost: $702,813,000)		702,856
Total investment securities 100.06% (cost: $6,808,739,000)		8,128,741
Other assets less liabilities (0.06)%		(4,876)
Net assets 100.00%		$8,123,865

This summary investment portfolio is designed to streamline the report and help investors better focus on the funds principal holdings. See the inside back cover for details on how to obtain a complete schedule of portfolio holdings.

As permitted by U.S. Securities and Exchange Commission regulations, "Miscellaneous" securities include holdings in their first year of acquisition that have not previously been publicly disclosed.

"Other securities" includes all issues that are not disclosed separately in the summary investment portfolio, including securities which were valued under fair value procedures adopted by authority of the board of trustees. The total value of securities, which were valued under fair value procedures, was $7,815,000, which represented .10% of the net assets of the fund. "Other securities" also includes securities which were pledged as collateral. The total value of pledged collateral was $687,000, which represented less than .01% of the net assets of the fund.

Forward currency contracts

The fund has entered into forward currency contracts as shown in the following table. The average notional amount of open forward currency contracts was $181,323,000 over the prior 12-month period.

	Settlement date	Counterparty	Contract amount Receive (000)	Contract amount Deliver (000)	Unrealized appreciation (depreciation) at 6/30/2015 (000)
Sales:					
Australian dollars	7/28/2015	UBS AG	$5,403	A$7,000	$ 11
British pounds	7/16/2015	UBS AG	$77,783	£50,000	(770)
Euros	7/15/2015	Bank of America, N.A.	$26,348	€23,445	205
Japanese yen	7/8/2015	Barclays Bank PLC	$11,428	¥1,413,000	(118)
Japanese yen	7/15/2015	UBS AG	$19,005	¥2,348,000	(184)
Japanese yen	7/24/2015	Barclays Bank PLC	$42,641	¥5,269,000	(425)
					$(1,281)

The following footnotes apply to either the individual securities noted or one or more of the securities aggregated and listed as a single line item.

[1]Security did not produce income during the last 12 months.
[2]Acquired in a transaction exempt from registration under Rule 144A or Section 4(2) of the Securities Act of 1933. May be resold in the U.S. in transactions exempt from registration, normally to qualified institutional buyers. The total value of all such securities, including those in "Other securities," was $382,562,000, which represented 4.71% of the net assets of the fund.

Key to abbreviation and symbols
ADR = American Depositary Receipts
A$ = Australian dollars
€ = Euros
£ = British pounds
¥ = Japanese yen

See Notes to Financial Statements

Financial statements

Statements of assets and liabilities at June 30, 2015

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$5,730,267	$4,649,747	$22,203,170	$8,128,741	$2,776,338
Affiliated issuers	–	106,823	389,054	–	–
Cash denominated in currencies other than U.S. dollars	772	258	–	1,220	302
Cash	104	152	619	1,582	60
Unrealized appreciation on open forward currency contracts	210	219	–	216	75
Receivables for:					
Sales of investments	2,108	7,612	85,674	6,643	3,352
Sales of fund's shares	3,848	4,948	9,910	11,832	4,091
Dividends and interest	10,900	4,328	24,169	18,826	10,007
Closed forward currency contracts	–	–	–	–	–
Variation margin	–	–	–	–	–
Other	177	110	–	239	216
	5,748,386	4,774,197	22,712,596	8,169,299	2,794,441
Liabilities:					
Unrealized depreciation on open forward currency contracts	1,193	458	–	1,497	53
Payables for:					
Purchases of investments	33,629	24,392	36,493	29,813	15,524
Repurchases of fund's shares	16,458	14,687	38,569	6,041	2,422
Investment advisory services	2,490	2,710	6,199	3,384	1,648
Services provided by related parties	908	654	3,420	1,014	271
Trustees' deferred compensation	56	36	508	225	20
Closed forward currency contracts	19	–	–	–	8
Variation margin	–	–	–	–	–
Other	976	197	1,653	3,460	915
	55,729	43,134	86,842	45,434	20,861
Net assets at June 30, 2015	$5,692,657	$4,731,063	$22,625,754	$8,123,865	$2,773,580
Net assets consist of:					
Capital paid in on shares of beneficial interest	$3,877,304	$3,185,465	$14,169,910	$6,290,235	$2,573,320
Undistributed (distributions in excess of) net investment income	23,929	(18,850)	93,077	14,677	(6,310)
Undistributed (accumulated) net realized gain (loss)	288,612	379,439	840,010	503,509	(65,936)
Net unrealized appreciation (depreciation)	1,502,812	1,185,009	7,522,757	1,315,444	272,506
Net assets at June 30, 2015	$5,692,657	$4,731,063	$22,625,754	$8,123,865	$2,773,580
Investment securities, at cost:					
Unaffiliated issuers	$4,226,430	$3,455,431	$14,695,844	$6,808,739	$2,503,798
Affiliated issuers	–	115,920	373,608	–	–
Cash denominated in currencies other than U.S. dollars, at cost	773	258	–	1,220	302

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$7,187,536	$1,852,878	$25,082,182	$1,091,917	$148,822	$18,314,847	$224,072	$10,872,261	$2,616,092
–	10,633	–	–	–	–	–	–	–
–	76	–	309	6	–	–	5,944	1,402
72	117	207	163	237	2,043	90	3,304	694
–	227	–	–	–	–	47	1,548	2,730
6,607	5,313	8,935	380	7,341	355,217	3,178	1,185,047	62,793
5,798	3,361	15,329	326	1,541	20,679	325	11,437	942
9,161	5,181	33,563	4,409	596	57,234	971	57,848	26,050
–	–	–	–	–	–	1	296	436
–	–	–	–	–	687	–	2,015	297
612	60	1,105	–	2	113	–	130	–
7,209,786	1,877,846	25,141,321	1,097,504	158,545	18,750,820	228,684	12,139,830	2,711,436
–	19	–	–	–	–	108	767	2,976
25,548	7,449	7,171	14,637	17,155	782,941	7,531	2,260,209	179,629
8,165	2,298	32,229	185	270	8,940	31	2,999	1,651
2,393	937	5,616	572	56	4,119	121	2,954	1,098
807	358	3,174	74	24	1,272	39	992	293
47	16	576	4	–*	186	1	81	17
–	1	–	–	–	–	21	2	466
–	–	–	–	–	210	–	2,259	145
156	763	403	497	84	1,673	41	278	682
37,116	11,841	49,169	15,969	17,589	799,341	7,893	2,270,541	186,957
$7,172,670	$1,866,005	$25,092,152	$1,081,535	$140,956	$17,951,479	$220,791	$ 9,869,289	$2,524,479
$5,276,847	$1,583,497	$16,705,295	$1,007,729	$144,445	$14,245,126	$199,948	$ 9,759,450	$2,632,809
72,015	14,360	178,447	14,722	100	155,865	1,570	81,284	24,658
337,923	(16,149)	1,308,899	25,653	374	142,911	288	58,239	(43,025)
1,485,885	284,297	6,899,511	33,431	(3,963)	3,407,577	18,985	(29,684)	(89,963)
$7,172,670	$1,866,005	$25,092,152	$1,081,535	$140,956	$17,951,479	$220,791	$ 9,869,289	$2,524,479
$5,701,632	$1,557,883	$18,182,581	$1,058,151	$152,788	$14,903,697	$205,000	$10,905,701	$2,705,272
–	21,179	–	–	–	–	–	–	–
–	76	–	309	6	–	–	5,962	1,402

Statements of assets and liabilities at June 30, 2015

	High-Income Bond Fund	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund	Cash Management Fund	Managed Risk Growth Fund
Assets:					
Investment securities, at value:					
Unaffiliated issuers	$1,988,474	$506,676	$4,194,213	$361,629	$ 6,560
Affiliated issuers	–	–	–	–	109,354
Cash denominated in currencies other than U.S. dollars	5	–	–	–	–
Cash	2,089	201	9,599	56	–
Unrealized appreciation on open forward currency contracts	83	–	–	–	–
Receivables for:					
Sales of investments	29,347	202,406	860,034	–	–
Sales of fund's shares	620	262	506	2,992	747
Dividends and interest	32,414	758	10,192	–	–*
Closed forward currency contracts	16	–	–	–	–
Deposits at brokers for futures contracts	–	–	–	–	292
Variation margin	97	–	1,793	–	4
Other	4	–	–	–	9
	2,053,149	710,303	5,076,337	364,677	116,966
Liabilities:					
Payables for:					
Purchases of investments	31,599	370,226	1,829,475	–	693
Repurchases of fund's shares	3,855	137	5,046	575	2
Investment advisory services	774	116	892	94	9
Services provided by related parties	207	14	378	67	91
Trustees' deferred compensation	55	1	59	22	–*
Variation margin	–	1	2,273	–	16
Other	260	1	26	4	–
	36,750	370,496	1,838,149	762	811
Net assets at June 30, 2015	$2,016,399	$339,807	$3,238,188	$363,915	$116,155
Net assets consist of:					
Capital paid in on shares of beneficial interest	$2,148,968	$334,342	$3,172,326	$364,765	$112,672
Undistributed (distributions in excess of) net investment income	54,565	1,288	11,590	(877)	(120)
Undistributed (accumulated) net realized gain (loss)	(110,619)	1,444	48,511	–	18,688
Net unrealized appreciation (depreciation)	(76,515)	2,733	5,761	27	(15,085)
Net assets at June 30, 2015	$2,016,399	$339,807	$3,238,188	$363,915	$116,155
Investment securities, at cost:					
Unaffiliated issuers	$2,065,018	$505,730	$4,192,170	$361,602	$ 6,560
Affiliated issuers	–	–	–	–	124,507
Cash denominated in currencies other than U.S. dollars, at cost	5	–	–	–	–

See end of statements of assets and liabilities for footnote.

See Notes to Financial Statements

unaudited
(dollars and shares in thousands, except per-share amounts)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ 5,055	$ 7,277	$ 6,660	$ 139,066
67,903	115,789	96,933	2,181,835
–	–	–	–
–	–	–	–
–	–	–	–
58	–	–	–
94	457	274	7,546
–*	–*	–*	1
–	–	–	–
388	1,052	369	–
51	14	7	–
5	11	9	–
73,554	124,600	104,252	2,328,448
87	424	254	6,452
63	–*	1	609
6	10	8	191
58	104	82	1,805
–*	–*	–*	4
32	43	16	–
–	–	–	52
246	581	361	9,113
$73,308	$124,019	$103,891	$2,319,335
$74,740	$124,126	$102,577	$2,287,721
41	11	(20)	1,768
2,007	9,413	11,406	141,947
(3,480)	(9,531)	(10,072)	(112,101)
$73,308	$124,019	$103,891	$2,319,335
$ 5,055	$ 7,277	$ 6,660	$ 139,066
71,395	125,578	107,144	2,293,936
–	–	–	–

Statements of assets and liabilities at June 30, 2015

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized					
Class 1:					
Net assets	$1,601,903	$1,781,093	$7,183,398	$3,605,555	$1,579,120
Shares outstanding	59,537	63,460	105,985	178,174	77,599
Net asset value per share	$26.91	$28.07	$67.78	$20.24	$20.35
Class 2:					
Net assets	$4,040,921	$2,925,553	$15,188,270	$4,442,564	$1,073,314
Shares outstanding	151,474	106,334	225,389	220,454	53,265
Net asset value per share	$26.68	$27.51	$67.39	$20.15	$20.15
Class 3:					
Net assets			$206,450	$37,412	
Shares outstanding			3,033	1,847	
Net asset value per share			$68.07	$20.25	
Class 4:					
Net assets	$49,833	$24,417	$47,636	$38,334	$121,146
Shares outstanding	1,868	878	709	1,911	6,013
Net asset value per share	$26.69	$27.80	$67.17	$20.06	$20.15

	High-Income Bond Fund	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund	Cash Management Fund	Managed Risk Growth Fund
Shares of beneficial interest issued and outstanding (no stated par value) – unlimited shares authorized					
Class 1:					
Net assets	$1,104,081	$283,180	$1,524,203	$43,502	
Shares outstanding	103,781	26,659	123,169	3,860	
Net asset value per share	$10.64	$10.62	$12.37	$11.27	
Class 2:					
Net assets	$893,770	$54,695	$1,677,675	$305,200	
Shares outstanding	85,202	5,162	136,990	27,662	
Net asset value per share	$10.49	$10.59	$12.25	$11.03	
Class 3:					
Net assets	$14,320		$11,737	$7,507	
Shares outstanding	1,343		947	674	
Net asset value per share	$10.66		$12.39	$11.14	
Class 4:					
Net assets	$4,228	$1,932	$24,573	$7,706	
Shares outstanding	380	183	2,000	688	
Net asset value per share	$11.13	$10.55	$12.29	$11.21	
Class P1:					
Net assets					$250
Shares outstanding					21
Net asset value per share					$11.71
Class P2:					
Net assets					$115,905
Shares outstanding					9,938
Net asset value per share					$11.66

*Amount less than one thousand.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$3,652,859	$239,626	$10,988,259	$774,121	$29,261	$12,578,468	$41,134	$5,441,678	$1,205,168
276,622	18,188	235,731	46,908	2,997	604,443	3,687	503,220	108,033
$13.21	$13.17	$46.61	$16.50	$9.76	$20.81	$11.16	$10.81	$11.16
$3,500,618	$1,623,332	$13,875,443	$277,473	$1	$5,262,101	$179,656	$4,385,332	$1,314,534
267,738	123,554	300,298	16,881	–*	255,193	16,150	410,655	118,468
$13.07	$13.14	$46.21	$16.44	$9.77	$20.62	$11.12	$10.68	$11.10
		$176,392			$38,019			
		3,782			1,827			
		$46.64			$20.81			
$19,193	$3,047	$52,058	$29,941	$111,694	$72,891	$1	$42,279	$4,777
1,464	233	1,129	1,827	11,456	3,531	–*	3,944	431
$13.11	$13.08	$46.12	$16.39	$9.75	$20.64	$11.12	$10.72	$11.07

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$119	$211	$307	$439,312
11	18	26	36,814
$10.33	$11.42	$11.73	$11.93
$73,189	$123,808	$103,584	$1,880,023
7,114	10,887	8,867	157,879
$10.29	$11.37	$11.68	$11.91

Statements of operations for the six months ended June 30, 2015

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 50,450	$ 21,224	$ 152,267	$ 93,162	$ 22,298
Interest	200	295	599	1,303	5,482
	50,650	21,519	152,866	94,465	27,780
Fees and expenses*:					
Investment advisory services	14,819	15,336	37,300	20,084	9,732
Distribution services	5,126	3,533	19,481	5,694	1,478
Insurance administrative services	41	20	43	34	115
Transfer agent services	–†	–†	1	–†	–†
Administrative services	284	221	1,142	403	135
Reports to shareholders	166	111	702	231	80
Registration statement and prospectus	9	8	36	12	41
Trustees' compensation	28	20	110	39	13
Auditing and legal	8	6	12	22	23
Custodian	287	349	231	789	635
State and local taxes	–	–	–	–	–
Other	13	8	19	16	32
Total fees and expenses before reimbursement/waiver	20,781	19,612	59,077	27,324	12,284
Less reimbursement/waiver of fees and expenses:					
Investment advisory services	–	–	–	–	–
Total reimbursement/waiver of fees and expenses	–	–	–	–	–
Total fees and expenses after reimbursement/waiver	20,781	19,612	59,077	27,324	12,284
Net investment income (loss)	29,869	1,907	93,789	67,141	15,496
Net realized gain (loss) and unrealized appreciation (depreciation):					
Net realized gain (loss) on*:					
Investments	288,936	379,963	1,008,768	512,150	(66,763)
Forward currency contracts	4,802	918	–	648	1,339
Interest rate swaps	–	–	–	–	–
Currency transactions	(5,057)	(241)	(1,662)	(1,068)	(381)
	288,681	380,640	1,007,106	511,730	(65,805)
Net unrealized appreciation (depreciation) on:					
Investments	123,228	261,282	220,331	(153,841)	157,660
Forward currency contracts	(2,351)	(644)	–	(5,382)	(544)
Interest rate swaps	–	–	–	–	–
Credit default swaps	–	–	–	–	–
Currency translations	244	103	223	503	113
	121,121	260,741	220,554	(158,720)	157,229
Net realized gain (loss) and unrealized appreciation (depreciation)	409,802	641,381	1,227,660	353,010	91,424
Net increase (decrease) in net assets resulting from operations	$439,671	$643,288	$1,321,449	$ 420,151	$106,920

See end of statements of operations for footnotes.

See Notes to Financial Statements

Blue Chip Income and Growth Fund	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund	Bond Fund	Global Bond Fund
$ 91,946	$ 29,299	$ 231,477	$21,295	$ 2,164	$ 135,663	$2,391	$ 55	$ –
182	382	2,408	722	117	57,429	811	111,082	35,921
92,128	29,681	233,885	22,017	2,281	193,092	3,202	111,137	35,921
14,423	5,676	33,771	3,346	272	24,523	720	17,751	6,715
4,580	2,096	17,940	358	109	6,842	225	5,641	1,688
18	3	50	31	109	63	–	45	5
–†	–†	1	–†	–†	1	–†	1	–†
365	95	1,267	53	5	887	11	486	128
134	29	617	12	1	542	2	243	45
9	3	38	17	12	187	3	14	20
35	9	123	5	–†	85	1	46	12
1	8	13	4	–†	5	5	2	9
126	150	377	133	8	10	19	64	301
–	–	–	–	–	–	1	–	–
6	8	21	36	–†	18	13	163	137
19,697	8,077	54,218	3,995	516	33,163	1,000	24,456	9,060
6	–	–	–	–	–	–	–	–
6	–	–	–	–	–	–	–	–
19,691	8,077	54,218	3,995	516	33,163	1,000	24,456	9,060
72,437	21,604	179,667	18,022	1,765	159,929	2,202	86,681	26,861
340,017	65,621	1,315,509	25,570	704	149,234	466	33,332	(45,208)
–	2,216	–	–	–	–	22	15,963	4,547
–	–	–	–	–	(2,582)	–	13,204	1,382
(7)	(95)	(345)	95	(3)	(117)	(63)	(150)	(3,072)
340,010	67,742	1,315,164	25,665	701	146,535	425	62,349	(42,351)
(421,514)	(23,415)	(728,756)	(8,081)	(2,907)	(139,410)	(800)	(173,130)	(50,337)
–	(1,056)	–	–	–	–	(141)	(4,081)	(1,081)
–	–	–	–	–	5,549	–	10,285	180
–	–	–	–	–	–	–	47	–
(4)	66	6	40	4	98	20	393	739
(421,518)	(24,405)	(728,750)	(8,041)	(2,903)	(133,763)	(921)	(166,486)	(50,499)
(81,508)	43,337	586,414	17,624	(2,202)	12,772	(496)	(104,137)	(92,850)
$ (9,071)	$ 64,941	$ 766,081	$35,646	$ (437)	$ 172,701	$1,706	$ (17,456)	$(65,989)

Statements of operations for the six months ended June 30, 2015

	High-Income Bond Fund	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund	Cash Management Fund	Managed Risk Growth Fund
Investment income:					
Income (net of non-U.S. taxes)*:					
Dividends	$ 13	$ –	$ –	$ –	$ 155
Interest	63,571	2,165	19,902	149	–†
	63,584	2,165	19,902	149	155
Fees and expenses*:					
Investment advisory services	4,635	706	5,592	577	121
Distribution services	1,172	68	2,153	392	121
Insurance administrative services	5	1	27	8	121
Transfer agent services	–†	–†	–†	–†	–†
Administrative services	100	17	168	18	–
Accounting and administrative services	–	–	–	–	27
Reports to shareholders	30	3	55	6	1
Registration statement and prospectus	4	10	5	–†	15
Trustees' compensation	10	1	16	2	–†
Auditing and legal	–†	–†	1	–†	–†
Custodian	12	1	5	1	6
State and local taxes	–	–	–	–	–
Other	33	7	10	–	22
Total fees and expenses before reimbursement/waiver	6,001	814	8,032	1,004	434
Less reimbursement/waiver of fees and expenses:					
Investment advisory services	–	–	–	–	43
Other	–	–	–	–	56
Total reimbursement/waiver of fees and expenses	–	–	–	–	99
Total fees and expenses after reimbursement/waiver	6,001	814	8,032	1,004	335
Net investment income (loss)	57,583	1,351	11,870	(855)	(180)
Net realized gain (loss) and unrealized appreciation (depreciation):					
Net realized gain (loss) on*:					
Investments	(33,975)	1,336	31,841	–	247
Forward currency contracts	824	–	–	–	–
Interest rate swaps	3	139	17,662	–	–
Credit default swaps	178	–	–	–	–
Futures contracts	–	–	–	–	(2,647)
Currency transactions	(56)	–	–	–	(9)
Capital gain distributions received	–	–	–	–	21,515
	(33,026)	1,475	49,503	–	19,106
Net unrealized appreciation (depreciation) on:					
Investments	11,739	(2,904)	(46,714)	11	(17,174)
Forward currency contracts	(151)	–	–	–	–
Interest rate swaps	35	2,592	11,355	–	–
Credit default swaps	(81)	–	–	–	–
Futures contracts	–	–	–	–	506
Currency translations	40	–	–	–	–
	11,582	(312)	(35,359)	11	(16,668)
Net realized gain (loss) and unrealized appreciation (depreciation)	(21,444)	1,163	14,144	11	2,438
Net increase (decrease) in net assets resulting from operations	$ 36,139	$ 2,514	$ 26,014	$ (844)	$ 2,258

*Additional information related to non-U.S. taxes, affiliated transactions and class-specific fees and expenses is included in the Notes to Financial Statements.
† Amount less than one thousand.

See Notes to Financial Statements

unaudited
(dollars in thousands)

Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
$ 247	$ 429	$ 280	$ 8,902
–†	–†	–†	6
247	429	280	8,908
75	148	113	2,710
75	148	113	2,287
75	148	113	2,710
–†	–†	–†	–†
–	–	–	–
26	27	26	50
–†	1	–†	21
9	19	15	356
–†	1	–†	10
–†	–†	–†	–†
6	6	6	6
1	1	–	–
8	28	18	126
275	527	404	8,276
27	51	39	926
42	65	53	244
69	116	92	1,170
206	411	312	7,106
41	18	(32)	1,802
186	2,178	601	955
–	–	–	–
–	–	–	–
–	–	–	–
(1,695)	(2,868)	(2,220)	(10,747)
(24)	(3)	(3)	(11)
3,720	11,298	13,419	151,808
2,187	10,605	11,797	142,005
(2,014)	(14,064)	(11,984)	(143,738)
–	–	–	–
–	–	–	–
–	–	–	–
161	379	331	–
–	–	–	–
(1,853)	(13,685)	(11,653)	(143,738)
334	(3,080)	144	(1,733)
$ 375	$ (3,062)	$ 112	$ 69

Statements of changes in net assets

	Global Growth Fund		Global Small Capitalization Fund		Growth Fund	
	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014
Operations:						
Net investment income (loss)	$ 29,869	$ 51,867	$ 1,907	$ 7,363	$ 93,789	$ 217,653
Net realized gain (loss)	288,681	558,227	380,640	334,732	1,007,106	4,628,415
Net unrealized appreciation (depreciation)	121,121	(479,729)	260,741	(249,267)	220,554	(2,958,293)
Net increase (decrease) in net assets resulting from operations	439,671	130,365	643,288	92,828	1,321,449	1,887,775
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(10,780)	(68,881)	–	(8,225)	(26,693)	(224,482)
Distributions from net realized gain on investments	(539,533)	(559,317)	(331,551)	(18,741)	(4,626,506)	(1,119,414)
Total dividends and distributions paid to shareholders	(550,313)	(628,198)	(331,551)	(26,966)	(4,653,199)	(1,343,896)
Net capital share transactions	234,454	178,506	258,782	(105,588)	3,194,539	(1,339,113)
Total increase (decrease) in net assets	123,812	(319,327)	570,519	(39,726)	(137,211)	(795,234)
Net assets:						
Beginning of period	5,568,845	5,888,172	4,160,544	4,200,270	22,762,965	23,558,199
End of period	$5,692,657	$5,568,845	$4,731,063	$4,160,544	$22,625,754	$22,762,965
Undistributed (distributions in excess of) net investment income	$23,929	$4,840	$(18,850)	$(20,757)	$93,077	$25,981

	International Growth and Income Fund		Capital Income Builder		Asset Allocation Fund	
	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014[2]	Six months ended June 30 2015[1]	Year ended December 31 2014
Operations:						
Net investment income (loss)	$ 18,022	$ 32,645	$ 1,765	$ 716	$ 159,929	$ 311,850
Net realized gain (loss)	25,665	24,882	701	(224)	146,535	1,260,965
Net unrealized appreciation (depreciation)	(8,041)	(92,467)	(2,903)	(1,060)	(133,763)	(654,181)
Net increase (decrease) in net assets resulting from operations	35,646	(34,940)	(437)	(568)	172,701	918,634
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(1,666)	(31,369)	(1,556)	(835)	(71,867)	(282,950)
Distributions from net realized gain on investments	(21,506)	(9,656)	–	(94)	(1,266,708)	(808,834)
Total dividends and distributions paid to shareholders	(23,172)	(41,025)	(1,556)	(929)	(1,338,575)	(1,091,784)
Net capital share transactions	60,851	129,868	67,783	76,663	1,554,485	1,418,325
Total increase (decrease) in net assets	73,325	53,903	65,790	75,166	388,611	1,245,175
Net assets:						
Beginning of period	1,008,210	954,307	75,166	–	17,562,868	16,317,693
End of period	$1,081,535	$1,008,210	$140,956	$75,166	$17,951,479	$17,562,868
Undistributed (distributions in excess of) net investment income	$14,722	$(1,634)	$100	$(109)	$155,865	$67,803

See end of statements of changes for footnotes.

See Notes to Financial Statements

(dollars in thousands)

International Fund		New World Fund		Blue Chip Income and Growth Fund		Global Growth and Income Fund		Growth-Income Fund	
Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014
$ 67,141	$ 105,714	$ 15,496	$ 30,392	$ 72,437	$ 219,105	$ 21,604	$ 63,105	$ 179,667	$ 352,891
511,730	865,143	(65,805)	150,040	340,010	737,778	67,742	191,803	1,315,164	3,612,305
(158,720)	(1,181,692)	157,229	(396,524)	(421,518)	25,004	(24,405)	(146,194)	(728,750)	(1,415,092)
420,151	(210,835)	106,920	(216,092)	(9,071)	981,887	64,941	108,714	766,081	2,550,104
(27,637)	(119,689)	(9,231)	(31,681)	(25,323)	(221,413)	(7,321)	(66,932)	(69,191)	(345,996)
(446,067)	–	(149,097)	(264,280)	(712,444)	–	–	–	(3,606,147)	(1,199,049)
(473,704)	(119,689)	(158,328)	(295,961)	(737,767)	(221,413)	(7,321)	(66,932)	(3,675,338)	(1,545,045)
465,564	(1,245,391)	243,510	390,346	646,624	(56,686)	(77,966)	(184,153)	2,637,861	(674,865)
412,011	(1,575,915)	192,102	(121,707)	(100,214)	703,788	(20,346)	(142,371)	(271,396)	330,194
7,711,854	9,287,769	2,581,478	2,703,185	7,272,884	6,569,096	1,886,351	2,028,722	25,363,548	25,033,354
$8,123,865	$ 7,711,854	$2,773,580	$2,581,478	$7,172,670	$7,272,884	$1,866,005	$1,886,351	$25,092,152	$25,363,548
$14,677	$(24,827)	$(6,310)	$(12,575)	$72,015	$24,901	$14,360	$77	$178,447	$67,971

Global Balanced Fund		Bond Fund		Global Bond Fund		High-Income Bond Fund		Mortgage Fund	
Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014
$ 2,202	$ 3,998	$ 86,681	$ 182,459	$ 26,861	$ 58,842	$ 57,583	$ 114,002	$ 1,351	$ 3,082
425	3,440	62,349	206,562	(42,351)	41,961	(33,026)	51,505	1,475	7,167
(921)	(4,235)	(166,486)	115,241	(50,499)	(60,877)	11,582	(152,358)	(312)	4,203
1,706	3,203	(17,456)	504,262	(65,989)	39,926	36,139	13,149	2,514	14,452
(274)	(2,876)	(34,666)	(196,026)	(1,846)	(38,880)	(19,652)	(116,796)	(795)	(2,963)
(782)	(5,479)	(192,440)	(3,424)	(69,034)	(22,998)	–	–	(4,268)	–
(1,056)	(8,355)	(227,106)	(199,450)	(70,880)	(61,878)	(19,652)	(116,796)	(5,063)	(2,963)
4,392	28,764	543,231	(6,277)	77,045	17,465	37,436	130,489	(2,452)	86,031
5,042	23,612	298,669	298,535	(59,824)	(4,487)	53,923	26,842	(5,001)	97,520
215,749	192,137	9,570,620	9,272,085	2,584,303	2,588,790	1,962,476	1,935,634	344,808	247,288
$220,791	$215,749	$9,869,289	$9,570,620	$2,524,479	$2,584,303	$2,016,399	$1,962,476	$339,807	$344,808
$1,570	$(358)	$81,284	$29,269	$24,658	$(357)	$54,565	$16,634	$1,288	$732

Statements of changes in net assets

	U.S. Government/ AAA-Rated Securities Fund		Cash Management Fund		Managed Risk Growth Fund	
	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014
Operations:						
Net investment income (loss)	$ 11,870	$ 38,754	$ (855)	$ (2,052)	$ (180)	$ 536
Net realized gain (loss)	49,503	48,326	–[3]	1	19,106	1,092
Net unrealized appreciation (depreciation)	(35,359)	86,330	11	3	(16,668)	(434)
Net increase (decrease) in net assets resulting from operations	26,014	173,410	(844)	(2,048)	2,258	1,194
Dividends and distributions paid to shareholders:						
Dividends from net investment income	(5,684)	(41,683)	–	–	–	(534)
Distributions from net realized gain on investments	(27,146)	–	–	–	–	(1,328)
Total dividends and distributions paid to shareholders	(32,830)	(41,683)	–	–	–	(1,862)
Net capital share transactions	(228,809)	(57,173)	(30,306)	(62,920)	34,633	51,939
Total increase (decrease) in net assets	(235,625)	74,554	(31,150)	(64,968)	36,891	51,271
Net assets:						
Beginning of period	3,473,813	3,399,259	395,065	460,033	79,264	27,993
End of period	$3,238,188	$3,473,813	$363,915	$395,065	$116,155	$79,264
Undistributed (distributions in excess of) net investment income	$11,590	$5,404	$(877)	$(22)	$(120)	$60

[1] Unaudited.
[2] For the period May 1, 2014, commencement of operations, through December 31, 2014.
[3] Amount less than one thousand.

See Notes to Financial Statements

(dollars in thousands)

Managed Risk International Fund		Managed Risk Blue Chip Income and Growth Fund		Managed Risk Growth-Income Fund		Managed Risk Asset Allocation Fund	
Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014	Six months ended June 30 2015[1]	Year ended December 31 2014
$ 41	$ 485	$ 18	$ 2,247	$ (32)	$ 641	$ 1,802	$ 20,101
2,187	96	10,605	(938)	11,797	1,387	142,005	54,138
(1,853)	(2,770)	(13,685)	2,283	(11,653)	(416)	(143,738)	(23,318)
375	(2,189)	(3,062)	3,592	112	1,612	69	50,921
(14)	(510)	(76)	(2,179)	–	(643)	(24,341)	(1,557)
–	–	–	–	–	(1,590)	(48,390)	–
(14)	(510)	(76)	(2,179)	–	(2,233)	(72,731)	(1,557)
26,840	31,920	29,050	70,335	28,013	52,232	335,028	1,100,535
27,201	29,221	25,912	71,748	28,125	51,611	262,366	1,149,899
46,107	16,886	98,107	26,359	75,766	24,155	2,056,969	907,070
$73,308	$46,107	$124,019	$98,107	$103,891	$75,766	$2,319,335	$2,056,969
$41	$14	$11	$69	$(20)	$12	$1,768	$24,307

Notes to financial statements

1. Organization

American Funds Insurance Series (the "series") is registered under the Investment Company Act of 1940 as an open-end, diversified management investment company with 28 different funds (the "funds"). Twenty-three funds in the series are covered in this report. The other five funds in the series are covered in a separate report. The assets of each fund are segregated, with each fund accounted for separately. Capital Research and Management Company ("CRMC") is the series' investment adviser. Milliman Financial Risk Management LLC ("Milliman") is the subadviser for the risk management strategy for eight of the funds (the "managed risk funds"), five of which are covered in this report.

The managed risk funds covered in this report are Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund, Managed Risk Growth-Income Fund and Managed Risk Asset Allocation Fund. The managed risk funds invest in other funds within the series (the "underlying funds") and employ Milliman to implement the risk management strategy, which consists of using hedging instruments – primarily short positions on exchange-traded futures contracts – to attempt to stabilize the volatility of the funds around target volatility levels and reduce the downside exposure of the funds during periods of significant market declines.

Shareholders approved a proposal to reorganize the series from a Massachusetts business trust to a Delaware statutory trust. The reorganization may be completed in the next 12 months; however, the series reserves the right to delay the implementation.

The investment objectives for each fund covered in this report are as follows:

Global Growth Fund – Seeks long-term growth of capital through investments in common stocks of companies located around the world.

Global Small Capitalization Fund – Seeks long-term growth of capital through investments in smaller companies in the U.S. and around the world.

Growth Fund – Seeks to invest in a wide range of companies that appear to offer superior opportunities for growth of capital.

International Fund – Seeks long-term growth of capital through investments in common stocks of companies located around the world.

New World Fund – Seeks long-term capital appreciation by investing in common stocks and bonds with significant exposure to countries that have developing economies and/or markets.

Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing through investments in quality common stocks.

Global Growth and Income Fund – Seeks long-term growth of capital while providing current income. It invests on a global basis in a diversified portfolio consisting primarily of common stocks and other equity securities.

Growth-Income Fund – Seeks long-term growth of capital and income by investing in common stocks or other securities of companies located in the U.S. and around the world.

International Growth and Income Fund – Seeks to provide long-term growth of capital and current income by investing primarily in the stocks of larger, well-established companies outside the U.S., including countries that have developing economies and/or markets.

Capital Income Builder – Seeks to provide a level of current income exceeding the average yield on U.S. stocks generally and to provide a growing stream of income over the years.

Asset Allocation Fund – Seeks high total return (including income and capital gains) consistent with the preservation of capital over the long term by investing primarily in common stocks and fixed-income securities.

Global Balanced Fund – Seeks long-term growth of capital, conservation of principal and current income by investing in equity and debt securities in the U.S. and around the world.

Bond Fund – Seeks a high level of current income as is consistent with preservation of capital by investing primarily in bonds.

Global Bond Fund – Seeks a high level of total return consistent with prudent investment management by investing primarily in a global portfolio of investment-grade bonds.

High-Income Bond Fund – Seeks a high level of current income and, secondarily, capital appreciation through a diversified portfolio consisting primarily of lower rated, higher risk corporate bonds.

Mortgage Fund – Seeks to provide current income and preservation of capital by investing primarily in mortgage-related securities.

U.S. Government/AAA-Rated Securities Fund – Seeks to provide a high level of current income consistent with preservation of capital by investing primarily in securities guaranteed or sponsored by the U.S. government and the highest quality corporate bonds.

Cash Management Fund – Seeks to provide income on cash reserves while preserving capital and maintaining liquidity.

Managed Risk Growth Fund – Seeks to provide growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk International Fund – Seeks to provide long-term growth of capital while seeking to manage volatility and provide downside protection.

Managed Risk Blue Chip Income and Growth Fund – Seeks to produce income exceeding the average yield on U.S. stocks generally and to provide an opportunity for growth of principal consistent with sound common stock investing, in each case while seeking to manage volatility and provide downside protection.

Managed Risk Growth-Income Fund – Seeks to provide long-term growth of capital and income while seeking to manage volatility and provide downside protection.

Managed Risk Asset Allocation Fund – Seeks to provide high total return consistent with preservation of capital over the long term while seeking to manage volatility and provide downside protection.

Each fund in the series, except the managed risk funds, offers either three or four share classes (Classes 1, 2, 3 or 4); the managed risk funds offer two share classes (Classes P1 and P2). Holders of all share classes of each fund have equal pro rata rights to assets, dividends and liquidation proceeds of each fund held. Each share class of each fund has identical voting rights, except for the exclusive right to vote on matters affecting only its class. Share classes have different fees and expenses ("class-specific fees and expenses"), primarily due to different arrangements for certain distribution expenses. Differences in class-specific fees and expenses will result in differences in net investment income and, therefore, the payment of different per-share dividends by each class of each fund.

2. Significant accounting policies

Each fund is an investment company that applies the accounting and reporting guidance issued in Topic 946 by the U.S. Financial Accounting Standards Board. Each fund's financial statements have been prepared to comply with U.S. generally accepted accounting principles ("U.S. GAAP"). These principles require the series' investment adviser to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Subsequent events, if any, have been evaluated through the date of issuance in the preparation of the financial statements. The funds follow the significant accounting policies described in this section, as well as the valuation policies described in the next section on valuation.

Security transactions and related investment income – Security transactions are recorded by the funds as of the date the trades are executed with brokers. Realized gains and losses from security transactions are determined based on the specific identified cost of the securities. In the event a security is purchased with a delayed payment date, the funds will segregate liquid assets sufficient to meet their payment obligations. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Market discounts, premiums and original issue discounts on fixed-income securities are amortized daily over the expected life of the security.

Fees and expenses – The fees and expenses of the underlying funds held by the managed risk funds are not included in the fees and expenses reported for each of the managed risk funds; however, they are indirectly reflected in the valuation of each of the underlying funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables.

Class allocations – Income, fees and expenses (other than class-specific fees and expenses) and realized and unrealized gains and losses are allocated daily among the various share classes of each fund based on their relative net assets. Class-specific fees and expenses, such as distribution expenses, are accrued daily and charged directly to the respective share class of each fund.

Dividends and distributions to shareholders – Dividends and distributions to shareholders are recorded on each fund's ex-dividend date.

Currency translation – Assets and liabilities, including investment securities, denominated in currencies other than U.S. dollars are translated into U.S. dollars at the exchange rates supplied by one or more pricing vendors on the valuation date. Purchases and sales of investment securities and income and expenses are translated into U.S. dollars at the exchange rates on the dates of such transactions. The effects of changes in exchange rates on investment securities are included with the net realized gain or loss and net unrealized appreciation or depreciation on investments in the funds' statements of operations. The realized gain or loss and unrealized appreciation or depreciation resulting from all other transactions denominated in currencies other than U.S. dollars are disclosed separately.

3. Valuation

CRMC, the series' investment adviser, values the funds' investments at fair value as defined by U.S. GAAP. The net asset value of each share class of each fund is generally determined as of approximately 4:00 p.m. New York time each day the New York Stock Exchange is open.

Methods and inputs – The series' investment adviser uses the following methods and inputs to establish the fair value of each fund's assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve.

Equity securities are generally valued at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market on which the security trades. The value of an underlying fund is based on its reported net asset value.

Fixed-income securities, including short-term securities, are generally valued at prices obtained from one or more pricing vendors. Vendors value such securities based on one or more of the inputs described in the following table. The table provides examples of inputs that are commonly relevant for valuing particular classes of fixed-income securities in which the funds are authorized to invest. However, these classifications are not exclusive and any of the inputs may be used to value any other class of fixed-income security.

Fixed-income class	Examples of standard inputs
All	Benchmark yields, transactions, bids, offers, quotations from dealers and trading systems, new issues, spreads and other relationships observed in the markets among comparable securities; and proprietary pricing models such as yield measures calculated using factors such as cash flows, financial or collateral performance and other reference data (collectively referred to as "standard inputs")
Corporate bonds & notes; convertible securities	Standard inputs and underlying equity of the issuer
Bonds & notes of governments & government agencies	Standard inputs and interest rate volatilities
Mortgage-backed; asset-backed obligations	Standard inputs and cash flows, prepayment information, default rates, delinquency and loss assumptions, collateral characteristics, credit enhancements and specific deal information
Municipal securities	Standard inputs and, for certain distressed securities, cash flows or liquidation values using a net present value calculation based on inputs that include, but are not limited to, financial statements and debt contracts

When the series' investment adviser deems it appropriate to do so (such as when vendor prices are unavailable or not deemed to be representative), fixed-income securities will be valued in good faith at the mean quoted bid and ask prices that are reasonably and timely available (or bid prices, if ask prices are not available) or at prices for securities of comparable maturity, quality and type.

Securities with both fixed-income and equity characteristics, or equity securities traded principally among fixed-income dealers, are generally valued in the manner described for either equity or fixed-income securities, depending on which method is deemed most appropriate by the series' investment adviser. The Government Cash Management Fund held by the managed risk funds is managed to maintain a $1.00 net asset value per share. The net asset value of each share class of each managed risk fund is calculated based on the reported net asset values of the underlying funds in which each fund invests.

Forward currency contracts are valued at the mean of representative quoted bid and ask prices, generally based on prices supplied by one or more pricing vendors. Interest rate swaps and credit default swaps are generally valued by pricing vendors based on market inputs that include the index and term of index, reset frequency, payer/receiver, currency and pay frequency. Exchange-traded futures are generally valued at the official settlement price of, or the last reported sale price on, the exchange or market on which such instruments are traded, as of the close of business on the day the futures are being valued or, lacking any sales, at the last available bid price. Prices for each future are taken from the exchange or market on which the security trades.

Securities and other assets for which representative market quotations are not readily available or are considered unreliable by the series' investment adviser are fair valued as determined in good faith under fair value guidelines adopted by authority of the series' board of trustees as further described. The investment adviser follows fair valuation guidelines, consistent with U.S. Securities and Exchange Commission rules and guidance, to consider relevant principles and factors when making fair value determinations. The investment adviser considers relevant indications of value that are reasonably and timely available to it in determining the fair value to be assigned to a particular security, such as the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; significant events occurring after the close of trading in the security; and changes in overall market conditions. In addition, the closing prices of equity securities and futures that trade in markets outside U.S. time zones may be adjusted to reflect significant events that occur after the close of local trading but before the net asset value of each share class of each fund is determined. Fair valuations and valuations of investments and futures that are not actively trading involve judgment and may differ materially from valuations that would have been used had greater market activity occurred.

Processes and structure — The series' board of trustees has delegated authority to the series' investment adviser to make fair value determinations, subject to board oversight. The investment adviser has established a Joint Fair Valuation Committee (the "Fair Valuation Committee") to administer, implement and oversee the fair valuation process, and to make fair value decisions. The Fair Valuation Committee regularly reviews its own fair value decisions, as well as decisions made under its standing instructions to the investment adviser's valuation teams. The Fair Valuation Committee reviews changes in fair value measurements from period to period and may, as deemed appropriate, update the fair valuation guidelines to better reflect the results of back testing and address new or evolving issues. The Fair Valuation Committee reports any changes to the fair valuation guidelines to the board of trustees with supplemental information to support the changes. The series' board and audit committee also regularly review reports that describe fair value determinations and methods.

The series' investment adviser has also established a Fixed-Income Pricing Review Group to administer and oversee the fixed-income valuation process, including the use of fixed-income pricing vendors. This group regularly reviews pricing vendor information and market data. Pricing decisions, processes and controls over security valuation are also subject to additional internal reviews, including an annual control self-evaluation program facilitated by the investment adviser's compliance group.

Classifications — The series' investment adviser classifies the funds' assets and liabilities into three levels based on the inputs used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Certain securities trading outside the U.S. may transfer between Level 1 and Level 2 due to valuation adjustments resulting from significant market movements following the close of local trading. Level 3 values are based on significant unobservable inputs that reflect the investment adviser's determination of assumptions that market participants might reasonably use in valuing the securities.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. For example, U.S. government securities are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. The following tables present the funds' valuation levels as of June 30, 2015 (dollars in thousands):

Global Growth Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Health care	$1,199,892	$ –	$–	$1,199,892
Information technology	1,148,547	–	–	1,148,547
Consumer discretionary	1,022,503	–	–	1,022,503
Financials	800,650	–	–	800,650
Industrials	427,646	–	–	427,646
Consumer staples	390,914	–	–	390,914
Telecommunication services	163,980	–	–	163,980
Energy	142,915	–	–	142,915
Materials	116,906	–	–	116,906
Utilities	28,874	–	–	28,874
Miscellaneous	101,274	–	–	101,274
Preferred securities	135	–	–	135
Bonds, notes & other debt instruments	–	20,279	–	20,279
Short-term securities	–	165,752	–	165,752
Total	$5,544,236	$186,031	$–	$5,730,267

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 210	$–	$ 210
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(1,193)	–	(1,193)
Total	$–	$ (983)	$–	$ (983)

*Securities with a value of $2,715,514,000, which represented 47.70% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Global Small Capitalization Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Consumer discretionary	$ 948,864	$ 8,429	$ 47	$ 957,340
Health care	891,177	12,635	6,039	909,851
Information technology	713,486	–	–	713,486
Industrials	504,871	2,855	–	507,726
Financials	299,232	–	–	299,232
Energy	177,251	–	8,399	185,650
Materials	151,697	–	23,642	175,339
Consumer staples	155,304	–	–	155,304
Utilities	89,539	–	–	89,539
Telecommunication services	5,278	–	–	5,278
Miscellaneous	229,826	102	–	229,928
Rights & warrants	619	10	1,991	2,620
Convertible stocks	–	–	6,481	6,481
Bonds, notes & other debt instruments	–	10,682	–	10,682
Short-term securities	–	508,114	–	508,114
Total	$4,167,144	$542,827	$46,599	$4,756,570

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 219	$–	$ 219
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(458)	–	(458)
Total	$–	$(239)	$–	$(239)

*Securities with a value of $1,491,908,000, which represented 31.53% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Growth Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Health care	$ 4,533,042	$ 6,397	$ –	$ 4,539,439
Information technology	4,385,993	–	–	4,385,993
Consumer discretionary	4,208,261	–	–	4,208,261
Financials	3,043,408	–	–	3,043,408
Consumer staples	1,851,554	–	–	1,851,554
Energy	1,592,902	–	3,370	1,596,272
Industrials	1,589,793	–	–	1,589,793
Other	370,797	–	1,013	371,810
Miscellaneous	129,992	–	–	129,992
Preferred securities	31	–	–	31
Rights & warrants	10,896	–	–	10,896
Convertible stocks	–	–	10,650	10,650
Short-term securities	–	854,125	–	854,125
Total	$21,716,669	$860,522	$15,033	$22,592,224

*Securities with a value of $1,837,183,000, which represented 8.12% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.

International Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Financials	$1,521,216	$ –	$–	$1,521,216
Consumer discretionary	1,127,767	–	–	1,127,767
Health care	1,098,420	–	–	1,098,420
Information technology	918,817	–	–	918,817
Industrials	915,062	–	–	915,062
Consumer staples	388,334	–	–	388,334
Materials	350,068	7,815	–	357,883
Telecommunication services	299,365	–	–	299,365
Utilities	296,259	–	–	296,259
Energy	262,731	–	–	262,731
Miscellaneous	164,332	–	–	164,332
Rights & warrants	350	–	–	350
Bonds, notes & other debt instruments	–	75,349	–	75,349
Short-term securities	–	702,856	–	702,856
Total	$7,342,721	$786,020	$–	$8,128,741

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 216	$–	$ 216
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(1,497)	–	(1,497)
Total	$–	$(1,281)	$–	$(1,281)

*Securities with a value of $6,223,223,000, which represented 76.60% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

New World Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 430,695	$ –	$ –	$ 430,695
Financials	404,515	1,919	33	406,467
Consumer discretionary	384,747	3,220	–	387,967
Consumer staples	238,923	–	–	238,923
Energy	211,932	–	–	211,932
Health care	203,140	–	–	203,140
Industrials	145,911	–	–	145,911
Telecommunication services	81,877	–	–	81,877
Materials	37,944	5,692	10,309	53,945
Utilities	44,250	–	–	44,250
Miscellaneous	132,159	4,625	–	136,784
Preferred securities	1,011	–	–	1,011
Rights & warrants	–	26,526	–	26,526
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	145,759	–	145,759
Corporate bonds & notes	–	27,613	–	27,613
U.S. Treasury bonds & notes	–	5,167	–	5,167
Short-term securities	–	228,371	–	228,371
Total	$2,317,104	$448,892	$10,342	$2,776,338

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 75	$–	$ 75
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(53)	–	(53)
Total	$–	$ 22	$–	$ 22

*Securities with a value of $1,261,590,000, which represented 45.49% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Blue Chip Income and Growth Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stocks:				
Health care	$1,364,235	$ –	$–	$1,364,235
Industrials	1,106,425	–	–	1,106,425
Information technology	1,037,092	–	–	1,037,092
Telecommunication services	790,568	–	–	790,568
Consumer staples	649,388	–	–	649,388
Energy	467,494	–	–	467,494
Consumer discretionary	371,478	–	–	371,478
Financials	281,807	–	–	281,807
Utilities	270,091	–	–	270,091
Materials	244,205	–	–	244,205
Miscellaneous	316,118	–	–	316,118
Short-term securities	–	288,635	–	288,635
Total	$6,898,901	$288,635	$–	$7,187,536

Global Growth and Income Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 420,780	$ –	$–	$ 420,780
Consumer discretionary	244,774	4,127	–	248,901
Industrials	223,639	795	–	224,434
Information technology	205,806	–	–	205,806
Health care	200,509	–	–	200,509
Telecommunication services	147,807	–	–	147,807
Consumer staples	124,663	–	–	124,663
Materials	87,445	–	–	87,445
Energy	69,764	–	–	69,764
Utilities	68,094	–	–	68,094
Miscellaneous	10,087	1,364	–	11,451
Preferred securities	427	–	–	427
Bonds, notes & other debt instruments	–	9,664	–	9,664
Short-term securities	–	43,766	–	43,766
Total	$1,803,795	$59,716	$–	$1,863,511

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$227	$–	$227
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(19)	–	(19)
Total	$–	$208	$–	$208

*Securities with a value of $787,048,000, which represented 42.18% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.

†Forward currency contracts are not included in the investment portfolio.

Growth-Income Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Health care	$ 4,700,566	$ –	$–	$ 4,700,566
Information technology	3,683,626	–	–	3,683,626
Consumer discretionary	3,330,846	–	–	3,330,846
Industrials	2,406,933	–	–	2,406,933
Financials	2,241,685	–	–	2,241,685
Consumer staples	1,847,841	83,837	–	1,931,678
Materials	1,684,958	–	–	1,684,958
Energy	1,628,967	–	–	1,628,967
Telecommunication services	548,091	–	–	548,091
Utilities	269,055	–	–	269,055
Miscellaneous	1,253,064	–	–	1,253,064
Rights & warrants	3,412	–	–	3,412
Convertible stocks	–	6,264	–	6,264
Convertible bonds	–	33,292	–	33,292
Bonds, notes & other debt instruments	–	18,471	–	18,471
Short-term securities	–	1,341,274	–	1,341,274
Total	$23,599,044	$1,483,138	$–	$25,082,182

*Securities with a value of $1,425,798,000, which represented 5.68% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.

International Growth and Income Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Financials	$243,537	$ –	$–	$ 243,537
Consumer discretionary	157,256	–	–	157,256
Consumer staples	125,865	–	–	125,865
Utilities	107,989	–	–	107,989
Health care	104,437	–	–	104,437
Industrials	60,746	–	–	60,746
Energy	54,577	–	–	54,577
Telecommunication services	48,351	–	–	48,351
Materials	32,641	–	–	32,641
Information technology	18,860	–	–	18,860
Miscellaneous	8,411	–	–	8,411
Convertible bonds	–	2,574	–	2,574
Bonds, notes & other debt instruments	–	21,400	–	21,400
Short-term securities	–	105,273	–	105,273
Total	$962,670	$129,247	$–	$1,091,917

*Securities with a value of $729,905,000, which represented 67.49% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.

Capital Income Builder

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 21,298	$ –	$–	$ 21,298
Consumer staples	17,492	–	–	17,492
Utilities	11,813	–	–	11,813
Energy	11,234	–	–	11,234
Telecommunication services	11,220	–	–	11,220
Health care	10,537	–	–	10,537
Consumer discretionary	10,345	–	–	10,345
Information technology	9,147	–	–	9,147
Industrials	6,276	–	–	6,276
Materials	4,766	–	–	4,766
Miscellaneous	1,236	–	–	1,236
Convertible stocks	470	–	–	470
Bonds, notes & other debt instruments:				
Mortgage-backed obligations	–	10,000	–	10,000
Corporate bonds & notes	–	4,323	–	4,323
U.S. Treasury bonds & notes	–	3,927	–	3,927
Asset-backed obligations	–	1,838	–	1,838
Short-term securities	–	12,900	–	12,900
Total	$115,834	$32,988	$–	$148,822

*Securities with a value of $53,150,000, which represented 37.71% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.

Asset Allocation Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Information technology	$ 2,190,651	$ –	$ –	$ 2,190,651
Consumer discretionary	1,979,389	–	–	1,979,389
Financials	1,693,615	–	–	1,693,615
Health care	1,561,790	–	2,670	1,564,460
Industrials	1,555,876	4,545	1	1,560,422
Energy	1,042,481	–	–	1,042,481
Consumer staples	867,101	–	–	867,101
Materials	749,111	–	–	749,111
Telecommunication services	126,225	–	–	126,225
Miscellaneous	309,609	13,226	–	322,835
Convertible stocks	–	10,706	–	10,706
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	–	1,949,442	–	1,949,442
Corporate bonds & notes	–	1,388,594	22,208	1,410,802
Mortgage-backed obligations	–	695,524	–	695,524
Federal agency bonds & notes	–	281,937	–	281,937
Other	–	105,457	–	105,457
Short-term securities	–	1,764,689	–	1,764,689
Total	$12,075,848	$6,214,120	$24,879	$18,314,847

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on interest rate swaps	$–	$ 1,329	$–	$ 1,329
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(4,907)	–	(4,907)
Total	$–	$(3,578)	$–	$(3,578)

*Securities with a value of $381,440,000, which represented 2.12% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.
†Interest rate swaps are not included in the investment portfolio.

Global Balanced Fund

	Investment securities			
	Level 1*	Level 2	Level 3	Total
Assets:				
Common stocks:				
Financials	$ 23,053	$ –	$–	$ 23,053
Industrials	20,788	23	–	20,811
Health care	19,012	–	–	19,012
Information technology	18,515	–	–	18,515
Consumer staples	18,492	–	–	18,492
Consumer discretionary	14,243	–	–	14,243
Energy	10,413	–	–	10,413
Materials	8,150	541	–	8,691
Telecommunication services	4,163	–	–	4,163
Utilities	2,373	–	–	2,373
Miscellaneous	213	–	–	213
Preferred securities	165	–	–	165
Convertible bonds	–	357	–	357
Bonds, notes & other debt instruments:				
Bonds & notes of governments & government agencies outside the U.S.	–	27,926	–	27,926
U.S. Treasury bonds & notes	–	19,557	–	19,557
Corporate bonds & notes	–	14,553	–	14,553
Mortgage-backed obligations	–	6,213	–	6,213
Asset-backed obligations	–	322	–	322
Short-term securities	–	15,000	–	15,000
Total	$139,580	$84,492	$–	$224,072

	Other investments†			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 47	$–	$ 47
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(108)	–	(108)
Total	$–	$ (61)	$–	$ (61)

*Securities with a value of $68,010,000, which represented 30.80% of the net assets of the fund, transferred from Level 2 to Level 1 since the prior fiscal year-end, primarily due to a lack of significant market movements following the close of local trading.
†Forward currency contracts are not included in the investment portfolio.

Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
U.S. Treasury bonds & notes	$ –	$ 3,435,631	$ –	$ 3,435,631
Corporate bonds & notes	–	3,005,163	1,369	3,006,532
Mortgage-backed obligations	–	1,918,374	–	1,918,374
Bonds & notes of governments & government agencies outside the U.S.	–	412,759	–	412,759
Federal agency bonds & notes	–	181,644	–	181,644
Other	–	175,822	–	175,822
Preferred securities	1,170	–	–	1,170
Common stocks	–	2,241	5	2,246
Short-term securities	–	1,738,083	–	1,738,083
Total	$1,170	$10,869,717	$1,374	$10,872,261

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 1,548	$–	$ 1,548
Unrealized appreciation on interest rate swaps	–	9,475	–	9,475
Unrealized appreciation on credit default swaps	–	47	–	47
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(767)	–	(767)
Unrealized depreciation on interest rate swaps	–	(6,651)	–	(6,651)
Total	$–	$ 3,652	$–	$ 3,652

*Forward currency contracts, interest rate swaps and credit default swaps are not included in the investment portfolio.

Global Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Euros	$–	$ 316,055	$ –	$ 316,055
Japanese yen	–	119,469	–	119,469
British pounds	–	105,982	–	105,982
Polish zloty	–	102,337	–	102,337
Mexican pesos	–	94,096	–	94,096
Hungarian forints	–	86,635	–	86,635
Indian rupees	–	63,084	–	63,084
Danish kroner	–	50,429	–	50,429
Malaysian ringgits	–	23,765	–	23,765
Norwegian kroner	–	18,765	–	18,765
Indonesian rupiah	–	18,013	–	18,013
U.S. dollars	–	1,349,527	2,339	1,351,866
Other	–	64,997	–	64,997
Convertible stocks	–	356	–	356
Common stocks	–	2,421	–	2,421
Short-term securities	–	197,822	–	197,822
Total	$–	$2,613,753	$2,339	$2,616,092

	Other investments*			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 2,730	$–	$ 2,730
Unrealized appreciation on interest rate swaps	–	669	–	669
Liabilities:				
Unrealized depreciation on open forward currency contracts	–	(2,976)	–	(2,976)
Unrealized depreciation on interest rate swaps	–	(664)	–	(664)
Total	$–	$ (241)	$–	$ (241)

*Forward currency contracts and interest rate swaps are not included in the investment portfolio.

High-Income Bond Fund

	Investment securities			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds, notes & other debt instruments:				
Corporate bonds & notes	$ –	$1,731,908	$29,702	$1,761,610
Bonds & notes of governments & government agencies outside the U.S.	–	40,508	–	40,508
U.S. Treasury bonds & notes	–	26,371	–	26,371
Asset-backed obligations	–	2,988	–	2,988
Convertible bonds	–	5,017	–	5,017
Convertible stocks	8,454	6,425	–	14,879
Preferred securities	535	1,015	–	1,550
Common stocks	7,494	26,333	2,933	36,760
Short-term securities	–	98,791	–	98,791
Total	$16,483	$1,939,356	$32,635	$1,988,474

	Other investments[1]			
	Level 1	Level 2	Level 3	Total
Assets:				
Unrealized appreciation on open forward currency contracts	$–	$ 83	$–	$ 83
Unrealized appreciation on interest rate swaps	–	38	–	38
Liabilities:				
Unrealized depreciation on interest rate swaps	–	(3)	–	(3)
Unrealized depreciation on credit default swaps	–	(81)	–	(81)
Total	$–	$ 37	$–	$ 37

[1]Forward currency contracts, interest rate swaps and credit default swaps are not included in the investment portfolio.

The following table reconciles the valuation of the fund's Level 3 investment securities and related transactions for the six months ended June 30, 2015 (dollars in thousands):

	Beginning value at 1/1/2015	Transfers into Level 3[2]	Purchases	Sales	Net realized loss[3]	Unrealized appreciation[3]	Transfers out of Level 3[2]	Ending value at 6/30/2015
Investment securities	$14,115	$3,152	$22,274	$(6,458)	$(1,175)	$727	$–	$32,635
Net unrealized depreciation during the period on Level 3 investment securities held at June 30, 2015[3]								$ (533)

[2]Transfers into or out of Level 3 are based on the beginning market value of the quarter in which they occurred.
[3]Net realized loss and unrealized appreciation (depreciation) are included in the related amounts on investments in the statement of operations.

Unobservable inputs – The significant unobservable inputs used to value the fund's Level 3 investments include financial multiples of publicly traded comparable companies, estimates of recovery allocation and financial performance, and calculated discounts for lack of marketability. The following table provides additional information used by the fund's investment adviser to fair value securities with significant unobservable inputs (dollars in thousands):

	Value at 6/30/2015	Valuation techniques	Unobservable input(s)	Range	Impact to valuation from an increase in input*
Bonds, notes & other debt instruments	$29,702	Unchanged vendor price	N/A	N/A	N/A
		Cost	N/A	N/A	N/A
		Trading of similar issues adjusted for DLOM	DLOM	0%-5%	Decrease
		Estimated recovery	Recovery allocation	N/A	Increase
Common stocks	2,933	Enterprise valuation	EV/EBITDA multiple	6.0x	Increase
	$32,635				

*This column represents the directional change in fair value of the Level 3 securities that would result in an increase from the corresponding input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

Key to abbreviations
EV = Enterprise value
EBITDA = Earnings before income taxes, depreciation and amortization
DLOM = Discount for lack of marketability

Mortgage Fund
At June 30, 2015, all of the fund's investments were classified as Level 2.

U.S. Government/AAA-Rated Securities Fund
At June 30, 2015, all of the fund's investments were classified as Level 2.

Cash Management Fund
At June 30, 2015, all of the fund's investment securities were classified as Level 2.

Managed Risk Growth Fund
At June 30, 2015, all of the fund's investments were classified as Level 1.

Managed Risk International Fund
At June 30, 2015, all of the fund's investments were classified as Level 1.

Managed Risk Blue Chip Income and Growth Fund
At June 30, 2015, all of the fund's investments were classified as Level 1.

Managed Risk Growth-Income Fund
At June 30, 2015, all of the fund's investments were classified as Level 1.

Managed Risk Asset Allocation Fund
At June 30, 2015, all of the fund's investments were classified as Level 1.

4. Risk factors

Investing in the funds may involve certain risks including, but not limited to, those described below.

Market conditions – The prices of, and the income generated by, the common stocks, bonds and other securities held by a fund may decline – sometimes rapidly or unpredictably – due to various factors, including events or conditions affecting the general economy or particular industries; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency exchange, interest rate and commodity price fluctuations.

Issuer risks –The prices of, and the income generated by, securities held by a fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance and strategic initiatives such as mergers, acquisitions or dispositions, and the market response to any such initiatives.

Investing in growth-oriented stocks – Growth-oriented common stocks and other equity-type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) may involve larger price swings and greater potential for loss than other types of investments. These risks may be even greater in the case of smaller capitalization stocks.

Investing in income-oriented stocks – Income provided by a fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests.

Investing in small companies – Investing in smaller companies may pose additional risks. For example, it is often more difficult to value or dispose of small company stocks and more difficult to obtain information about smaller companies than about larger companies. Furthermore, smaller companies often have limited product lines, operating histories, markets and/or financial resources, may be dependent on one or a few key persons for management, and can be more susceptible to losses. Moreover, the prices of their stocks maybe more volatile than stocks of larger, more established companies.

Investing outside the U.S. – Securities of issuers domiciled outside the U.S., or with significant operations or revenues outside the U.S., may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism and war) in the countries or regions in which the issuers operate or generate revenue. These securities may also lose value due to changes in foreign currency exchange rates against the U.S. dollar and/or currencies of other countries. Issuers of these securities may be more susceptible to actions of foreign governments, such as the imposition of price controls or punitive taxes, that could adversely impact revenues. Securities markets in certain countries may be more volatile and/or less liquid than those in the U.S. Investments outside the U.S. may also be subject to different accounting practices and different regulatory, legal and reporting standards and practices, and may be more difficult to value, than those in the U.S. In addition, the value of investments outside the U.S. may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities purchased or sold by the fund. The risks of investing outside the U.S. may be heightened in connection with investments in emerging markets.

Investing in emerging markets – Investing in emerging markets may involve risks in addition to and greater than those generally associated with investing in the securities markets of developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating a fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Investing in debt instruments – The prices of, and the income generated by, bonds and other debt securities held by a fund may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. Rising interest rates will generally cause the prices of bonds and other debt securities to fall. Falling interest rates may cause an issuer to redeem, call or refinance a debt security before its stated maturity, which may result in a fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities.

Bonds and other debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities. Credit risk is gauged, in part, by the credit ratings of the debt securities in which a fund invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees as to credit quality or an evaluation of market risk. The funds' investment adviser relies on its own credit analysts to research issuers and issues in seeking to mitigate various credit and default risks.

Investing in lower rated debt instruments – Lower rated bonds and other lower rated debt securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer's creditworthiness than those of higher quality debt securities. The market prices of these securities may fluctuate more than the prices of higher quality debt securities and may decline significantly in periods of general economic difficulty. These risks may be increased with respect to investments in junk bonds, or bonds rated Ba1 or BB+ or below by Nationally Recognized Statistical Rating Organizations.

Thinly traded securities – There may be little trading in the secondary market for particular bonds or other debt securities, which may make them more difficult to value, acquire or sell.

Currency – The prices of, and the income generated by, most debt securities held by a fund may also be affected by changes in relative currency values. If the U.S. dollar appreciates against foreign currencies, the value in U.S. dollars of a fund's securities denominated in such currencies would generally fall and vice versa. U.S. dollar-denominated securities of foreign issuers may also be affected by changes in relative currency values.

Investing in mortgage-related securities and other asset-backed securities – Mortgage-related securities, such as mortgage-backed securities, and other asset-backed securities, include debt obligations that represent interests in pools of mortgages or other income-bearing assets, such as consumer loans or receivables. Such securities often involve risks that are different from or more acute than the risks associated with investing in other types of debt securities. Mortgage-backed and other asset-backed securities are subject to changes in the payment patterns of borrowers of the underlying debt. When interest rates fall, borrowers are more likely to refinance or prepay their debt before its stated maturity. This may result in a fund having to reinvest the proceeds in lower yielding securities, effectively reducing a fund's income. Conversely, if interest rates rise and borrowers repay their debt more slowly than expected, the time in which the mortgage-backed and other asset-backed securities are paid off could be extended, reducing a fund's cash available for reinvestment in higher yielding securities.

Investing in future delivery contracts – Contracts for future delivery of mortgage-related securities, such as to be announced contracts and mortgage dollar rolls, involve a fund selling mortgage-related securities and simultaneously contracting to repurchase similar securities for delivery at a future date at a predetermined price. This can increase a fund's market exposure, and the market price of the securities the fund contracts to repurchase could drop below their purchase price. While a fund can preserve capital and generate gains through the use of such contracts by, for example, realizing the difference between the sale price and the future purchase price, the income generated by the fund may be reduced by engaging in such transactions. In addition, these transactions may increase the turnover rate of a fund.

Investing in interest rate swaps –The use of interest rate swaps involves the risk that the investment adviser will not accurately predict anticipated changes in interest rates, which may result in losses to a fund. Interest rate swaps also involve the possible failure of a counterparty to perform in accordance with the terms of the swap agreement. If a counterparty defaults on its obligations under a swap agreement, a fund may lose any amount it expected to receive from the counterparty, potentially including amounts in excess of a fund's initial investment.

Investing in inflation linked bonds – The values of inflation linked bonds generally fluctuate in response to changes in real interest rates – i.e., rates of interest after factoring in inflation. A rise in real interest rates may cause the prices of inflation linked securities to fall, while a decline in real interest rates may cause the prices to increase. Inflation linked bonds may experience greater losses than other debt securities with similar durations when real interest rates rise faster than nominal interest rates. There can be no assurance that the value of an inflation linked security will be directly correlated to changes in interest rates; for example, if interest rates rise for reasons other than inflation, the increase may not be reflected in the security's inflation measure.

Investing in inflation linked bonds may also reduce a fund's distributable income during periods of extreme deflation. If prices for goods and services decline throughout the economy, the principal and income on inflation linked securities may decline and result in losses to a fund.

Investing in securities backed by the U.S. government – Securities backed by the U.S. Treasury or the full faith and credit of the U.S. government are guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates. Securities issued by government-sponsored entities and federal agencies and instrumentalities that are not backed by the full faith and credit of the U.S. government are neither issued nor guaranteed by the U.S. government.

Investing in money market securities – The values and liquidity of the securities held by a fund may be affected by changing interest rates, changes in the credit quality of the issuers, changes in credit ratings of the securities and general market conditions. For example, the values of these securities may decline when interest rates rise and increase when interest rates fall.

Low interest rate environment – During periods of extremely low short-term interest rates, a fund may not be able to maintain a positive yield.

Credit and liquidity support – Changes in the credit quality of banks and financial institutions providing credit and liquidity support features with respect to securities held by a fund could cause the values of these securities to decline.

Asset allocation – A fund's percentage allocation to equity securities, debt securities and money market instruments could cause the fund to underperform relative to relevant benchmarks and other funds with similar investment objectives.

Nondiversification – As nondiversified funds, certain funds have the ability to invest a larger percentage of their assets in the securities of a smaller number of issuers than diversified funds. Although the funds do not intend to limit their investments to the securities of a small number of issuers, if they were to do so, poor performance by a single large holding would adversely impact the funds' investment results more than if the funds were invested in a larger number of issuers.

Management – The investment adviser to the funds actively manages the funds' investments. Consequently, the funds are subject to the risk that the methods and analyses employed by the investment adviser in this process may not produce the desired results. This could cause the funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Investing in the managed risk funds may involve additional risks including, but not limited to, those described below.

Fund structure – The managed risk funds invest in underlying funds and incur expenses related to those underlying funds. In addition, investors in the managed risk funds will incur fees to pay for certain expenses related to the operations of the managed risk funds. An investor holding the underlying fund directly would incur lower overall expenses but would not receive the benefit of the risk management strategy of the managed risk fund.

Management – The managed risk funds are subject to the risk that the methods employed by the subadviser in implementing the managed risk strategy may not produce the desired results. This could cause the managed risk funds to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

Underlying fund risks – Because the managed risk funds' investments consist of individual underlying funds, the managed risk funds' risks are directly related to the risks of the respective underlying fund in which each managed fund invests. For this reason, it is important to understand the risks associated with investing both in the managed risk fund and the respective underlying fund.

Investing in futures – A futures contract is considered a derivative because it derives its value from the price of the underlying security or financial index. Losses on futures contracts may exceed the amount invested. The prices of futures contracts can be volatile, and futures contracts may be illiquid.

Futures exchanges may limit the amount of fluctuation permitted in certain futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of the current trading session. Once the daily limit has been reached in a futures contract subject to the limit, no more trades may be made on that day at a price beyond that limit. The daily limit governs only price movements during a particular trading day and therefore does not limit potential losses because the limit may work to prevent the liquidation of unfavorable positions. For example, futures prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of positions and subjecting some holders of futures contracts to substantial losses.

There can be no assurance that a liquid market will exist at a time when the fund seeks to close out a futures position, and the fund would remain obligated to meet margin requirements until the position is closed. In addition, there can be no assurance that an active secondary market will continue to exist.

Initial margin is held at the clearinghouse or exchange for such futures contract, and variation margin is held intraday at the fund's futures commission merchant ("FCM") that buys or sells such futures contract. Any such amounts are subject to the risk that the party holding such cash defaults on its obligations during the time it is in possession of such cash and is unable to fund its obligation to, or on behalf of, the fund.

Hedging – Futures contracts may not provide an effective hedge of the underlying securities because changes in the prices of futures contracts may not track those of the securities they are intended to hedge. In addition, the risk management strategy may not effectively protect the managed risk funds from market declines and will limit the managed risk funds' participation in market gains. The use of the risk management strategy could cause a managed risk fund to underperform as compared to the underlying fund in certain rising market conditions.

Short positions – Losses from short positions in futures contracts occur when the underlying index increases in value. As the underlying index increases in value, the holder of the short position in the corresponding futures contract is required to pay the difference in value of the futures contract resulting from the increase in the index on a daily basis. Losses from a short position in an index futures contract could potentially be very large if the value of the underlying index rises dramatically in a short period of time.

5. Certain investment techniques

Index-linked bonds – Some of the funds have invested in index-linked bonds, which are fixed-income securities whose principal value is periodically adjusted to a government price index. Over the life of an index-linked bond, interest is paid on the adjusted principal value. Increases or decreases in the principal value of index-linked bonds are recorded as interest income in the fund's statement of operations.

Mortgage dollar rolls – Some of the funds have entered into mortgage dollar roll transactions in which the fund sells a mortgage-backed security to a counterparty and simultaneously enters into an agreement with the same counterparty to buy back a similar security on a specific future date at a predetermined price. Mortgage dollar rolls are accounted for as purchase and sale transactions, which may increase the funds' portfolio turnover rates.

Loan transactions – Some of the funds have entered into loan transactions in which the fund acquires a loan either through an agent, by assignment from another holder, or as a participation interest in another holder's portion of a loan. The loan is often administered by a financial institution that acts as agent for the holders of the loan, and the fund may be required to receive approval from the agent and/or borrower prior to the sale of the investment. The loan's interest rate and maturity date may change based on the terms of the loan, including potential early payments of principal.

Short-term securities – The managed risk funds hold shares of the Government Cash Management Fund, a cash management vehicle offered by the Bank of New York Mellon ("BNY Mellon"), the funds' custodian bank. The Government Cash Management Fund is managed by the Dreyfus Corporation.

Unfunded commitments – Some of the funds have participated in transactions that involve unfunded commitments, which may obligate them to lend additional sums based upon the terms of the loan agreement. As of June 30, 2015, the maximum exposure of unfunded loan commitments for Asset Allocation Fund, Global Bond Fund and High-Income Bond Fund was $10,686,000, $2,533,000 and $13,150,000, respectively, which would represent 0.06%, 0.10% and 0.65%, respectively, of the net assets of each fund should such commitments become due. Unrealized appreciation of $82,000, $19,000 and $101,000, respectively, is included in other payables in each fund's statement of assets and liabilities and net unrealized appreciation on investments in each fund's statement of operations.

Forward currency contracts – Some of the funds have entered into forward currency contracts, which represent agreements to exchange currencies on specific future dates at predetermined rates. The series' investment adviser uses forward currency contracts to manage the fund's exposure to changes in exchange rates. Upon entering into these contracts, risks may arise from the potential inability of counterparties to meet the terms of their contracts and from possible movements in exchange rates.

On a daily basis, the series' investment adviser values forward currency contracts based on the applicable exchange rates and records unrealized appreciation or depreciation for open forward currency contracts in each fund's statement of assets and liabilities. Realized gains or losses are recorded at the time the forward contract is closed or offset by another contract with the same broker for the same settlement date and currency. Closed forward currency contracts that have not reached their settlement date are included in the respective receivables or payables for closed forward currency contracts in each fund's statement of assets and liabilities. Net realized

gains or losses from closed forward currency contracts and net unrealized appreciation or depreciation from open forward currency contracts are recorded in each fund's statement of operations. As of June 30, 2015, Global Growth Fund, Global Small Capitalization Fund, International Fund, New World Fund, Global Growth and Income Fund, Global Balanced Fund, Bond Fund, Global Bond Fund and High-Income Bond Fund had open forward currency contracts.

Interest rate swaps – Some of the funds have entered into interest rate swaps, which are agreements to exchange one stream of future interest payments for another based on a specified notional amount. Typically, interest rate swaps exchange a fixed interest rate for a payment that floats relative to a benchmark or vice versa. The series' investment adviser uses interest rate swaps to manage the interest rate sensitivity of the fund by increasing or decreasing the duration of the fund or a portion of the fund's portfolio. Risks may arise as a result of the series' investment adviser incorrectly anticipating changes in interest rates, increased volatility, reduced liquidity and the potential inability of counterparties to meet the terms of their agreements.

Upon entering into an interest rate swap contract, the fund is required to deposit cash, U.S. government securities or other liquid securities, which is known as initial margin. Generally, the initial margin required for a particular interest rate swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract.

On a daily basis, the series' investment adviser records daily interest accruals related to the exchange of future payments as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a variation margin based on the increase or decrease in the value of the interest rate swaps, including accrued interest, and records variation margin on interest rate swaps in the statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the interest rate swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from interest rate swaps are recorded in each fund's statement of operations. As of June 30, 2015, Asset Allocation Fund, Bond Fund, Global Bond Fund, High-Income Bond Fund, Mortgage Fund and U.S. Government/AAA-Rated Securities Fund had open interest rate swaps.

Credit default swap indices – Some of the funds have entered into centrally cleared credit default swap agreements on credit indices ("CDSI") that involve one party (the protection buyer) making a stream of payments to another party (the protection seller) in exchange for the right to receive a specified return upon the occurrence of a credit event, such as a default or restructuring, with respect to any of the underlying issuers (reference obligations) in the referenced index. The series' investment adviser uses credit default swaps to assume exposure to a diversified portfolio of credits or to hedge against existing credit risks. When the fund provides sell protection, its maximum exposure is the notional amount of the credit default swap agreement.

CDSI are portfolios of credit instruments or exposures designed to be representative of some part of the credit market, such as the high-yield or investment-grade credit market. CDSI are generally traded using standardized terms, including a fixed spread and standard maturity dates, and reference all the names in the index. If there is a credit event, it is settled based on that name's weight in the index. The composition of the underlying issuers or obligations within a particular index may change periodically, usually every six months. A specified credit event may affect all or individual underlying reference obligations included in the index, and will be settled based upon the relative weighting of the affected obligation(s) within the index.

Upon entering into a centrally cleared CDSI contract, the fund is required to deposit with a derivatives clearing member ("DCM") in a segregated account in the name of the DCM an amount of cash, U.S. government securities or other liquid securities, which is known as initial margin. Generally, the initial margin required for a particular credit default swap is set and held as collateral by the clearinghouse on which the contract is cleared. The amount of initial margin required may be significantly modified from time to time by the clearinghouse during the term of the contract. Securities deposited as initial margin are designated on the investment portfolio.

On a daily basis, interest accruals related to the exchange of future payments are recorded as a receivable and payable in each fund's statement of assets and liabilities. Each fund also pays or receives a variation margin based on the increase or decrease in the value of the centrally cleared swaps, and records variation margin in the statement of assets and liabilities. Each fund records realized gains and losses on both the net accrued interest and any gain or loss recognized at the time the swap is closed or expires. Net realized gains or losses, as well as any net unrealized appreciation or depreciation, from credit default swaps are recorded in each fund's statement of operations. As of June 30, 2015, Bond Fund and High-Income Bond Fund had open credit default swaps.

Futures contracts – The managed risk funds have entered into futures contracts, which provide for the future sale by one party and purchase by another party of a specified amount of a specific financial instrument for a specified price, date, time and place designated at the time the contract is made. Futures contracts are used to strategically manage portfolio volatility and downside equity risk.

Upon entering into futures contracts, and to maintain the fund's open positions in futures contracts, the fund is required to deposit with a futures broker, or FCM, in a segregated account in the name of the FCM an amount of cash, U.S. government securities, suitable money market instruments, or other liquid securities, known as initial margin. The margin required for a particular futures contract is set by the exchange on which the contract is traded to serve as collateral, and may be significantly modified from time to time by the exchange during the term of the contract. When initial margin is deposited with brokers, a receivable is recorded in the fund's statement of assets and liabilities.

On a daily basis, each fund pays or receives variation margin based on the increase or decrease in the value of the futures contracts and records variation margin on futures contracts in the statement of assets and liabilities. In addition, each fund segregates liquid assets equivalent to the fund's outstanding obligations under the contract in excess of the initial margin and variation margin, if any. Futures contracts may involve a risk of loss in excess of the variation margin shown on each fund's statement of assets and liabilities. Each fund records realized gains or losses at the time the futures contract is closed or expires. Net realized gains or losses and net unrealized appreciation or depreciation from futures contracts are recorded in each fund's statement of operations. As of June 30, 2015, only Managed Risk Asset Allocation Fund did not hold any futures contracts.

The following tables present the financial statement impacts resulting from the funds' use of forward currency contracts, interest rate swaps, credit default swaps and/or futures contracts as of June 30, 2015 (dollars in thousands):

			Global Growth Fund	Global Small Capitalization Fund	International Fund
Assets	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 210	$ 219	$ 216
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 210	$ 219	$ 216
Liabilities	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 1,193	$ 458	$ 1,497
Forward currency	Currency	Payables for closed forward currency contracts	19	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 1,212	$ 458	$ 1,497
Net realized gain	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net realized gain on forward currency contracts	$ 4,802	$ 918	$ 648
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$ 4,802	$ 918	$ 648
Net unrealized depreciation	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net unrealized depreciation on forward currency contracts	$(2,351)	$(644)	$(5,382)
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(2,351)	$(644)	$(5,382)

Assets	Risk type	Location on statements of assets and liabilities	New World Fund	Global Growth and Income Fund	Asset Allocation Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 75	$ 227	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	1,329
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 75	$ 227	$ 1,329

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 53	$ 19	$ –
Forward currency	Currency	Payables for closed forward currency contracts	8	1	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	4,907
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 61	$ 20	$ 4,907

Net realized gain (loss)	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$1,339	$ 2,216	$ –
Interest rate swaps	Interest	Net realized loss on interest rate swaps	–	–	(2,582)
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$1,339	$ 2,216	$(2,582)

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized depreciation on forward currency contracts	$ (544)	$(1,056)	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	5,549
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$ (544)	$(1,056)	$ 5,549

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Global Balanced Fund	Bond Fund	Global Bond Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 47	$ 1,548	$ 2,730
Forward currency	Currency	Receivables for closed forward currency contracts	1	296	436
Interest rate swaps	Interest	Net unrealized appreciation*	–	9,475	669
Credit default swaps	Credit	Net unrealized appreciation*	–	47	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 48	$11,366	$ 3,835

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ 108	$ 767	$ 2,976
Forward currency	Currency	Payables for closed forward currency contracts	21	2	466
Interest rate swaps	Interest	Net unrealized depreciation*	–	6,651	664
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 129	$ 7,420	$ 4,106

Net realized gain	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ 22	$15,963	$ 4,547
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	13,204	1,382
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$ 22	$29,167	$ 5,929

Net unrealized (depreciation) appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized depreciation on forward currency contracts	$(141)	$ (4,081)	$(1,081)
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	10,285	180
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	47	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$(141)	$ 6,251	$ (901)

Assets	Risk type	Location on statements of assets and liabilities	High-Income Bond Fund	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ 83	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	16	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	38	2,682	19,853
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	–	–	–
Futures contracts	Currency	Net unrealized appreciation*	–	–	–
			$ 137	$2,682	$19,853
Liabilities	**Risk type**	**Location on statements of assets and liabilities**			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	3	896	16,135
Credit default swaps	Credit	Net unrealized depreciation*	81	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–	–
			$ 84	$ 896	$16,135
Net realized gain	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net realized gain on forward currency contracts	$ 824	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	3	139	17,662
Credit default swaps	Credit	Net realized gain on credit default swaps	178	–	–
Futures contracts	Equity	Net realized gain on futures contracts	–	–	–
Futures contracts	Currency	Net realized gain on futures contracts	–	–	–
			$1,005	$ 139	$17,662
Net unrealized (depreciation) appreciation	**Risk type**	**Location on statements of operations**			
Forward currency	Currency	Net unrealized depreciation on forward currency contracts	$ (151)	$ –	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	35	2,592	11,355
Credit default swaps	Credit	Net unrealized depreciation on credit default swaps	(81)	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	–	–	–
Futures contracts	Currency	Net unrealized appreciation on futures contracts	–	–	–
			$ (197)	$2,592	$11,355

See end of tables for footnote.

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–	–
Futures contracts	Equity	Net unrealized appreciation*	69	26	260
Futures contracts	Currency	Net unrealized appreciation*	2	18	3
			$ 71	$ 44	$ 263

Liabilities	Risk type	Location on statements of assets and liabilities			
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–	–
Futures contracts	Equity	Net unrealized depreciation*	1	12	–
Futures contracts	Currency	Net unrealized depreciation*	2	20	5
			$ 3	$ 32	$ 5

Net realized loss	Risk type	Location on statements of operations			
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–	–
Futures contracts	Equity	Net realized loss on futures contracts	(2,731)	(2,034)	(2,896)
Futures contracts	Currency	Net realized gain on futures contracts	84	339	28
			$(2,647)	$(1,695)	$(2,868)

Net unrealized appreciation	Risk type	Location on statements of operations			
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	528	223	386
Futures contracts	Currency	Net unrealized depreciation on futures contracts	(22)	(62)	(7)
			$ 506	$ 161	$ 379

Assets	Risk type	Location on statements of assets and liabilities	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
Forward currency	Currency	Unrealized appreciation on open forward currency contracts	$ –	$ –
Forward currency	Currency	Receivables for closed forward currency contracts	–	–
Interest rate swaps	Interest	Net unrealized appreciation*	–	–
Credit default swaps	Credit	Net unrealized appreciation*	–	–
Futures contracts	Equity	Net unrealized appreciation*	138	–
Futures contracts	Currency	Net unrealized appreciation*	1	–
			$ 139	$ –

Liabilities	Risk type	Location on statements of assets and liabilities		
Forward currency	Currency	Unrealized depreciation on open forward currency contracts	$ –	$ –
Forward currency	Currency	Payables for closed forward currency contracts	–	–
Interest rate swaps	Interest	Net unrealized depreciation*	–	–
Credit default swaps	Credit	Net unrealized depreciation*	–	–
Futures contracts	Equity	Net unrealized depreciation*	–	–
Futures contracts	Currency	Net unrealized depreciation*	–	–
			$ –	$ –

Net realized loss	Risk type	Location on statements of operations		
Forward currency	Currency	Net realized gain on forward currency contracts	$ –	$ –
Interest rate swaps	Interest	Net realized gain on interest rate swaps	–	–
Credit default swaps	Credit	Net realized gain on credit default swaps	–	–
Futures contracts	Equity	Net realized loss on futures contracts	(2,252)	(10,915)
Futures contracts	Currency	Net realized gain on futures contracts	32	168
			$(2,220)	$(10,747)

Net unrealized appreciation	Risk type	Location on statements of operations		
Forward currency	Currency	Net unrealized appreciation on forward currency contracts	$ –	$ –
Interest rate swaps	Interest	Net unrealized appreciation on interest rate swaps	–	–
Credit default swaps	Credit	Net unrealized appreciation on credit default swaps	–	–
Futures contracts	Equity	Net unrealized appreciation on futures contracts	342	–
Futures contracts	Currency	Net unrealized depreciation on futures contracts	(11)	–
			$ 331	$ –

*Includes cumulative appreciation (depreciation) on interest rate swaps, credit default swaps and/or futures contracts as reported in the applicable table(s) after each fund's investment portfolio. Only current day's variation margin is reported within the statements of assets and liabilities.

Collateral – Funds that invest in forward currency contracts, interest rate swaps, credit default swaps and/or futures contracts participate in a collateral program. For forward currency contracts, the program calls for the fund to either receive or pledge collateral based on the net gain or loss on unsettled forward currency contracts by counterparty. For interest rate swaps, credit default swaps and futures contracts, the program calls for the fund to pledge collateral for initial and variation margin by contract. The purpose of the collateral is to cover potential losses that could occur in the event that either party to the contract cannot meet its contractual obligations.

Rights of offset – Funds that hold forward currency contracts have enforceable master netting agreements with certain counterparties, where amounts payable by each party to the other in the same currency (with the same settlement date and with the same counterparty) are settled net of each party's payment obligation. If an early termination date occurs under these agreements following an event of default or termination event, all obligations of each party to its counterparty are settled net through a single payment in a single currency ("close-out netting"). For financial reporting purposes, the funds do not offset financial assets and financial liabilities that are subject to these master netting arrangements in the statements of assets and liabilities.

The following tables present each fund's forward currency contracts by counterparty that are subject to master netting agreements but that are not offset in the funds' statements of assets and liabilities. The net amount column shows the impact of offsetting on the funds' statement of assets and liabilities as of June 30, 2015 (dollars in thousands) if close-out netting was exercised:

Global Growth Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of New York Mellon	$ 209	$–	$(209)	$–	$ –
UBS AG	1	–	–	–	1
	$ 210	$–	$(209)	$–	$ 1
Liabilities:					
Bank of America, N.A.	$1,159	$–	$ –	$–	$1,159
Citibank	18	–	–	–	18
JPMorgan Chase	16	–	–	–	16
UBS AG	19	–	–	–	19
	$1,212	$–	$ –	$–	$1,212

Global Small Capitalization Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Citibank	$197	$ –	$ –	$–	$197
HSBC Bank	21	–	–	–	21
UBS AG	1	(1)	–	–	–
	$219	$(1)	$ –	$–	$218
Liabilities:					
Bank of New York Mellon	$348	$ –	$(348)	$–	$ –
Barclays Bank PLC	12	–	–	–	12
UBS AG	98	(1)	–	–	97
	$458	$(1)	$(348)	$–	$109

See end of tables for footnote.

International Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 205	$ –	$ –	$–	$205
UBS AG	11	(11)	–	–	–
	$ 216	$(11)	$ –	$–	$205
Liabilities:					
Barclays Bank PLC	$ 543	$ –	$ –	$–	$543
UBS AG	954	(11)	(680)	–	263
	$1,497	$(11)	$(680)	$–	$806

New World Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Citibank	$27	$(19)	$–	$–	$ 8
HSBC Bank	4	–	–	–	4
JPMorgan Chase	23	–	–	–	23
UBS AG	21	(13)	–	–	8
	$75	$(32)	$–	$–	$43
Liabilities:					
Bank of America, N.A.	$21	$ –	$–	$–	$21
Citibank	19	(19)	–	–	–
UBS AG	21	(13)	–	–	8
	$61	$(32)	$–	$–	$29

Global Growth and Income Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Citibank	$ 49	$ –	$ –	$–	$49
JPMorgan Chase	178	(2)	(176)	–	–
	227	(2)	$(176)	$–	$49
Liabilities:					
Bank of America, N.A.	$ 6	$ –	$ –	$–	$ 6
HSBC Bank	10	–	–	–	10
JPMorgan Chase	2	(2)	–	–	–
UBS AG	1	–	–	–	1
	$ 19	$(2)	$ –	$–	$17

Global Balanced Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of New York Mellon	$ 11	$ (1)	$–	$–	$10
Citibank	2	(2)	–	–	–
HSBC Bank	23	(23)	–	–	–
JPMorgan Chase	1	–	–	–	1
UBS AG	11	(11)	–	–	–
	$ 48	$(37)	$–	$–	$11
Liabilities:					
Bank of America, N.A.	$ 12	$ –	$–	$–	$12
Bank of New York Mellon	1	(1)	–	–	–
Citibank	26	(2)	–	–	24
HSBC Bank	42	(23)	–	–	19
JPMorgan Chase	9	–	–	–	9
UBS AG	39	(11)	–	–	28
	$129	$(37)	$–	$–	$92

Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Citibank	$ 283	$ –	$(283)	$–	$ –
HSBC Bank	830	(103)	–	–	727
JPMorgan Chase	731	(123)	(571)	–	37
	$1,844	$(226)	$(854)	$–	$764
Liabilities:					
HSBC Bank	$ 103	$(103)	$ –	$–	$ –
JPMorgan Chase	125	(123)	(2)	–	–
UBS AG	541	–	(281)	–	260
	$ 769	$(226)	$(283)	$–	$260

See end of tables for footnote.

Global Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 271	$ –	$ –	$–	$271
Citibank	1,150	(97)	(649)	–	404
HSBC Bank	1,357	(1,315)	–	–	42
JPMorgan Chase	56	(31)	(16)	–	9
UBS AG	332	(332)	–	–	–
	$3,166	$(1,775)	$ (665)	$–	$726
Liabilities:					
Citibank	$ 354	$ (97)	$ (257)	$–	$ –
HSBC Bank	1,510	(1,315)	(195)	–	–
JPMorgan Chase	232	(31)	(201)	–	–
UBS AG	1,345	(332)	(1,013)	–	–
	$3,441	$(1,775)	$(1,666)	$–	$ –

High-Income Bond Fund

Counterparty	Gross amounts recognized in the statement of assets and liabilities	Gross amounts not offset in the statement of assets and liabilities and subject to a master netting agreement			Net amount
		Available to offset	Non-cash collateral*	Cash collateral	
Assets:					
Bank of America, N.A.	$ 6	$–	$–	$–	$ 6
JPMorgan Chase	93	–	–	–	93
	$99	$–	$–	$–	$99

*Non-cash collateral is shown on a settlement basis.

6. Taxation and distributions

Federal income taxation – Each fund complies with the requirements under Subchapter M of the Internal Revenue Code applicable to mutual funds and intends to distribute substantially all of its net taxable income and net capital gains each year. The funds are not subject to income taxes to the extent such distributions are made. Therefore, no federal income tax provision is required.

As of and during the period ended June 30, 2015, none of the funds had a liability for any unrecognized tax benefits. Each fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statements of operations. During the period, none of the funds incurred any significant interest or penalties.

The funds are not subject to examination by U.S. federal tax authorities for tax years before 2011. Global Balanced Fund and Mortgage Fund are not subject to examination by U.S. federal tax authorities for tax years before 2011, the year the funds commenced operations. Managed Risk Asset Allocation Fund is not subject to examination by U.S. federal tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by U.S. federal tax authorities for tax years before 2013, the year the funds commenced operations. Capital Income Builder is not subject to examination by U.S. federal tax authorities for tax years before 2014, the year the fund commenced operations.

The funds are not subject to examination by state tax authorities for tax years before 2010. Global Balanced Fund and Mortgage Fund are not subject to examination by state tax authorities for tax years before 2011, the year the funds commenced operations. Managed Risk Asset Allocation Fund is not subject to examination by state tax authorities for tax years before 2012, the year the fund commenced operations. Managed Risk Growth Fund, Managed Risk International Fund, Managed Risk Blue Chip Income and Growth Fund and Managed Risk Growth-Income Fund are not subject to examination by state tax authorities for tax years before 2013, the year the funds

commenced operations. Capital Income Builder is not subject to examination by state tax authorities for tax years before 2014, the year the fund commenced operations.

The following funds are not subject to examination by tax authorities outside the U.S. for the years indicated: Global Growth Fund, Global Small Capitalization Fund, Growth Fund, International Fund, New World Fund and Global Growth and Income Fund for tax years before 2008; Growth-Income Fund for tax years before 2010; and International Growth and Income Fund and Global Balanced Fund for tax years before 2011. All other funds are not subject to examination by tax authorities outside the U.S.

Non-U.S. taxation – Dividend and interest income are recorded net of non-U.S. taxes paid. Gains realized by the funds on the sale of securities in certain countries are subject to non-U.S. taxes. The funds record a liability based on unrealized gains to provide for potential non-U.S. taxes payable upon the sale of these securities.

Distributions – Distributions paid to shareholders are based on net investment income and net realized gains determined on a tax basis, which may differ from net investment income and net realized gains for financial reporting purposes. These differences are due primarily to different treatment for items such as currency gains and losses; short-term capital gains and losses; capital losses related to sales of certain securities within 30 days of purchase; unrealized appreciation of certain investments in securities outside the U.S.; cost of investments sold; non-U.S. taxes on capital gains; paydowns on fixed-income securities; net capital losses; net operating losses; amortization of premiums and discounts; and income on certain investments. The fiscal year in which amounts are distributed may differ from the year in which the net investment income and net realized gains are recorded by the funds for financial reporting purposes.

As indicated in the tables in this section, some of the funds had capital loss carryforwards available at December 31, 2014. These will be used to offset any capital gains realized by the funds in the current year or in subsequent years through the expiration dates. Funds with capital loss carryforwards will not make distributions from capital gains while a capital loss carryforward remains.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010, may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

The components of distributable earnings on a tax basis are reported as of December 31, 2014, the funds' most recent year-end. Tax basis unrealized appreciation (depreciation) and cost of investment securities are reported as of June 30, 2015.

Additional tax basis disclosures are as follows (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
As of December 31, 2014:						
Undistributed ordinary income	$ 59,303	$ 39,763	$ 26,481	$ 27,519	$ 46,283	$ 70,798
Late year ordinary loss deferral*	–	(1,480)	–	–	–	–
Undistributed long-term capital gain	490,905	291,621	4,626,374	445,795	111,831	665,817
As of June 30, 2015:						
Gross unrealized appreciation on investment securities	1,675,334	1,602,299	7,939,516	1,701,904	493,590	1,709,619
Gross unrealized depreciation on investment securities	(175,981)	(435,985)	(583,708)	(437,870)	(244,309)	(225,029)
Net unrealized appreciation (depreciation) on investment securities	1,499,353	1,166,314	7,355,808	1,264,034	249,281	1,484,590
Cost of investment securities	4,230,914	3,590,256	15,236,416	6,864,707	2,527,057	5,702,946

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
As of December 31, 2014:						
Undistributed ordinary income	$ 7,207	$ 163,215	$ 1,651	$ –	$ 208,311	$ 272
Late year ordinary loss deferral*	–	–	–	(10)	–	–
Undistributed long-term capital gain	–	3,511,162	21,495	–	1,126,260	779
Post-October capital loss deferral*	–	–	–	(316)	–	–
Capital loss carryforward:						
Expiring 2017	(82,483)	–	–	–	–	–
Expiring 2018	(297)	–	–	–	–	–
	(82,780)	–	–	–	–	–
As of June 30, 2015:						
Gross unrealized appreciation on investment securities	404,057	7,705,677	98,312	2,055	3,836,042	27,227
Gross unrealized depreciation on investment securities	(126,571)	(812,146)	(67,828)	(6,166)	(428,064)	(8,847)
Net unrealized appreciation (depreciation) on investment securities	277,486	6,893,531	30,484	(4,111)	3,407,978	18,380
Cost of investment securities	1,586,025	18,188,651	1,061,433	152,933	14,906,869	205,692

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund	Cash Management Fund
As of December 31, 2014:						
Undistributed ordinary income	$ 189,634	$ 45,303	$ 19,480	$ 5,010	$ 29,066	$ –
Undistributed long-term capital gain	36,263	25,248	–	–	3,636	–
Capital loss carryforward:						
Expiring 2017	–	–	(45,026)	–	–	–
As of June 30, 2015:						
Gross unrealized appreciation on investment securities	116,947	15,516	1,984	2,904	22,210	28
Gross unrealized depreciation on investment securities	(156,859)	(106,027)	(112,081)	(1,998)	(24,487)	(1)
Net unrealized appreciation (depreciation) on investment securities	(39,912)	(90,511)	(110,097)	906	(2,277)	27
Cost of investment securities	10,912,173	2,706,603	2,098,571	505,770	4,196,490	361,602

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
As of December 31, 2014:					
Undistributed ordinary income	$ –	$ 14	$ 70	$ –	$ 24,307
Late year ordinary loss deferral*	(6)	–	–	(3)	–
Undistributed long-term capital gain	–	–	–	–	48,332
Post-October capital loss deferral*	(792)	–	–	(564)	–
Capital loss carryforward:					
No expiration	–	(319)	(1,316)	–	–
As of June 30, 2015:					
Gross unrealized depreciation on investment securities	(15,155)	(3,492)	(9,789)	(10,211)	(112,101)
Net unrealized appreciation (depreciation) on investment securities	(15,155)	(3,492)	(9,789)	(10,211)	(112,101)
Cost of investment securities	131,069	76,450	132,855	113,804	2,433,002

*These deferrals are considered incurred in the subsequent year.

The tax character of distributions paid to shareholders of each fund was as follows (dollars in thousands):

Global Growth Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$17,103	$137,199	$154,302	$21,714	$149,231	$170,945
Class 2	41,780	349,551	391,331	46,982	409,357	456,339
Class 4	505	4,175	4,680	185	729	914
Total	$59,388	$490,925	$550,313	$68,881	$559,317	$628,198

Global Small Capitalization Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$14,631	$107,277	$121,908	$4,791	$ 5,850	$10,641
Class 2	24,973	183,098	208,071	3,426	12,856	16,282
Class 4	189	1,383	1,572	8	35	43
Total	$39,793	$291,758	$331,551	$8,225	$18,741	$26,966

Growth Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$10,504	$1,460,328	$1,470,832	$101,536	$ 338,191	$ 439,727
Class 2	15,900	3,114,763	3,130,663	120,723	770,692	891,415
Class 3	239	42,040	42,279	2,019	10,176	12,195
Class 4	50	9,375	9,425	204	355	559
Total	$26,693	$4,626,506	$4,653,199	$224,482	$1,119,414	$1,343,896

International Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$13,031	$196,800	$209,831	$ 56,042	$–	$ 56,042
Class 2	14,361	245,172	259,533	62,808	–	62,808
Class 3	124	2,060	2,184	586	–	586
Class 4	121	2,035	2,156	253	–	253
Total	$27,637	$446,067	$473,704	$119,689	$–	$119,689

New World Fund

Share class	Six months ended June 30, 2015 Ordinary income	Long-term capital gains	Total dividends and distributions paid	Year ended December 31, 2014 Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$26,563	$ 63,241	$ 89,804	$22,533	$136,762	$159,295
Class 2	17,938	43,910	61,848	14,710	118,828	133,538
Class 4	1,940	4,736	6,676	712	2,416	3,128
Total	$46,441	$111,887	$158,328	$37,955	$258,006	$295,961

Blue Chip Income and Growth Fund

Share class	Six months ended June 30, 2015 Ordinary income	Long-term capital gains	Total dividends and distributions paid	Year ended December 31, 2014 Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$36,950	$336,268	$373,218	$110,127	$–	$110,127
Class 2	34,384	328,339	362,723	111,072	–	111,072
Class 4	175	1,651	1,826	214	–	214
Total	$71,509	$666,258	$737,767	$221,413	$–	$221,413

Global Growth and Income Fund

Share class	Six months ended June 30, 2015 Ordinary income	Long-term capital gains	Total dividends and distributions paid	Year ended December 31, 2014 Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,000	$–	$1,000	$ 7,433	$–	$ 7,433
Class 2	6,311	–	6,311	59,444	–	59,444
Class 4	10	–	10	55	–	55
Total	$7,321	$–	$7,321	$66,932	$–	$66,932

Growth-Income Fund

Share class	Six months ended June 30, 2015 Ordinary income	Long-term capital gains	Total dividends and distributions paid	Year ended December 31, 2014 Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 73,752	$1,523,989	$1,597,741	$160,312	$ 481,640	$ 641,952
Class 2	88,691	1,955,599	2,044,290	182,884	707,921	890,805
Class 3	1,146	24,839	25,985	2,464	9,150	11,614
Class 4	318	7,004	7,322	336	338	674
Total	$163,907	$3,511,431	$3,675,338	$345,996	$1,199,049	$1,545,045

See end of tables for footnotes.

International Growth and Income Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$1,286	$15,393	$16,679	$23,471	$7,090	$30,561
Class 2	347	5,535	5,882	7,334	2,491	9,825
Class 4	33	578	611	564	75	639
Total	$1,666	$21,506	$23,172	$31,369	$9,656	$41,025

Capital Income Builder

	Six months ended June 30, 2015			Year ended December 31, 2014*		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 345	$–	$ 345	$409	$–	$409
Class 2	–†	–	–†	–†	–	–†
Class 4	1,211	–	1,211	520	–	520
Total	$1,556	$–	$1,556	$929	$–	$929

Asset Allocation Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$149,147	$ 785,247	$ 934,394	$244,441	$487,101	$ 731,542
Class 2	61,265	335,062	396,327	104,039	252,911	356,950
Class 3	445	2,404	2,849	774	1,837	2,611
Class 4	779	4,226	5,005	434	247	681
Total	$211,636	$1,126,939	$1,338,575	$349,688	$742,096	$1,091,784

Global Balanced Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$ 50	$142	$ 192	$ 559	$ 943	$1,502
Class 2	224	640	864	2,317	4,536	6,853
Class 4	–†	–†	–†	–†	–†	–†
Total	$274	$782	$1,056	$2,876	$5,479	$8,355

Bond Fund

Share class	Six months ended June 30, 2015 Ordinary income	Long-term capital gains	Total dividends and distributions paid	Year ended December 31, 2014 Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$105,213	$20,064	$125,277	$106,599	$1,717	$108,316
Class 2	84,402	16,478	100,880	88,930	1,704	90,634
Class 4	793	156	949	497	3	500
Total	$190,408	$36,698	$227,106	$196,026	$3,424	$199,450

Global Bond Fund

Share class	Six months ended June 30, 2015 Ordinary income	Long-term capital gains	Total dividends and distributions paid	Year ended December 31, 2014 Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$21,903	$12,052	$33,955	$21,017	$10,164	$31,181
Class 2	23,532	13,266	36,798	17,806	12,830	30,636
Class 4	81	46	127	57	4	61
Total	$45,516	$25,364	$70,880	$38,880	$22,998	$61,878

High-Income Bond Fund

Share class	Six months ended June 30, 2015 Ordinary income	Long-term capital gains	Total dividends and distributions paid	Year ended December 31, 2014 Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$10,854	$–	$10,854	$ 60,248	$–	$ 60,248
Class 2	8,619	–	8,619	55,536	–	55,536
Class 3	137	–	137	966	–	966
Class 4	42	–	42	46	–	46
Total	$19,652	$–	$19,652	$116,796	$–	$116,796

Mortgage Fund

Share class	Six months ended June 30, 2015 Ordinary income	Long-term capital gains	Total dividends and distributions paid	Year ended December 31, 2014 Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$4,235	$–	$4,235	$2,595	$–	$2,595
Class 2	800	–	800	364	–	364
Class 4	28	–	28	4	–	4
Total	$5,063	$–	$5,063	$2,963	$–	$2,963

See end of tables for footnotes.

U.S. Government/AAA-Rated Securities Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class 1	$14,060	$1,711	$15,771	$22,540	$–	$22,540
Class 2	14,822	1,904	16,726	18,675	–	18,675
Class 3	105	13	118	143	–	143
Class 4	189	26	215	325	–	325
Total	$29,176	$3,654	$32,830	$41,683	$–	$41,683

Managed Risk Growth Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class P1	$–	$–	$–	$ 2	$ 3	$ 5
Class P2	–	–	–	532	1,325	1,857
Total	$–	$–	$–	$534	$1,328	$1,862

Managed Risk International Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ –[†]	$–	$ –[†]	$ 2	$–	$ 2
Class P2	14	–	14	508	–	508
Total	$14	$–	$14	$510	$–	$510

Managed Risk Blue Chip Income and Growth Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends paid	Ordinary income	Long-term capital gains	Total dividends paid
Class P1	$ –[†]	$–	$ –[†]	$ 6	$–	$ 6
Class P2	76	–	76	2,173	–	2,173
Total	$76	$–	$76	$2,179	$–	$2,179

Managed Risk Growth-Income Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class P1	$–	$–	$–	$ 2	$ 3	$ 5
Class P2	–	–	–	641	1,587	2,228
Total	$–	$–	$–	$643	$1,590	$2,233

Managed Risk Asset Allocation Fund

	Six months ended June 30, 2015			Year ended December 31, 2014		
Share class	Ordinary income	Long-term capital gains	Total dividends and distributions paid	Ordinary income	Long-term capital gains	Total dividends and distributions paid
Class P1	$ 4,644	$ 8,843	$13,487	$ 581	$–	$ 581
Class P2	19,697	39,547	59,244	976	–	976
Total	$24,341	$48,390	$72,731	$1,557	$–	$1,557

*For the period May 1, 2014, commencement of operations, through December 31, 2014.
†Amount less than one thousand.

7. Fees and transactions

CRMC, the series' investment adviser, is the parent company of American Funds Distributors,® Inc. ("AFD"), the distributor of the series' shares, and American Funds Service Company® ("AFS"), the series' transfer agent. CRMC, AFD and AFS are considered related parties to the series.

Investment advisory services – The series has an investment advisory and service agreement with CRMC that provides for monthly fees accrued daily. These fees are based on annual rates that generally decrease as average net asset levels increase. CRMC receives investment advisory fees from the underlying funds held by the managed risk funds. These fees are included in the net effective expense ratios that are provided as supplementary information in the financial highlights tables. Subadvisory fees for the managed risk funds are paid by CRMC to Milliman. The managed risk funds are not responsible for paying any subadvisory fees.

Investment advisory services waiver – The series' board of trustees approved an amended agreement for Blue Chip Income and Growth Fund effective February 1, 2015, decreasing the annual rates on daily net assets in excess of $6.5 billion to 0.360%. During the six months ended June 30, 2015, CRMC voluntarily reduced investment advisory services fees to the new breakpoint and rate in advance of the effective date of the amended agreement. CRMC is also waiving a portion of its investment advisory services fees for each of the managed risk funds. Investment advisory services fees are presented in each fund's statement of operations gross of the waivers from CRMC. For the six months ended June 30, 2015, total investment advisory services fees waived by CRMC were $1,092,000.

The range of rates and asset levels and the current annualized rates of average net assets for each fund, before and after any investment advisory services waivers, are as follows:

Fund	Rates		Net asset level (in billions)		For the period ended June 30, 2015, before waiver	For the period ended June 30, 2015, after waiver
	Beginning with	Ending with	Up to	In excess of		
Global Growth Fund	.690%	.460%	$ .6	$ 5.0	.52%	.52%
Global Small Capitalization Fund	.800	.635	.6	5.0	.69	.69
Growth Fund	.500	.280	.6	34.0	.32	.32
International Fund	.690	.430	.5	21.0	.50	.50
New World Fund	.850	.620	.5	2.5	.72	.72
Blue Chip Income and Growth Fund	.500	.360	.6	6.5	.40	.40
Global Growth and Income Fund	.690	.480	.6	3.0	.60	.60
Growth-Income Fund	.500	.219	.6	34.0	.27	.27
International Growth and Income Fund	.690	.530	.5	1.0	.63	.63
Capital Income Builder Fund	.500		all		.50	.50
Asset Allocation Fund	.500	.244	.6	13.0	.28	.28
Global Balanced Fund	.660	.510	.5	1.0	.66	.66
Bond Fund	.480	.330	.6	8.0	.37	.37
Global Bond Fund	.570	.450	1.0	3.0	.53	.53
High-Income Bond Fund	.500	.420	.6	2.0	.46	.46
Mortgage Fund	.420	.290	.6	3.0	.42	.42
U.S. Government/AAA-Rated Securities Fund	.420	.290	.6	3.0	.33	.33
Cash Management Fund	.320	.270	1.0	2.0	.32	.32
Managed Risk Growth Fund	.250		all		.25	.18
Managed Risk International Fund	.250		all		.25	.18
Managed Risk Blue Chip Income and Growth Fund	.250		all		.25	.18
Managed Risk Growth-Income Fund	.250		all		.25	.18
Managed Risk Asset Allocation Fund	.250		all		.25	.18

Distribution services – The series has plans of distribution for all share classes except Class 1. Under the plans, the board of trustees approves certain categories of expenses that are used to finance activities primarily intended to sell fund shares. The plans provide for payments to pay service fees to firms that have entered into agreements with the series. These payments, based on an annualized percentage of average daily net assets, range from 0.18% to 0.50% as noted in the table below. In some cases, the board of trustees has limited the amounts that may be paid to less than the maximum allowed by the plans.

Share class	Currently approved limits	Plan limits
Class 2	0.25%	0.25%
Class 3	0.18	0.18
Class 4	0.25	0.25
Class P1	0.00	0.25
Class P2	0.25	0.50

Insurance administrative services – The series has an insurance administrative services plan for Class 4, P1 and P2 shares. Under the plan, these share classes pay 0.25% of each insurance company's respective average daily net assets in each share class to compensate the insurance companies for services provided to their separate accounts and contractholders for which the shares of the fund are beneficially owned as underlying investments of such contractholders' annuities. These services include, but are not limited to, maintenance, shareholder communications and transactional services. The insurance companies are not related parties to the series.

Transfer agent services – The series has a shareholder services agreement with AFS under which the funds compensate AFS for providing transfer agent services to all of the funds' share classes. These services include recordkeeping, shareholder communications and transaction processing. In addition, the managed risk funds reimburse AFS for amounts paid to third parties for performing transfer agent services on behalf of fund shareholders.

Administrative services – The series has an administrative services agreement that applies to all funds except the managed risk funds. Under the agreement, each share class pays an annual fee of 0.01% based on its respective average daily net assets to compensate CRMC for providing administrative services. These services include, but are not limited to, coordinating, monitoring, assisting and overseeing third parties that provide services to fund shareholders.

Accounting and administrative services – The managed risk funds have a subadministration agreement with BNY Mellon under which the fund compensates BNY Mellon for providing accounting and administrative services to each of the managed risk funds' share classes. These services include, but are not limited to, fund accounting (including calculation of net asset value), financial reporting and tax services. BNY Mellon is not a related party to the managed risk funds.

Reimbursement of fees and expenses – CRMC is currently reimbursing a portion of other expenses for each of the managed risk funds so that each fund's expenses do not exceed 0.28% of its respective average daily net assets. Other expenses exclude investment advisory services and distribution services fees. For the six months ended June 30, 2015, total expenses reimbursed by CRMC were $460,000.

Class-specific expenses under the agreements described above were as follows (dollars in thousands):

Global Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 79
Class 2	5,084	–	203
Class 4	42	41	2
Total class-specific expenses	$5,126	$41	$284

Global Small Capitalization Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 80
Class 2	3,513	–	140
Class 4	20	20	1
Total class-specific expenses	$3,533	$20	$221

Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 360
Class 2	19,250	–	770
Class 3	188	–	10
Class 4	43	43	2
Total class-specific expenses	$19,481	$43	$1,142

International Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$175
Class 2	5,625	–	225
Class 3	35	–	2
Class 4	34	34	1
Total class-specific expenses	$5,694	$34	$403

New World Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 76
Class 2	1,363	–	54
Class 4	115	115	5
Total class-specific expenses	$1,478	$115	$135

Blue Chip Income and Growth Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$181
Class 2	4,562	–	183
Class 4	18	18	1
Total class-specific expenses	$4,580	$18	$365

Global Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$11
Class 2	2,094	–	84
Class 4	2	3	–*
Total class-specific expenses	$2,096	$3	$95

Growth-Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 547
Class 2	17,725	–	709
Class 3	164	–	9
Class 4	51	50	2
Total class-specific expenses	$17,940	$50	$1,267

See end of tables for footnote.

International Growth and Income Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$39
Class 2	327	–	13
Class 4	31	31	1
Total class-specific expenses	$358	$31	$53

Capital Income Builder

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$1
Class 2	–	–	–
Class 4	109	109	4
Total class-specific expenses	$109	$109	$5

Asset Allocation Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$613
Class 2	6,744	–	270
Class 3	35	–	2
Class 4	63	63	2
Total class-specific expenses	$6,842	$63	$887

Global Balanced Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$ 2
Class 2	225	–	9
Class 4	–	–	–
Total class-specific expenses	$225	$–	$11

Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$260
Class 2	5,596	–	224
Class 4	45	45	2
Total class-specific expenses	$5,641	$45	$486

Global Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$ 60
Class 2	1,683	–	68
Class 4	5	5	–*
Total class-specific expenses	$1,688	$5	$128

High-Income Bond Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$ 53
Class 2	1,153	–	46
Class 3	14	–	1
Class 4	5	5	–*
Total class-specific expenses	$1,172	$5	$100

Mortgage Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$14
Class 2	67	–	3
Class 4	1	1	–*
Total class-specific expenses	$68	$1	$17

U.S. Government/AAA-Rated Securities Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$ –	$ 82
Class 2	2,115	–	84
Class 3	11	–	1
Class 4	27	27	1
Total class-specific expenses	$2,153	$27	$168

Cash Management Fund

Share class	Distribution services	Insurance administrative services	Administrative services
Class 1	$ –	$–	$ 2
Class 2	378	–	15
Class 3	6	–	1
Class 4	8	8	–*
Total class-specific expenses	$392	$8	$18

Managed Risk Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	121	121
Total class-specific expenses	$121	$121

Managed Risk Growth-Income Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	113	113
Total class-specific expenses	$113	$113

Managed Risk International Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	75	75
Total class-specific expenses	$75	$75

Managed Risk Asset Allocation Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ 423
Class P2	2,287	2,287
Total class-specific expenses	$2,287	$2,710

Managed Risk Blue Chip Income and Growth Fund

	Distribution services	Insurance administrative services
Class P1	$ –	$ –*
Class P2	148	148
Total class-specific expenses	$148	$148

*Amount less than one thousand.

Trustees' deferred compensation – Trustees who are unaffiliated with CRMC may elect to defer the cash payment of part or all of their compensation. These deferred amounts, which remain as liabilities of the funds, are treated as if invested in one or more of the American Funds. These amounts represent general, unsecured liabilities of the funds and vary according to the total returns of the selected funds. Trustees' compensation, shown on the accompanying financial statements, includes current fees (either paid in cash or deferred) and a net increase in the value of the deferred amounts as follows (dollars in thousands):

	Current fees	Increase in value of deferred amounts	Total trustees' compensation
Global Growth Fund	$ 25	$ 3	$ 28
Global Small Capitalization Fund	18	2	20
Growth Fund	100	10	110
International Fund	35	4	39
New World Fund	12	1	13
Blue Chip Income and Growth Fund	32	3	35
Global Growth and Income Fund	8	1	9
Growth-Income Fund	112	11	123
International Growth and Income Fund	5	–*	5
Capital Income Builder	–*	–*	–*
Asset Allocation Fund	77	8	85
Global Balanced Fund	1	–*	1
Bond Fund	42	4	46
Global Bond Fund	11	1	12
High-Income Bond Fund	9	1	10
Mortgage Fund	1	–	1
U.S. Government/AAA-Rated Securities Fund	15	1	16
Cash Management Fund	2	–	2
Managed Risk Growth Fund	–*	–*	–*
Managed Risk International Fund	–*	–*	–*
Managed Risk Blue Chip Income and Growth Fund	1	–*	1
Managed Risk Growth-Income Fund	–*	–*	–*
Managed Risk Asset Allocation Fund	9	1	10

*Amount less than one thousand.

Affiliated officers and trustees – Officers and certain trustees of the series are or may be considered to be affiliated with CRMC, AFD and AFS. No affiliated officers or trustees received any compensation directly from any fund in the series.

8. Capital share transactions

Capital share transactions in the funds were as follows (dollars and shares in thousands):

Global Growth Fund

	Sales[1]		Reinvestments of dividends and distributions		Repurchases[1]		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class 1	$111,706	3,838	$154,301	5,671	$(190,815)	(6,641)	$ 75,192	2,868
Class 2	23,922	824	391,331	14,504	(289,649)	(10,106)	125,604	5,222
Class 4	30,615	1,043	4,681	174	(1,638)	(56)	33,658	1,161
Total net increase (decrease)	$166,243	5,705	$550,313	20,349	$(482,102)	(16,803)	$234,454	9,251
Year ended December 31, 2014								
Class 1	$184,637	6,455	$170,945	6,260	$(174,151)	(6,124)	$181,431	6,591
Class 2	63,364	2,246	456,339	16,834	(541,744)	(19,183)	(22,041)	(103)
Class 4	19,507	693	914	33	(1,305)	(47)	19,116	679
Total net increase (decrease)	$267,508	9,394	$628,198	23,127	$(717,200)	(25,354)	$178,506	7,167

Global Small Capitalization Fund

	Sales[1]		Reinvestments of dividends and distributions		Repurchases[1]		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class 1	$267,539	9,615	$121,908	4,341	$(131,877)	(4,579)	$ 257,570	9,377
Class 2	23,795	874	208,070	7,558	(242,647)	(8,848)	(10,782)	(416)
Class 4	11,422	402	1,572	57	(1,000)	(36)	11,994	423
Total net increase (decrease)	$302,756	10,891	$331,550	11,956	$(375,524)	(13,463)	$ 258,782	9,384
Year ended December 31, 2014								
Class 1	$271,446	10,305	$ 10,641	409	$(129,888)	(4,940)	$ 152,199	5,774
Class 2	61,975	2,423	16,282	630	(344,027)	(13,338)	(265,770)	(10,285)
Class 4	11,043	422	43	1	(3,103)	(119)	7,983	304
Total net increase (decrease)	$344,464	13,150	$ 26,966	1,040	$(477,018)	(18,397)	$(105,588)	(4,207)

Growth Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2015								
Class 1	$210,740	2,609	$1,467,621	21,403	$ (564,924)	(6,845)	$ 1,113,437	17,167
Class 2	78,611	962	3,130,663	45,911	(1,189,046)	(14,524)	2,020,228	32,349
Class 3	212	3	42,279	614	(13,568)	(165)	28,923	452
Class 4	26,023	321	9,426	139	(3,498)	(47)	31,951	413
Total net increase (decrease)	$315,586	3,895	$4,649,989	68,067	$(1,771,036)	(21,581)	$ 3,194,539	50,381
Year ended December 31, 2014								
Class 1	$427,546	5,435	$ 439,268	5,684	$ (902,919)	(11,466)	$ (36,105)	(347)
Class 2	161,775	2,066	891,416	11,588	(2,361,274)	(30,194)	(1,308,083)	(16,540)
Class 3	818	10	12,194	157	(26,290)	(333)	(13,278)	(166)
Class 4	19,956	255	559	7	(2,162)	(28)	18,353	234
Total net increase (decrease)	$610,095	7,766	$1,343,437	17,436	$(3,292,645)	(42,021)	$(1,339,113)	(16,819)

International Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2015								
Class 1	$312,472	14,485	$209,831	10,276	$ (168,516)	(7,842)	$ 353,787	16,919
Class 2	113,482	5,320	259,534	12,760	(282,137)	(13,195)	90,879	4,885
Class 3	429	20	2,184	107	(3,379)	(157)	(766)	(30)
Class 4	21,746	1,006	2,155	106	(2,237)	(104)	21,664	1,008
Total net increase (decrease)	$448,129	20,831	$473,704	23,249	$ (456,269)	(21,298)	$ 465,564	22,782
Year ended December 31, 2014								
Class 1	$380,142	17,940	$ 56,042	2,782	$ (341,755)	(16,103)	$ 94,429	4,619
Class 2	227,750	10,810	62,808	3,135	(1,641,111)	(78,073)	(1,350,553)	(64,128)
Class 3	229	10	585	29	(7,077)	(334)	(6,263)	(295)
Class 4	17,887	843	253	13	(1,144)	(54)	16,996	802
Total net increase (decrease)	$626,008	29,603	$119,688	5,959	$(1,991,087)	(94,564)	$(1,245,391)	(59,002)

New World Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2015								
Class 1	$125,289	5,888	$ 89,803	4,398	$ (39,854)	(1,873)	$175,238	8,413
Class 2	21,304	1,009	61,849	3,058	(75,655)	(3,568)	7,498	499
Class 4	56,963	2,687	6,676	330	(2,865)	(137)	60,774	2,880
Total net increase (decrease)	$203,556	9,584	$158,328	7,786	$(118,374)	(5,578)	$243,510	11,792
Year ended December 31, 2014								
Class 1	$324,674	13,748	$159,199	6,820	$(159,490)	(6,712)	$324,383	13,856
Class 2	67,274	3,007	133,538	5,749	(199,405)	(8,528)	1,407	228
Class 4	66,188	2,863	3,128	137	(4,760)	(202)	64,556	2,798
Total net increase (decrease)	$458,136	19,618	$295,865	12,706	$(363,655)	(15,442)	$390,346	16,882

See end of tables for footnotes.

Blue Chip Income and Growth Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2015								
Class 1	$245,371	16,692	$370,355	27,373	$(126,679)	(8,596)	$ 489,047	35,469
Class 2	15,817	1,082	362,722	27,068	(232,944)	(15,883)	145,595	12,267
Class 4	12,944	884	1,826	136	(2,788)	(189)	11,982	831
Total net increase (decrease)	$274,132	18,658	$734,903	54,577	$(362,411)	(24,668)	$ 646,624	48,567
Year ended December 31, 2014								
Class 1	$634,484	44,701	$109,528	7,600	$(357,453)	(25,605)	$ 386,559	26,696
Class 2	30,187	2,104	111,072	7,771	(593,568)	(42,833)	(452,309)	(32,958)
Class 4	11,406	792	215	15	(2,557)	(182)	9,064	625
Total net increase (decrease)	$676,077	47,597	$220,815	15,386	$(953,578)	(68,620)	$ (56,686)	(5,637)

Global Growth and Income Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends Amount	Reinvestments of dividends Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2015								
Class 1	$43,816	3,283	$ 923	69	$ (10,741)	(809)	$ 33,998	2,543
Class 2	13,884	1,045	6,312	475	(133,724)	(10,102)	(113,528)	(8,582)
Class 4	1,953	146	10	1	(399)	(31)	1,564	116
Total net increase (decrease)	$59,653	4,474	$ 7,245	545	$(144,864)	(10,942)	$ (77,966)	(5,923)
Year ended December 31, 2014								
Class 1	$34,831	2,706	$ 7,340	582	$ (51,693)	(4,103)	$ (9,522)	(815)
Class 2	29,379	2,291	59,444	4,718	(264,395)	(20,538)	(175,572)	(13,529)
Class 4	1,666	129	55	4	(780)	(61)	941	72
Total net increase (decrease)	$65,876	5,126	$66,839	5,304	$(316,868)	(24,702)	$(184,153)	(14,272)

Growth-Income Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2015								
Class 1	$ 612,171	11,476	$1,592,596	33,528	$ (766,646)	(14,194)	$ 1,438,121	30,810
Class 2	72,389	1,362	2,044,290	43,412	(957,730)	(18,035)	1,158,949	26,739
Class 3	488	9	25,985	547	(13,987)	(263)	12,486	293
Class 4	25,814	485	7,322	156	(4,831)	(89)	28,305	552
Total net increase (decrease)	$ 710,862	13,332	$3,670,193	77,643	$(1,743,194)	(32,581)	$ 2,637,861	58,394
Year ended December 31, 2014								
Class 1	$1,350,590	26,045	$ 641,213	12,554	$(1,449,140)	(28,021)	$ 542,663	10,578
Class 2	146,775	2,843	890,805	17,580	(2,265,133)	(44,088)	(1,227,553)	(23,665)
Class 3	1,337	25	11,614	227	(29,526)	(570)	(16,575)	(318)
Class 4	28,729	553	674	13	(2,803)	(54)	26,600	512
Total net increase (decrease)	$1,527,431	29,466	$1,544,306	30,374	$(3,746,602)	(72,733)	$ (674,865)	(12,893)

International Growth and Income Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2015								
Class 1	$ 11,463	690	$16,679	994	$ (4,860)	(282)	$ 23,282	1,402
Class 2	33,146	1,912	5,882	352	(11,365)	(671)	27,663	1,593
Class 4	10,507	625	611	37	(1,212)	(73)	9,906	589
Total net increase (decrease)	$ 55,116	3,227	$23,172	1,383	$(17,437)	(1,026)	$ 60,851	3,584
Year ended December 31, 2014								
Class 1	$135,449	7,581	$30,562	1,854	$(65,051)	(3,745)	$100,960	5,690
Class 2	16,759	964	9,825	597	(18,584)	(1,055)	8,000	506
Class 4	21,190	1,211	639	39	(921)	(52)	20,908	1,198
Total net increase (decrease)	$173,398	9,756	$41,026	2,490	$(84,556)	(4,852)	$129,868	7,394

Capital Income Builder

Share class	Proceeds from initial capitalization Amount	Proceeds from initial capitalization Shares	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2015										
Class 1	$ –	–	$ 9,125	911	$ 345	35	$ (20)	(2)	$ 9,450	944
Class 2	–	–	–	–	–[2]	–[2]	–	–	–[2]	–[2]
Class 4	–	–	59,011	5,903	1,211	123	(1,889)	(188)	58,333	5,838
Total net increase (decrease)	$ –	–	$68,136	6,814	$1,556	158	$(1,909)	(190)	$67,783	6,782
Year ended December 31, 2014[3]										
Class 1	$19,998	2,000	$ 154	16	$ 409	41	$ (36)	(4)	$20,525	2,053
Class 2	1	–[2]	–[2]	–[2]	–[2]	–[2]	–	–	1	–[2]
Class 4	1	–[2]	56,746	5,678	520	53	(1,130)	(113)	56,137	5,618
Total net increase (decrease)	$20,000	2,000	$56,900	5,694	$ 929	94	$(1,166)	(117)	$76,663	7,671

Asset Allocation Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2015								
Class 1	$ 723,130	32,235	$ 934,394	44,284	$ (261,971)	(11,683)	$1,395,553	64,836
Class 2	56,639	2,541	396,327	18,954	(341,042)	(15,325)	111,924	6,170
Class 3	470	21	2,849	135	(2,471)	(109)	848	47
Class 4	43,512	1,958	5,005	239	(2,357)	(106)	46,160	2,091
Total net increase (decrease)	$ 823,751	36,755	$1,338,575	63,612	$ (607,841)	(27,223)	$1,554,485	73,144
Year ended December 31, 2014								
Class 1	$1,900,080	84,968	$ 731,542	33,258	$(1,038,802)	(46,153)	$1,592,820	72,073
Class 2	155,081	6,998	356,950	16,361	(715,536)	(32,277)	(203,505)	(8,918)
Class 3	1,259	57	2,611	118	(6,288)	(281)	(2,418)	(106)
Class 4	32,797	1,481	681	31	(2,050)	(94)	31,428	1,418
Total net increase (decrease)	$2,089,217	93,504	$1,091,784	49,768	$(1,762,676)	(78,805)	$1,418,325	64,467

See end of tables for footnotes.

Global Balanced Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase Amount	Net increase Shares
Six months ended June 30, 2015								
Class 1	$ 4,297	376	$ 192	17	$ (192)	(16)	$ 4,297	377
Class 2	8,929	789	864	77	(9,698)	(858)	95	8
Class 4	–	–	–[2]	–[2]	–	–	–[2]	–[2]
Total net increase (decrease)	$13,226	1,165	$1,056	94	$(9,890)	(874)	$ 4,392	385
Year ended December 31, 2014								
Class 1	$ 229	20	$1,503	134	$ (127)	(11)	$ 1,605	143
Class 2	29,687	2,589	6,852	616	(9,380)	(820)	27,159	2,385
Class 4	–	–	–[2]	–[2]	–	–	–[2]	–[2]
Total net increase (decrease)	$29,916	2,609	$8,355	750	$(9,507)	(831)	$28,764	2,528

Bond Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2015								
Class 1	$572,795	51,253	$124,120	11,471	$ (97,137)	(8,684)	$ 599,778	54,040
Class 2	57,023	5,185	100,880	9,437	(228,594)	(20,707)	(70,691)	(6,085)
Class 4	19,135	1,723	948	88	(5,939)	(535)	14,144	1,276
Total net increase (decrease)	$648,953	58,161	$225,948	20,996	$ (331,670)	(29,926)	$ 543,231	49,231
Year ended December 31, 2014								
Class 1	$754,186	68,208	$107,710	9,742	$ (542,787)	(48,790)	$ 319,109	29,160
Class 2	177,278	16,106	90,634	8,290	(619,817)	(56,644)	(351,905)	(32,248)
Class 4	31,784	2,869	501	45	(5,766)	(522)	26,519	2,392
Total net increase (decrease)	$963,248	87,183	$198,845	18,077	$(1,168,370)	(105,956)	$ (6,277)	(696)

Global Bond Fund

Share class	Sales[1] Amount	Sales[1] Shares	Reinvestments of dividends and distributions Amount	Reinvestments of dividends and distributions Shares	Repurchases[1] Amount	Repurchases[1] Shares	Net increase (decrease) Amount	Net increase (decrease) Shares
Six months ended June 30, 2015								
Class 1	$ 84,372	7,240	$33,954	3,037	$ (42,543)	(3,655)	$ 75,783	6,622
Class 2	20,250	1,745	36,798	3,309	(56,760)	(4,876)	288	178
Class 4	1,908	164	128	12	(1,062)	(91)	974	85
Total net increase (decrease)	$106,530	9,149	$70,880	6,358	$(100,365)	(8,622)	$ 77,045	6,885
Year ended December 31, 2014								
Class 1	$241,123	19,710	$31,181	2,593	$(156,449)	(12,855)	$ 115,855	9,448
Class 2	24,571	2,029	30,636	2,560	(157,807)	(13,005)	(102,600)	(8,416)
Class 4	4,775	392	61	5	(626)	(52)	4,210	345
Total net increase (decrease)	$270,469	22,131	$61,878	5,158	$(314,882)	(25,912)	$ 17,465	1,377

High-Income Bond Fund

	Sales[1]		Reinvestments of dividends		Repurchases[1]		Net increase (decrease)	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class 1	$ 96,564	8,953	$ 10,854	1,017	$ (28,153)	(2,618)	$ 79,265	7,352
Class 2	15,615	1,475	8,619	818	(68,150)	(6,410)	(43,916)	(4,117)
Class 3	1,317	123	137	13	(3,319)	(307)	(1,865)	(171)
Class 4	9,577	850	42	4	(5,667)	(501)	3,952	353
Total net increase (decrease)	$123,073	11,401	$ 19,652	1,852	$(105,289)	(9,836)	$ 37,436	3,417
Year ended December 31, 2014								
Class 1	$226,447	20,029	$ 60,198	5,726	$ (69,861)	(6,187)	$216,784	19,568
Class 2	27,460	2,460	55,536	5,341	(167,244)	(15,003)	(84,248)	(7,202)
Class 3	1,235	109	966	91	(4,384)	(388)	(2,183)	(188)
Class 4	5,476	487	46	4	(5,386)	(472)	136	19
Total net increase (decrease)	$260,618	23,085	$116,746	11,162	$(246,875)	(22,050)	$130,489	12,197

Mortgage Fund

	Sales[1]		Reinvestments of dividends and distributions		Repurchases[1]		Net (decrease) increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class 1	$ 27,553	2,553	$4,234	399	$(38,427)	(3,584)	$ (6,640)	(632)
Class 2	4,452	413	801	76	(2,555)	(237)	2,698	252
Class 4	1,911	178	28	3	(449)	(42)	1,490	139
Total net increase (decrease)	$ 33,916	3,144	$5,063	478	$(41,431)	(3,863)	$ (2,452)	(241)
Year ended December 31, 2014								
Class 1	$ 98,137	9,226	$2,596	243	$(16,394)	(1,558)	$84,339	7,911
Class 2	7,547	713	364	34	(6,687)	(633)	1,224	114
Class 4	978	92	3	–[2]	(513)	(48)	468	44
Total net increase (decrease)	$106,662	10,031	$2,963	277	$(23,594)	(2,239)	$86,031	8,069

U.S. Government/AAA-Rated Securities Fund

	Sales[1]		Reinvestments of dividends and distributions		Repurchases[1]		Net (decrease) increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class 1	$ 38,180	3,045	$15,772	1,276	$(250,764)	(20,027)	$(196,812)	(15,706)
Class 2	14,254	1,147	16,726	1,367	(65,206)	(5,260)	(34,226)	(2,746)
Class 3	389	31	117	9	(1,675)	(134)	(1,169)	(94)
Class 4	13,498	1,085	215	17	(10,315)	(830)	3,398	272
Total net increase (decrease)	$ 66,321	5,308	$32,830	2,669	$(327,960)	(26,251)	$(228,809)	(18,274)
Year ended December 31, 2014								
Class 1	$137,157	11,139	$22,540	1,819	$ (82,815)	(6,714)	$ 76,882	6,244
Class 2	28,567	2,357	18,675	1,521	(200,417)	(16,407)	(153,175)	(12,529)
Class 3	1,459	118	143	11	(3,611)	(293)	(2,009)	(164)
Class 4	41,142	3,315	325	26	(20,338)	(1,649)	21,129	1,692
Total net increase (decrease)	$208,325	16,929	$41,683	3,377	$(307,181)	(25,063)	$ (57,173)	(4,757)

See end of tables for footnotes.

Cash Management Fund

	Sales[1]		Reinvestments of dividends		Repurchases[1]		Net (decrease) increase	
Share class	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class 1	$ 6,660	590	$–	–	$ (11,912)	(1,056)	$ (5,252)	(466)
Class 2	55,265	5,004	–	–	(80,766)	(7,309)	(25,501)	(2,305)
Class 3	2,538	227	–	–	(2,598)	(233)	(60)	(6)
Class 4	9,459	843	–	–	(8,952)	(797)	507	46
Total net increase (decrease)	$ 73,922	6,664	$–	–	$(104,228)	(9,395)	$(30,306)	(2,731)
Year ended December 31, 2014								
Class 1	$ 30,209	2,674	$–	–	$ (38,206)	(3,382)	$ (7,997)	(708)
Class 2	155,395	14,015	–	–	(217,194)	(19,587)	(61,799)	(5,572)
Class 3	4,241	379	–	–	(4,604)	(411)	(363)	(32)
Class 4	14,839	1,316	–	–	(7,600)	(674)	7,239	642
Total net increase (decrease)	$204,684	18,384	$–	–	$(267,604)	(24,054)	$(62,920)	(5,670)

Managed Risk Growth Fund

	Sales[1]		Reinvestments of dividends and distributions		Repurchases[1]		Net increase	
Share class	Amount	Shares	Amount	Amount	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class P1	$ 107	9	$ –	–	$ (49)	(4)	$ 58	5
Class P2	35,517	3,053	–	–	(942)	(80)	34,575	2,973
Total net increase (decrease)	$35,624	3,062	$ –	–	$ (991)	(84)	$34,633	2,978
Year ended December 31, 2014								
Class P1	$ 23	2	$ 5	–[2]	$ (6)	(1)	$ 22	1
Class P2	58,735	5,108	1,857	164	(8,675)	(742)	51,917	4,530
Total net increase (decrease)	$58,758	5,110	$1,862	164	$(8,681)	(743)	$51,939	4,531

Managed Risk International Fund

	Sales[1]		Reinvestments of dividends		Repurchases[1]		Net increase	
Share class	Amount	Shares	Amount	Amount	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class P1	$ –	–	$ –[2]	–[2]	$ –[2]	–[2]	$ –[2]	–[2]
Class P2	27,613	2,629	14	1	(787)	(74)	26,840	2,556
Total net increase (decrease)	$27,613	2,629	$ 14	1	$ (787)	(74)	$26,840	2,556
Year ended December 31, 2014								
Class P1	$ 14	1	$ 2	–[2]	$ –[2]	–[2]	$ 16	1
Class P2	38,069	3,583	508	50	(6,673)	(626)	31,904	3,007
Total net increase (decrease)	$38,083	3,584	$510	50	$(6,673)	(626)	$31,920	3,008

Managed Risk Blue Chip Income and Growth Fund

	Sales[1]		Reinvestments of dividends		Repurchases[1]		Net (decrease) increase	
Share class	Amount	Shares	Amount	Amount	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class P1	$ 1	–[2]	$ –[2]	–[2]	$ (8)	–[2]	$ (7)	–[2]
Class P2	42,224	3,633	76	6	(13,243)	(1,139)	29,057	2,500
Total net increase (decrease)	$42,225	3,633	$ 76	6	$(13,251)	(1,139)	$29,050	2,500
Year ended December 31, 2014								
Class P1	$ 86	7	$ 6	–[2]	$ (2)	–[2]	$ 90	7
Class P2	77,239	6,603	2,173	185	(9,167)	(776)	70,245	6,012
Total net increase (decrease)	$77,325	6,610	$2,179	185	$ (9,169)	(776)	$70,335	6,019

Managed Risk Growth-Income Fund

	Sales[1]		Reinvestments of dividends and distributions		Repurchases[1]		Net increase	
Share class	Amount	Shares	Amount	Amount	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class P1	$ 161	13	$ –	–	$ (1)	–[2]	$ 160	13
Class P2	31,466	2,680	–	–	(3,613)	(305)	27,853	2,375
Total net increase (decrease)	$31,627	2,693	$ –	–	$ (3,614)	(306)	$28,013	2,388
Year ended December 31, 2014								
Class P1	$ 21	2	$ 5	–[2]	$ –[2]	–[2]	$ 26	2
Class P2	60,935	5,124	2,228	191	(10,957)	(913)	52,206	4,402
Total net increase (decrease)	$60,956	5,126	$2,233	191	$(10,957)	(913)	$52,232	4,404

Managed Risk Asset Allocation Fund

	Sales[1]		Reinvestments of dividends and distributions		Repurchases[1]		Net increase	
Share class	Amount	Shares	Amount	Amount	Amount	Shares	Amount	Shares
Six months ended June 30, 2015								
Class P1	$ 163,813	13,194	$13,487	1,107	$ (201)	(16)	$ 177,099	14,285
Class P2	176,689	14,278	59,244	4,876	(78,004)	(6,323)	157,929	12,831
Total net increase (decrease)	$ 340,502	27,472	$72,731	5,983	$(78,205)	(6,339)	$ 335,028	27,116
Year ended December 31, 2014								
Class P1	$ 158,370	13,095	$ 581	47	$ (9)	(1)	$ 158,942	13,141
Class P2	996,253	82,884	976	80	(55,636)	(4,564)	941,593	78,400
Total net increase (decrease)	$1,154,623	95,979	$ 1,557	127	$(55,645)	(4,565)	$1,100,535	91,541

[1]Includes exchanges between share classes of the fund.
[2]Amount less than one thousand.
[3]For the period May 1, 2014, commencement of operations, through December 31, 2014.

9. Investment transactions and other disclosures

The following tables present additional information for the six months ended June 30, 2015 (dollars in thousands):

	Global Growth Fund	Global Small Capitalization Fund	Growth Fund	International Fund	New World Fund	Blue Chip Income and Growth Fund
Purchases of investment securities*	$779,095	$631,826	$2,011,955	$1,375,263	$733,639	$1,059,930
Sales of investment securities*	939,403	924,196	3,282,986	1,521,579	432,692	1,073,314
Non-U.S. taxes paid on dividend income	4,717	1,142	4,905	9,232	1,965	879
Non-U.S. taxes paid on interest income	–	–	–	–	20	–
Non-U.S. taxes paid (refunded) on realized gains	308	5	–	(140)	2,002	–
Non-U.S. taxes provided on unrealized gains	4	–	–	2,958	146	–
Dividends from affiliated issuers	–	–	1,682	–	–	–
Net realized (loss) gain from affiliated issuers	–	(6,757)	1,203	–	–	–

	Global Growth and Income Fund	Growth-Income Fund	International Growth and Income Fund	Capital Income Builder	Asset Allocation Fund	Global Balanced Fund
Purchases of investment securities*	$277,958	$3,300,378	$272,811	$117,082	$6,976,655	$90,246
Sales of investment securities*	311,802	3,361,213	224,023	52,343	6,699,493	83,017
Non-U.S. taxes paid on dividend income	2,217	4,863	1,734	141	3,827	155
Non-U.S. taxes paid on interest income	–	–	33	–	–	7
Non-U.S. taxes paid on realized gains	–	2,965	–	–	–	3
Non-U.S. taxes provided on unrealized gains	347	122	287	–	108	15
Dividends from affiliated issuers	658	–	–	–	–	–
Net realized gain from affiliated issuers	–	–	–	–	–	–

	Bond Fund	Global Bond Fund	High-Income Bond Fund	Mortgage Fund	U.S. Government/ AAA-Rated Securities Fund	Cash Management Fund
Purchases of investment securities*	$14,988,859	$2,087,364	$667,880	$1,520,839	$9,827,489	$–
Sales of investment securities*	14,768,191	2,056,381	507,172	1,501,928	9,195,570	–
Non-U.S. taxes paid on dividend income	–	–	–	–	–	–
Non-U.S. taxes paid on interest income	233	171	16	–	–	–
Non-U.S. taxes paid on realized gains	214	101	–	–	–	–
Non-U.S. taxes provided on unrealized gains	8	22	12	–	–	–
Dividends from affiliated issuers	–	–	–	–	–	–
Net realized gain from affiliated issuers	–	–	–	–	–	–

	Managed Risk Growth Fund	Managed Risk International Fund	Managed Risk Blue Chip Income and Growth Fund	Managed Risk Growth-Income Fund	Managed Risk Asset Allocation Fund
Purchases of investment securities*	$54,286	$29,144	$49,421	$42,437	$414,835
Sales of investment securities*	2,179	2,777	13,182	4,543	7,133
Non-U.S. taxes paid on dividend income	–	–	–	–	–
Non-U.S. taxes paid on interest income	–	–	–	–	–
Non-U.S. taxes paid on realized gains	–	–	–	–	–
Non-U.S. taxes provided on unrealized gains	–	–	–	–	–
Dividends from affiliated issuers	155	247	429	280	8,902
Net realized gain from affiliated issuers	21,762	3,906	13,476	14,020	152,763

*Excludes short-term securities and U.S. government obligations, if any.

10. Ownership concentration

At June 30, 2015, CRMC held aggregate ownership of 14% and 17% of the outstanding shares of Capital Income Builder and Global Balanced Fund, respectively. The ownership represents the seed money invested in the funds when each fund began operations.

Financial highlights

	Net asset value, beginning of period	Income (loss) from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return[2]	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
Global Growth Fund												
Class 1:												
6/30/15[3,4]	$27.48	$ .18	$ 2.11	$ 2.29	$(.07)	$(2.79)	$(2.86)	$26.91	8.19%	$1,602	.55%[5]	1.23%[5]
12/31/14	30.11	.31[6]	.40	.71	(.40)	(2.94)	(3.34)	27.48	2.52	1,558	.55	1.08[6]
12/31/13	23.58	.31	6.62	6.93	(.40)	–	(.40)	30.11	29.51	1,508	.55	1.17
12/31/12	19.40	.30	4.14	4.44	(.26)	–	(.26)	23.58	22.89	1,466	.56	1.38
12/31/11	21.61	.29	(2.16)	(1.87)	(.34)	–	(.34)	19.40	(8.66)	1,277	.55	1.37
12/31/10	19.61	.30	2.04	2.34	(.34)	–	(.34)	21.61	12.04	1,227	.56	1.54
Class 2:												
6/30/15[3,4]	27.30	.14	2.08	2.22	(.05)	(2.79)	(2.84)	26.68	8.01	4,041	.80[5]	.98[5]
12/31/14	29.92	.24[6]	.41	.65	(.33)	(2.94)	(3.27)	27.30	2.31	3,992	.80	.85[6]
12/31/13	23.44	.24	6.58	6.82	(.34)	–	(.34)	29.92	29.18	4,379	.80	.91
12/31/12	19.29	.24	4.11	4.35	(.20)	–	(.20)	23.44	22.56	3,723	.81	1.13
12/31/11	21.48	.24	(2.15)	(1.91)	(.28)	–	(.28)	19.29	(8.89)	3,535	.80	1.13
12/31/10	19.50	.25	2.03	2.28	(.30)	–	(.30)	21.48	11.75	4,308	.81	1.30
Class 4:												
6/30/15[3,4]	27.34	.12	2.08	2.20	(.06)	(2.79)	(2.85)	26.69	7.90	50	1.05[5]	.86[5]
12/31/14	30.07	.07[6]	.50	.57	(.36)	(2.94)	(3.30)	27.34	2.01	19	1.05	.26[6]
12/31/13	23.58	.13	6.77	6.90	(.41)	–	(.41)	30.07	29.36	1	1.06	.43
12/31/12[3,7]	23.53	.01	.29	.30	(.25)	–	(.25)	23.58	1.27[8]	–[9]	.02[2,8]	.04[2,8]
Global Small Capitalization Fund												
Class 1:												
6/30/15[3,4]	$26.09	$ .04	$ 4.02	$ 4.06	$ –	$(2.08)	$(2.08)	$28.07	15.57%	$1,781	.73%[5]	.26%[5]
12/31/14	25.69	.09	.52	.61	(.09)	(.12)	(.21)	26.09	2.36	1,411	.74	.34
12/31/13	20.16	.04	5.70	5.74	(.21)	–	(.21)	25.69	28.60	1,241	.74	.17
12/31/12	17.28	.09	3.09	3.18	(.30)	–	(.30)	20.16	18.51	1,019	.75	.46
12/31/11	21.67	.07	(4.14)	(4.07)	(.32)	–	(.32)	17.28	(18.94)	795	.74	.36
12/31/10	18.00	.13	3.91	4.04	(.37)	–	(.37)	21.67	22.76	818	.75	.69
Class 2:												
6/30/15[3,4]	25.64	–[10]	3.95	3.95	–	(2.08)	(2.08)	27.51	15.41	2,926	.98[5]	(.01)[5]
12/31/14	25.25	.03	.51	.54	(.03)	(.12)	(.15)	25.64	2.12	2,738	.99	.10
12/31/13	19.86	(.01)	5.60	5.59	(.20)	–	(.20)	25.25	28.28	2,955	.99	(.05)
12/31/12	17.04	.04	3.03	3.07	(.25)	–	(.25)	19.86	18.18	2,603	1.00	.20
12/31/11	21.35	.02	(4.06)	(4.04)	(.27)	–	(.27)	17.04	(19.14)	2,450	.99	.10
12/31/10	17.74	.08	3.86	3.94	(.33)	–	(.33)	21.35	22.41	3,189	1.00	.45
Class 4:												
6/30/15[3,4]	25.92	(.03)	3.99	3.96	–	(2.08)	(2.08)	27.80	15.28	24	1.23[5]	(.24)[5]
12/31/14	25.57	(.05)	.54	.49	(.02)	(.12)	(.14)	25.92	1.88	12	1.24	(.17)
12/31/13	20.16	(.12)	5.74	5.62	(.21)	–	(.21)	25.57	28.01	4	1.24	(.50)
12/31/12[3,7]	19.68	.01	.54	.55	(.07)	–	(.07)	20.16	2.80[8]	–[9]	.04[2,8]	.04[2,8]

	Net asset value, beginning of period	Income (loss) from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return[2]	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
Growth Fund												
Class 1:												
6/30/15[3,4]	$80.15	$ .62	$ 4.37	$ 4.99	$ (.12)	$(17.24)	$(17.36)	$67.78	5.99%	$ 7,183	.35%[5]	.99%[5]
12/31/14	78.54	.88[6]	5.79	6.67	(1.16)	(3.90)	(5.06)	80.15	8.78	7,118	.35	1.12[6]
12/31/13	60.90	.64	17.84	18.48	(.84)	–	(.84)	78.54	30.43	7,003	.35	.93
12/31/12	52.07	.63	8.83	9.46	(.63)	–	(.63)	60.90	18.19	7,116	.35	1.10
12/31/11	54.78	.45	(2.68)	(2.23)	(.48)	–	(.48)	52.07	(4.06)	7,426	.34	.81
12/31/10	46.45	.49	8.32	8.81	(.48)	–	(.48)	54.78	19.01	8,011	.34	1.02
Class 2:												
6/30/15[3,4]	79.84	.46	4.42	4.88	(.09)	(17.24)	(17.33)	67.39	5.85	15,188	.60[5]	.74[5]
12/31/14	77.94	.68[6]	5.75	6.43	(.63)	(3.90)	(4.53)	79.84	8.51	15,413	.60	.87[6]
12/31/13	60.45	.47	17.68	18.15	(.66)	–	(.66)	77.94	30.11	16,334	.60	.68
12/31/12	51.68	.47	8.77	9.24	(.47)	–	(.47)	60.45	17.89	14,911	.60	.83
12/31/11	54.35	.30	(2.63)	(2.33)	(.34)	–	(.34)	51.68	(4.27)	16,701	.59	.55
12/31/10	46.10	.36	8.24	8.60	(.35)	–	(.35)	54.35	18.68	19,896	.59	.76
Class 3:												
6/30/15[3,4]	80.47	.51	4.43	4.94	(.10)	(17.24)	(17.34)	68.07	5.87	207	.53[5]	.81[5]
12/31/14	78.62	.74[6]	5.79	6.53	(.78)	(3.90)	(4.68)	80.47	8.58	208	.53	.94[6]
12/31/13	60.97	.52	17.84	18.36	(.71)	–	(.71)	78.62	30.20	216	.53	.75
12/31/12	52.13	.53	8.83	9.36	(.52)	–	(.52)	60.97	17.97	189	.53	.92
12/31/11	54.82	.34	(2.66)	(2.32)	(.37)	–	(.37)	52.13	(4.21)	189	.52	.62
12/31/10	46.49	.40	8.31	8.71	(.38)	–	(.38)	54.82	18.76	232	.52	.82
Class 4:												
6/30/15[3,4]	79.74	.37	4.39	4.76	(.09)	(17.24)	(17.33)	67.17	5.72	48	.85[5]	.51[5]
12/31/14	78.32	.37[6]	5.87	6.24	(.92)	(3.90)	(4.82)	79.74	8.25	24	.85	.47[6]
12/31/13	60.90	.29	17.90	18.19	(.77)	–	(.77)	78.32	29.96	5	.85	.40
12/31/12[3,7]	60.55	.03	.78	.81	(.46)	–	(.46)	60.90	1.33[8]	–[9]	.02[2,8]	.05[2,8]
International Fund												
Class 1:												
6/30/15[3,4]	$20.35	$ .19	$ .96	$ 1.15	$ (.08)	$ (1.18)	$ (1.26)	$20.24	5.58%	$ 3,606	.54%[5]	1.81%[5]
12/31/14	21.22	.30	(.81)	(.51)	(.36)	–	(.36)	20.35	(2.41)	3,282	.54	1.43
12/31/13	17.68	.27	3.59	3.86	(.32)	–	(.32)	21.22	21.91	3,324	.54	1.41
12/31/12	15.21	.30	2.47	2.77	(.30)	–	(.30)	17.68	18.21	3,618	.54	1.81
12/31/11	18.05	.35	(2.84)	(2.49)	(.35)	–	(.35)	15.21	(13.76)	3,314	.53	2.03
12/31/10	17.17	.28	.99	1.27	(.39)	–	(.39)	18.05	7.52	3,490	.53	1.69
Class 2:												
6/30/15[3,4]	20.29	.16	.95	1.11	(.07)	(1.18)	(1.25)	20.15	5.40	4,443	.79[5]	1.55[5]
12/31/14	21.15	.25	(.81)	(.56)	(.30)	–	(.30)	20.29	(2.65)	4,374	.79	1.19
12/31/13	17.62	.22	3.58	3.80	(.27)	–	(.27)	21.15	21.64	5,916	.79	1.15
12/31/12	15.16	.26	2.45	2.71	(.25)	–	(.25)	17.62	17.91	5,465	.79	1.57
12/31/11	17.98	.31	(2.82)	(2.51)	(.31)	–	(.31)	15.16	(13.96)	5,210	.78	1.81
12/31/10	17.11	.24	.98	1.22	(.35)	–	(.35)	17.98	7.23	6,615	.78	1.46
Class 3:												
6/30/15[3,4]	20.38	.17	.95	1.12	(.07)	(1.18)	(1.25)	20.25	5.43	37	.72[5]	1.61[5]
12/31/14	21.24	.27	(.82)	(.55)	(.31)	–	(.31)	20.38	(2.56)	38	.72	1.28
12/31/13	17.70	.23	3.59	3.82	(.28)	–	(.28)	21.24	21.67	46	.72	1.22
12/31/12	15.23	.27	2.47	2.74	(.27)	–	(.27)	17.70	17.97	44	.72	1.65
12/31/11	18.05	.33	(2.83)	(2.50)	(.32)	–	(.32)	15.23	(13.85)	43	.71	1.90
12/31/10	17.18	.26	.97	1.23	(.36)	–	(.36)	18.05	7.26	61	.71	1.54
Class 4:												
6/30/15[3,4]	20.23	.15	.93	1.08	(.07)	(1.18)	(1.25)	20.06	5.27	38	1.04[5]	1.43[5]
12/31/14	21.16	.07	(.68)	(.61)	(.32)	–	(.32)	20.23	(2.88)	18	1.04	.31
12/31/13	17.68	(.01)	3.79	3.78	(.30)	–	(.30)	21.16	21.48	2	1.04	(.07)
12/31/12[3,7]	17.79	.01	.16	.17	(.28)	–	(.28)	17.68	.98[8]	–[9]	.02[2,8]	.05[2,8]

See end of tables for footnotes.

Financial highlights (continued)

	Net asset value, beginning of period	Income (loss) from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return[2]	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
New World Fund												
Class 1:												
6/30/15[3,4]	$20.72	$.13	$ .74	$ .87	$(.08)	$(1.16)	$(1.24)	$20.35	4.15%	$1,579	.79%[5]	1.27%[5]
12/31/14	25.08	.29[6]	(1.92)	(1.63)	(.29)	(2.44)	(2.73)	20.72	(7.63)	1,433	.78	1.23[6]
12/31/13	22.93	.34	2.31	2.65	(.39)	(.11)	(.50)	25.08	11.66	1,388	.78	1.45
12/31/12	19.65	.33	3.23	3.56	(.28)	–	(.28)	22.93	18.13	1,140	.79	1.54
12/31/11	23.28	.36	(3.55)	(3.19)	(.44)	–	(.44)	19.65	(13.75)	826	.78	1.62
12/31/10	20.04	.37	3.25	3.62	(.38)	–	(.38)	23.28	18.20	774	.80	1.76
Class 2:												
6/30/15[3,4]	20.54	.10	.74	.84	(.07)	(1.16)	(1.23)	20.15	4.04	1,074	1.04[5]	1.00[5]
12/31/14	24.88	.24[6]	(1.91)	(1.67)	(.23)	(2.44)	(2.67)	20.54	(7.87)	1,084	1.03	1.01[6]
12/31/13	22.75	.28	2.29	2.57	(.33)	(.11)	(.44)	24.88	11.38	1,307	1.03	1.22
12/31/12	19.50	.28	3.19	3.47	(.22)	–	(.22)	22.75	17.82	1,378	1.04	1.31
12/31/11	23.09	.30	(3.51)	(3.21)	(.38)	–	(.38)	19.50	(13.95)	1,350	1.03	1.37
12/31/10	19.89	.31	3.22	3.53	(.33)	–	(.33)	23.09	17.87	1,739	1.05	1.52
Class 4:												
6/30/15[3,4]	20.56	.09	.73	.82	(.07)	(1.16)	(1.23)	20.15	3.94	121	1.29[5]	.89[5]
12/31/14	24.99	.09[6]	(1.83)	(1.74)	(.25)	(2.44)	(2.69)	20.56	(8.13)	64	1.28	.40[6]
12/31/13	22.93	.14	2.41	2.55	(.38)	(.11)	(.49)	24.99	11.20	8	1.29	.56
12/31/12[3,7]	22.83	.01	.35	.36	(.26)	–	(.26)	22.93	1.58[8]	–[9]	.04[2,8]	.04[2,8]
Blue Chip Income and Growth Fund												
Class 1:												
6/30/15[3,4]	$14.69	$.15	$ (.12)	$ .03	$(.06)	$(1.45)	$(1.51)	$13.21	(.07)%	$3,653	.41%[5]	2.11%[5]
12/31/14	13.12	.46[6]	1.59	2.05	(.48)	–	(.48)	14.69	15.69	3,542	.42	3.31[6]
12/31/13	10.05	.27	3.06	3.33	(.26)	–	(.26)	13.12	33.26	2,814	.42	2.27
12/31/12	9.00	.24	1.04	1.28	(.23)	–	(.23)	10.05	14.18	1,357	.43	2.41
12/31/11	9.25	.19	(.25)	(.06)	(.19)	–	(.19)	9.00	(.63)	992	.42	2.08
12/31/10	8.37	.18	.87	1.05	(.17)	–	(.17)	9.25	12.61	674	.44	2.10
Class 2:												
6/30/15[3,4]	14.57	.14	(.14)	–	(.05)	(1.45)	(1.50)	13.07	(.27)	3,501	.66[5]	1.86[5]
12/31/14	13.02	.44[6]	1.55	1.99	(.44)	–	(.44)	14.57	15.36	3,722	.67	3.14[6]
12/31/13	9.97	.23	3.05	3.28	(.23)	–	(.23)	13.02	33.00	3,755	.67	2.03
12/31/12	8.93	.21	1.03	1.24	(.20)	–	(.20)	9.97	13.88	3,382	.68	2.17
12/31/11	9.18	.17	(.26)	(.09)	(.16)	–	(.16)	8.93	(.90)	3,340	.67	1.83
12/31/10	8.31	.16	.86	1.02	(.15)	–	(.15)	9.18	12.33	3,677	.69	1.87
Class 4:												
6/30/15[3,4]	14.63	.12	(.14)	(.02)	(.05)	(1.45)	(1.50)	13.11	(.39)	19	.91[5]	1.60[5]
12/31/14	13.12	.34[6]	1.63	1.97	(.46)	–	(.46)	14.63	15.13	9	.92	2.33[6]
12/31/13	10.05	.18	3.15	3.33	(.26)	–	(.26)	13.12	33.27	–[9]	.86	1.39
12/31/12[3,7]	10.20	.01	.03	.04	(.19)	–	(.19)	10.05	.38[8]	–[9]	.02[2,8]	.10[2,8]

	Net asset value, beginning of period	Income (loss) from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return[2]	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
Global Growth and Income Fund												
Class 1:												
6/30/15[3,4]	$12.78	$.13	$ .32	$ .45	$(.06)	$ –	$ (.06)	$13.17	3.49%	$ 240	.63%[5]	1.92%[5]
12/31/14	12.53	.43[6]	.31	.74	(.49)	–	(.49)	12.78	6.00	200	.63	3.34[6]
12/31/13	10.56	.39	2.00	2.39	(.42)	–	(.42)	12.53	22.81	206	.62	3.35
12/31/12	9.20	.25	1.39	1.64	(.28)	–	(.28)	10.56	17.93	180	.62	2.56
12/31/11	9.96	.28	(.75)	(.47)	(.29)	–	(.29)	9.20	(4.68)	161	.61	2.86
12/31/10	9.14	.23	.85	1.08	(.26)	–	(.26)	9.96	12.02	171	.61	2.54
Class 2:												
6/30/15[3,4]	12.75	.15	.29	.44	(.05)	–	(.05)	13.14	3.45	1,623	.88[5]	2.25[5]
12/31/14	12.51	.41[6]	.29	.70	(.46)	–	(.46)	12.75	5.64	1,685	.88	3.22[6]
12/31/13	10.54	.36	2.00	2.36	(.39)	–	(.39)	12.51	22.54	1,822	.87	3.09
12/31/12	9.19	.23	1.38	1.61	(.26)	–	(.26)	10.54	17.56	1,837	.87	2.31
12/31/11	9.94	.25	(.74)	(.49)	(.26)	–	(.26)	9.19	(4.85)	1,839	.86	2.60
12/31/10	9.12	.21	.85	1.06	(.24)	–	(.24)	9.94	11.78	2,130	.86	2.28
Class 4:												
6/30/15[3,4]	12.71	.14	.28	.42	(.05)	–	(.05)	13.08	3.30	3	1.13[5]	2.12[5]
12/31/14	12.50	.30[6]	.37	.67	(.46)	–	(.46)	12.71	5.41	1	1.13	2.30[6]
12/31/13	10.55	.28	2.09	2.37	(.42)	–	(.42)	12.50	22.60	1	1.12	2.27
12/31/12[3,7]	10.64	.01	.13	.14	(.23)	–	(.23)	10.55	1.27[8]	–[9]	.03[2,8]	.08[2,8]
Growth-Income Fund												
Class 1:												
6/30/15[3,4]	$52.76	$.41	$ 1.37	$ 1.78	$(.16)	$(7.77)	$(7.93)	$46.61	3.09%	$10,988	.29%[5]	1.56%[5]
12/31/14	50.72	.81	4.57	5.38	(.80)	(2.54)	(3.34)	52.76	10.91	10,812	.29	1.56
12/31/13	38.48	.66	12.31	12.97	(.73)	–	(.73)	50.72	33.82	9,857	.29	1.49
12/31/12	33.27	.66	5.25	5.91	(.70)	–	(.70)	38.48	17.79	9,782	.29	1.79
12/31/11	34.47	.61	(1.18)	(.57)	(.63)	–	(.63)	33.27	(1.60)	9,496	.28	1.77
12/31/10	31.37	.56	3.10	3.66	(.56)	–	(.56)	34.47	11.72	9,370	.29	1.76
Class 2:												
6/30/15[3,4]	52.41	.35	1.36	1.71	(.14)	(7.77)	(7.91)	46.21	2.97	13,876	.54[5]	1.31[5]
12/31/14	50.40	.67	4.55	5.22	(.67)	(2.54)	(3.21)	52.41	10.63	14,337	.54	1.31
12/31/13	38.24	.55	12.23	12.78	(.62)	–	(.62)	50.40	33.50	14,980	.54	1.25
12/31/12	33.07	.56	5.22	5.78	(.61)	–	(.61)	38.24	17.48	13,403	.54	1.53
12/31/11	34.25	.52	(1.16)	(.64)	(.54)	–	(.54)	33.07	(1.83)	13,235	.53	1.52
12/31/10	31.18	.48	3.07	3.55	(.48)	–	(.48)	34.25	11.43	16,668	.54	1.52
Class 3:												
6/30/15[3,4]	52.82	.37	1.37	1.74	(.15)	(7.77)	(7.92)	46.64	3.00	176	.47[5]	1.38[5]
12/31/14	50.77	.71	4.59	5.30	(.71)	(2.54)	(3.25)	52.82	10.71	185	.47	1.38
12/31/13	38.52	.58	12.32	12.90	(.65)	–	(.65)	50.77	33.58	193	.47	1.32
12/31/12	33.30	.59	5.26	5.85	(.63)	–	(.63)	38.52	17.59	168	.47	1.60
12/31/11	34.49	.55	(1.18)	(.63)	(.56)	–	(.56)	33.30	(1.77)	172	.46	1.59
12/31/10	31.39	.50	3.09	3.59	(.49)	–	(.49)	34.49	11.50	209	.47	1.59
Class 4:												
6/30/15[3,4]	52.39	.29	1.35	1.64	(.14)	(7.77)	(7.91)	46.12	2.84	52	.79[5]	1.09[5]
12/31/14	50.56	.58	4.51	5.09	(.72)	(2.54)	(3.26)	52.39	10.34	30	.79	1.11
12/31/13	38.47	.45	12.33	12.78	(.69)	–	(.69)	50.56	33.32	3	.79	.96
12/31/12[3,7]	38.65	.01	.39	.40	(.58)	–	(.58)	38.47	1.02[8]	–[9]	.01[2,8]	.03[2,8]

See end of tables for footnotes.

Financial highlights (continued)

		Income (loss) from investment operations[1]			Dividends and distributions							
	Net asset value, beginning of period	Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[2]	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
International Growth and Income Fund												
Class 1:												
6/30/15[3,4]	$16.27	$.29	$ .31	$ .60	$(.03)	$(.34)	$(.37)	$16.50	3.61%	$774	.68%[5]	3.49%[5]
12/31/14	17.48	.58[6]	(1.09)	(.51)	(.53)	(.17)	(.70)	16.27	(2.93)	740	.68	3.32[6]
12/31/13	15.29	.44	2.50	2.94	(.47)	(.28)	(.75)	17.48	19.39	696	.69	2.63
12/31/12	13.40	.37	1.89	2.26	(.37)	–	(.37)	15.29	16.84	203	.74	2.50
12/31/11	15.25	.47	(1.77)	(1.30)	(.44)	(.11)	(.55)	13.40	(8.51)	35	.73	3.17
12/31/10	14.92	.38	.68	1.06	(.33)	(.40)	(.73)	15.25	7.24	32	.74	2.61
Class 2:												
6/30/15[3,4]	16.22	.27	.31	.58	(.02)	(.34)	(.36)	16.44	3.52	278	.93[5]	3.21[5]
12/31/14	17.43	.56[6]	(1.10)	(.54)	(.50)	(.17)	(.67)	16.22	(3.15)	248	.93	3.21[6]
12/31/13	15.25	.38	2.51	2.89	(.43)	(.28)	(.71)	17.43	19.09	257	.94	2.28
12/31/12	13.37	.40	1.81	2.21	(.33)	–	(.33)	15.25	16.50	225	.99	2.77
12/31/11	15.21	.42	(1.75)	(1.33)	(.40)	(.11)	(.51)	13.37	(8.71)	199	.98	2.89
12/31/10	14.90	.35	.67	1.02	(.31)	(.40)	(.71)	15.21	6.92	180	.99	2.37
Class 4:												
6/30/15[3,4]	16.19	.26	.30	.56	(.02)	(.34)	(.36)	16.39	3.39	30	1.18[5]	3.08[5]
12/31/14	17.45	.26[6]	(.85)	(.59)	(.50)	(.17)	(.67)	16.19	(3.39)	20	1.18	1.52[6]
12/31/13	15.29	.03	2.87	2.90	(.46)	(.28)	(.74)	17.45	19.16	1	1.19	.18
12/31/12[3,7]	15.56	.01	.09	.10	(.37)	–	(.37)	15.29	.62[8]	–[9]	.04[2,8]	.07[2,8]
Capital Income Builder												
Class 1:												
6/30/15[3,4]	$ 9.81	$.18	$ (.08)	$ .10	$(.15)	$ –	$(.15)	$ 9.76	1.01%	$ 29	.55%[5]	3.56%[5]
12/31/14[3,11]	10.00	.19	(.18)	.01	(.19)	(.01)	(.20)	9.81	.12	20	.56[5]	2.87[5]
Class 2:												
6/30/15[3,4]	9.81	.17	(.06)	.11	(.15)	–	(.15)	9.77	1.12[12]	–[9]	.45[5,12]	3.53[5,12]
12/31/14[3,11]	10.00	.20	(.19)	.01	(.19)	(.01)	(.20)	9.81	.12[12]	–[9]	.47[5,12]	2.94[5,12]
Class 4:												
6/30/15[3,4]	9.80	.16	(.08)	.08	(.13)	–	(.13)	9.75	.78	112	1.05[5]	3.17[5]
12/31/14[3,11]	10.00	.14	(.16)	(.02)	(.17)	(.01)	(.18)	9.80	(.21)	55	1.06[5]	2.08[5]

	Net asset value, beginning of period	Income (loss) from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return[2]	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
Asset Allocation Fund												
Class 1:												
6/30/15[3,4]	$22.23	$.21	$ .05	$ .26	$(.09)	$(1.59)	$(1.68)	$20.81	1.06%	$12,578	.30%[5]	1.88%[5]
12/31/14	22.49	.44	.81	1.25	(.39)	(1.12)	(1.51)	22.23	5.66	11,997	.30	1.95
12/31/13	18.43	.35	4.07	4.42	(.36)	–	(.36)	22.49	24.04	10,515	.31	1.71
12/31/12	16.17	.37	2.28	2.65	(.39)	–	(.39)	18.43	16.44	7,199	.31	2.11
12/31/11	16.28	.37	(.12)	.25	(.36)	–	(.36)	16.17	1.56	5,932	.31	2.25
12/31/10	14.75	.35	1.52	1.87	(.34)	–	(.34)	16.28	12.75	5,235	.31	2.33
Class 2:												
6/30/15[3,4]	22.06	.18	.05	.23	(.08)	(1.59)	(1.67)	20.62	.93	5,262	.55[5]	1.62[5]
12/31/14	22.33	.37	.81	1.18	(.33)	(1.12)	(1.45)	22.06	5.40	5,494	.55	1.69
12/31/13	18.31	.30	4.03	4.33	(.31)	–	(.31)	22.33	23.69	5,760	.56	1.47
12/31/12	16.06	.33	2.27	2.60	(.35)	–	(.35)	18.31	16.19	5,225	.56	1.86
12/31/11	16.17	.33	(.13)	.20	(.31)	–	(.31)	16.06	1.30	5,151	.56	1.99
12/31/10	14.65	.31	1.51	1.82	(.30)	–	(.30)	16.17	12.50	5,689	.57	2.08
Class 3:												
6/30/15[3,4]	22.25	.19	.05	.24	(.09)	(1.59)	(1.68)	20.81	.94	38	.48[5]	1.69[5]
12/31/14	22.51	.39	.81	1.20	(.34)	(1.12)	(1.46)	22.25	5.47	40	.48	1.76
12/31/13	18.45	.32	4.06	4.38	(.32)	–	(.32)	22.51	23.81	42	.49	1.54
12/31/12	16.18	.34	2.29	2.63	(.36)	–	(.36)	18.45	16.28	38	.49	1.93
12/31/11	16.29	.34	(.13)	.21	(.32)	–	(.32)	16.18	1.36	38	.49	2.05
12/31/10	14.75	.32	1.53	1.85	(.31)	–	(.31)	16.29	12.62	44	.50	2.15
Class 4:												
6/30/15[3,4]	22.11	.16	.05	.21	(.09)	(1.59)	(1.68)	20.64	.80	73	.80[5]	1.45[5]
12/31/14	22.46	.34	.79	1.13	(.36)	(1.12)	(1.48)	22.11	5.16	32	.80	1.55
12/31/13	18.43	.27	4.12	4.39	(.36)	–	(.36)	22.46	23.89	1	.79	1.22
12/31/12[3,7]	18.52	.01	.21	.22	(.31)	–	(.31)	18.43	1.17[8]	–[9]	.01[2,8]	.08[2,8]
Global Balanced Fund												
Class 1:												
6/30/15[3,4]	$11.11	$.13	$ (.03)	$ .10	$(.01)	$ (.04)	$ (.05)	$11.16	.93%	$ 41	.71%[5]	2.23%[5]
12/31/14	11.37	.25[6]	(.03)	.22	(.18)	(.30)	(.48)	11.11	1.87	37	.71	2.14[6]
12/31/13	10.34	.22	1.07	1.29	(.18)	(.08)	(.26)	11.37	12.56	36	.70	2.05
12/31/12	9.35	.20	.98	1.18	(.19)	–	(.19)	10.34	12.58	32	.72	2.00
12/31/11[3,13]	10.00	.13	(.72)	(.59)	(.06)	–	(.06)	9.35	(5.89)	28	.69[5]	1.99[5]
Class 2:												
6/30/15[3,4]	11.09	.11	(.03)	.08	(.01)	(.04)	(.05)	11.12	.75	180	.96[5]	1.97[5]
12/31/14	11.35	.22[6]	(.03)	.19	(.15)	(.30)	(.45)	11.09	1.63	179	.96	1.88[6]
12/31/13	10.33	.20	1.06	1.26	(.16)	(.08)	(.24)	11.35	12.23	156	.95	1.79
12/31/12	9.35	.17	.97	1.14	(.16)	–	(.16)	10.33	12.24	119	.97	1.76
12/31/11[3,13]	10.00	.09	(.69)	(.60)	(.05)	–	(.05)	9.35	(5.97)	72	.94[5]	1.45[5]
Class 4:												
6/30/15[3,4]	11.09	.11	(.03)	.08	(.01)	(.04)	(.05)	11.12	.75[12]	–[9]	.67[5,12]	2.01[5,12]
12/31/14	11.35	.24[6]	(.02)	.22	(.18)	(.30)	(.48)	11.09	1.88[12]	–[9]	.67[12]	2.07[6,12]
12/31/13	10.33	.22	1.06	1.28	(.18)	(.08)	(.26)	11.35	12.49[12]	–[9]	.71[12]	1.98[12]
12/31/12[3,7]	10.47	.01	.03	.04	(.18)	–	(.18)	10.33	.40[12]	–[9]	.03[2,12]	.05[2,12]

See end of tables for footnotes.

Financial highlights (continued)

		Income (loss) from investment operations[1]			Dividends and distributions							
	Net asset value, beginning of period	Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[2]	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
Bond Fund												
Class 1:												
6/30/15[3,4]	$11.08	$.11	$(.12)	$(.01)	$(.04)	$(.22)	$(.26)	$10.81	(.13)%	$5,442	.39%[5]	1.91%[5]
12/31/14	10.73	.23	.37	.60	(.25)	–[10]	(.25)	11.08	5.59	4,977	.39	2.03
12/31/13	11.29	.22	(.43)	(.21)	(.23)	(.12)	(.35)	10.73	(1.89)	4,506	.39	2.01
12/31/12	10.99	.25	.36	.61	(.31)	–	(.31)	11.29	5.58	3,917	.39	2.23
12/31/11	10.67	.32	.36	.68	(.36)	–	(.36)	10.99	6.41	4,354	.38	2.89
12/31/10	10.33	.33	.36	.69	(.35)	–	(.35)	10.67	6.73	4,768	.38	3.03
Class 2:												
6/30/15[3,4]	10.95	.09	(.10)	(.01)	(.04)	(.22)	(.26)	10.68	(.18)	4,385	.64[5]	1.64[5]
12/31/14	10.61	.20	.36	.56	(.22)	–[10]	(.22)	10.95	5.28	4,565	.64	1.79
12/31/13	11.17	.19	(.43)	(.24)	(.20)	(.12)	(.32)	10.61	(2.16)	4,763	.64	1.76
12/31/12	10.87	.22	.36	.58	(.28)	–	(.28)	11.17	5.37	5,044	.64	1.97
12/31/11	10.56	.29	.35	.64	(.33)	–	(.33)	10.87	6.10	4,984	.63	2.64
12/31/10	10.23	.30	.36	.66	(.33)	–	(.33)	10.56	6.44	5,074	.63	2.79
Class 4:												
6/30/15[3,4]	11.01	.08	(.11)	(.03)	(.04)	(.22)	(.26)	10.72	(.37)	42	.89[5]	1.43[5]
12/31/14	10.69	.16	.39	.55	(.23)	–[10]	(.23)	11.01	5.15	29	.89	1.43
12/31/13	11.29	.17	(.43)	(.26)	(.22)	(.12)	(.34)	10.69	(2.34)	3	.89	1.58
12/31/12[3,7]	11.55	.01	(.02)	(.01)	(.25)	–	(.25)	11.29	(.04)[8]	–[9]	.02[2,8]	.10[2,8]
Global Bond Fund												
Class 1:												
6/30/15[3,4]	$11.77	$.13	$(.42)	$(.29)	$(.01)	$(.31)	$(.32)	$11.16	(2.43)%	$1,205	.58%[5]	2.24%[5]
12/31/14	11.88	.29	(.08)	.21	(.21)	(.11)	(.32)	11.77	1.71	1,194	.57	2.35
12/31/13	12.32	.28	(.58)	(.30)	–	(.14)	(.14)	11.88	(2.40)	1,093	.56	2.37
12/31/12	11.96	.28	.48	.76	(.29)	(.11)	(.40)	12.32	6.43	959	.56	2.29
12/31/11	11.82	.36	.22	.58	(.37)	(.07)	(.44)	11.96	4.86	619	.56	2.97
12/31/10	11.57	.41	.21	.62	(.37)	–	(.37)	11.82	5.44	325	.57	3.42
Class 2:												
6/30/15[3,4]	11.72	.11	(.41)	(.30)	(.01)	(.31)	(.32)	11.10	(2.57)	1,314	.83[5]	1.99[5]
12/31/14	11.81	.26	(.09)	.17	(.15)	(.11)	(.26)	11.72	1.39	1,386	.82	2.11
12/31/13	12.27	.25	(.57)	(.32)	–	(.14)	(.14)	11.81	(2.58)	1,496	.81	2.11
12/31/12	11.91	.25	.48	.73	(.26)	(.11)	(.37)	12.27	6.19	1,664	.81	2.06
12/31/11	11.78	.33	.21	.54	(.34)	(.07)	(.41)	11.91	4.54	1,639	.81	2.75
12/31/10	11.53	.38	.22	.60	(.35)	–	(.35)	11.78	5.23	1,497	.83	3.21
Class 4:												
6/30/15[3,4]	11.70	.10	(.42)	(.32)	–[10]	(.31)	(.31)	11.07	(2.69)	5	1.08[5]	1.75[5]
12/31/14	11.87	.20	(.05)	.15	(.21)	(.11)	(.32)	11.70	1.16	4	1.09	1.66
12/31/13	12.31	.27	(.57)	(.30)	–	(.14)	(.14)	11.87	(2.41)	–[9]	.79	2.25
12/31/12[3,7]	12.53	.01	(.04)	(.03)	(.19)	–	(.19)	12.31	(.28)[8]	–[9]	.02[2,8]	.11[2,8]

	Net asset value, beginning of period	Income (loss) from investment operations[1]			Dividends and distributions			Net asset value, end of period	Total return[2]	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net income (loss) to average net assets
		Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions					
High-Income Bond Fund												
Class 1:												
6/30/15[3,4]	$10.54	$ .31	$(.10)	$ .21	$(.11)	$ –	$(.11)	$10.64	1.95%	$1,104	.48%[5]	5.85%[5]
12/31/14	11.13	.67	(.59)	.08	(.67)	–	(.67)	10.54	.80	1,017	.48	5.90
12/31/13	11.16	.75	.01	.76	(.79)	–	(.79)	11.13	6.89	856	.48	6.54
12/31/12	10.54	.81	.64	1.45	(.83)	–	(.83)	11.16	13.90	894	.48	7.25
12/31/11	11.20	.88	(.64)	.24	(.90)	–	(.90)	10.54	2.18	787	.47	7.70
12/31/10	10.49	.91	.68	1.59	(.88)	–	(.88)	11.20	15.38	769	.48	8.15
Class 2:												
6/30/15[3,4]	10.41	.29	(.11)	.18	(.10)	–	(.10)	10.49	1.73	894	.73[5]	5.60[5]
12/31/14	10.99	.63	(.57)	.06	(.64)	–	(.64)	10.41	.63	929	.73	5.67
12/31/13	11.03	.71	.01	.72	(.76)	–	(.76)	10.99	6.60	1,061	.73	6.29
12/31/12	10.42	.78	.63	1.41	(.80)	–	(.80)	11.03	13.70	1,135	.73	7.00
12/31/11	11.08	.84	(.63)	.21	(.87)	–	(.87)	10.42	1.92	1,064	.72	7.44
12/31/10	10.39	.87	.68	1.55	(.86)	–	(.86)	11.08	15.07	1,142	.73	7.91
Class 3:												
6/30/15[3,4]	10.57	.30	(.11)	.19	(.10)	–	(.10)	10.66	1.81	14	.66[5]	5.66[5]
12/31/14	11.16	.65	(.59)	.06	(.65)	–	(.65)	10.57	.59	16	.66	5.74
12/31/13	11.18	.73	.02	.75	(.77)	–	(.77)	11.16	6.77	19	.66	6.36
12/31/12	10.56	.80	.63	1.43	(.81)	–	(.81)	11.18	13.67	21	.66	7.07
12/31/11	11.22	.86	(.64)	.22	(.88)	–	(.88)	10.56	1.97	21	.65	7.51
12/31/10	10.51	.89	.68	1.57	(.86)	–	(.86)	11.22	15.14	23	.66	7.98
Class 4:												
6/30/15[3,4]	11.05	.30	(.11)	.19	(.11)	–	(.11)	11.13	1.68	4	.98[5]	5.42[5]
12/31/14	11.12	.63	(.59)	.04	(.11)	–	(.11)	11.05	.35	–[9]	.98	5.49
12/31/13	11.16	.67	.08	.75	(.79)	–	(.79)	11.12	6.81	–[9]	.93	5.82
12/31/12[3,7]	11.80	.04	–[10]	.04	(.68)	–	(.68)	11.16	.34[8]	–[9]	.02[2,8]	.35[2,8]
Mortgage Fund												
Class 1:												
6/30/15[3,4]	$10.70	$ .05	$ .04	$ .09	$(.03)	$(.14)	$(.17)	$10.62	.77%	$ 283	.44%[5]	.84%[5]
12/31/14	10.23	.12	.45	.57	(.10)	–	(.10)	10.70	5.54	292	.45	1.12
12/31/13	10.47	.04	(.18)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)	198	.44	.35
12/31/12	10.37	.01	.25	.26	(.06)	(.10)	(.16)	10.47	2.57	87	.45	.08
12/31/11[3,13]	10.00	–[10]	.48	.48	(.01)	(.10)	(.11)	10.37	4.78	55	.42[5]	.04[5]
Class 2:												
6/30/15[3,4]	10.68	.03	.04	.07	(.02)	(.14)	(.16)	10.59	.64	55	.69[5]	.60[5]
12/31/14	10.22	.10	.44	.54	(.08)	–	(.08)	10.68	5.23	52	.70	.91
12/31/13	10.46	–[10]	(.17)	(.17)	(.05)	(.02)	(.07)	10.22	(1.68)	49	.69	(.02)
12/31/12	10.36	(.02)	.26	.24	(.04)	(.10)	(.14)	10.46	2.38	49	.70	(.16)
12/31/11[3,13]	10.00	(.02)	.48	.46	–[10]	(.10)	(.10)	10.36	4.60	22	.67[5]	(.25)[5]
Class 4:												
6/30/15[3,4]	10.65	.02	.04	.06	(.02)	(.14)	(.16)	10.55	.57	2	.95[5]	.39[5]
12/31/14	10.23	.05	.46	.51	(.09)	–	(.09)	10.65	4.98	1	.94	.47
12/31/13	10.47	.02	(.16)	(.14)	(.08)	(.02)	(.10)	10.23	(1.41)[8]	–[9]	.38[8]	.23[8]
12/31/12[3,7]	10.60	–[10]	.01	.01	(.06)	(.08)	(.14)	10.47	.09[8]	–[9]	.02[2,8]	.04[2,8]

See end of tables for footnotes.

Financial highlights (continued)

		Income (loss) from investment operations[1]			Dividends and distributions								
	Net asset value, beginning of period	Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Distributions (from capital gains)	Total dividends and distributions	Net asset value, end of period	Total return[2,14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before waivers	Ratio of expenses to average net assets after waivers[14]	Ratio of net income (loss) to average net assets[14]
U.S. Government/AAA-Rated Securities Fund													
Class 1:													
6/30/15[3,4]	$12.40	$.05	$ .05	$ .10	$(.03)	$(.10)	$(.13)	$12.37	.80%	$1,524	.35%[5]	.35%[5]	.83%[5]
12/31/14	11.94	.15	.48	.63	(.17)	–	(.17)	12.40	5.24	1,723	.35	.35	1.24
12/31/13	12.75	.08	(.44)	(.36)	(.11)	(.34)	(.45)	11.94	(2.87)	1,584	.35	.35	.67
12/31/12	13.00	.10	.18	.28	(.16)	(.37)	(.53)	12.75	2.22	1,809	.34	.34	.75
12/31/11	12.59	.23	.74	.97	(.26)	(.30)	(.56)	13.00	7.85	1,785	.34	.34	1.83
12/31/10	12.18	.26	.46	.72	(.25)	(.06)	(.31)	12.59	5.94	1,492	.39	.36	2.07
Class 2:													
6/30/15[3,4]	12.29	.04	.04	.08	(.02)	(.10)	(.12)	12.25	.68	1,678	.60[5]	.60[5]	.59[5]
12/31/14	11.83	.12	.47	.59	(.13)	–	(.13)	12.29	5.01	1,717	.60	.60	1.00
12/31/13	12.63	.05	(.43)	(.38)	(.08)	(.34)	(.42)	11.83	(3.08)	1,801	.60	.60	.42
12/31/12	12.89	.06	.18	.24	(.13)	(.37)	(.50)	12.63	1.91	1,995	.59	.59	.50
12/31/11	12.49	.20	.73	.93	(.23)	(.30)	(.53)	12.89	7.58	2,002	.59	.59	1.59
12/31/10	12.08	.23	.46	.69	(.22)	(.06)	(.28)	12.49	5.75	1,959	.64	.62	1.83
Class 3:													
6/30/15[3,4]	12.43	.04	.04	.08	(.02)	(.10)	(.12)	12.39	.68	12	.53[5]	.53[5]	.66[5]
12/31/14	11.96	.13	.48	.61	(.14)	–	(.14)	12.43	5.11	13	.53	.53	1.08
12/31/13	12.76	.06	(.43)	(.37)	(.09)	(.34)	(.43)	11.96	(3.00)	14	.53	.53	.47
12/31/12	13.01	.07	.19	.26	(.14)	(.37)	(.51)	12.76	2.02	20	.52	.52	.58
12/31/11	12.61	.21	.73	.94	(.24)	(.30)	(.54)	13.01	7.56	24	.52	.52	1.65
12/31/10	12.19	.24	.47	.71	(.23)	(.06)	(.29)	12.61	5.82	26	.57	.55	1.92
Class 4:													
6/30/15[3,4]	12.34	.02	.04	.06	(.01)	(.10)	(.11)	12.29	.54	24	.85[5]	.85[5]	.37[5]
12/31/14	11.93	.06	.51	.57	(.16)	–	(.16)	12.34	4.76	21	.85	.85	.50
12/31/13	12.75	.08	(.44)	(.36)	(.12)	(.34)	(.46)	11.93	(2.95)	–[9]	.84	.84	.68
12/31/12[3,7]	12.88	.01	(.01)	–	(.13)	–	(.13)	12.75	(.01)[8]	–[9]	.02[2,8]	.02[2,8]	.05[2,8]

	Net asset value, beginning of period	Income from investment operations[1]			Net asset value, end of period	Total return[2]	Net assets, end of period (in millions)	Ratio of expenses to average net assets	Ratio of net loss to average net assets
		Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations					
Cash Management Fund									
Class 1:									
6/30/15[3,4]	$11.28	$(.01)	$ –[10]	$(.01)	$11.27	(.09)%	$ 43	.33%[5]	(.25)%[5]
12/31/14	11.31	(.03)	–	(.03)	11.28	(.27)	49	.34	(.26)
12/31/13	11.34	(.03)	–[10]	(.03)	11.31	(.27)	57	.34	(.24)
12/31/12	11.36	(.03)	.01	(.02)	11.34	(.18)	66	.34	(.22)
12/31/11	11.39	(.02)	(.01)	(.03)	11.36	(.26)	75	.33	(.21)
12/31/10	11.40	(.02)	.01	(.01)	11.39	(.09)	83	.33	(.14)
Class 2:									
6/30/15[3,4]	11.06	(.03)	–[10]	(.03)	11.03	(.27)	305	.58[5]	(.50)[5]
12/31/14	11.12	(.06)	–	(.06)	11.06	(.54)	331	.59	(.51)
12/31/13	11.17	(.05)	–[10]	(.05)	11.12	(.45)	395	.59	(.49)
12/31/12	11.22	(.05)	–[10]	(.05)	11.17	(.45)	459	.59	(.47)
12/31/11	11.28	(.05)	(.01)	(.06)	11.22	(.53)	530	.58	(.47)
12/31/10	11.32	(.04)	–[10]	(.04)	11.28	(.35)	522	.58	(.39)
Class 3:									
6/30/15[3,4]	11.16	(.02)	–[10]	(.02)	11.14	(.18)	8	.51[5]	(.43)[5]
12/31/14	11.21	(.05)	–	(.05)	11.16	(.45)	8	.52	(.44)
12/31/13	11.26	(.05)	–[10]	(.05)	11.21	(.44)	8	.52	(.42)
12/31/12	11.30	(.05)	.01	(.04)	11.26	(.35)	11	.52	(.40)
12/31/11	11.34	(.04)	–[10]	(.04)	11.30	(.35)	12	.51	(.40)
12/31/10	11.38	(.04)	–[10]	(.04)	11.34	(.35)	13	.51	(.32)
Class 4:									
6/30/15[3,4]	11.25	(.04)	–[10]	(.04)	11.21	(.36)	8	.83[5]	(.75)[5]
12/31/14	11.30	(.09)	.04	(.05)	11.25	(.44)	7	.84	(.77)
12/31/13	11.34	(.04)	–[10]	(.04)	11.30	(.35)[8]	–[9]	.37[8]	(.32)[8]
12/31/12[3,7]	11.34	–[10]	–[10]	–[10]	11.34	.00[8]	–[9]	.02[2,8]	(.01)[2,8]

See end of tables for footnotes.

Financial highlights (continued)

	Net asset value, beginning of period	Income (loss) from investment operations: Net investment income (loss)	Income (loss) from investment operations: Net gains (losses) on securities (both realized and unrealized)	Income (loss) from investment operations: Total from investment operations	Dividends and distributions: Dividends (from net investment income)	Dividends and distributions: Distributions (from capital gains)	Dividends and distributions: Total dividends and distributions	Net asset value, end of period	Total return[2,14]	Net assets, end of period (in millions)	Ratio of expenses to average net assets before reimbursements/ waivers	Ratio of expenses to average net assets after reimbursements/ waivers[14]	Net effective expense ratio[14,15]	Ratio of net income (loss) to average net assets[14]
Managed Risk Growth Fund														
Class P1:														
6/30/15[3,4]	$11.37	$ –[10]	$ .34	$ .34	$ –	$ –	$ –	$11.71	2.99%	$ –[9]	.48%[5]	.28%[5]	.62%[5]	(.02)%[5]
12/31/14	11.43	.31	(.06)	.25	(.12)	(.19)	(.31)	11.37	2.18	–[9]	.50	.32	.65	2.71
12/31/13[3,16]	10.00	.12	1.38	1.50	(.07)	–	(.07)	11.43	15.05[8]	–[9]	.88[5,8]	.25[5,8]	.58[5,8]	1.64[5,8]
Class P2:														
6/30/15[3,4]	11.35	(.02)	.33	.31	–	–	–	11.66	2.73	116	.90[5]	.69[5]	1.03[5]	(.37)[5]
12/31/14	11.43	.12	.08	.20	(.09)	(.19)	(.28)	11.35	1.77	79	.87	.69	1.02	1.01
12/31/13[3,16]	10.00	.12	1.37	1.49	(.06)	–	(.06)	11.43	14.94[8]	28	1.05[5,8]	.52[5,8]	.85[5,8]	1.69[5,8]
Managed Risk International Fund														
Class P1:														
6/30/15[3,4]	$10.10	$ .02	$ .21	$ .23	$ –[10]	$ –	$ –[10]	$10.33	2.30%	$ –[9]	.45%[5]	.22%[5]	.73%[5]	.46%[5]
12/31/14	10.82	.14	(.71)	(.57)	(.15)	–	(.15)	10.10	(5.31)	–[9]	.50	.25	.76	1.33
12/31/13[3,16]	10.00	.13	.78	.91	(.09)	–	(.09)	10.82	9.08[8]	–[9]	1.05[5,8]	.23[5,8]	.73[5,8]	1.92[5,8]
Class P2:														
6/30/15[3,4]	10.09	.01	.19	.20	–[10]	–	–[10]	10.29	2.00	73	.92[5]	.69[5]	1.20[5]	.14[5]
12/31/14	10.82	.16	(.77)	(.61)	(.12)	–	(.12)	10.09	(5.68)	46	.91	.67	1.18	1.51
12/31/13[3,16]	10.00	.18	.72	.90	(.08)	–	(.08)	10.82	8.99[8]	17	1.19[5,8]	.44[5,8]	.94[5,8]	2.66[5,8]
Managed Risk Blue Chip Income and Growth Fund														
Class P1:														
6/30/15[3,4]	$11.70	$ .02	$ (.29)	$ (.27)	$(.01)	$ –	$(.01)	$11.42	(2.34)%	$ –[9]	.50%[5]	.31%[5]	.70%[5]	.38%[5]
12/31/14	11.05	.40	.55	.95	(.30)	–	(.30)	11.70	8.58	–[9]	.50	.31	.70	3.43
12/31/13[3,16]	10.00	.20	1.01	1.21	(.16)	–	(.16)	11.05	12.16[8]	–[9]	.84[5,8]	.24[5,8]	.64[5,8]	2.80[5,8]
Class P2:														
6/30/15[3,4]	11.67	–[10]	(.29)	(.29)	(.01)	–	(.01)	11.37	(2.51)	124	.89[5]	.70[5]	1.09[5]	.03[5]
12/31/14	11.05	.50	.40	.90	(.28)	–	(.28)	11.67	8.10	98	.88	.69	1.08	4.27
12/31/13[3,16]	10.00	.28	.92	1.20	(.15)	–	(.15)	11.05	12.05[8]	26	1.04[5,8]	.54[5,8]	.94[5,8]	3.91[5,8]
Managed Risk Growth-Income Fund														
Class P1:														
6/30/15[3,4]	$11.67	$ .03	$ .03	$ .06	$ –	$ –	$ –	$11.73	.51%	$ –[9]	.46%[5]	.25%[5]	.53%[5]	.48%[5]
12/31/14	11.50	.35	.21	.56	(.14)	(.25)	(.39)	11.67	4.85	–[9]	.45	.25	.52	2.94
12/31/13[3,16]	10.00	.14	1.47	1.61	(.11)	–	(.11)	11.50	16.15[8]	–[9]	.92[5,8]	.23[5,8]	.50[5,8]	2.01[5,8]
Class P2:														
6/30/15[3,4]	11.65	–[10]	.03	.03	–	–	–	11.68	.26	104	.90[5]	.69[5]	.97[5]	(.07)[5]
12/31/14	11.50	.16	.35	.51	(.11)	(.25)	(.36)	11.65	4.42	76	.87	.69	.96	1.38
12/31/13[3,16]	10.00	.20	1.40	1.60	(.10)	–	(.10)	11.50	16.04[8]	24	1.09[5,8]	.50[5,8]	.77[5,8]	2.73[5,8]
Managed Risk Asset Allocation Fund														
Class P1:														
6/30/15[3,4]	$12.29	$ .03	$ .01	$ .04	$(.14)	$(.26)	$(.40)	$11.93	.22%	$ 439	.55%[5]	.44%[5]	.73%[5]	.52%[5]
12/31/14	11.93	.13	.26	.39	(.03)	–	(.03)	12.29	3.24	277	.53	.48	.76	1.04
12/31/13	9.99	.27	1.81	2.08	(.14)	–	(.14)	11.93	20.82[8]	112	.55[8]	.47[8]	.75[8]	2.37[8]
12/31/12[3,17]	10.00	.15	(.03)	.12	(.13)	–	(.13)	9.99	1.24[8]	–[9]	.15[8]	.07[8]	.37[8]	1.72[8]
Class P2:														
6/30/15[3,4]	12.27	.01	.02	.03	(.13)	(.26)	(.39)	11.91	.17	1,880	.80[5]	.70[5]	.99[5]	.10[5]
12/31/14	11.93	.16	.19	.35	(.01)	–	(.01)	12.27	2.91	1,780	.79	.73	1.01	1.33
12/31/13	9.99	.28	1.77	2.05	(.11)	–	(.11)	11.93	20.58[8]	795	.80[8]	.73[8]	1.01[8]	2.43[8]
12/31/12[3,17]	10.00	.17	(.05)	.12	(.13)	–	(.13)	9.99	1.21[8]	–[9]	.24[8]	.11[8]	.41[8]	2.38[8]

Portfolio turnover rate for all share classes including mortgage dollar roll transactions[18]	Six months ended June 30, 2015[2,3,4]	Year ended December 31				
		2014	2013	2012	2011	2010
Global Growth Fund	14	22%	39%	22%	28%	28%
Global Small Capitalization Fund	16	28	36	40	44	47
Growth Fund	9	29	19	21	19	28
International Fund	19	18	21	29	24	25
New World Fund	18	36	43	32	22	18
Blue Chip Income and Growth Fund	15	37	30	36	27	22
Global Growth and Income Fund	15	28	31	30	25	30
Growth-Income Fund	14	25	19	25	22	22
International Growth and Income Fund	23	34	34	31	48	31
Capital Income Builder	60	35[2,11]				
Asset Allocation Fund	45	88	74	61	43	46
Global Balanced Fund	43	73	81	80	34[2,13]	
Bond Fund	196	365	354	253	163	187
Global Bond Fund	95	200	213	160	101	106
High-Income Bond Fund	28	54	64	48	51	54
Mortgage Fund	486	790	715	444	480[2,13]	
U.S. Government/AAA-Rated Securities Fund	469	387	621	447	234	208
Cash Management Fund	–	–	–	–	–	–
Managed Risk Growth Fund	2	22	10[2,16]			
Managed Risk International Fund	5	22	6[2,16]			
Managed Risk Blue Chip Income and Growth Fund	12	22	3[2,16]			
Managed Risk Growth-Income Fund	5	28	2[2,16]			
Managed Risk Asset Allocation Fund	–[19]	3	3	–[2,17,19]		

Portfolio turnover rate for all share classes excluding mortgage dollar roll transactions[18]	Six months ended June 30, 2015[2,3,4]	Period ended December 31				
		2014	2013	2012	2011	2010
Capital Income Builder	26%	24%[2,11]	Not available			
Asset Allocation Fund	15	42				
Global Balanced Fund	19	40				
Bond Fund	58	121				
Global Bond Fund	49	134				
Mortgage Fund	36	108				
U.S. Government/AAA-Rated Securities Fund	158	88				

[1]Based on average shares outstanding.
[2]Not annualized.
[3]Based on operations for the period shown and, accordingly, is not representative of a full year.
[4]Unaudited.
[5]Annualized.
[6]For the year ended December 31, 2014, this column reflects the impact of a corporate action event that resulted in a one-time increase to net investment income. If the corporate action event had not occurred, the net investment income per share and ratio of net income to average net assets would have been lower for all share classes.
[7]Class 4 shares were offered beginning December 14, 2012.
[8]Although the series has a plan of distribution and an insurance administrative services plan for some share classes, distribution services fees and/or insurance administrative services fees are not paid on amounts invested in a fund by the investment adviser and/or its affiliates. If fees for these services were charged on these assets, fund expenses would have been higher and net income and total return would have been lower.
[9]Amount less than $1 million.
[10]Amount less than $.01.
[11]For the period May 1, 2014, commencement of operations, through December 31, 2014.
[12]This class consisted solely of seed capital invested by CRMC; therefore, certain fees were not accrued.
[13]For the period May 2, 2011, commencement of operations, through December 31, 2011.
[14]This column reflects the impact, if any, of certain waivers by CRMC. CRMC reduced fees for investment advisory services for U.S. Government/AAA-Rated Securities Fund during 2010 and for the managed risk funds since each fund's commencement of operations.
[15]Ratio reflects weighted average net expense ratio of the underlying fund for the period presented. See Expense Example for further information regarding fees and expenses.
[16]For the period May 1, 2013, commencement of operations, through December 31, 2013.
[17]For the period September 28, 2012, commencement of operations, through December 31, 2012.
[18]Refer to Note 5 for further information on mortgage dollar rolls.
[19]Amount less than 1%.

Expense example

unaudited

The funds in American Funds Insurance Series serve as the underlying investment vehicle for various insurance products. As an owner of an insurance contract that invests in one of the funds in the series, you incur two types of costs: (1) transaction costs, such as initial sales charges on purchase payments and contingent deferred sales charges on redemptions (loads), and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other expenses. Additional fees are charged by the insurance companies related to the various benefits they provide. This example is intended to help you understand your ongoing costs (in dollars) of investing in the underlying funds so you can compare these costs with the ongoing costs of investing in other mutual funds that serve a similar function in other annuity products. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire six-month period (January 1, 2015, through June 30, 2015).

Actual expenses:

The first line of each share class in the tables on the following pages 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 of each share class in the tables on the following pages provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio for the share class and an assumed rate of return of 5.00% per year before expenses, which is not the actual return of the share class. 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 5.00% hypothetical example with the 5.00% hypothetical examples that appear in the shareholder reports of the other funds.

Notes:

Additional fees are charged by the insurance companies related to the various benefits they provide. You can estimate the impact of these fees by adding the amount of the fees to the total estimated expenses you paid on your account during the period as calculated above. In addition, your ending account value would be lower by the amount of these fees.

Note that the expenses shown in the tables on the following pages are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second line of each share class in the tables is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning account value 1/1/2015	Ending account value 6/30/2015	Expenses paid during period[1]	Annualized expense ratio
Global Growth Fund				
Class 1 – actual return	$1,000.00	$1,081.86	$2.84	.55%
Class 1 – assumed 5% return	1,000.00	1,022.07	2.76	.55
Class 2 – actual return	1,000.00	1,080.09	4.13	.80
Class 2 – assumed 5% return	1,000.00	1,020.83	4.01	.80
Class 4 – actual return	1,000.00	1,079.00	5.41	1.05
Class 4 – assumed 5% return	1,000.00	1,019.59	5.26	1.05
Global Small Capitalization Fund				
Class 1 – actual return	$1,000.00	$1,155.70	$3.90	.73%
Class 1 – assumed 5% return	1,000.00	1,021.17	3.66	.73
Class 2 – actual return	1,000.00	1,154.13	5.23	.98
Class 2 – assumed 5% return	1,000.00	1,019.93	4.91	.98
Class 4 – actual return	1,000.00	1,152.84	6.57	1.23
Class 4 – assumed 5% return	1,000.00	1,018.70	6.16	1.23
Growth Fund				
Class 1 – actual return	$1,000.00	$1,059.88	$1.79	.35%
Class 1 – assumed 5% return	1,000.00	1,023.06	1.76	.35
Class 2 – actual return	1,000.00	1,058.49	3.06	.60
Class 2 – assumed 5% return	1,000.00	1,021.82	3.01	.60
Class 3 – actual return	1,000.00	1,058.69	2.71	.53
Class 3 – assumed 5% return	1,000.00	1,022.17	2.66	.53
Class 4 – actual return	1,000.00	1,057.19	4.34	.85
Class 4 – assumed 5% return	1,000.00	1,020.58	4.26	.85
International Fund				
Class 1 – actual return	$1,000.00	$1,055.78	$2.75	.54%
Class 1 – assumed 5% return	1,000.00	1,022.12	2.71	.54
Class 2 – actual return	1,000.00	1,053.97	4.02	.79
Class 2 – assumed 5% return	1,000.00	1,020.88	3.96	.79
Class 3 – actual return	1,000.00	1,054.34	3.67	.72
Class 3 – assumed 5% return	1,000.00	1,021.22	3.61	.72
Class 4 – actual return	1,000.00	1,052.73	5.29	1.04
Class 4 – assumed 5% return	1,000.00	1,019.64	5.21	1.04
New World Fund				
Class 1 – actual return	$1,000.00	$1,041.51	$4.00	.79%
Class 1 – assumed 5% return	1,000.00	1,020.88	3.96	.79
Class 2 – actual return	1,000.00	1,040.36	5.26	1.04
Class 2 – assumed 5% return	1,000.00	1,019.64	5.21	1.04
Class 4 – actual return	1,000.00	1,039.40	6.52	1.29
Class 4 – assumed 5% return	1,000.00	1,018.40	6.46	1.29
Blue Chip Income and Growth Fund				
Class 1 – actual return	$1,000.00	$ 999.28	$2.03	.41%
Class 1 – assumed 5% return	1,000.00	1,022.76	2.06	.41
Class 2 – actual return	1,000.00	997.33	3.27	.66
Class 2 – assumed 5% return	1,000.00	1,021.52	3.31	.66
Class 4 – actual return	1,000.00	996.11	4.50	.91
Class 4 – assumed 5% return	1,000.00	1,020.28	4.56	.91

See end of expense example tables for footnotes.

	Beginning account value 1/1/2015	Ending account value 6/30/2015	Expenses paid during period[1]	Annualized expense ratio
Global Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,034.92	$3.18	.63%
Class 1 – assumed 5% return	1,000.00	1,021.67	3.16	.63
Class 2 – actual return	1,000.00	1,034.54	4.44	.88
Class 2 – assumed 5% return	1,000.00	1,020.43	4.41	.88
Class 4 – actual return	1,000.00	1,032.99	5.70	1.13
Class 4 – assumed 5% return	1,000.00	1,019.19	5.66	1.13
Growth-Income Fund				
Class 1 – actual return	$1,000.00	$1,030.92	$1.46	.29%
Class 1 – assumed 5% return	1,000.00	1,023.36	1.45	.29
Class 2 – actual return	1,000.00	1,029.70	2.72	.54
Class 2 – assumed 5% return	1,000.00	1,022.12	2.71	.54
Class 3 – actual return	1,000.00	1,030.00	2.37	.47
Class 3 – assumed 5% return	1,000.00	1,022.46	2.36	.47
Class 4 – actual return	1,000.00	1,028.38	3.97	.79
Class 4 – assumed 5% return	1,000.00	1,020.88	3.96	.79
International Growth and Income Fund				
Class 1 – actual return	$1,000.00	$1,036.10	$3.43	.68%
Class 1 – assumed 5% return	1,000.00	1,021.42	3.41	.68
Class 2 – actual return	1,000.00	1,035.18	4.69	.93
Class 2 – assumed 5% return	1,000.00	1,020.18	4.66	.93
Class 4 – actual return	1,000.00	1,033.88	5.95	1.18
Class 4 – assumed 5% return	1,000.00	1,018.94	5.91	1.18
Capital Income Builder				
Class 1 – actual return	$1,000.00	$1,010.14	$2.74	.55%
Class 1 – assumed 5% return	1,000.00	1,022.07	2.76	.55
Class 2 – actual return	1,000.00	1,011.17	2.24	.45
Class 2 – assumed 5% return	1,000.00	1,022.56	2.26	.45
Class 4 – actual return	1,000.00	1,007.80	5.23	1.05
Class 4 – assumed 5% return	1,000.00	1,019.59	5.26	1.05
Asset Allocation Fund				
Class 1 – actual return	$1,000.00	$1,010.60	$1.50	.30%
Class 1 – assumed 5% return	1,000.00	1,023.31	1.51	.30
Class 2 – actual return	1,000.00	1,009.33	2.74	.55
Class 2 – assumed 5% return	1,000.00	1,022.07	2.76	.55
Class 3 – actual return	1,000.00	1,009.39	2.39	.48
Class 3 – assumed 5% return	1,000.00	1,022.41	2.41	.48
Class 4 – actual return	1,000.00	1,008.04	3.98	.80
Class 4 – assumed 5% return	1,000.00	1,020.83	4.01	.80
Global Balanced Fund				
Class 1 – actual return	$1,000.00	$1,009.31	$3.54	.71%
Class 1 – assumed 5% return	1,000.00	1,021.27	3.56	.71
Class 2 – actual return	1,000.00	1,007.52	4.78	.96
Class 2 – assumed 5% return	1,000.00	1,020.03	4.81	.96
Class 4 – actual return	1,000.00	1,007.52	3.33	.67
Class 4 – assumed 5% return	1,000.00	1,021.47	3.36	.67

	Beginning account value 1/1/2015	Ending account value 6/30/2015	Expenses paid during period[1]	Annualized expense ratio
Bond Fund				
Class 1 – actual return	$1,000.00	$ 998.71	$1.93	.39%
Class 1 – assumed 5% return	1,000.00	1,022.86	1.96	.39
Class 2 – actual return	1,000.00	998.25	3.17	.64
Class 2 – assumed 5% return	1,000.00	1,021.62	3.21	.64
Class 4 – actual return	1,000.00	996.35	4.41	.89
Class 4 – assumed 5% return	1,000.00	1,020.38	4.46	.89
Global Bond Fund				
Class 1 – actual return	$1,000.00	$ 975.66	$2.84	.58%
Class 1 – assumed 5% return	1,000.00	1,021.92	2.91	.58
Class 2 – actual return	1,000.00	974.27	4.06	.83
Class 2 – assumed 5% return	1,000.00	1,020.68	4.16	.83
Class 4 – actual return	1,000.00	973.11	5.28	1.08
Class 4 – assumed 5% return	1,000.00	1,019.44	5.41	1.08
High-Income Bond Fund				
Class 1 – actual return	$1,000.00	$1,019.51	$2.40	.48%
Class 1 – assumed 5% return	1,000.00	1,022.41	2.41	.48
Class 2 – actual return	1,000.00	1,017.34	3.65	.73
Class 2 – assumed 5% return	1,000.00	1,021.17	3.66	.73
Class 3 – actual return	1,000.00	1,018.13	3.30	.66
Class 3 – assumed 5% return	1,000.00	1,021.52	3.31	.66
Class 4 – actual return	1,000.00	1,016.80	4.90	.98
Class 4 – assumed 5% return	1,000.00	1,019.93	4.91	.98
Mortgage Fund				
Class 1 – actual return	$1,000.00	$1,007.68	$2.19	.44%
Class 1 – assumed 5% return	1,000.00	1,022.61	2.21	.44
Class 2 – actual return	1,000.00	1,006.39	3.43	.69
Class 2 – assumed 5% return	1,000.00	1,021.37	3.46	.69
Class 4 – actual return	1,000.00	1,005.66	4.72	.95
Class 4 – assumed 5% return	1,000.00	1,020.08	4.76	.95
U.S. Government/AAA-Rated Securities Fund				
Class 1 – actual return	$1,000.00	$1,007.99	$1.74	.35%
Class 1 – assumed 5% return	1,000.00	1,023.06	1.76	.35
Class 2 – actual return	1,000.00	1,006.77	2.99	.60
Class 2 – assumed 5% return	1,000.00	1,021.82	3.01	.60
Class 3 – actual return	1,000.00	1,006.85	2.64	.53
Class 3 – assumed 5% return	1,000.00	1,022.17	2.66	.53
Class 4 – actual return	1,000.00	1,005.43	4.23	.85
Class 4 – assumed 5% return	1,000.00	1,020.58	4.26	.85
Cash Management Fund				
Class 1 – actual return	$1,000.00	$ 999.11	$1.64	.33%
Class 1 – assumed 5% return	1,000.00	1,023.16	1.66	.33
Class 2 – actual return	1,000.00	997.29	2.87	.58
Class 2 – assumed 5% return	1,000.00	1,021.92	2.91	.58
Class 3 – actual return	1,000.00	998.21	2.53	.51
Class 3 – assumed 5% return	1,000.00	1,022.27	2.56	.51
Class 4 – actual return	1,000.00	996.45	4.11	.83
Class 4 – assumed 5% return	1,000.00	1,020.68	4.16	.83

See end of expense example tables for footnotes.

	Beginning account value 1/1/2015	Ending account value 6/30/2015	Expenses paid during period[1,2]	Annualized expense ratio[2]	Effective expenses paid during period[3]	Effective annualized expense ratio[4]
Managed Risk Growth Fund						
Class P1 – actual return	$1,000.00	$1,029.91	$1.41	.28%	$3.12	.62%
Class P1 – assumed 5% return	1,000.00	1,023.41	1.40	.28	3.11	.62
Class P2 – actual return	1,000.00	1,027.32	3.47	.69	5.18	1.03
Class P2 – assumed 5% return	1,000.00	1,021.37	3.46	.69	5.16	1.03
Managed Risk International Fund						
Class P1 – actual return	$1,000.00	$1,022.97	$1.10	.22%	$3.66	.73%
Class P1 – assumed 5% return	1,000.00	1,023.70	1.10	.22	3.66	.73
Class P2 – actual return	1,000.00	1,020.02	3.46	.69	6.01	1.20
Class P2 – assumed 5% return	1,000.00	1,021.37	3.46	.69	6.01	1.20
Managed Risk Blue Chip Income and Growth Fund						
Class P1 – actual return	$1,000.00	$ 976.65	$1.52	.31%	$3.43	.70%
Class P1 – assumed 5% return	1,000.00	1,023.26	1.56	.31	3.51	.70
Class P2 – actual return	1,000.00	974.88	3.43	.70	5.34	1.09
Class P2 – assumed 5% return	1,000.00	1,021.32	3.51	.70	5.46	1.09
Managed Risk Growth-Income Fund						
Class P1 – actual return	$1,000.00	$1,005.14	$1.24	.25%	$2.63	.53%
Class P1 – assumed 5% return	1,000.00	1,023.55	1.25	.25	2.66	.53
Class P2 – actual return	1,000.00	1,002.58	3.43	.69	4.82	.97
Class P2 – assumed 5% return	1,000.00	1,021.37	3.46	.69	4.86	.97
Managed Risk Asset Allocation Fund						
Class P1 – actual return	$1,000.00	$1,002.19	$2.18	.44%	$3.62	.73%
Class P1 – assumed 5% return	1,000.00	1,022.61	2.21	.44	3.66	.73
Class P2 – actual return	1,000.00	1,001.65	3.47	.70	4.91	.99
Class P2 – assumed 5% return	1,000.00	1,021.32	3.51	.70	4.96	.99

[1]The "expenses paid during period" are equal to the "annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 365 (to reflect the one-half year period).

[2]The "expenses paid during period" and "annualized expense ratio" do not include the expenses of the underlying funds in which each fund invests.

[3]The "effective expenses paid during period" are equal to the "effective annualized expense ratio," multiplied by the average account value over the period, multiplied by the number of days in the period, and divided by 365 (to reflect the one-half year period).

[4]The "effective annualized expense ratio" reflects the net annualized expense ratio of the class plus the class's pro-rata share of the weighted average expense ratio of the underlying funds in which it invests.

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Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the series prospectuses and summary prospectuses, which can be obtained from your financial professional and should be read carefully before investing. You may also call American Funds Service Company (AFS) at (800) 421-4225 or visit the American Funds website at americanfunds.com.

"American Funds Proxy Voting Procedures and Principles" – which describes how we vote proxies relating to portfolio securities – is available on the American Funds website or upon request by calling AFS. The series files its proxy voting record with the U.S. Securities and Exchange Commission (SEC) for the 12 months ended June 30 by August 31. The proxy voting record is available free of charge on the SEC website at sec.gov and on the American Funds website.

Complete June 30, 2015, portfolios of American Funds Insurance Series' investments are available free of charge by calling AFS or visiting the SEC website (where they are part of Form N-CSR).

American Funds Insurance Series files a complete list of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. This filing is available free of charge on the SEC website. You may also review or, for a fee, copy this filing at the SEC's Public Reference Room in Washington, D.C. Additional information regarding the operation of the Public Reference Room may be obtained by calling the SEC's Office of Investor Education and Advocacy at (800) SEC-0330. Additionally, the list of portfolio holdings is available by calling AFS.

This report is for the information of American Funds Insurance Series investors, but it also may be used as sales literature when preceded or accompanied by the current prospectuses or summary prospectuses for American Funds Insurance Series and the prospectus for the applicable insurance contract, which give details about charges, expenses, investment objectives and operating policies of the series. If used as sales material after September 30, 2015, this report must be accompanied by a statistical update for the most recently completed calendar quarter.

The American Funds Advantage

Since 1931, American Funds, part of Capital Group, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System℠ – has resulted in a superior long-term track record for American Funds Insurance Series®.

Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. American Funds Insurance Series (AFIS) portfolio managers average 26 years of investment experience, including 23 years at our company, reflecting a career commitment to our long-term approach.[1]

The Capital System℠

Our investment process, The Capital System, combines individual accountability with teamwork. Each fund is divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of The Capital System.

Superior long-term track record

Our AFIS equity funds have beaten their comparable Lipper indexes in 90% of 10-year periods and 100% of 20-year periods. Our AFIS fixed-income funds have beaten comparable Lipper indexes in 58% of 10-year periods and 86% of 20-year periods.[2] We strive to keep management fees competitive. Over the past 20 years, most funds' fees have been below industry averages.[3]

[1] Portfolio manager experience as of May 2015.

[2] Based on Class 2 share results for rolling periods through December 31, 2014. Periods covered are the shorter of the fund's lifetime or since the inception date of the comparable Lipper index (except Global Small Capitalization Fund, for which the Lipper average was used). The comparable Lipper indexes are: Global Funds Index (Global Growth Fund), Growth Funds Index (Growth Fund), International Funds Index (International Fund), Emerging Markets Funds Index (New World Fund), Growth & Income Funds Index (Blue Chip Income and Growth Fund, Growth-Income Fund), Flexible Portfolio Funds Index (Asset Allocation Fund), Core Bond Funds Index (Bond Fund), High Yield Funds Index (High-Income Bond Fund) and General U.S. Government Funds Index (U.S. Government/AAA-Rated Securities Fund).

[3] Based on management fees for the 20-year period ended December 31, 2014, versus comparable Lipper categories, excluding funds of funds.

Lit. No. INGESRX-998-0815P

JUNE 30, 2016

SEMI-ANNUAL REPORT (UNAUDITED)

BLACKROCK®

BlackRock Variable Series Funds, Inc.

- BlackRock Global Allocation V.I. Fund

Not FDIC Insured ▪ May Lose Value ▪ No Bank Guarantee

The Markets in Review

Dear Shareholder,

Uneven economic outlooks and divergence of monetary policies across regions have been the overarching themes driving financial markets over the past couple of years. In the latter half of 2015, as U.S. growth outpaced other developed markets, investors were focused largely on the timing of the Federal Reserve's (the "Fed") decision to end its near-zero interest rate policy. The Fed ultimately hiked rates in December, whereas the European Central Bank and the Bank of Japan took additional steps to stimulate growth, even introducing negative interest rates. The U.S. dollar had strengthened considerably ahead of these developments, causing profit challenges for U.S. companies that generate revenues overseas, and pressuring emerging market currencies and commodities prices.

Also during this time period, oil prices collapsed due to excess global supply. China, one of the world's largest consumers of oil, was another notable source of stress for financial markets as the country showed signs of slowing economic growth and took measures to devalue its currency. Declining confidence in the country's policymakers stoked investors' worries about the potential impact of China's weakness on the global economy. Global market volatility increased and risk assets (such as equities and high yield bonds) suffered in this environment.

The elevated market volatility spilled over into 2016, but as the first quarter wore on, fears of a global recession began to fade, allowing markets to calm and risk assets to rebound. Central bank stimulus in Europe and Japan, combined with a more tempered outlook for rate hikes in the United States, helped bolster financial markets. A softening in U.S. dollar strength brought relief to U.S. exporters and emerging market economies. Oil prices rebounded as the world's largest producers agreed to reduce supply.

Volatility spiked again in late June when the United Kingdom shocked investors with its vote to leave the European Union. Uncertainty around how the British exit might affect the global economy and political landscape long term drove investors to high quality assets, pushing already-low global yields to even lower levels.

At BlackRock, we believe investors need to think globally, extend their scope across a broad array of asset classes and be prepared to adjust accordingly as market conditions change over time. We encourage you to talk with your financial advisor and visit **blackrock.com** for further insight about investing in today's markets.

Sincerely,

Rob Kapito
President, BlackRock Advisors, LLC

Rob Kapito
President, BlackRock Advisors, LLC

Total Returns as of June 30, 2016

	6-month	12-month
U.S. large cap equities (S&P 500® Index)	3.84%	3.99%
U.S. small cap equities (Russell 2000® Index)	2.22	(6.73)
International equities (MSCI Europe, Australasia, Far East Index)	(4.42)	(10.16)
Emerging market equities (MSCI Emerging Markets Index)	6.41	(12.05)
3-month Treasury bill (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.15	0.19
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	7.95	9.49
U.S. investment grade bonds (Barclays U.S. Aggregate Bond Index)	5.31	6.00
Tax-exempt municipal bonds (S&P Municipal Bond Index)	4.35	7.80
U.S. high yield bonds (Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	9.06	1.65

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Investment Objective

BlackRock Global Allocation V.I. Fund's (the "Fund") investment objective is to seek high total investment return.

Portfolio Management Commentary

How did the Fund perform?

- For the six-month period ended June 30, 2016, the Fund underperformed its reference benchmark, which is comprised of the S&P 500® Index (36%), FTSE World (ex-US) Index (24%), BofA Merrill Lynch Current 5-Year U.S. Treasury Index (24%) and Citigroup Non-U.S. Dollar World Government Bond Index (16%) (the "Reference Benchmark"). For the same period, the Fund also underperformed the broad-based all-equity benchmark, the FTSE World Index. The Fund invests in both equities and bonds; therefore, the Reference Benchmark provides a truer representation of the Fund's composition and a more comparable means for measurement. The following discussion of relative performance pertains to the Reference Benchmark. The commentary (and referenced allocation percentages) are based on the economic exposures of the Fund, which reflect adjustments for futures, swaps, options and convertible bonds, and may vary relative to the market value.

What factors influenced performance?

- Within equities, an overweight in Japan and an underweight in the United States detracted from performance. From a sector perspective, stock selection in industrials, consumer discretionary, information technology ("IT"), financials, and telecommunication services ("telecom") weighed on returns. An underweight in fixed income detracted from performance. Currency management, notably an overweight in the U.S. dollar, negatively impacted performance.
- The Fund uses derivatives, which may include options, futures, swaps and forward contracts both to seek to enhance returns of the Fund and to hedge (or protect) against adverse movements in currency exchange rates, interest rates and movements in the securities markets. During the period, the Fund's use of derivatives had a negative impact on the absolute performance of the Fund.
- Positive contributors within equities included an overweight in precious metal securities, in particular, gold miners. From a sector perspective, an overweight in energy was additive. Exposure to commodity-related securities (notably gold) and to cash and cash equivalents positively impacted performance as well.

Describe recent portfolio activity.

- During the period, the Fund's overall equity allocation increased slightly from 57% to 58% of net assets. Within equities, the Fund increased its exposure to the United States, and decreased exposure to Asia, notably Japan. On a sector basis, the Fund increased its weighting in financials, IT, and consumer staples, and decreased its weighting in health care, materials, energy, and telecom.
- The Fund's overall allocation to fixed income increased from 22% to 32% of net assets. Within fixed income, the Fund increased exposure to government bonds, notably in the US, Australia, and Europe. The Fund's exposure to commodity-related securities increased from 1% to 5% of net assets.
- Reflecting the above changes, the Fund's allocation to cash and cash equivalents was reduced from 20% to 5% of net assets. Over the period, cash and cash equivalents helped mitigate portfolio volatility and served as a source of funds for new investments.

Describe portfolio positioning at period end.

- Relative to the Reference Benchmark, the Fund ended the period underweight equities and fixed income and overweight commodity-related securities and cash and cash equivalents. Within equities, the Fund was overweight Japan and Europe, and underweight the United States. Within Europe, the Fund was overweight France and the Netherlands, and underweight Switzerland and Germany. From a sector perspective, the Fund was overweight IT and telecom, and underweight consumer staples, consumer discretionary, materials, utilities, and financials. Within fixed income, the Fund was underweight U.S. Treasuries, Japanese government bonds, and European sovereign debt, and overweight government bonds in Australia, Mexico, and Hungary. In addition, the Fund was overweight corporate and convertible bonds. With respect to currency exposure, the Fund was overweight the U.S. dollar, and was underweight the Japanese yen, euro, and British pound sterling.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

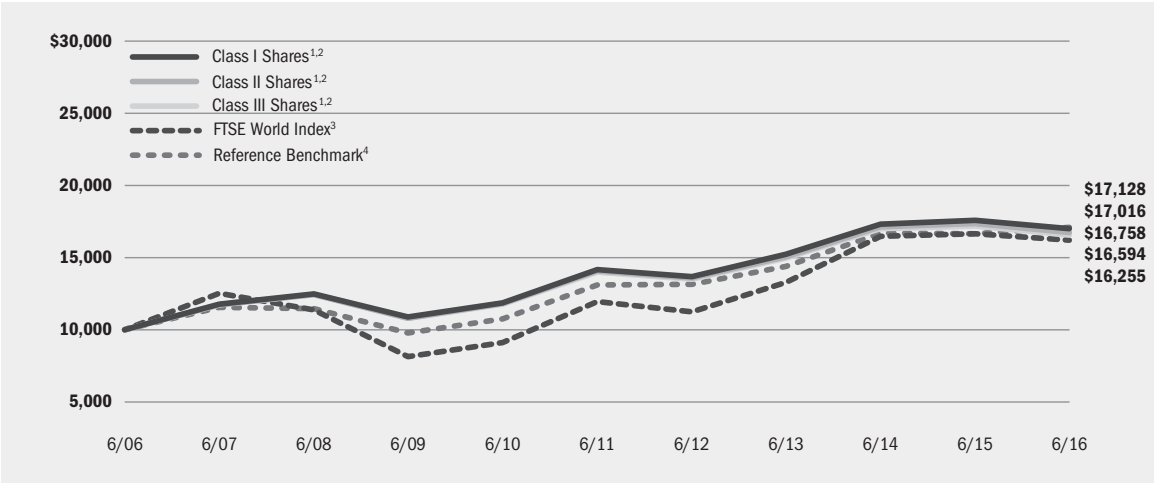
Overall Asset Exposure

Portfolio Composition	Percent of Fund's Net Assets[1] 6/30/16	Percent of Fund's Net Assets[1] 12/31/15	Reference Benchmark[2] Percentage
U.S. Equities	30%	27%	35%
European Equities	14	13	13
Asia Pacific Equities	12	15	9
Other Equities	2	2	3
Total Equity Securities	**58**	**57**	**60**
U.S. Dollar Denominated Fixed Income Securities	23	17	24
U.S. Issuers	18	12	–
Non-U.S. Issuers	5	5	–
Non-U.S. Dollar Denominated Fixed Income Securities	9	5	16
Total Fixed Income Securities	**32**	**22**	**40**
Commodity-Related Securities	**5**	**1**	**–**
Cash & Short-Term Securities	**5**	**20**	**–**

[1] Exposure based on market value and adjusted for the economic value of futures, swaps, options and convertible bonds.

[2] The Reference Benchmark is an unmanaged weighted index comprised as follows: 36% of the S&P 500 Index®; 24% FTSE World (ex U.S.) Index; 24% BofA Merrill Lynch Current 5-Year U.S. Treasury Index; and 16% Citigroup Non-U.S. Dollar World Government Bond Index. Descriptions of these indexes are found on page 3 of this report to shareholders in the "Performance Summary" section.

Total Return Based on a $10,000 Investment



[1] Assuming transaction costs, if any, and other operating expenses, including investment advisory fees. Does not include insurance-related fees and expenses.
[2] The Fund invests in a portfolio of U.S. and foreign equity securities, debt and money market securities, the combination of which will be varied from time to time with respect to types of securities and markets in response to changing markets and economic trends.
[3] This unmanaged capitalization-weighted index is comprised of 2,544 equities from 35 countries in 4 regions, including the United States.
[4] The Reference Benchmark is an unmanaged weighted index comprised as follows: 36% S&P 500® Index; 24% FTSE World (ex U.S.) Index; 24% BofA Merrill Lynch Current 5-Year U.S. Treasury Index; and 16% Citigroup Non-U.S. Dollar World Government Bond Index.

Performance Summary for the Period Ended June 30, 2016

	6-Month Total Returns[6]	Average Annual Total Returns		
		1 Year[6]	5 Years[6]	10 Years[6]
Class I[5]	0.20%	(3.43)%	3.69%	5.46%
Class II[5]	0.13	(3.60)	3.53	5.30
Class III[5]	0.08	(3.71)	3.43	5.19
FTSE World Index	1.55	(2.57)	6.34	4.98
Reference Benchmark	4.42	2.71	5.49	5.53
U.S. Stocks: S&P 500® Index[7]	3.84	3.99	12.10	7.43
Non-U.S. Stocks: FTSE World (ex U.S.) Index[8]	(1.03)	(9.03)	0.96	2.48
U.S. Bonds: BofA Merrill Lynch Current 5-Year U.S. Treasury Index[9]	4.36	4.74	2.84	4.98
Non-U.S. Bonds: Citigroup Non-U.S. Dollar World Government Bond Index[10]	13.50	13.85	0.31	3.97

[5] Average annual and cumulative total returns are based on changes in net asset value for the periods shown, and assume reinvestment of all distributions at net asset value on the ex-dividend date. Insurance-related fees and expenses are not reflected in these returns.
[6] For a portion of the period, the Fund's investment adviser waived a portion of its fees. Without such waiver, the Fund's performance would have been lower.
[7] This unmanaged index covers 500 leading companies and captures approximately 80% coverage of available market capitalization.
[8] This unmanaged capitalization-weighted index is comprised of 1,920 equities from 34 countries, excluding the United States.
[9] This unmanaged index is designed to track the total return of the current coupon five-year U.S. Treasury bond.
[10] This unmanaged market capitalization-weighted index tracks 22 government bond indexes, excluding the United States.
Past performance is not indicative of future results. Performance results do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

Expense Example

	Actual				Hypothetical[13]				
			Including Dividend Expense and Stock Loan Fees	Excluding Dividend Expense and Stock Loan Fees		Including Dividend Expense and Stock Loan Fees		Excluding Dividend Expense and Stock Loan Fees	
	Beginning Account Value January 1, 2016	Ending Account Value June 30, 2016	Expenses Paid During the Period[11]	Expenses Paid During the Period[12]	Beginning Account Value January 1, 2016	Ending Account Value June 30, 2016	Expenses Paid During the Period[11]	Ending Account Value June 30, 2016	Expenses Paid During the Period[12]
Class I	$1,000.00	$1,002.00	$3.68	$3.63	$1,000.00	$1,021.18	$3.72	$1,021.23	$3.67
Class II	$1,000.00	$1,001.30	$4.43	$4.38	$1,000.00	$1,020.44	$4.47	$1,020.49	$4.42
Class III	$1,000.00	$1,000.80	$4.92	$4.88	$1,000.00	$1,019.94	$4.97	$1,019.99	$4.92

[11] For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.74% for Class I, 0.89% for Class II and 0.99% for Class III), multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period shown).
[12] For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.73% for Class I, 0.88% for Class II and 0.98% for Class III), multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period shown).
[13] Hypothetical 5% annual return before expenses is calculated by prorating the number of days in the most recent fiscal half year divided by 366.
See "Disclosure of Expenses" on the following page for further information on how expenses were calculated.

Disclosure of Expenses

Shareholders of the Fund may incur the following charges: (a) transactional expenses, such as sales charges; and (b) operating expenses, including investment advisory fees, service and distribution fees, including 12b-1 fees, acquired fund fees and expenses, and other fund expenses. The expense example shown on the previous page (which is based on a hypothetical investment of $1,000 invested on January 1, 2016 and held through June 30, 2016) is intended to assist shareholders both in calculating expenses based on an investment in the Fund and in comparing these expenses with similar costs of investing in other mutual funds.

The expense example provides information about actual account values and actual expenses. In order to estimate the expenses a shareholder paid during the period covered by this report, shareholders can divide their account value by $1,000 and then multiply the result by the number corresponding to their share class under the heading entitled "Expenses Paid During the Period."

The expense example 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. In order to assist shareholders in comparing the ongoing expenses of investing in the Fund and other funds, compare the 5% hypothetical example with the 5% hypothetical examples that appears in shareholder reports of other funds.

The expenses shown in the expense example are intended to highlight shareholders' ongoing costs only and do not reflect any transactional expenses, such as sales charges, if any. Therefore, the hypothetical example is useful in comparing ongoing expenses only, and will not help shareholders determine the relative total expenses of owning different funds. If these transactional expenses were included, shareholder expenses would have been higher.

Derivative Financial Instruments

The Fund may invest in various derivative financial instruments. These instruments are used to obtain exposure to a security, commodity, index, market, and/or other asset without owning or taking physical custody of securities, commodities and/or other referenced assets or to manage market, equity, credit, interest rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic leverage and involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the instrument. The Fund's successful use of a derivative financial instrument depends on the investment adviser's ability to predict pertinent market movements accurately, which cannot be assured. The use of these instruments may result in losses greater than if they had not been used, may limit the amount of appreciation the Fund can realize on an investment and/or may result in lower distributions paid to shareholders. The Fund's investments in these instruments, if any, are discussed in detail in the Notes to Consolidated Financial Statements.

Common Stocks	Shares	Value
Australia — 0.3%		
Commonwealth Bank of Australia	154,050	$ 8,646,866
Healthscope Ltd.	4,757,008	10,236,772
Westpac Banking Corp.	584,523	12,962,136
		31,845,774
Belgium — 0.2%		
Anheuser-Busch InBev SA	154,644	20,449,659
Umicore SA (a)	123,730	6,391,208
		26,840,867
Brazil — 0.0%		
SLC Agricola SA	290,257	1,334,588
Canada — 0.8%		
Brookfield Asset Management, Inc., Class A	458,442	15,161,054
Brookfield Business Partners LP (b)	9,168	174,941
Cameco Corp.	829,742	9,102,270
Canadian National Railway Co.	100,478	5,934,231
Cenovus Energy, Inc. (a)	542,848	7,508,567
Encana Corp.	3,483,230	27,134,362
Platinum Group Metals Ltd. (a)(b)	1,245,813	4,223,306
Platinum Group Metals Ltd. (b)	500,789	1,682,282
Toronto-Dominion Bank	440,681	18,924,093
		89,845,106
China — 0.4%		
Alibaba Group Holding Ltd. - ADR (a)(b)	366,181	29,122,375
Dongfeng Motor Group Co. Ltd., Class H	1,538,800	1,621,975
Haitian International Holdings Ltd.	2,541,800	4,497,235
Lenovo Group Ltd.	3,550,000	2,157,812
Zhongsheng Group Holdings Ltd.	2,469,706	1,347,954
		38,747,351
Denmark — 0.1%		
Genmab A/S (b)	7,986	1,456,225
Novo Nordisk A/S, Class B (a)	146,248	7,875,879
		9,332,104
Egypt — 0.0%		
Integrated Diagnostics Holdings PLC (a)(c)	367,805	1,452,830
Finland — 0.1%		
Nokia OYJ	1,530,366	8,716,147
France — 2.7%		
Accor SA	243,758	9,339,907
Aeroports de Paris (a)	32,901	3,604,998
Airbus Group SE	436,488	25,019,571
Arkema SA	29,141	2,227,919
AXA SA	800,550	15,829,035
BNP Paribas SA	343,418	15,060,842
Cie Generale des Etablissements Michelin	12,018	1,132,589
Compagnie de Saint-Gobain	237,702	9,010,275
Danone SA	240,657	16,841,884

Common Stocks	Shares	Value
France (continued)		
Dassault Aviation SA	10,376	$ 10,281,648
Engie SA	467,893	7,512,831
Legrand SA	185,648	9,503,611
LVMH Moet Hennessy Louis Vuitton SE	69,181	10,428,025
Orange SA	488,429	7,942,137
Publicis Groupe SA	289,851	19,391,822
Renault SA	68,917	5,203,085
Safran SA	479,106	32,264,001
Sanofi	343,978	28,578,754
Sodexo SA	88,905	9,524,383
TOTAL SA	257,259	12,337,172
TOTAL SA - ADR (a)	26,400	1,269,840
UbiSoft Entertainment (b)	146,095	5,322,401
Unibail-Rodamco SE	56,674	14,661,290
Veolia Environnement SA	186,924	4,036,570
Vinci SA	138,274	9,757,605
		286,082,195
Germany — 1.0%		
adidas AG	48,608	6,977,672
Allianz SE, Registered Shares	66,381	9,469,786
BASF SE	147,924	11,342,676
Bayer AG, Registered Shares	82,540	8,289,933
Bayerische Motoren Werke AG	75,841	5,519,361
Beiersdorf AG	59,007	5,586,485
Deutsche Post AG, Registered Shares	170,611	4,806,561
Deutsche Telekom AG, Registered Shares	787,782	13,433,531
Evonik Industries AG	209,735	6,251,926
HUGO BOSS AG (a)	102,166	5,808,373
Siemens AG, Registered Shares	96,089	9,860,811
Volkswagen AG	4,512	598,126
Vonovia SE	537,506	19,626,561
		107,571,802
Hong Kong — 0.5%		
AIA Group Ltd. (a)	2,056,600	12,367,827
Beijing Enterprises Holdings Ltd.	2,062,542	11,692,917
Brilliance China Automotive Holdings Ltd. (a)	3,420,000	3,531,071
Chaoda Modern Agriculture Holdings Ltd. (a)(b)	19,748,798	438,724
Haier Electronics Group Co. Ltd.	2,911,000	4,447,781
Sun Hung Kai Properties Ltd.	1,582,083	19,093,986
Techtronic Industries Co. Ltd.	793,000	3,311,568
		54,883,874
India — 0.3%		
Coal India Ltd.	2,121,451	9,859,173
Maruti Suzuki India Ltd.	97,660	6,071,151
Reliance Industries Ltd.	1,433,951	20,655,695
		36,586,019

Portfolio Abbreviations

ADR	American Depositary Receipts	**EURIBOR**	Euro Interbank Offered Rate	**OTC**	Over-the-Counter
AED	Emirati Dirham	**FTSE**	Financial Times Stock Exchange	**PLN**	Polish Zloty
AUD	Australian Dollar	**GBP**	British Pound	**S&P**	Standard & Poor's
BRL	Brazilian Real	**HUF**	Hungarian Forint	**SGD**	Singapore Dollar
CAD	Canadian Dollar	**JPY**	Japanese Yen	**SPDR**	Standard & Poor's Depositary Receipts
CNH	Chinese Yuan Offshore	**KRW**	South Korean Won	**TBA**	To-Be-Announced
CVA	Certification Van Aandelon (Dutch Certificate)	**LIBOR**	London Interbank Offered Rate	**TWD**	Taiwan Dollar
		MSCI	Morgan Stanley Capital International	**USD**	U.S. Dollar
ETF	Exchange-Traded Fund	**MXN**	Mexican Peso	**ZAR**	South African Rand
EUR	Euro	**NZD**	New Zealand Dollar		

See Notes to Consolidated Financial Statements.

Common Stocks	Shares	Value
Indonesia — 0.1%		
Siloam International Hospitals Tbk PT	8,494,808	$ 7,468,534
Ireland — 0.4%		
CRH PLC (a)	281,475	8,253,910
Shire PLC	309,916	19,153,689
XL Group PLC	387,716	12,914,820
		40,322,419
Israel — 0.3%		
Teva Pharmaceutical Industries Ltd. - ADR	649,061	32,602,334
Italy — 0.8%		
Ei Towers SpA (a)	328,679	16,678,430
Enel SpA	1,933,713	8,584,656
Intesa Sanpaolo SpA	5,849,574	11,141,799
Luxottica Group SpA	59,237	2,887,084
Prysmian SpA	266,401	5,847,304
RAI Way SpA (a)(c)	1,610,442	7,238,142
Recordati SpA	84,539	2,542,899
Snam SpA	948,235	5,668,980
Telecom Italia SpA (b)	18,773,408	15,418,841
Telecom Italia SpA, Non-Convertible Savings Shares	895,768	576,320
UniCredit SpA	3,149,964	6,927,600
		83,512,055
Japan — 8.2%		
Aisin Seiki Co. Ltd.	265,739	10,824,424
Ajinomoto Co., Inc.	563,700	13,281,316
Alfresa Holdings Corp.	96,500	2,016,087
Alpine Electronics, Inc.	67,200	658,576
Asahi Group Holdings Ltd.	279,800	9,047,279
Asahi Kasei Corp.	1,479,100	10,293,109
Astellas Pharma, Inc.	600,065	9,410,425
Autobacs Seven Co. Ltd.	60,400	856,085
Bridgestone Corp.	468,932	15,070,041
Canon Marketing Japan, Inc.	81,800	1,493,691
Chiyoda Corp.	255,000	1,686,343
Chubu Electric Power Co., Inc.	484,100	6,889,239
COMSYS Holdings Corp.	98,300	1,593,687
Daikin Industries Ltd.	143,600	12,068,830
Daiwa Securities Group, Inc.	863,000	4,546,604
Denso Corp.	505,920	17,800,963
East Japan Railway Co.	343,151	31,800,946
Eisai Co. Ltd.	68,700	3,835,940
Electric Power Development Co. Ltd.	105,500	2,457,969
Exedy Corp.	40,800	873,512
FamilyMart Co. Ltd.	122,700	7,477,496
FANUC Corp.	29,018	4,720,453
Fuji Heavy Industries Ltd.	953,764	32,784,099
FUJIFILM Holdings Corp.	62,200	2,413,386
Fukuoka Financial Group, Inc.	1,273,000	4,197,399
Futaba Industrial Co. Ltd.	358,821	1,687,887
GS Yuasa Corp.	1,178,000	4,517,960
Hino Motors Ltd.	170,500	1,698,173
Hirose Electric Co. Ltd.	16,600	2,041,235
Hitachi Chemical Co. Ltd.	444,600	8,303,528
Honda Motor Co. Ltd.	427,483	10,723,524
Hoya Corp.	287,574	10,270,991
Inpex Corp.	1,753,439	13,712,947
Isuzu Motors Ltd.	917,700	11,303,294
Japan Airlines Co. Ltd.	792,200	25,487,146
Japan Post Bank Co. Ltd.	657,200	7,727,780
Japan Tobacco, Inc.	120,300	4,848,355
JGC Corp.	424,302	6,074,143
JSR Corp.	456,000	6,038,866
Kamigumi Co. Ltd.	185,000	1,709,921
Kansai Electric Power Co., Inc. (b)	110,200	1,073,266
Japan (continued)		
KDDI Corp.	756,000	$ 22,989,761
Keyence Corp.	11,800	8,051,477
Kinden Corp.	117,300	1,269,759
Koito Manufacturing Co. Ltd.	113,600	5,230,650
Komatsu Ltd.	559,500	9,719,453
Kubota Corp.	756,996	10,238,618
Kuraray Co. Ltd.	337,670	4,028,903
Kurita Water Industries Ltd.	69,100	1,540,360
Kyocera Corp.	225,700	10,739,442
Kyushu Electric Power Co., Inc.	459,600	4,609,516
Mabuchi Motor Co. Ltd.	50,100	2,121,973
Maeda Road Construction Co. Ltd.	65,000	1,110,238
Makita Corp.	65,400	4,342,369
Medipal Holdings Corp.	110,600	1,818,356
Mitsubishi Corp.	431,147	7,591,349
Mitsubishi Electric Corp.	1,906,000	22,754,507
Mitsubishi Estate Co. Ltd.	1,295,000	23,753,919
Mitsubishi UFJ Financial Group, Inc.	2,674,700	11,990,288
Mitsui & Co. Ltd.	792,078	9,455,175
Mitsui Fudosan Co. Ltd.	307,000	7,045,891
MS&AD Insurance Group Holdings, Inc.	320,114	8,294,194
Murata Manufacturing Co. Ltd.	75,328	8,445,372
Nabtesco Corp.	175,400	4,185,072
NEC Corp.	2,917,000	6,796,214
Nexon Co. Ltd.	13,100	193,881
Nintendo Co. Ltd.	91,100	13,090,998
Nippo Corp.	90,000	1,530,936
Nippon Steel & Sumitomo Metal Corp.	176,600	3,418,912
Nippon Telegraph & Telephone Corp.	334,260	15,675,094
Nippon Television Holdings, Inc.	116,500	1,923,470
Nitori Holdings Co. Ltd.	40,600	4,924,134
Nitto Denko Corp.	267,100	16,943,276
Nomura Holdings, Inc.	1,372,900	4,882,800
NTT DOCOMO, Inc.	219,800	5,927,687
Okumura Corp.	1,138,751	6,296,157
Omron Corp.	236,600	7,722,807
Otsuka Holdings Co. Ltd.	291,400	13,428,551
Rinnai Corp.	75,123	6,638,096
Rohm Co. Ltd.	294,053	11,606,302
Sanrio Co. Ltd. (a)	218,400	3,888,688
Sawai Pharmaceutical Co. Ltd.	33,100	2,565,878
Secom Co. Ltd.	37,400	2,765,087
Sega Sammy Holdings, Inc.	547,200	5,893,399
Seino Holdings Co. Ltd.	126,200	1,156,916
Sekisui Chemical Co. Ltd.	396,500	4,885,197
Seven & i Holdings Co. Ltd.	239,300	10,033,398
Shimamura Co. Ltd.	24,000	3,570,881
Shin-Etsu Chemical Co. Ltd.	555,134	32,524,466
Ship Healthcare Holdings, Inc.	39,100	1,216,944
SHO-BOND Holdings Co Ltd. (a)	22,000	1,000,034
SKY Perfect JSAT Holdings, Inc.	191,000	883,490
SMC Corp.	24,800	6,101,449
Sompo Japan Nipponkoa Holdings, Inc.	213,900	5,692,350
Sony Financial Holdings, Inc.	664,900	7,517,941
Stanley Electric Co. Ltd.	110,300	2,355,599
Sumco Corp. (a)	747,100	4,786,127
Sumitomo Corp.	580,500	5,851,383
Sumitomo Electric Industries Ltd.	520,648	6,891,007
Sumitomo Mitsui Financial Group, Inc.	262,947	7,592,610
Suntory Beverage & Food Ltd.	108,600	4,914,273
Suzuken Co. Ltd.	48,900	1,539,189
Suzuki Motor Corp.	720,489	19,509,350
Toda Corp.	1,195,896	5,173,672
Toho Co. Ltd.	73,900	2,046,392
Tokio Marine Holdings, Inc.	361,823	12,045,481
Tokyo Gas Co. Ltd.	4,256,070	17,572,298

See Notes to Consolidated Financial Statements.

Common Stocks	Shares	Value
Japan (continued)		
Toyota Industries Corp.	601,077	$ 23,898,755
Toyota Motor Corp.	157,300	7,754,660
Toyota Tsusho Corp.	154,200	3,319,826
Trend Micro, Inc.	91,600	3,275,979
TV Asahi Holdings Corp.	69,400	1,130,039
Ube Industries Ltd.	3,471,346	5,745,242
West Japan Railway Co.	113,900	7,218,220
Yamada Denki Co. Ltd.	1,384,100	7,306,418
Yamaha Corp.	122,600	3,304,488
Yamato Kogyo Co. Ltd.	51,300	1,164,437
Zenkoku Hosho Co. Ltd.	50,200	1,833,531
		883,567,966
Luxembourg — 0.0%		
RTL Group SA	11,512	940,177
Mexico — 0.2%		
America Movil SAB de CV, Series L (a)	5,227,858	3,214,055
America Movil SAB de CV, Series L - ADR	349,636	4,286,537
Fibra Uno Administracion SA de CV (a)	6,085,338	12,964,489
Telesites SAB de CV (a)(b)	8,390,304	5,185,843
		25,650,924
Netherlands — 1.6%		
Akzo Nobel NV	599,429	37,237,172
Constellium NV, Class A (b)	543,966	2,551,201
ING Groep NV CVA	1,548,566	16,021,398
Koninklijke KPN NV	4,918,865	17,533,065
Koninklijke Philips NV	549,981	13,659,538
Randstad Holding NV (a)	183,501	7,338,417
Royal Dutch Shell PLC, Class A - ADR (a)	539,602	29,796,822
SBM Offshore NV	1,532,180	17,756,655
Unilever NV CVA	614,153	28,564,146
		170,458,414
Norway — 0.0%		
Statoil ASA	338,445	5,847,809
Portugal — 0.1%		
NOS SGPS SA (a)	1,036,317	6,271,485
Singapore — 0.7%		
CapitaLand Ltd.	8,897,050	20,427,438
Global Logistic Properties Ltd.	18,075,100	24,402,297
Keppel Corp. Ltd.	2,451,300	10,112,367
Singapore Telecommunications Ltd.	4,713,030	14,556,752
United Overseas Bank Ltd.	315,400	4,345,567
		73,844,421
South Korea — 0.4%		
Hyundai Motor Co.	117,499	13,899,131
Hyundai Wia Corp. (a)	29,238	2,279,358
Samsung Electronics Co. Ltd.	13,377	16,659,064
SK Hynix, Inc. (a)	297,953	8,478,844
		41,316,397
Spain — 0.3%		
Cellnex Telecom SAU (c)	1,155,580	18,134,078
Gas Natural SDG SA (a)	209,515	4,164,680
Iberdrola SA	929,345	6,339,617
		28,638,375
Sweden — 0.3%		
SKF AB, Class B (a)	1,242,636	19,910,721
Svenska Handelsbanken AB, A Shares	1,268,254	15,397,256
		35,307,977

Common Stocks	Shares	Value
Switzerland — 1.2%		
Cie Financiere Richemont SA, Registered Shares (a)	159,687	$ 9,347,231
Nestle SA, Registered Shares	825,565	63,963,401
Novartis AG, Registered Shares	249,458	20,589,902
Roche Holding AG	70,188	18,521,197
UBS Group AG, Registered Shares	1,099,664	14,268,793
Zurich Insurance Group AG	18,444	4,562,727
		131,253,251
Taiwan — 0.2%		
Cheng Shin Rubber Industry Co. Ltd.	1,930,323	4,069,950
Taiwan Semiconductor Manufacturing Co. Ltd.	2,614,000	13,173,769
Yulon Motor Co. Ltd.	2,220,000	1,894,944
		19,138,663
United Arab Emirates — 0.2%		
Mediclinic International PLC	210,783	3,085,847
NMC Health PLC	846,065	14,585,973
		17,671,820
United Kingdom — 3.5%		
Aggreko PLC (a)	290,302	4,965,070
ARM Holdings PLC	453,601	6,890,112
AstraZeneca PLC	457,972	27,379,323
Aviva PLC	345,561	1,821,562
BAE Systems PLC	1,223,707	8,566,683
Berkeley Group Holdings PLC	213,192	7,199,041
BP PLC - ADR (a)	775,255	27,529,305
BT Group PLC	1,587,260	8,724,578
Burberry Group PLC	412,074	6,410,021
Coats Group PLC (b)	1,865,979	667,601
Coca-Cola European Partners PLC	21,523	768,156
Delphi Automotive PLC	240,853	15,077,398
Delta Topco Ltd. (Acquired 5/02/12, cost $8,295,346) (b)(d)	13,440,990	4,569,937
Diageo PLC - ADR (a)	117,581	13,272,543
GlaxoSmithKline PLC	1,044,565	22,432,162
HSBC Holdings PLC	7,085,782	43,900,573
Legal & General Group PLC	1,038,932	2,659,781
Liberty Global PLC LiLAC, Class A (b)	25,386	818,953
Liberty Global PLC, Class A (b)	248,392	7,218,272
National Grid PLC	864,228	12,708,823
Pearson PLC (a)	831,691	10,818,795
Prudential PLC	466,193	7,910,828
Rio Tinto PLC	259,558	8,063,612
Royal Bank of Scotland Group PLC (b)	1,519,518	3,443,481
SABMiller PLC	1,044,917	60,938,968
Smiths Group PLC	630,607	9,744,955
Spire Healthcare Group PLC (c)	2,869,126	12,794,862
Vodafone Group PLC	5,581,718	17,017,963
Vodafone Group PLC - ADR (a)	610,407	18,855,472
		373,168,830
United States — 29.0%		
3M Co.	14,317	2,507,193
Abbott Laboratories	311,388	12,240,662
AbbVie, Inc.	159,672	9,885,294
Accenture PLC, Class A	27,392	3,103,240
Activision Blizzard, Inc.	323,520	12,821,098
Adobe Systems, Inc. (b)	86,682	8,303,269
Aetna, Inc.	293,017	35,786,166
Agilent Technologies, Inc.	93,127	4,131,114
Air Products & Chemicals, Inc.	59,802	8,494,276
Alexion Pharmaceuticals, Inc. (b)	102,859	12,009,817

See Notes to Consolidated Financial Statements.

Common Stocks	Shares	Value
United States (continued)		
Alliance Data Systems Corp. (b)	5,974	$ 1,170,426
Allstate Corp.	350,473	24,515,586
Alphabet, Inc., Class A (b)	38,653	27,193,545
Alphabet, Inc., Class C (b)	140,431	97,192,295
Altria Group, Inc. (e)	346,829	23,917,328
Amazon.com, Inc. (b)	15,838	11,333,990
Amdocs Ltd.	43,872	2,532,292
American Electric Power Co., Inc.	196,936	13,803,244
American International Group, Inc.	298,610	15,793,483
American Tower Corp.	29,750	3,379,898
American Water Works Co., Inc.	235,539	19,905,401
Ameriprise Financial, Inc.	9,091	816,826
AmerisourceBergen Corp.	4,907	389,223
Amgen, Inc.	208,804	31,769,529
Anadarko Petroleum Corp. (f)	1,044,883	55,640,020
Anthem, Inc.	131,048	17,211,844
Apple Inc. (g)	1,564,224	149,539,814
Archer-Daniels-Midland Co.	16,308	699,450
Axalta Coating Systems Ltd. (b)	1,033,328	27,414,192
Axis Capital Holdings Ltd.	42,362	2,329,910
Bank of America Corp.	3,641,491	48,322,585
Baxter International, Inc.	460,966	20,844,882
Bed Bath & Beyond, Inc. (a)	131,123	5,667,136
Berkshire Hathaway, Inc., Class A (b)	156	33,848,100
Berkshire Hathaway, Inc., Class B (b)	254,320	36,822,993
Biogen, Inc. (b)	67,995	16,442,551
Boeing Co.	11,958	1,552,985
Bristol-Myers Squibb Co.	264,351	19,443,016
Calpine Corp. (b)	364,524	5,376,729
Capital One Financial Corp.	30,176	1,916,478
Cardinal Health, Inc.	31,529	2,459,577
Catalent, Inc. (a)(b)	485,595	11,163,829
Caterpillar, Inc. (a)	70,021	5,308,292
Celgene Corp. (b)	82,677	8,154,433
Charles Schwab Corp.	372,008	9,415,522
Charter Communications, Inc., Class A (b)	72,990	16,688,434
Chevron Corp.	8,743	916,529
Chipotle Mexican Grill, Inc. (b)	26,418	10,640,114
Chubb Ltd.	204,285	26,702,092
Cintas Corp.	29,396	2,884,629
Cisco Systems, Inc.	881,290	25,284,210
Citigroup, Inc.	768,342	32,570,017
CME Group, Inc.	136,399	13,285,263
Coca-Cola Co.	312,097	14,147,357
Colfax Corp. (b)	174,109	4,606,924
Colgate-Palmolive Co.	51,245	3,751,134
Comcast Corp., Class A	729,629	47,564,515
Computer Sciences Corp.	40,133	1,992,603
Constellation Brands, Inc., Class A	21,749	3,597,285
Crown Castle International Corp.	33,951	3,443,650
Crown Holdings, Inc. (b)	10,460	530,008
CSX Corp.	206,232	5,378,531
CVS Health Corp.	288,014	27,574,460
DaVita HealthCare Partners, Inc. (b)	136,534	10,556,809
Delta Air Lines, Inc.	178,986	6,520,460
Discover Financial Services	195,775	10,491,582
DISH Network Corp., Class A (b)	198,396	10,395,950
Dominion Resources, Inc.	163,832	12,767,428
Dover Corp.	9,976	691,536
Dr Pepper Snapple Group, Inc.	16,317	1,576,712
DTE Energy Co.	66,436	6,585,136
E I du Pont de Nemours & Co.	298,232	19,325,434
Eaton Corp. PLC	262,957	15,706,422
eBay, Inc. (b)	258,762	6,057,618
Edgewell Personal Care Co. (b)	331,849	28,011,374
Edison International	30,587	2,375,692
Electronic Arts, Inc. (b)	22,916	$ 1,736,116
Eli Lilly & Co.	322,220	25,374,825
Envision Healthcare Holdings, Inc. (b)	27,797	705,210
EQT Corp.	279,558	21,646,176
Equity Residential	83,533	5,753,753
Expedia, Inc.	58,926	6,263,834
Exxon Mobil Corp.	189,299	17,744,888
Facebook, Inc., Class A (b)	481,059	54,975,423
FedEx Corp.	147,391	22,371,006
Fifth Third Bancorp	58,873	1,035,576
FirstEnergy Corp.	99,455	3,471,974
Fitbit, Inc., Class A (a)(b)	506,618	6,190,872
Ford Motor Co. (a)	1,307,587	16,436,369
Fortune Brands Home & Security, Inc.	110,938	6,431,076
General Dynamics Corp.	19,910	2,772,268
General Electric Co. (g)	2,183,544	68,737,965
General Growth Properties, Inc.	112,128	3,343,657
Gilead Sciences, Inc.	215,533	17,979,763
Global Payments, Inc.	22,509	1,606,692
GoDaddy, Inc., Class A (a)(b)	127,259	3,969,208
Goldman Sachs Group, Inc.	118,102	17,547,595
Goodyear Tire & Rubber Co.	42,682	1,095,220
Hartford Financial Services Group, Inc.	165,606	7,349,594
HCA Holdings, Inc. (b)	13,516	1,040,867
HD Supply Holdings, Inc. (b)	179,917	6,264,710
Helmerich & Payne, Inc. (a)	25,837	1,734,438
Hershey Co. (e)	35,897	4,073,951
Hewlett-Packard Co. (b)(h)	369,148	4,632,807
Hexcel Corp. (a)	65,205	2,715,136
Home Depot, Inc.	21,519	2,747,761
HTG Molecular Diagnostics, Inc. (b)	52,239	135,821
Illinois Tool Works, Inc.	10,341	1,077,119
Ingersoll-Rand PLC	197,045	12,547,826
Intel Corp.	472,459	15,496,655
International Business Machines Corp.	62,316	9,458,322
International Paper Co.	44,092	1,868,619
Intuit, Inc.	80,274	8,959,381
Invitae Corp. (b)	435,262	3,216,586
Johnson & Johnson	424,380	51,477,294
JPMorgan Chase & Co. (g)	959,516	59,624,324
Kansas City Southern	130,963	11,798,457
Kimberly-Clark Corp.	21,664	2,978,367
KLA-Tencor Corp.	23,398	1,713,904
Kohl's Corp.	57,813	2,192,269
Kroger Co.	209,066	7,691,538
Las Vegas Sands Corp. (a)	104,490	4,544,270
Lear Corp.	28,932	2,944,120
Liberty Broadband Corp., Class A (b)	79,558	4,725,745
Liberty Broadband Corp., Class C (b)	142,696	8,561,760
Liberty Media Group, Class C (b)	136,670	2,592,630
Liberty SiriusXM Group, Class A (b)	285,285	8,946,538
Liberty SiriusXM Group, Class C (b)	534,932	16,513,351
Lincoln National Corp.	19,607	760,163
Lookout, Inc. (Acquired 3/04/15, cost $936,169) (b)(d)	81,954	751,444
Lowe's Cos., Inc.	105,556	8,356,869
Macy's, Inc.	67,116	2,255,769
Marathon Oil Corp. (a)	2,026,630	30,419,716
Marathon Petroleum Corp.	1,883,715	71,505,821
Marsh & McLennan Cos., Inc.	279,113	19,108,076
Masco Corp.	199,449	6,170,952
MasterCard, Inc., Class A	273,922	24,121,571
McDonald's Corp.	20,315	2,444,707
McKesson Corp.	203,667	38,014,446
Medtronic PLC	71,547	6,208,133
Merck & Co., Inc.	358,925	20,677,669

See Notes to Consolidated Financial Statements.

Common Stocks	Shares	Value
United States (continued)		
MetLife, Inc.	314,405	$ 12,522,751
Michael Kors Holdings Ltd. (a)(b)	291,453	14,421,094
Micron Technology, Inc. (a)(b)	1,034,696	14,237,417
Microsoft Corp.	772,123	39,509,534
Mondelez International, Inc., Class A (e)	548,485	24,961,552
Monsanto Co.	92,898	9,606,582
Morgan Stanley	27,221	707,202
Mylan NV (b)	516,547	22,335,492
NextEra Energy Partners LP	277,074	8,417,508
NextEra Energy, Inc.	219,883	28,672,743
Northrop Grumman Corp.	47,908	10,648,990
Norwegian Cruise Line Holdings Ltd. (b)	126,918	5,056,413
Nuance Communications, Inc. (b)	263,958	4,125,664
Oracle Corp.	850,859	34,825,659
PACCAR, Inc.	160,888	8,345,261
PayPal Holdings, Inc. (b)	235,107	8,583,757
PepsiCo, Inc.	350,075	37,086,946
Perrigo Co. PLC (e)	81,392	7,379,813
Pfizer, Inc.	1,337,427	47,090,805
Phillips 66	23,890	1,895,433
Pioneer Natural Resources Co.	64,606	9,769,073
PPG Industries, Inc.	47,581	4,955,561
Procter & Gamble Co.	592,363	50,155,375
Progressive Corp.	66,145	2,215,858
Prudential Financial, Inc.	98,073	6,996,528
Public Service Enterprise Group, Inc.	89,881	4,189,353
Pure Storage, Inc., Class A (b)	815,919	8,893,517
QUALCOMM, Inc.	579,245	31,030,155
Ralph Lauren Corp. (a)	61,214	5,485,999
Raytheon Co.	15,181	2,063,857
Realogy Holdings Corp. (b)	82,561	2,395,920
Reinsurance Group of America, Inc.	24,768	2,402,248
Rockwell Automation, Inc.	21,109	2,423,735
Schlumberger Ltd.	214,119	16,932,531
Scripps Networks Interactive, Inc., Class A (a)	10,385	646,674
Sealed Air Corp.	22,412	1,030,280
Sempra Energy (a)	125,511	14,310,764
Simon Property Group, Inc.	134,677	29,211,441
Southwest Airlines Co.	140,810	5,521,160
Square, Inc., Class A (a)(b)	310,323	2,808,423
St. Joe Co. (b)	1,475,472	26,145,364
Stryker Corp.	15,479	1,854,849
SunTrust Banks, Inc.	207,502	8,524,182
Tahoe Resources, Inc. (a)	988,881	14,810,827
Target Corp.	272,741	19,042,777
Tenet Healthcare Corp. (a)(b)	456,545	12,618,904
TESARO, Inc. (a)(b)	37,577	3,158,347
Textron, Inc.	548,869	20,066,651
Thermo Fisher Scientific, Inc.	106,806	15,781,655
Tiffany & Co. (a)	114,508	6,943,765
Time Warner, Inc.	182,486	13,420,020
Travelers Cos., Inc.	72,776	8,663,255
Tyco International PLC	143,369	6,107,519
U.S. Bancorp	545,463	21,998,523
Union Pacific Corp.	128,650	11,224,713
United Continental Holdings, Inc. (b)	449,379	18,442,514
United Parcel Service, Inc., Class B	88,177	9,498,426
United Rentals, Inc. (b)	222,043	14,899,085
United Technologies Corp.	116,299	11,926,462
UnitedHealth Group, Inc.	13,757	1,942,488
Univar, Inc. (b)	139,602	2,639,874
Unum Group	295,576	9,396,361
Urban Outfitters, Inc. (a)(b)	228,721	6,289,828
Valero Energy Corp.	50,673	2,584,323
Veeva Systems, Inc., Class A (b)	311,065	10,613,538
VeriSign, Inc. (a)(b)	29,720	2,569,591
Verizon Communications, Inc. (a)	637,061	$ 35,573,486
Visa, Inc., Class A	401,546	29,782,667
WABCO Holdings, Inc. (b)	26,470	2,423,858
Walgreens Boots Alliance, Inc.	200,590	16,703,129
Wells Fargo & Co.	1,185,039	56,087,896
Western Digital Corp.	185,902	8,785,729
WestRock Co.	414,893	16,126,891
Whirlpool Corp.	45,479	7,578,621
WhiteWave Foods Co. (b)(e)	71,125	3,338,608
Whiting Petroleum Corp. (a)(b)	339,244	3,141,399
Whole Foods Market, Inc. (a)(e)	176,580	5,654,092
Williams Cos., Inc.	696,910	15,074,163
Williams-Sonoma, Inc. (a)	76,904	4,009,006
Wyndham Worldwide Corp. (a)	27,137	1,932,969
Yahoo!, Inc. (b)	162,934	6,119,801
Zimmer Biomet Holdings, Inc.	166,388	20,029,787
		3,100,193,414
Total Common Stocks — 53.9%		5,770,413,922

Corporate Bonds		Par (000)	
Argentina — 0.1%			
IRSA Propiedades Comerciales SA, 8.75%, 3/23/23 (c)	USD	4,875	5,185,249
Australia — 0.2%			
TFS Corp. Ltd., 11.00%, 7/15/18 (c)		18,370	18,370,000
Belgium — 0.1%			
Anheuser-Busch InBev Finance, Inc., 2.65%, 2/01/21		11,836	12,274,110
Brazil — 0.0%			
Odebrecht Finance Ltd., 4.38%, 4/25/25 (c)		6,347	2,741,904
Canada — 0.1%			
First Quantum Minerals Ltd.:			
6.75%, 2/15/20		4,323	3,609,705
7.00%, 2/15/21		12,060	9,693,225
			13,302,930
Chile — 0.0%			
Inversiones Alsacia SA, 8.00%, 12/31/18 (b)(c)(i)		7,809	527,091
China — 0.2%			
Alibaba Group Holding Ltd.:			
3.13%, 11/28/21		9,145	9,352,180
3.60%, 11/28/24		2,629	2,684,656
Celestial Nutrifoods Ltd., 0.00%, 6/12/11 (b)(i)(j)	SGD	11,400	84,626
China Milk Products Group Ltd., 0.00%, 1/05/12 (b)(i)(j)	USD	4,800	48,000
SINA Corp., 1.00%, 12/01/18 (j)		6,127	6,015,948
			18,185,410
France — 0.2%			
BNP Paribas SA, 2.40%, 12/12/18		15,761	16,068,812
Germany — 0.1%			
Deutsche Bank AG, 1.88%, 2/13/18		6,213	6,174,100
Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH, 5.50%, 1/15/23 (c)		2,662	2,675,310
			8,849,410
Hong Kong — 0.0%			
Sun Hung Kai Properties Capital Market Ltd., 4.50%, 2/14/22		4,186	4,657,277

See Notes to Consolidated Financial Statements.

Corporate Bonds		Par (000)	Value
India — 0.1%			
REI Agro Ltd.:			
5.50%, 11/13/14 (b)(c)(i)(j)	USD	6,148	$ 30,740
5.50%, 11/13/14 (b)(i)(j)		2,291	11,455
Suzlon Energy Ltd., 5.75%, 7/16/19 (c)(j)(k)		14,214	14,800,327
			14,842,522
Italy — 0.3%			
Intesa Sanpaolo SpA, 3.88%, 1/15/19		12,821	13,177,449
Telecom Italia Finance SA:			
6.13%, 11/15/16 (c)(j)	EUR	8,100	8,696,870
6.13%, 11/15/16 (j)		500	536,844
Telecom Italia SpA, 5.30%, 5/30/24 (c)	USD	8,517	8,495,707
			30,906,870
Japan — 0.1%			
Sumitomo Mitsui Banking Corp., 2.45%, 1/10/19		7,197	7,350,498
Luxembourg — 0.1%			
Intelsat Jackson Holdings SA:			
7.50%, 4/01/21		8,184	5,646,960
8.00%, 2/15/24 (c)		2,600	2,561,000
			8,207,960
Mexico — 0.0%			
Trust F/1401, 5.25%, 12/15/24 (c)		3,832	3,918,220
Netherlands — 0.2%			
Bio City Development Co. BV, 8.00%, 7/06/18 (b)(c)(i)(j)		21,400	8,829,640
Constellium NV:			
7.00%, 1/15/23 (c)	EUR	4,437	3,966,267
8.00%, 1/15/23 (c)	USD	1,180	1,038,400
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA, 3.95%, 11/09/22		3,115	3,221,474
			17,055,781
Singapore — 0.3%			
CapitaLand Ltd.:			
2.10%, 11/15/16 (j)	SGD	11,250	8,299,078
1.95%, 10/17/23 (c)(j)		10,000	7,395,516
Global Logistic Properties Ltd., 3.88%, 6/04/25	USD	15,759	16,112,726
			31,807,320
Spain — 0.1%			
Telefonica Participaciones SAU, 4.90%, 9/25/17 (j)	EUR	12,800	11,584,064
Telefonica SA, 6.00%, 7/24/17 (j)		4,100	3,894,795
			15,478,859
Switzerland — 0.1%			
UBS AG, 2.38%, 8/14/19	USD	5,345	5,466,385
UBS Group Funding Jersey Ltd., 4.13%, 9/24/25 (c)		6,708	6,953,164
			12,419,549
United Arab Emirates — 0.1%			
Dana Gas Sukuk Ltd., 7.00%, 10/31/17 (c)(j)		17,922	15,681,619
United Kingdom — 0.2%			
Delta Topco Ltd. (Acquired 5/02/12-1/04/16, cost $13,856,992), 10.00%, 11/24/60 (d)		13,639	13,638,862
Lloyds Bank PLC, 2.30%, 11/27/18		2,241	2,253,617
			15,892,479

Corporate Bonds		Par (000)	Value
United States — 3.2%			
AbbVie, Inc.:			
2.50%, 5/14/20 (f)	USD	11,252	$ 11,503,178
2.30%, 5/14/21		9,125	9,235,905
Actavis Funding SCS, 3.00%, 3/12/20		9,152	9,438,723
AliphCom (Acquired 11/11/15, cost $3,000,000), 12.00%, 4/28/20 (d)(j)(l)		3,000	1,170,000
AliphCom (Acquired 4/27/15-7/21/15, cost $44,575,000), 12.00%, 4/28/20 (d)(j)(l)		44,575	17,384,250
Ally Financial, Inc.:			
2.75%, 1/30/17		8,604	8,644,215
3.50%, 1/27/19		6,094	6,055,913
American Tower Corp., 3.40%, 2/15/19		2,448	2,549,176
AT&T Inc.:			
2.38%, 11/27/18		13,102	13,371,076
3.00%, 6/30/22		21,647	22,168,130
Bank of America Corp.:			
2.00%, 1/11/18		5,429	5,463,708
6.88%, 4/25/18		5,275	5,758,965
Series L, 2.60%, 1/15/19		5,306	5,429,465
Berkshire Hathaway, Inc., 2.75%, 3/15/23		7,485	7,733,742
BioMarin Pharmaceutical, Inc.:			
0.75%, 10/15/18 (j)		2,660	2,954,263
1.50%, 10/15/20 (j)		2,584	2,987,750
Cablevision Systems Corp., 5.88%, 9/15/22		3,424	3,067,904
Capital One Bank USA N.A., 2.15%, 11/21/18		4,266	4,296,173
Cisco Systems, Inc., 2.20%, 2/28/21		7,432	7,659,546
Citigroup, Inc., 1.80%, 2/05/18		15,047	15,108,693
Cobalt International Energy, Inc.:			
2.63%, 12/01/19 (j)		12,966	4,862,250
3.13%, 5/15/24 (j)		16,167	5,335,110
eBay, Inc., 3.80%, 3/09/22		5,251	5,579,602
Edgewell Personal Care Co.:			
4.70%, 5/19/21		5,240	5,427,398
4.70%, 5/24/22		4,773	4,904,257
Ford Motor Credit Co. LLC:			
5.00%, 5/15/18		8,564	9,073,849
2.55%, 10/05/18		2,998	3,053,418
Forest Laboratories LLC:			
4.38%, 2/01/19 (c)		6,835	7,209,168
5.00%, 12/15/21 (c)		4,818	5,391,983
Freeport-McMoRan, Inc., 3.88%, 3/15/23		4,484	3,923,500
GE Capital International Funding Co., 2.34%, 11/15/20 (c)		3,486	3,591,141
General Electric Co., 5.55%, 5/04/20		1,294	1,490,208
General Motors Financial Co., Inc.:			
2.40%, 4/10/18		3,531	3,558,740
3.50%, 7/10/19		8,118	8,400,060
Hughes Satellite Systems Corp., 7.63%, 6/15/21		1,558	1,676,603
Hyundai Capital America, 2.00%, 3/19/18 (c)		3,735	3,758,418
Intel Corp., 3.25%, 8/01/39 (j)		3,323	5,401,952
JPMorgan Chase & Co., 4.35%, 8/15/21		4,447	4,892,300
Medtronic, Inc., 3.15%, 3/15/22		11,777	12,568,049
Molson Coors Brewing Co.:			
1.45%, 7/15/19		1,195	1,198,026
2.10%, 7/15/21		3,145	3,154,561
Mylan, Inc., 2.55%, 3/28/19		7,396	7,486,889
Oracle Corp., 1.90%, 9/15/21		29,795	29,904,437
QUALCOMM, Inc., 3.00%, 5/20/22		13,358	14,096,751
Sabine Pass Liquefaction LLC, 5.63%, 4/15/23		4,106	4,121,398
Synchrony Financial, 3.75%, 8/15/21		2,810	2,910,983

See Notes to Consolidated Financial Statements.

Corporate Bonds		Par (000)	Value
United States (continued)			
Take-Two Interactive Software, Inc., 1.75%, 12/01/16 (j)	USD	4,684	$ 9,288,957
T-Mobile USA, Inc., 6.00%, 4/15/24		6,109	6,322,815
Volkswagen Group of America Finance LLC, 2.45%, 11/20/19		4,449	4,524,993
			345,088,591
Total Corporate Bonds — 5.8%			618,812,461

Floating Rate Loan Interests (l)			
Canada — 0.1%			
Novelis, Inc., Initial Term Loan, 4.00%, 6/02/22		5,074	5,018,801
Cyprus — 0.1%			
Drillships Ocean Ventures, Inc., Term Loan, 5.50%, 7/25/21		6,372	3,780,625
Netherlands — 0.1%			
Promontoria Blue Holding 2 BV, Mezzanine Loan, 7.00%, 4/17/20	EUR	13,045	14,476,561
Norway — 0.0%			
Drillships Financing Holding, Inc. (Ocean Rig), Tranche B-1 Term Loan, 6.00%, 3/31/21	USD	5,556	2,161,384
United States — 0.6%			
Calpine Corp., Term Loan, 3.50%, 5/27/22		8,816	8,713,068
Fieldwood Energy LLC:			
Closing Date Loan (Second Lien), 8.38%, 9/30/20		4,979	1,369,253
FLLO Facility (First Lien), 8.38%, 9/30/20		2,958	1,560,565
Reserve Based Term Loan, 8.00%, 8/31/20		2,191	1,804,261
Hilton Worldwide Finance LLC, Initial Term Loan, 3.50%, 10/26/20		20,085	20,084,823
Seadrill Operating LP (Seadrill Partners Finco LLC), Initial Term Loan, 4.00%, 2/21/21		14,204	6,306,422
Sheridan Investment Partners II LP, Senior Secured Term Loan, 4.25%, 12/16/20		11,831	7,217,196
Sheridan Production Partners II-A LP, Senior Secured Term Loan, 4.25%, 12/16/20		1,646	1,004,025
Sheridan Production Partners II-M LP, Senior Secured Term Loan, 4.25%, 12/16/20		614	374,475
Univar USA, Inc., Initial Dollar Term Loan, 4.25%, 7/01/22		8,496	8,360,802
Univision Communications, Inc., Replacement First-Lien Term Loan (C-4), 4.00%, 3/01/20		10,999	10,928,544
			67,723,434
Total Floating Rate Loan Interests — 0.9%			93,160,805

Foreign Agency Obligations			
Argentina — 0.2%			
YPF SA:			
8.88%, 12/19/18 (c)		6,986	7,527,415
8.50%, 7/28/25 (c)		17,504	18,492,976
			26,020,391
Canada — 0.2%			
Canada Housing Trust No. 1, 1.25%, 6/15/21	CAD	30,965	24,261,010

Foreign Agency Obligations			
Mexico — 0.3%			
Petroleos Mexicanos:			
5.75%, 3/01/18	USD	8,054	$ 8,421,746
3.50%, 7/23/20		10,901	10,891,298
6.38%, 2/04/21 (c)		12,049	13,100,878
			32,413,922
South Korea — 0.2%			
Export-Import Bank of Korea:			
2.88%, 9/17/18		3,691	3,796,980
2.63%, 12/30/20		11,860	12,220,414
			16,017,394
Total Foreign Agency Obligations — 0.9%			98,712,717

Foreign Government Obligations			
Argentina — 0.6%			
Provincia de Buenos Aires:			
8.95%, 2/19/21 (c)		4,707	5,248,305
9.13%, 3/16/24 (c)		6,243	6,867,300
Republic of Argentina:			
6.88%, 4/22/21 (c)		20,404	21,760,866
7.50%, 4/22/26 (c)		11,566	12,502,846
7.13%, 7/06/36 (c)		12,475	12,475,000
7.63%, 4/22/46 (c)		5,341	5,768,280
			64,622,597
Australia — 1.4%			
Commonwealth of Australia:			
5.75%, 5/15/21	AUD	57,016	50,641,003
5.75%, 7/15/22		102,574	93,955,361
			144,596,364
Brazil — 0.4%			
Brazil Notas do Tesouro Nacional:			
Series B, 6.00%, 8/15/22	BRL	6	5,419,641
Series F, 10.00%, 1/01/21		94	27,397,928
Federative Republic of Brazil:			
4.88%, 1/22/21	USD	6,737	7,097,429
2.88%, 4/01/21	EUR	3,678	4,046,127
			43,961,125
Canada — 0.6%			
Canadian Government Bonds:			
0.25%, 5/01/18	CAD	48,209	37,138,785
0.75%, 3/01/21		30,284	23,630,404
			60,769,189
France — 0.6%			
France Government Bond OAT, 0.50%, 5/25/26	EUR	55,666	63,579,380
Germany — 0.7%			
Bundesobligation, 0.00%, 4/09/21		63,018	71,842,688

See Notes to Consolidated Financial Statements.

Foreign Government Obligations		Par (000)	Value
Hungary — 0.9%			
Republic of Hungary:			
6.25%, 1/29/20	USD	6,166	$ 6,837,798
6.38%, 3/29/21		42,230	48,073,450
5.50%, 6/24/25	HUF	10,202,670	42,602,263
			97,513,511
Indonesia — 0.2%			
Republic of Indonesia:			
6.88%, 1/17/18 (c)	USD	6,797	7,301,643
2.63%, 6/14/23 (c)	EUR	9,861	11,040,654
			18,342,297
Italy — 0.6%			
Buoni Poliennali Del Tesoro, 1.50%, 6/01/25		55,432	63,251,904
Japan — 0.8%			
Government of Japan (2 Year):			
0.10%, 3/15/17	JPY	2,383,000	23,140,703
0.10%, 3/15/18		6,086,800	59,400,307
			82,541,010
Mexico — 0.9%			
United Mexican States, Series M, 6.50%, 6/10/21	MXN	17,346	99,146,882
New Zealand — 0.4%			
New Zealand Government Bonds, 6.00%, 5/15/21	NZD	54,408	45,915,192
Poland — 0.5%			
Republic of Poland:			
5.25%, 10/25/20	PLN	60,810	17,448,714
5.75%, 10/25/21		51,368	15,296,729
3.25%, 7/25/25		70,694	18,527,308
2.50%, 7/25/26		30,817	7,537,921
			58,810,672
Spain — 0.3%			
Kingdom of Spain, 1.95%, 4/30/26	EUR	29,622	35,010,436
Turkey — 0.1%			
Republic of Turkey, 6.75%, 4/03/18	USD	10,248	11,021,724
United Kingdom — 0.8%			
United Kingdom Gilt:			
1.50%, 1/22/21	GBP	50,608	70,728,458
3.50%, 1/22/45		8,720	16,162,696
			86,891,154
Total Foreign Government Obligations — 9.8%			1,047,816,125

Investment Companies	Shares	
ETFS Physical Palladium Shares (b)(m)	80,940	4,662,953
ETFS Physical Platinum Shares (b)(m)	67,020	6,629,618
ETFS Physical Swiss Gold Shares (b)(m)	230,215	29,686,224
iShares Gold Trust (b)(m)(n)	2,098,037	26,770,952
iShares iBoxx $ High Yield Corporate Bond ETF (n)	128,161	10,853,955
SPDR Gold Shares (b)(e)(m)	2,238,914	283,267,399
Total Investment Companies — 3.4%		361,871,101

Non-Agency Mortgage-Backed Securities		Par (000)	Value
Commercial Mortgage-Backed Securities — 0.1%			
Logistics UK PLC, Series 2015-1A, Class F, 4.19%, 8/20/25 (c)(l)	GBP	6,637	$ 8,217,064

Preferred Securities

Capital Trusts

Netherlands — 0.0%			
ING Groep NV, 6.00% (l)(o)	USD	4,790	4,502,600
Switzerland — 0.1%			
Credit Suisse Group Guernsey I Ltd., 7.88%, 2/24/41 (j)(l)		5,934	5,941,417
United Kingdom — 0.4%			
HSBC Holdings PLC, 6.38% (l)(o)		17,614	16,645,230
Lloyds Bank PLC, 13.00% (l)(o)	GBP	9,685	21,143,972
Standard Chartered PLC, 6.50% (c)(l)(o)	USD	6,810	6,248,175
			44,037,377
United States — 1.0%			
American Express Co.Series C, 4.90% (l)(o)		6,164	5,894,325
Citigroup, Inc.:			
5.95% (l)(o)		4,081	4,032,538
Series O, 5.88% (l)(o)		11,144	10,698,240
General Electric Co.:			
6.38%, 11/15/67 (l)		6,423	6,559,489
Series D, 5.00% (l)(o)		9,772	10,368,092
Goldman Sachs Group, Inc.:			
Series L, 5.70% (l)(o)		9,459	9,440,318
Series M, 5.38% (l)(o)		9,921	9,811,075
JPMorgan Chase & Co.:			
Series Q, 5.15% (l)(o)		10,608	10,317,341
Series X, 6.10% (l)(o)		21,067	21,725,344
Morgan Stanley, Series H, 5.45% (l)(o)		7,002	6,721,920
NBCUniversal Enterprise, Inc., 5.25% (c)(o)		5,389	5,557,406
USB Capital IX, 3.50% (l)(o)		8,452	6,909,510
			108,035,598
Total Capital Trusts — 1.5%			162,516,992

Preferred Stocks	Shares	
Germany — 0.1%		
Volkswagen AG, Preference Shares, 0.02%	96,584	11,698,338
Ireland — 0.2%		
Allergan PLC, Series A, 5.50% (j)	24,949	20,797,985
Israel — 0.3%		
Teva Pharmaceutical Industries Ltd., 7.00% (j)	40,680	33,642,360
South Korea — 0.1%		
Samsung Electronics Co. Ltd., Preference Shares, 1.76%	10,988	11,335,083

See Notes to Consolidated Financial Statements.

Preferred Stocks	Shares	Value
United Kingdom — 0.1%		
HSBC Holdings PLC, Series 2, 8.00%	231,249	$ 6,135,036
Royal Bank of Scotland Group PLC, Series T, 7.25% (a)	215,015	5,420,528
		11,555,564
United States — 1.8%		
American Tower Corp., Series A, 5.25% (j)	45,686	5,139,675
Anthem, Inc., 5.25% (j)	500,750	22,398,548
Crown Castle International Corp., Series A, 4.50% (j)	126,859	15,332,179
Dominion Resources, Inc., 6.38% (j)	104,846	5,435,217
Domo, Inc., Series D-2 (Acquired 4/01/15-7/06/15, cost $17,824,428), 0.00% (b)(d)	2,114,003	15,939,583
Dropbox, Inc., Series C (Acquired 1/28/14, cost $28,835,783), 0.00% (b)(d)	1,509,632	15,866,232
Forestar Group, Inc., 6.00% (j)	220,475	3,518,781
Grand Rounds, Inc., Series C (Acquired 3/31/15, cost $5,939,231), 0.00% (b)(d)	2,139,107	5,796,980
Lookout, Inc., Series F (Acquired 9/19/14-10/22/14, cost $10,936,522), 0.00% (b)(d)	957,404	8,778,533
Palantir Technologies, Inc., Series I (Acquired 3/27/14, cost $11,447,321), 0.00% (b)(d)	1,867,426	17,908,615
Stericycle, Inc., 5.25%, 9/15/18	89,492	7,443,945
U.S. Bancorp:		
Series F, 6.50% (a)(l)	209,039	6,438,401
Series G, 6.00% (l)	112,682	2,942,127
Uber Technologies, Inc., Series D (Acquired 6/10/14, cost $17,574,548), 0.00% (b)(d)	1,132,888	55,253,440
Wells Fargo & Co., Series L, 7.50% (j)	3,851	5,003,219
		193,195,475
Total Preferred Stocks — 2.6%		282,224,805

Trust Preferreds		
United States — 0.5%		
Citigroup Capital XIII, 7.01%, 10/30/40 (l)	378,355	9,863,715
GMAC Capital Trust I, Series 2, 6.41%, 2/15/40 (l)	494,162	12,265,101
Mandatory Exchangeable Trust, 5.75%, 6/01/19 (c)(j)	182,668	18,652,229
Welltower, Inc., Series I, 6.50% (j)(o)	181,298	12,292,004
Total Trust Preferreds — 0.5%		53,073,049
Total Preferred Securities — 4.6%		497,814,846

U.S. Government Sponsored Agency Securities		Par (000)	
Mortgage-Backed Securities — 0.6%			
Fannie Mae Mortgage-Backed Securities, 3.00%, 7/01/46 (p)	USD	61,781	64,114,666

U.S. Treasury Obligations			
U.S. Treasury Inflation Indexed Bonds:			
1.00%, 2/15/46 (g)		15,506	16,739,956
U.S. Treasury Inflation Indexed Notes:			
0.13%, 4/15/21		75,764	77,628,715
0.38%, 7/15/25		68,479	70,512,357
0.63%, 1/15/26 (g)		320,789	337,801,409

U.S. Treasury Obligations		Par (000)	Value
U.S. Treasury Notes:			
0.88%, 1/31/17 (m)	USD	31,897	$ 31,976,857
1.25%, 3/31/21		112,890	114,204,254
1.38%, 4/30/21 (g)(q)		543,446	552,828,935
1.75%, 3/31/22 (q)		44,820	46,310,113
2.00%, 8/15/25 (g)		25,102	26,242,175
1.63%, 2/15/26 (g)		22,432	22,684,259
Total U.S. Treasury Obligations — 12.1%			1,296,929,030

Warrants	Shares	
Australia — 0.0%		
TFS Corp. Ltd. (Issued/exercisable 8/01/11, 1 share for 1 warrant, Expires 7/15/18, Strike Price AUD 1.28)	3,767,700	933,681
Total Long-Term Investments (Cost — $9,879,624,240) — 92.1%		9,858,796,418

Short-Term Securities

Foreign Agency Obligations (r)		Par (000)	
Japan Treasury Discount Bill:			
0.19%, 7/19/16	JPY	12,580,000	121,826,638
0.28%, 8/22/16		12,520,000	121,283,052
0.27%, 9/05/16		12,740,000	123,426,931
0.18%, 9/12/16		6,090,000	59,004,265
0.34%, 10/03/16		12,460,000	120,756,965
Total Foreign Agency Obligations — 5.1%			546,297,851

Money Market Funds	Shares	
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.40% (n)(s)	6,016,752	6,016,752
	Beneficial Interest (000)	
BlackRock Liquidity Series, LLC, Money Market Series, 0.59% (n)(s)(t)	USD 274,482	274,482,165
Total Money Market Funds — 2.7%		280,498,917

Time Deposits		Par (000)	
Canada — 0.0%			
Brown Brothers Harriman & Co., 0.06%, 7/01/16	CAD	11	8,895

See Notes to Consolidated Financial Statements.

Time Deposits		Par (000)	Value
Europe — 0.0%			
Brown Brothers Harriman & Co., (0.55)%, 7/01/16	EUR	929	$ 1,030,759
Japan — 0.0%			
Brown Brothers Harriman & Co., (0.33)%, 7/01/16	JPY	372,238	3,604,685
United States — 0.1%			
Wells Fargo & Co., 0.36%, 7/01/16	USD	8,218	8,218,318
Total Time Deposits — 0.1%			12,862,657

U.S. Treasury Obligations			
U.S. Treasury Bills (r):			
0.20%, 7/14/16		97,597	97,592,608
0.21%, 7/21/16-8/25/16		157,233	157,205,012
0.17%, 7/28/16		6,000	5,999,208
0.18%, 8/04/16		26,000	25,994,722
0.23%, 8/11/16-9/22/16		206,945	206,861,229
0.25%, 8/18/16		84,630	84,604,103
Total U.S. Treasury Obligations — 5.4%			578,256,882
Total Short-Term Securities (Cost — $1,396,802,722) — 13.3%			1,417,916,307

Options Purchased	Value
(Cost — $88,840,036) — 0.5%	$ 54,799,725
Total Investments Before Investments Sold Short and Options Written (Cost — $11,365,266,998) — 105.9%	11,331,512,450

Investments Sold Short	Shares	
Alcoa, Inc.	556,673	(5,160,359)
Church & Dwight Co., Inc.	76,209	(7,841,144)
Ecolab, Inc.	84,289	(9,996,675)
Gentex Corp.	345,876	(5,343,784)
LafargeHolcim Ltd.	133,974	(5,605,142)
Total Investments Sold Short (Proceeds — $34,876,751) — (0.3)%		(33,947,104)

Options Written	
(Premiums Received — $41,309,609) — (0.4)%	(42,167,144)
Total Investments Net of Investments Sold Short and Options Written — 105.2%	11,255,398,202
Liabilities in Excess of Other Assets — (5.2)%	(551,605,410)
Net Assets — 100.0%	$10,703,792,792

Notes to Consolidated Schedule of Investments

(a) Security, or a portion of security, is on loan.
(b) Non-income producing security.
(c) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.
(d) Restricted security as to resale, excluding 144a securities. As of period end, the Fund held restricted securities with a current value of $157,057,876 and an original cost of $163,221,340 which was 1.5% of its net assets.
(e) All or a portion of security has been pledged and/or segregated as collateral in connection with outstanding exchange-traded options written.
(f) All or a portion of security has been pledged as collateral in connection with short sales.
(g) All or a portion of security has been pledged as collateral in connection with outstanding OTC derivatives.
(h) When-issued security.
(i) Issuer filed for bankruptcy and/or is in default of interest payments.
(j) Convertible security.
(k) Step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate as of period end.
(l) Variable rate security. Rate as of period end.
(m) All or a portion of security is held by a wholly owned subsidiary. See Note 1 of the Notes to Consolidated Financial Statements for details on the wholly owned subsidiary.

See Notes to Consolidated Financial Statements.

(n) During the six months ended June 30, 2016, investments in issuers considered to be affiliates of the Fund for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares/Beneficial Interest Held at December 31, 2015	Shares/Beneficial Interest Purchased	Shares/Beneficial Interest Sold	Shares/Beneficial Interest Held at June 30, 2016	Value at June 30, 2016	Income	Realized Gain
BlackRock Liquidity Funds, TempFund, Institutional Class	8,973,878	–	(2,957,126)[1]	6,016,752	$ 6,016,752	$ 8,858	–
BlackRock Liquidity Series, LLC, Money Market Series	$290,256,248	–	$ (15,774,083)[2]	$274,482,165	274,482,165	1,743,660[3]	–
iShares Gold Trust	2,098,037	–	–	2,098,037	26,770,952	–	–
iShares iBoxx $ High Yield Corporate Bond ETF	–	662,768	(534,607)	128,161	10,853,955	223,840	$1,787,228
Total					$318,123,824	$1,976,358	$1,787,228

[1] Represents net shares sold.

[2] Represents net beneficial interest sold.

[3] Represents securities lending income earned from the reinvestment of cash collateral from loaned securities, net of fees and collateral investment expenses, and other payments to and from borrowers of securities.

(o) Perpetual security with no stated maturity date.

(p) Represents or includes a TBA transaction. As of period end, unsettled TBA transactions were as follows:

Counterparty	Value	Unrealized Appreciation
Merrill Lynch, Pierce, Fenner & Smith, Inc.	$64,114,666	$736,048

(q) All or a portion of security has been pledged in connection with outstanding futures contracts.

(r) Rates are discount rates or a range of discount rates at the time of purchase.

(s) Current yield as of period end.

(t) Security was purchased with the cash collateral from loaned securities. The Fund may withdraw up to 25% of its investment daily, although the manager of the BlackRock Liquidity Series, LLC, Money Market Series, in its sole discretion, may permit an investor to withdraw more than 25% on any one day.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

Contracts Short	Issue	Expiration		Notional Value	Unrealized Appreciation (Depreciation)
(87)	MSCI Taiwan Stock Index	July 2016	USD	2,762,250	$ (85,090)
(665)	Euro STOXX 50 Index	September 2016	USD	21,069,526	176,627
(7)	FTSE 100 Index	September 2016	USD	598,500	(52,151)
(111)	NASDAQ 100 E-Mini Index	September 2016	USD	9,783,540	25,323
(113)	Nikkei 225 Yen Index	September 2016	USD	8,611,921	132,456
(176)	S&P 500 E-Mini Index	September 2016	USD	18,393,760	(369,352)
(893)	STOXX Europe 600 Index	September 2016	USD	16,207,985	(339,785)
Total					$(511,972)

Forward Foreign Currency Exchange Contracts

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
EUR	33,508,000	USD	38,304,339	Credit Suisse International	7/01/16	$(1,117,282)
USD	26,957,620	EUR	24,152,758	Credit Suisse International	7/01/16	152,977
USD	10,574,324	EUR	9,355,242	Morgan Stanley & Co. International PLC	7/01/16	191,910
BRL	21,395,445	USD	5,527,967	Morgan Stanley Capital Services LLC	7/13/16	1,104,638
PLN	107,167,193	USD	28,367,170	JPMorgan Chase Bank N.A.	7/13/16	(1,212,303)
USD	5,025,000	BRL	21,395,445	Morgan Stanley Capital Services LLC	7/13/16	(1,607,606)

See Notes to Consolidated Financial Statements.

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD	26,540,000	PLN	107,167,193	JPMorgan Chase Bank N.A.	7/13/16	$ (614,866)
JPY	1,079,793,000	USD	9,847,633	Citibank N.A.	7/15/16	613,812
USD	115,724,983	JPY	12,580,000,000	Morgan Stanley & Co. International PLC	7/19/16	(6,170,141)
EUR	33,121,000	USD	37,633,903	Morgan Stanley & Co. International PLC	7/28/16	(839,072)
JPY	3,020,039,000	USD	27,776,859	Morgan Stanley & Co. International PLC	7/28/16	1,494,366
USD	21,759,582	EUR	19,218,000	Morgan Stanley & Co. International PLC	7/28/16	409,893
USD	10,810,232	JPY	1,184,023,063	Goldman Sachs International	7/28/16	(665,715)
EUR	15,747,000	USD	17,795,370	Deutsche Bank AG	7/29/16	(301,032)
GBP	7,469,299	USD	10,818,981	Deutsche Bank AG	8/03/16	(872,409)
GBP	11,462,701	USD	16,578,504	Deutsche Bank AG	8/03/16	(1,314,075)
TWD	706,853,992	USD	21,970,000	Citibank N.A.	8/03/16	(40,532)
TWD	708,312,800	USD	21,970,000	Deutsche Bank AG	8/03/16	4,726
TWD	530,014,870	USD	16,478,000	Goldman Sachs International	8/03/16	(34,797)
USD	27,661,072	GBP	18,932,000	Deutsche Bank AG	8/03/16	2,450,072
GBP	7,440,000	USD	10,690,090	Deutsche Bank AG	8/04/16	(782,442)
JPY	2,818,118,110	USD	25,934,000	Goldman Sachs International	8/04/16	1,386,373
USD	10,727,885	GBP	7,440,000	Deutsche Bank AG	8/04/16	820,237
EUR	13,699,000	JPY	1,683,226,267	Deutsche Bank AG	8/09/16	(1,095,675)
JPY	1,754,047,358	EUR	13,699,000	Deutsche Bank AG	8/09/16	1,782,367
USD	656,977	JPY	70,821,091	Goldman Sachs International	8/09/16	(29,715)
EUR	23,005,000	JPY	2,862,500,647	Morgan Stanley & Co. International PLC	8/10/16	(2,187,360)
JPY	2,929,502,710	EUR	23,005,000	Morgan Stanley Capital Services LLC	8/10/16	2,837,043
KRW	12,231,258,893	USD	10,682,322	Credit Suisse International	8/10/16	(68,273)
KRW	12,496,233,107	USD	10,754,073	Credit Suisse International	8/10/16	89,916
USD	613,729	JPY	67,002,063	Goldman Sachs International	8/10/16	(35,955)
USD	20,416,540	KRW	24,727,492,000	Credit Suisse International	8/10/16	(1,041,498)
EUR	23,741,000	JPY	2,939,895,512	Deutsche Bank AG	8/19/16	(2,119,754)
JPY	2,947,017,812	EUR	23,741,000	Deutsche Bank AG	8/19/16	2,188,836
USD	65,126	JPY	7,122,300	Goldman Sachs International	8/19/16	(3,955)
USD	117,653,692	JPY	12,520,000,000	JPMorgan Chase Bank N.A.	8/22/16	(3,794,316)
CAD	34,418,000	USD	26,314,260	Deutsche Bank AG	8/24/16	330,060
EUR	18,692,000	USD	20,704,007	Credit Suisse International	8/24/16	81,568
BRL	35,936,000	USD	10,719,485	Goldman Sachs International	8/25/16	270,367
USD	19,729,901	BRL	71,659,000	Goldman Sachs International	8/25/16	(2,184,664)
USD	26,597,000	MXN	497,925,097	Goldman Sachs International	8/25/16	(482,911)
USD	18,698,000	MXN	349,665,053	JPMorgan Chase Bank N.A.	8/25/16	(318,713)
ZAR	170,034,888	USD	10,545,000	Citibank N.A.	8/26/16	861,279
EUR	18,860,000	USD	21,142,249	JPMorgan Chase Bank N.A.	9/01/16	(163,582)
USD	21,364,421	EUR	18,860,000	JPMorgan Chase Bank N.A.	9/01/16	385,754
USD	26,993,065	GBP	18,823,000	HSBC Bank USA N.A.	9/01/16	1,920,219
CAD	34,579,000	USD	26,944,328	JPMorgan Chase Bank N.A.	9/02/16	(175,199)
USD	27,116,602	GBP	18,823,000	Goldman Sachs International	9/02/16	2,043,449
USD	117,663,357	JPY	12,740,000,000	Goldman Sachs International	9/06/16	(5,991,236)
USD	27,097,149	GBP	18,822,000	BNP Paribas S.A.	9/09/16	2,023,181
USD	53,893,805	JPY	6,090,000,000	Credit Suisse International	9/12/16	(5,231,549)
USD	26,602,070	GBP	18,820,000	JPMorgan Chase Bank N.A.	9/15/16	1,528,926
USD	26,887,112	GBP	18,304,000	Morgan Stanley & Co. International PLC	9/16/16	2,501,115
EUR	23,670,000	USD	26,739,527	HSBC Bank USA N.A.	9/23/16	(387,628)
USD	15,022,921	GBP	10,985,000	Credit Suisse International	9/23/16	386,606

See Notes to Consolidated Financial Statements.

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD	10,462,897	AUD	14,202,000	Deutsche Bank AG	9/30/16	$ (93,276)
USD	15,063,238	GBP	10,984,000	Credit Suisse International	9/30/16	426,981
USD	14,974,414	GBP	10,980,000	HSBC Bank USA N.A.	9/30/16	343,487
USD	121,415,277	JPY	12,460,000,000	Deutsche Bank AG	10/03/16	334,645
CNH	180,900,000	USD	27,540,535	Deutsche Bank AG	11/04/16	(553,716)
USD	27,838,907	CNH	180,900,000	Deutsche Bank AG	11/04/16	852,088
USD	26,742,902	NZD	39,519,000	Morgan Stanley & Co. International PLC	11/08/16	(1,289,252)
USD	27,038,309	AUD	36,455,000	Goldman Sachs International	11/09/16	(20,480)
USD	26,978,685	AUD	37,033,000	Deutsche Bank AG	11/10/16	(508,167)
USD	26,726,694	NZD	40,064,000	JPMorgan Chase Bank N.A.	11/10/16	(1,689,339)
BRL	41,084,000	USD	11,531,056	Deutsche Bank AG	12/02/16	671,634
USD	11,014,477	BRL	41,084,000	Deutsche Bank AG	12/02/16	(1,188,213)
TWD	916,487,340	USD	28,069,197	Citibank N.A.	1/09/17	460,509
TWD	923,085,000	USD	28,324,179	Goldman Sachs International	1/09/17	410,908
TWD	912,385,998	USD	27,961,141	JPMorgan Chase Bank N.A.	1/09/17	440,893
USD	27,366,000	TWD	916,487,340	Citibank N.A.	1/09/17	(1,163,706)
USD	27,375,000	TWD	923,358,750	Goldman Sachs International	1/09/17	(1,368,609)
USD	27,366,000	TWD	912,385,998	JPMorgan Chase Bank N.A.	1/09/17	(1,036,034)
TWD	909,217,896	USD	27,908,954	Credit Suisse International	1/11/17	395,751
USD	27,102,000	TWD	909,217,896	Credit Suisse International	1/11/17	(1,202,705)
USD	10,577,000	AED	39,162,400	BNP Paribas S.A.	1/19/17	(69,582)
USD	10,576,000	AED	39,189,368	Goldman Sachs International	1/19/17	(77,913)
USD	10,475,000	AED	38,791,020	BNP Paribas S.A.	1/25/17	(69,534)
EUR	9,345,000	JPY	1,162,447,912	HSBC Bank USA N.A.	2/13/17	(896,444)
JPY	1,211,551,215	EUR	9,345,000	HSBC Bank USA N.A.	2/13/17	1,376,296
USD	453,250	JPY	49,103,303	HSBC Bank USA N.A.	2/13/17	(26,602)
TWD	344,727,300	USD	10,759,279	Deutsche Bank AG	2/16/17	(18,806)
USD	10,315,000	TWD	344,727,300	Deutsche Bank AG	2/16/17	(425,473)
Total						$(19,009,224)

Exchange-Traded Options Purchased

Description	Put/ Call	Expiration Date	Strike Price		Contracts	Value
SPDR Gold Trust ETF[1]	Call	8/19/16	USD	124.00	6,188	$2,877,420
SPDR Gold Trust ETF[1]	Call	9/30/16	USD	125.00	3,043	1,582,360
Total						$4,459,780

[1] All or a portion of security is held by a wholly owned subsidiary. See Note 1 of the Notes to Consolidated Financial Statements for details on the wholly owned subsidiary.

OTC Options Purchased

Description	Put/ Call	Counterparty	Expiration Date	Strike Price		Notional Amount (000)	Contracts	Value
USD Currency	Call	Deutsche Bank AG	7/07/16	JPY 110.00	USD	60,619	–	$ 6
USD Currency	Call	Morgan Stanley & Co. International PLC	8/08/16	JPY 111.00	USD	60,655	–	42,628
USD Currency	Call	Goldman Sachs International	9/08/16	JPY 110.50	USD	60,678	–	128,267
Apple Inc.	Call	Citibank N.A.	9/16/16	USD 100.00		–	202,874	403,395

See Notes to Consolidated Financial Statements.

Description	Put/ Call	Counterparty	Expiration Date		Strike Price		Notional Amount (000)	Contracts	Value
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	9/16/16	USD	125.00		–	307,736	$1,492,520
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	9/16/16	USD	120.00		–	304,500	2,428,388
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	9/16/16	USD	100.00		–	215,416	5,719,295
STOXX Europe 600 Index	Call	Credit Suisse International	9/16/16	EUR	345.00		–	48,196	251,383
Taiwan Stock Exchange Weighted Index	Call	Citibank N.A.	9/21/16	TWD	9,000.77		–	101,800	131,217
USD Currency	Call	JPMorgan Chase Bank N.A.	10/04/16	JPY	110.00	USD	60,804	–	229,567
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	10/21/16	USD	127.00		–	155,036	744,173
USD Currency	Call	Deutsche Bank AG	11/15/16	JPY	108.50	USD	61,288	–	504,410
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	12/16/16	USD	125.00		–	307,736	2,107,992
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	12/16/16	USD	100.00		–	166,178	4,395,408
MetLife, Inc.	Call	UBS AG	1/20/17	USD	50.00		–	183,706	45,008
MetLife, Inc.	Call	UBS AG	1/20/17	USD	52.50		–	167,100	22,559
Prudential Financial, Inc.	Call	Morgan Stanley & Co. International PLC	1/20/17	USD	87.50		–	204,800	116,736
SPDR Gold Trust ETF[1]	Call	Société Générale	1/20/17	USD	121.00		–	308,755	2,956,329
Euro STOXX 50 Index	Call	Morgan Stanley & Co. International PLC	3/17/17	EUR	3,450.00		–	3,894	101,150
Euro STOXX 50 Index	Call	Morgan Stanley & Co. International PLC	3/17/17	EUR	3,025.00		–	2,031	287,417
Euro STOXX 50 Index	Call	Morgan Stanley & Co. International PLC	3/17/17	EUR	3,025.00		–	2,029	287,134
STOXX Europe 600 Index	Call	Credit Suisse International	3/17/17	EUR	355.61		–	69,976	734,009
QUALCOMM, Inc.	Call	Deutsche Bank AG	5/19/17	USD	52.50		–	363,420	1,838,138
Euro STOXX 50 Index	Call	Citibank N.A.	6/16/17	EUR	3,150.00		–	7,591	729,531
Euro STOXX 50 Index	Call	Bank of America N.A.	9/15/17	EUR	3,600.00		–	7,747	224,591
STOXX Europe 600 Index	Call	JPMorgan Chase Bank N.A.	9/15/17	EUR	372.06		–	47,705	414,871
Taiwan Capitalization Weighted Stock Index	Call	Morgan Stanley & Co. International PLC	9/20/17	TWD	9,000.00		–	92,908	669,537
Euro STOXX 50 Index	Call	Barclays Bank PLC	12/15/17	EUR	3,500.00		–	7,935	434,076
Taiwan Capitalization Weighted Stock Index	Call	Morgan Stanley & Co. International PLC	12/20/17	TWD	9,000.00		–	94,754	832,832
Aflac, Inc.	Call	Goldman Sachs International	1/19/18	USD	85.00		–	325,876	433,415
Allstate Corp.	Call	Goldman Sachs International	1/19/18	USD	80.00		–	207,513	423,327
BB&T Corp.	Call	Goldman Sachs International	1/19/18	USD	40.00		–	453,103	847,303
Capital One Financial Corp.	Call	Goldman Sachs International	1/19/18	USD	80.00		–	463,825	1,379,879
Charles Schwab Corp.	Call	Goldman Sachs International	1/19/18	USD	40.00		–	635,632	397,270
CIT Group, Inc.	Call	Goldman Sachs International	1/19/18	USD	42.00		–	278,741	497,553
Citigroup, Inc.	Call	Goldman Sachs International	1/19/18	USD	55.00		–	635,632	1,220,413
CME Group, Inc .	Call	Goldman Sachs International	1/19/18	USD	115.00		–	223,046	602,224
Comerica, Inc.	Call	Goldman Sachs International	1/19/18	USD	55.00		–	389,790	613,919
E*TRADE Financial Corp.	Call	Goldman Sachs International	1/19/18	USD	35.00		–	577,281	516,667
Fifth Third Bancorp	Call	Goldman Sachs International	1/19/18	USD	25.00		–	635,632	228,828
Franklin Resources, Inc.	Call	Goldman Sachs International	1/19/18	USD	45.00		–	573,874	516,487
JPMorgan Chase & Co.	Call	Goldman Sachs International	1/19/18	USD	70.00		–	635,632	2,011,775
KeyCorp	Call	Goldman Sachs International	1/19/18	USD	15.00		–	635,632	209,759
Manulife Financial Corp.	Call	Goldman Sachs International	1/19/18	CAD	22.00		–	635,632	331,850
MetLife, Inc.	Call	Goldman Sachs International	1/19/18	USD	52.50		–	635,632	670,592
Morgan Stanley	Call	Goldman Sachs International	1/19/18	USD	35.00		–	635,632	502,149
Regions Financial Corp.	Call	Goldman Sachs International	1/19/18	USD	12.00		–	635,632	184,333
State Street Corp.	Call	Goldman Sachs International	1/19/18	USD	72.50		–	430,051	627,874
SunTrust Banks, Inc.	Call	Goldman Sachs International	1/19/18	USD	55.00		–	635,632	626,098
Synchrony Financial	Call	Goldman Sachs International	1/19/18	USD	35.00		–	635,632	619,741
TD Ameritrade Holding Corp.	Call	Goldman Sachs International	1/19/18	USD	40.00		–	541,773	419,874
Travelers Cos., Inc .	Call	Goldman Sachs International	1/19/18	USD	135.00		–	196,582	570,088

See Notes to Consolidated Financial Statements.

Description	Put/ Call	Counterparty	Expiration Date		Strike Price	Notional Amount (000)	Contracts	Value
Wells Fargo & Co.	Call	Goldman Sachs International	1/19/18	USD	55.00	–	635,632	$ 1,118,712
Zions Bancorp	Call	Goldman Sachs International	1/19/18	USD	35.00	–	521,152	349,172
Nikkei 225 Index	Call	Goldman Sachs International	3/09/18	JPY	21,968.28	–	247,564	498,130
Euro STOXX 50 Index	Call	Goldman Sachs International	3/16/18	EUR	3,500.00	–	6,612	407,497
Euro STOXX 50 Index	Call	UBS AG	6/15/18	EUR	3,600.00	–	3,205	168,394
Euro STOXX 50 Index	Call	Deutsche Bank AG	9/21/18	EUR	3,426.55	–	3,336	310,723
Euro STOXX 50 Index	Put	UBS AG	7/15/16	EUR	2,875.00	–	16,381	1,165,154
S&P 500 Index	Put	Morgan Stanley & Co. International PLC	7/15/16	USD	2,035.00	–	119,894	797,295
Gentex Corp.	Put	Morgan Stanley & Co. International PLC	9/16/16	USD	12.50	–	956,718	47,836
Total								$47,586,898

[1] All or a portion of security is held by a wholly owned subsidiary. See Note 1 of the Notes to Consolidated Financial Statements for details on the wholly owned subsidiary.

OTC Interest Rate Swaptions Purchased

Description	Counterparty	Put/ Call	Exercise Rate	Pay/Receive Exercise Rate	Floating Rate Index	Expiration Date	Notional Amount (000)	Value
10-Year Interest Rate Swap	Deutsche Bank AG	Put	1.25%	Pay	6-month JPY LIBOR	7/29/16	JPY 2,831,410	$ 12
10-Year Interest Rate Swap	Goldman Sachs International	Put	1.22%	Pay	6-month GBP LIBOR	9/15/16	GBP 124,020	1,102,077
10-Year Interest Rate Swap	Goldman Sachs International	Put	1.62%	Pay	6-month GBP LIBOR	9/15/16	GBP 124,020	141,671
10-Year Interest Rate Swap	Goldman Sachs International	Put	1.48%	Pay	3-month LIBOR	9/16/16	USD 124,010	1,280,400
10-Year Interest Rate Swap	Goldman Sachs International	Put	1.88%	Pay	3-month LIBOR	9/16/16	USD 124,010	207,552
5-Year Interest Rate Swap	Deutsche Bank AG	Put	1.07%	Pay	6-month JPY LIBOR	4/04/18	JPY 2,370,178	21,335
Total								$2,753,047

Exchange-Traded Options Written

Description	Put/ Call	Expiration Date		Strike Price	Contracts	Value
WhiteWave Foods Co.	Call	7/15/16	USD	37.50	645	$(619,200)
Hershey Co.	Call	8/19/16	USD	100.00	358	(538,790)
SPDR Gold Trust ETF[1]	Call	8/19/16	USD	136.00	6,188	(513,604)
Altria Group, Inc.	Call	9/16/16	USD	67.50	1,227	(346,628)
Mondelez International, Inc., Class A	Call	9/16/16	USD	43.00	1,361	(534,193)
Whole Foods Market, Inc.	Call	9/16/16	USD	34.00	1,765	(169,440)
SPDR Gold Trust ETF[1]	Call	9/30/16	USD	145.00	3,043	(222,139)
Perrigo Co. PLC	Call	11/18/16	USD	110.00	406	(146,160)
Altria Group, Inc.	Call	12/16/16	USD	67.50	1,227	(457,057)
Total						$(3,547,211)

[1] All or a portion of security is held by a wholly owned subsidiary. See Note 1 of the Notes to Consolidated Financial Statements for details on the wholly owned subsidiary.

See Notes to Consolidated Financial Statements.

OTC Barrier Options Written

Description	Put/ Call	Type of Options	Counterparty	Expiration Date	Strike Price		Barrier Price		Contracts	Value
Euro STOXX 50 Index	Put	Down-and-In	Morgan Stanley & Co. International PLC	03/17/17	EUR	2,375.00	EUR	2,000.00	2,029	$ (166,932)
Euro STOXX 50 Index	Put	Down-and-In	Morgan Stanley & Co. International PLC	03/17/17	EUR	2,375.00	EUR	2,000.00	2,031	(183,747)
Euro STOXX 50 Index	Put	Down-and-In	Citibank N.A.	06/16/17	EUR	2,350.00	EUR	1,823.00	7,591	(950,244)
Nikkei 225 Index	Put	Down-and-In	Goldman Sachs International	03/09/18	JPY	17,974.04	JPY	14,978.37	247,564	(8,824,810)
Euro STOXX 50 Index	Put	Down-and-In	Deutsche Bank AG	09/21/18	EUR	2,586.07	EUR	2,165.83	3,336	(1,127,867)
Total										$(11,253,600)

OTC Options Written

Description	Put/ Call	Counterparty	Expiration Date	Strike Price		Notional Amount (000)	Contracts	Value
Bank of America Corp.	Call	Morgan Stanley & Co. International PLC	7/15/16	USD	14.00	–	365,200	$ (31,042)
Mylan NV	Call	Barclays Bank PLC	7/15/16	USD	45.00	–	71,975	(35,628)
USD Currency	Call	Deutsche Bank AG	8/22/16	ZAR	17.00	USD 30,558	–	(97,279)
General Electric Co.	Call	UBS AG	9/16/16	USD	31.00	–	1,079,636	(1,333,350)
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	9/16/16	USD	140.00	–	304,500	(272,528)
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	9/16/16	USD	137.00	–	307,736	(384,670)
USD Currency	Call	JPMorgan Chase Bank N.A.	10/04/16	JPY	117.00	USD 60,804	–	(36,823)
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	10/21/16	USD	150.00	–	155,036	(103,874)
NZD Currency	Call	Morgan Stanley & Co. International PLC	11/08/16	USD	0.73	NZD 39,519	–	(494,744)
AUD Currency	Call	Goldman Sachs International	11/09/16	USD	0.80	AUD 36,455	–	(117,980)
AUD Currency	Call	Deutsche Bank AG	11/10/16	USD	0.79	AUD 37,033	–	(174,918)
NZD Currency	Call	JPMorgan Chase Bank N.A.	11/10/16	USD	0.73	NZD 40,064	–	(580,641)
USD Currency	Call	Deutsche Bank AG	11/15/16	JPY	115.00	USD 61,288	–	(133,589)
Alexion Pharmaceuticals, Inc.	Call	Credit Suisse International	11/18/16	USD	125.00	–	19,811	(162,450)
SPDR Gold Trust ETF[1]	Call	JPMorgan Chase Bank N.A.	12/16/16	USD	145.00	–	307,736	(524,690)
General Electric Co.	Call	Deutsche Bank AG	1/20/17	USD	32.50	–	932,852	(941,378)
Johnson & Johnson	Call	Barclays Bank PLC	1/20/17	USD	110.00	–	299,959	(3,764,485)
SPDR Gold Trust ETF[1]	Call	Société Générale	1/20/17	USD	145.00	–	308,755	(646,842)
QUALCOMM, Inc.	Call	Deutsche Bank AG	5/19/17	USD	70.00	–	363,420	(186,911)
Euro STOXX 50 Index	Put	UBS AG	7/15/16	EUR	2,650.00	–	16,381	(172,699)
GBP Currency	Put	Goldman Sachs International	7/15/16	USD	1.30	GBP 61,402	–	(409,096)
S&P 500 Index	Put	Morgan Stanley & Co. International PLC	7/15/16	USD	1,870.00	–	119,894	(95,915)
USD Currency	Put	Morgan Stanley & Co. International PLC	8/08/16	JPY	101.00	USD 60,655	–	(727,915)
USD Currency	Put	Goldman Sachs International	8/22/16	ZAR	14.20	USD 30,558	–	(396,682)
USD Currency	Put	Goldman Sachs International	9/08/16	JPY	100.50	USD 60,678	–	(925,764)
Apple Inc.	Put	Citibank N.A.	9/16/16	USD	90.00	–	202,874	(421,534)
Taiwan Stock Exchange Weighted Index	Put	Citibank N.A.	9/21/16	TWD	8,100.70	–	101,800	(502,623)
USD Currency	Put	JPMorgan Chase Bank N.A.	10/04/16	JPY	100.00	USD 60,804	–	(1,033,621)
NZD Currency	Put	Morgan Stanley & Co. International PLC	11/08/16	USD	0.62	NZD 39,519	–	(101,117)
AUD Currency	Put	Goldman Sachs International	11/09/16	USD	0.69	AUD 36,455	–	(204,520)
AUD Currency	Put	Deutsche Bank AG	11/10/16	USD	0.67	AUD 37,033	–	(141,518)
NZD Currency	Put	JPMorgan Chase Bank N.A.	11/10/16	USD	0.62	NZD 40,064	–	(91,521)
USD Currency	Put	Deutsche Bank AG	11/15/16	JPY	98.00	USD 61,288	–	(975,566)

See Notes to Consolidated Financial Statements.

Description	Put/ Call	Counterparty	Expiration Date		Strike Price	Notional Amount (000)	Contracts	Value
Johnson & Johnson	Put	Barclays Bank PLC	1/20/17	USD	97.50	–	299,959	$ (292,460)
MetLife, Inc.	Put	UBS AG	1/20/17	USD	46.00	–	83,550	(749,725)
MetLife, Inc.	Put	UBS AG	1/20/17	USD	45.00	–	91,853	(647,564)
Prudential Financial, Inc.	Put	Morgan Stanley & Co. International PLC	1/20/17	USD	77.50	–	102,400	(1,039,360)
QUALCOMM, Inc.	Put	Deutsche Bank AG	5/19/17	USD	40.00	–	363,420	(605,280)
Taiwan Capitalization Weighted Stock Index	Put	Morgan Stanley & Co. International PLC	9/20/17	TWD	8,600.00	–	92,908	(2,794,611)
Taiwan Capitalization Weighted Stock Index	Put	Morgan Stanley & Co. International PLC	12/20/17	TWD	8,600.00	–	94,754	(3,058,644)
Total								$(25,411,557)

[1] All or a portion of security is held by a wholly owned subsidiary. See Note 1 of the Notes to Consolidated Financial Statements for details on the wholly owned subsidiary.

OTC Interest Rate Swaptions Written

Description	Counterparty	Put/ Call	Exercise Rate	Pay/Receive Exercise Rate	Floating Rate Index	Expiration Date	Notional Amount (000)	Value
10-Year Interest Rate Swap	Goldman Sachs International	Put	1.42%	Receive	6-month GBP LIBOR	9/15/16	GBP 248,040	$ (868,895)
10-Year Interest Rate Swap	Goldman Sachs International	Put	1.68%	Receive	3-month LIBOR	9/16/16	USD 248,020	(1,085,881)
Total								$(1,954,776)

Centrally Cleared Credit Default Swaps - Sell Protection

Index	Receive Fixed Rate	Expiration Date	Credit Rating[1]	Notional Amount (000)[2]	Unrealized Appreciation (Depreciation)
CDX.NA.HY Series 26 Version 1	5.00%	6/20/21	B+	USD 40,354	$ 144,989
CDX.NA.IG Series 26 Version 1	1.00%	6/20/21	BBB+	USD 213,449	258,636
iTraxx Europe Crossover Series 25 Version 1	5.00%	6/20/21	B+	EUR 74,434	(1,767,065)
iTraxx Europe Series 25 Version 1	1.00%	6/20/21	BBB+	EUR 46,940	(273,543)
Total					$(1,636,983)

[1] Using S&P's rating of the issuer or the underlying securities of the index, as applicable.

[2] The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

Centrally Cleared Interest Rate Swaps

Fixed Rate	Floating Rate	Effective Date	Expiration Date	Notional Amount (000)	Unrealized Depreciation
0.02%[1]	6-month EURIBOR	N/A	4/09/21	EUR 16,078	$ (89,932)
1.45%[1]	3-month LIBOR	6/28/19[2]	6/28/22	USD 124,556	(341,014)
1.38%[1]	3-month LIBOR	6/28/19[2]	6/28/22	USD 62,278	(52,678)
1.45%[1]	3-month LIBOR	6/28/19[2]	6/28/22	USD 62,278	(179,571)
Total					$(663,195)

[1] Fund pays the fixed rate and receives the floating rate.

[2] Forward swap.

See Notes to Consolidated Financial Statements.

OTC Currency Swaps

Fund Pays	Fund Receives	Notional Amount (000) Notional Delivered	Notional Amount (000) Notional Received	Counterparty	Expiration Date[1]	Value	Premiums Paid (Received)	Unrealized Depreciation
0.10 JPY%	1.23%	JPY 2,383,000	USD 19,769	Bank of America N.A.	3/15/2017	$(6,514,372)	–	$ (6,514,372)
0.10 JPY%	1.84%	JPY 2,434,450	USD 21,624	Bank of America N.A.	3/15/2018	(3,691,296)	–	(3,691,296)
0.10 JPY%	1.96%	JPY 3,652,350	USD 32,208	Bank of America N.A.	3/15/2018	(5,907,961)	–	(5,907,961)
Total						$(16,113,629)	–	$(16,113,629)

[1] At expiration date, the notional amount delivered will be exchanged for the notional amount received.

OTC Total Return Swaps

Reference Entity	Fixed Amount/ Floating Rate	Counterparty	Expiration Date	Contract Amount	Value	Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
SGX Nikkei Stock Average Dividend Point Index Future December 2016	JPY 506,870,000[1]	BNP Paribas S.A.	3/31/17	JPY 182	$ 854,791	–	$ 854,791
SGX Nikkei Stock Average Dividend Point Index Future December 2016	JPY 515,970,000[1]	BNP Paribas S.A.	3/31/17	JPY 182	766,668	–	766,668
Euro STOXX 50 Index Dividend Future December 2017	EUR 5,355,980[1]	BNP Paribas S.A.	12/15/17	EUR 469	(109,300)	–	(109,300)
Euro STOXX 50 Index Dividend Future December 2017	EUR 5,360,190[1]	BNP Paribas S.A.	12/15/17	EUR 465	(163,733)	–	(163,733)
SGX Nikkei Stock Average Dividend Point Index Future December 2017	JPY 594,918,000[1]	BNP Paribas S.A.	4/02/18	JPY 180	(61,182)	–	(61,182)
SGX Nikkei Stock Average Dividend Point Index Future December 2017	JPY 600,750,000[1]	BNP Paribas S.A.	4/02/18	JPY 180	(117,659)	–	(117,659)
Euro STOXX 50 Index Dividend Future December 2018	EUR 2,618,460[1]	BNP Paribas S.A.	12/21/18	EUR 234	(202,552)	–	(202,552)
Euro STOXX 50 Index Dividend Future December 2018	EUR 2,892,800[1]	BNP Paribas S.A.	12/21/18	EUR 256	(252,847)	–	(252,847)
Euro STOXX 50 Index Dividend Future December 2018	EUR 5,310,630[1]	BNP Paribas S.A.	12/21/18	EUR 468	(486,905)	–	(486,905)
S&P 500 Annual Dividend Index Future December 2018	USD 7,094,313[1]	BNP Paribas S.A.	12/21/18	USD 607	60,700	–	60,700
SGX Nikkei Stock Average Dividend Point Index Future December 2018	JPY 309,375,000[1]	BNP Paribas S.A.	3/29/19	JPY 90	(142,497)	–	(142,497)
SGX Nikkei Stock Average Dividend Point Index Future December 2018	JPY 316,800,000[1]	BNP Paribas S.A.	3/29/19	JPY 90	(214,400)	–	(214,400)

See Notes to Consolidated Financial Statements.

Reference Entity	Fixed Amount/ Floating Rate	Counterparty	Expiration Date	Contract Amount	Value	Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
SGX Nikkei Stock Average Dividend Point Index Future December 2018	JPY 618,839,000[1]	BNP Paribas S.A.	3/29/19	JPY 181	$(254,152)	–	$(254,152)
SGX Nikkei Stock Average Dividend Point Index Future December 2019	JPY 314,640,000[1]	BNP Paribas S.A.	3/31/20	JPY 90	(207,427)	–	(207,427)
SGX Nikkei Stock Average Dividend Point Index Future December 2019	JPY 418,800,000[1]	BNP Paribas S.A.	3/31/20	JPY 120	(269,598)	–	(269,598)
SGX Nikkei Stock Average Dividend Point Index Future December 2019	JPY 510,000,000[1]	BNP Paribas S.A.	3/31/20	JPY 150	(206,265)	–	(206,265)
S&P 500 Annual Dividend Index Future December 2020	USD 2,937,263[1]	Goldman Sachs International	12/18/20	USD 243	50,119	–	50,119
S&P 500 Annual Dividend Index Future December 2021	USD 3,726,213[1]	BNP Paribas S.A.	12/17/21	USD 307	92,100	–	92,100
Total					$(864,139)	–	$(864,139)

[1] Fund receives the total return of the reference entity and pays the fixed amount. Net payment made at termination.

Transactions in Options Written for the Six Months Ended June 30, 2016

	Calls				
		Notional (000)			
	Contracts	AUD	NZD	USD	Premiums Received
Outstanding options, beginning of period	14,290,521	–	–	354,800	$ 16,320,399
Options written	5,603,118	73,488	79,583	1,733,156	20,576,210
Options exercised	(770,271)	–	–	–	(1,006,325)
Options expired	(12,988,578)	–	–	–	(7,335,380)
Options closed	(1,601,954)	–	–	(1,935,306)	(17,921,711)
Outstanding options, end of period	4,532,836	73,488	79,583	152,650	$ 10,633,193

	Puts					
		Notional (000)				
	Contracts	AUD	GBP	NZD	USD	Premiums Received
Outstanding options, beginning of period	39,408,444	–	–	–	296,405	$ 30,731,387
Options written	18,552,937	73,488	309,442	79,583	1,132,914	26,588,489
Options exercised	(827,763)	–	–	–	–	(3,097,382)
Options expired	(82,120)	–	–	–	–	(748,950)
Options closed	(55,219,154)	–	–	–	(907,316)	(22,797,128)
Outstanding options, end of period	1,832,344	73,488	309,442	79,583	522,003	$ 30,676,416

As of period end, the value of portfolio securities subject to covered call options written was $449,242,794.

See Notes to Consolidated Financial Statements.

Derivative Financial Instruments Categorized by Risk Exposure

As of period end, the fair values of derivative financial instruments located in the Consolidated Statement of Assets and Liabilities were as follows:

Assets - Derivative Financial Instruments		Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Currency Exchange Contracts	Interest Rate Contracts	Other Contracts	Total
Futures contracts	Net unrealized appreciation[1]	–	–	$ 334,406	–	–	–	$ 334,406
Forward foreign currency exchange contracts	Unrealized appreciation on forward foreign currency exchange contracts	–	–	–	$33,572,882	–	–	33,572,882
Options purchased	Investments at value – unaffiliated[2]	–	–	51,141,800	904,878	$ 2,753,047	–	54,799,725
Swaps - OTC	Unrealized appreciation on OTC swaps	–	–	1,824,378	–	–	–	1,824,378
Swaps - centrally cleared	Net unrealized appreciation[1]	–	$ 403,625	–	–	–	–	403,625
Total		–	$ 403,625	$53,300,584	$34,477,760	$ 2,753,047	–	$ 90,935,016

Liabilities - Derivative Financial Instruments								
Futures contracts	Net unrealized depreciation[1]	–	–	$ 846,378	–	–	–	$ 846,378
Forward foreign currency exchange contracts	Unrealized depreciation on forward foreign currency exchange contracts	–	–	–	$52,582,106	–	–	52,582,106
Options written	Options written at value	–	–	33,569,074	6,643,294	$ 1,954,776	–	42,167,144
Swaps - OTC	Unrealized depreciation on OTC swaps	–	–	2,688,517	–	16,113,629	–	18,802,146
Swaps - centrally cleared	Net unrealized depreciation[1]	–	$2,040,608	–	–	663,195	–	2,703,803
Total		–	$2,040,608	$37,103,969	$59,225,400	$18,731,600	–	$117,101,577

[1] Includes cumulative appreciation (depreciation) on futures contracts and centrally cleared swaps, if any, as reported in the Consolidated Schedule of Investments. Only current day's variation margin is reported within the Consolidated Statement of Assets and Liabilities.

[2] Includes options purchased at value as reported in the Consolidated Schedule of Investments.

For the six months ended June 30, 2016, the effect of derivative financial instruments in the Consolidated Statement of Operations was as follows:

Net Realized Gain (Loss) from:	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Currency Exchange Contracts	Interest Rate Contracts	Other Contracts	Total
Futures contracts	–	–	$ (8,576,328)	–	–	–	$ (8,576,328)
Forward foreign currency exchange contracts	–	–	–	$(76,803,292)	–	–	(76,803,292)
Options purchased[1]	–	–	(23,528,082)	(848,229)	$ (5,374,888)	–	(29,751,199)
Options written	–	–	(8,532,002)	751,881	(4,134,081)	–	(11,914,202)
Swaps	–	$4,225,798	2,062,655	–	2,287,092	–	8,575,545
Total	–	$4,225,798	$(38,573,757)	$(76,899,640)	$ (7,221,877)	–	$(118,469,476)

Net Change in Unrealized Appreciation (Depreciation) on:							
Futures contracts	–	–	$ 1,911,280	–	–	–	$ 1,911,280
Forward foreign currency exchange contracts	–	–	–	$(18,452,080)	–	–	(18,452,080)
Options purchased[2]	–	–	(3,061,043)	(4,470,711)	$ 2,929,174	–	(4,602,580)
Options written	–	–	(5,894,504)	(122,755)	930,005	–	(5,087,254)
Swaps	–	$ (892,623)	(4,245,361)	–	(17,240,467)	–	(22,378,451)
Total	–	$ (892,623)	$(11,289,628)	$(23,045,546)	$(13,381,288)	–	$ (48,609,085)

[1] Options purchased are included in net realized gain (loss) from investments.

[2] Options purchased are included in net change in unrealized appreciation (depreciation) on investments.

See Notes to Consolidated Financial Statements.

Average Quarterly Balances of Outstanding Derivative Financial Instruments

Futures contracts:	
Average notional value of contracts – long	$ 118,123,475[1]
Average notional value of contracts – short	$ 143,294,995
Forward foreign currency exchange contracts:	
Average amounts purchased – in USD	$1,411,585,128
Average amounts sold – in USD	$ 851,126,302
Options:	
Average value of option contracts purchased	$ 38,778,234
Average value of option contracts written	$ 35,650,568
Average notional value of swaption contracts purchased	$ 459,257,048
Average notional value of swaption contracts written	$ 532,812,493
Credit default swaps:	
Average notional value – buy protection	$ 29,468,000
Average notional value – sell protection	$ 250,950,517
Interest rate swaps:	
Average notional value – pays fixed rate	$ 331,569,791
Currency swaps:	
Average notional value – pays	$ 73,601,000
Average notional value – receives	$ 78,638,527
Total return swaps:	
Average notional value	$ 66,975,221

[1] Actual amounts for the period are shown due to limited outstanding derivative financial instruments as of each quarter end.

For more information about the Fund's investment risks regarding derivative financial instruments, refer to the Notes to Consolidated Financial Statements.

Derivative Financial Instruments - Offsetting as of Period End

The Fund's derivative assets and liabilities (by type) were as follows:

	Assets	Liabilities
Derivative Financial Instruments:		
Futures contracts	$ 176,627	$ 638,929
Forward foreign currency exchange contracts	33,572,882	52,582,106
Options	54,799,725[1]	42,167,144
Swaps - centrally cleared	739,645	–
Swaps - OTC[2]	1,824,378	18,802,146
Total derivative assets and liabilities in the Consolidated Statement of Assets and Liabilities	$91,113,257	$114,190,325
Derivatives not subject to a Master Netting Agreement or similar agreement ("MNA")	(5,376,052)	(4,186,140)
Total derivative assets and liabilities subject to an MNA	$85,737,205	$110,004,185

[1] Includes options purchased at value which is included in Investments at value - unaffiliated in the Consolidated Statement of Assets and Liabilities and reported in the Consolidated Schedule of Investments.

[2] Includes unrealized appreciation (depreciation) on OTC swaps in the Consolidated Statement of Assets and Liabilities.

The following tables present the Fund's derivative assets and liabilities by counterparty net of amounts available for offset under an MNA and net of the related collateral received and pledged by the Fund:

Counterparty	Derivative Assets Subject to an MNA by Counterparty	Derivatives Available for Offset[1]	Non-cash Collateral Received[2]	Cash Collateral Received[2]	Net Amount of Derivative Assets[3,6]
Bank of America N.A.	$ 224,591	$ (224,591)	–	–	–
Barclays Bank PLC	434,076	(434,076)	–	–	–
BNP Paribas S.A.	3,797,440	(2,827,633)	–	–	$ 969,807
Citibank N.A.	3,199,743	(3,078,639)	–	–	121,104
Credit Suisse International	2,519,191	(2,519,191)	–	–	–
Deutsche Bank AG	12,109,289	(12,109,289)	–	–	–
Goldman Sachs International	23,846,112	(23,729,578)	–	–	116,534
HSBC Bank USA N.A.	3,640,002	(1,310,674)	–	–	2,329,328
JPMorgan Chase Bank N.A.	19,887,787	(12,032,720)	–	$ (7,855,067)	–
Morgan Stanley & Co. International PLC	7,779,849	(7,779,849)	–	–	–
Morgan Stanley Capital Services LLC	3,941,681	(1,607,606)	–	–	2,334,075
Société Générale	2,956,329	(646,842)	–	(2,280,000)	29,487
UBS AG	1,401,115	(1,401,115)	–	–	–
Total	$85,737,205	$(69,701,803)	–	$(10,135,067)	$5,900,335

See Notes to Consolidated Financial Statements.

Counterparty	Derivative Liabilities Subject to an MNA by Counterparty	Derivatives Available for Offset[1]	Non-cash Collateral Pledged[4]	Cash Collateral Pledged	Net Amount of Derivative Liabilities[5,6]
Bank of America N.A.	$ 16,113,629	$ (224,591)	$ (9,145,167)	–	$ 6,743,871
Barclays Bank PLC	4,092,573	(434,076)	(3,658,497)	–	–
BNP Paribas S.A.	2,827,633	(2,827,633)	–	–	–
Citibank N.A.	3,078,639	(3,078,639)	–	–	–
Credit Suisse International	8,823,757	(2,519,191)	–	–	6,304,566
Deutsche Bank AG	13,657,344	(12,109,289)	(621,246)	–	926,809
Goldman Sachs International	23,729,578	(23,729,578)	–	–	–
HSBC Bank USA N.A.	1,310,674	(1,310,674)	–	–	–
JPMorgan Chase Bank N.A.	12,032,720	(12,032,720)	–	–	–
Morgan Stanley & Co. International PLC	19,179,852	(7,779,849)	(4,334,160)	–	7,065,843
Morgan Stanley Capital Services LLC	1,607,606	(1,607,606)	–	–	–
Société Générale	646,842	(646,842)	–	–	–
UBS AG	2,903,338	(1,401,115)	(679,655)	–	822,568
Total	$110,004,185	$(69,701,803)	$(18,438,725)	–	$21,863,657

[1] The amount of derivatives available for offset is limited to the amount of derivative assets and/or liabilities that are subject to an MNA.

[2] Excess of collateral received from the individual counterparty is not shown for financial reporting purposes.

[3] Net amount represents the net amount receivable from the counterparty in the event of default.

[4] Excess of collateral pledged to the individual counterparty is not shown for financial reporting purposes.

[5] Net amount represents the net amount payable due to the counterparty in the event of default. Net amount may be offset further by the options written receivable/payable on the Consolidated Statement of Assets and Liabilities.

[6] Net amount may also include forward foreign currency exchange contracts and currency options that are not required to be collateralized.

Fair Value Hierarchy as of Period End

Various inputs are used in determining the fair value of investments and derivative financial instruments. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, refer to the Notes to Consolidated Financial Statements.

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Common Stocks:				
Australia	–	$ 31,845,774	–	$ 31,845,774
Belgium	–	26,840,867	–	26,840,867
Brazil	$ 1,334,588	–	–	1,334,588
Canada	89,845,106	–	–	89,845,106
China	29,122,375	9,624,976	–	38,747,351
Denmark	–	9,332,104	–	9,332,104
Egypt	1,452,830	–	–	1,452,830
Finland	–	8,716,147	–	8,716,147
France	1,269,840	284,812,355	–	286,082,195
Germany	–	107,571,802	–	107,571,802
Hong Kong	–	54,883,874	–	54,883,874
India	–	36,586,019	–	36,586,019
Indonesia	–	7,468,534	–	7,468,534
Ireland	12,914,820	27,407,599	–	40,322,419
Israel	32,602,334	–	–	32,602,334
Italy	7,238,142	76,273,913	–	83,512,055
Japan	–	883,567,966	–	883,567,966
Luxembourg	–	940,177	–	940,177
Mexico	25,650,924	–	–	25,650,924
Netherlands	60,912,169	109,546,245	–	170,458,414
Norway	–	5,847,809	–	5,847,809
Portugal	–	6,271,485	–	6,271,485
Singapore	–	73,844,421	–	73,844,421
South Korea	–	41,316,397	–	41,316,397
Spain	–	28,638,375	–	28,638,375
Sweden	–	35,307,977	–	35,307,977

See Notes to Consolidated Financial Statements.

	Level 1	Level 2	Level 3	Total
Switzerland	–	$ 131,253,251	–	$ 131,253,251
Taiwan	–	19,138,663	–	19,138,663
United Arab Emirates	$ 14,585,973	3,085,847	–	17,671,820
United Kingdom	84,207,700	284,391,193	$ 4,569,937	373,168,830
United States	3,099,441,970	–	751,444	3,100,193,414
Corporate Bonds	–	577,614,888	41,197,573	618,812,461
Floating Rate Loan Interests	–	78,684,244	14,476,561	93,160,805
Foreign Agency Obligations	–	98,712,717	–	98,712,717
Foreign Government Obligations	–	1,047,816,125	–	1,047,816,125
Investment Companies	361,871,101	–	–	361,871,101
Non-Agency Mortgage-Backed Securities	–	–	8,217,064	8,217,064
Preferred Securities	170,550,040	207,721,423	119,543,383	497,814,846
U.S. Government Sponsored Agency Securities	–	64,114,666	–	64,114,666
U.S. Treasury Obligations	–	1,296,929,030	–	1,296,929,030
Warrants	–	933,681	–	933,681
Short-Term Securities:				
Foreign Agency Obligations	–	546,297,851	–	546,297,851
Money Market Funds	6,016,752	274,482,165	–	280,498,917
Time Deposits	–	12,862,657	–	12,862,657
U.S. Treasury Obligations	–	578,256,882	–	578,256,882
Options Purchased:				
Equity contracts	4,459,780	46,682,020	–	51,141,800
Foreign currency exchange contracts	–	904,878	–	904,878
Interest rate contracts	–	2,753,047	–	2,753,047
Liabilities:				
Investments:				
Investments Sold Short	(28,341,962)	(5,605,142)	–	(33,947,104)
Total	$ 3,975,134,482	$ 7,133,674,902	$ 188,755,962	$ 11,297,565,346

Derivative Financial Instruments[1]				
Assets:				
Credit contracts	–	$ 403,625	–	$ 403,625
Equity contracts	$ 334,406	1,824,378	–	2,158,784
Foreign currency exchange contracts	–	33,572,882	–	33,572,882
Liabilities:				
Credit contracts	–	(2,040,608)	–	(2,040,608)
Equity contracts	(4,393,589)	(32,710,380)	–	(37,103,969)
Foreign currency exchange contracts	–	(59,225,400)	–	(59,225,400)
Interest rate contracts	–	(18,731,600)	–	(18,731,600)
Total	$ (4,059,183)	$ (76,907,103)	–	$ (80,966,286)

[1] Derivative financial instruments are swaps, futures contracts, forward foreign currency exchange contracts and options written. Swaps, financial futures contracts and forward foreign currency exchange contracts are valued at the unrealized appreciation (depreciation) on the instrument and options written are shown at value.

The Fund may hold assets and/or liabilities in which the fair value approximates the carrying amount for financial statement purposes. As of period end, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash	$ 658,738	–	–	$ 658,738
Cash held for investments sold short	36,317,738	–	–	36,317,738
Cash pledged for centrally cleared swaps	15,286,960	–	–	15,286,960
Liabilities:				
Foreign bank overdraft	–	$ (683,278)	–	(683,278)
Cash received:				
Collateral – Options written	–	(18,520,000)	–	(18,520,000)
Collateral – TBA commitments	–	(503,000)	–	(503,000)
Collateral on securities loaned at value	–	(274,482,165)	–	(274,482,165)
Total	$ 52,263,436	$ (294,188,443)	–	$ (241,925,007)

See Notes to Consolidated Financial Statements.

During the six months ended June 30, 2016, there were no transfers between Level 1 and Level 2.

A reconciliation of Level 3 investments is presented when the Fund had a significant amount of Level 3 investments at the beginning and/or end of the period in relation to net assets. The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

	Common Stocks	Corporate Bonds	Floating Rate Loan Interests	Non-Agency Mortgage-Backed Securities	Preferred Securities	Rights	Options Purchased	Total
Assets:								
Opening balance, as of December 31, 2015	$ 6,823,323	$ 91,576,847	$15,440,951	$ 9,349,901	$129,809,258	$ 1	$ 1,273,536	$254,273,817
Transfers into Level 3	–	–	–	–	–	–	–	–
Transfers out of Level 3	–	(2,264,539)	–	–	–	–	–	(2,264,539)
Accrued discounts/ premiums	–	(449)	11,352	62,127	–	–	–	73,030
Net realized gain (loss)	–	–	8,614	–	–	–	(1,232,743)	(1,224,129)
Net change in unrealized appreciation (depreciation)[1,2]	(1,501,942)	(49,354,183)	399,066	(1,194,964)	(10,265,875)	(1)	(38,414)	(61,956,313)
Purchases	–	1,239,897	–	–	–	–	–	1,239,897
Sales	–	–	(1,383,422)	–	–	–	(2,379)	(1,385,801)
Closing balance, as of June 30, 2016	$ 5,321,381	$ 41,197,573	$14,476,561	$ 8,217,064	$119,543,383	–	–	$188,755,962
Net change in unrealized appreciation (depreciation) on investments still held at June 30, 2016[2]	$(1,501,942)	$(49,354,183)	$ 399,066	$(1,194,964)	$ (10,265,875)	–	–	$ (61,917,898)

[1] Included in the related net change in unrealized appreciation (depreciation) in the Consolidated Statement of Operations.

[2] Any difference between net change in unrealized appreciation (depreciation) and net change in unrealized appreciation (depreciation) on investments still held at June 30, 2016 is generally due to investments no longer held or categorized as Level 3 at period end.

The following table is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used in determining fair value:

	Equity Contracts	
	Assets	Liabilities
Opening Balance, as of December 31, 2015	–	$ (875,797)
Transfers into Level 3	–	–
Transfers out of Level 3	–	–
Accrued discounts/premiums	–	–
Net realized gain (loss)	–	(2,649,027)
Net change in unrealized appreciation (depreciation)[1]	–	7,090,454
Purchases	–	–
Issues	–	–
Sales	–	(3,565,630)
Settlements	–	–
Closing Balance, as of June 30, 2016	–	–
Net change in unrealized appreciation (depreciation) on derivative financial instruments still held at June 30, 2016	–	–

[1] Included in the related net change in unrealized appreciation (depreciation) in the Consolidated Statement of Operations.

The Fund's investments that are categorized as Level 3 were valued utilizing third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in third party information could result in a significantly lower or higher value of such Level 3 investments.

See Notes to Consolidated Financial Statements.

The following table summarizes the valuation techniques used and unobservable inputs utilized by the BlackRock Global Valuation Methodologies Committee ("Global Valuation Committee") to determine the value of certain of the Fund's Level 3 investments as of period end. The table does not include Level 3 investments with values based upon unadjusted third party pricing information in the amount of $22,783,820.

	Value	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs Utilized	Weighted Average of Unobservable Inputs
Assets:					
Common Stocks	$ 5,321,381	Market Comparables	Run Rate EBITDA Multiple[2]	20.50x	–
		Probability-Weighted Expected Return Model	Discount Rate[1]	20.00%	–
			IPO Exit Probability[2]	45.00%	–
			Merger & Acquisition Probability[2]	50.00%	–
			Revenue Multiple[2]	9.0x - 13.25x	–
			Revenue Growth Rate[1]	78.00%	–
			Time to Exit[1]	1-2 years	–
Corporate Bonds[3]	41,107,378	Coverage Analysis	Revenue Multiple[2]	0.70x	–
		Discounted Cash Flow	Discount Rate[1]	15.00%	–
		Estimated Recovery Value	Recovery Rate[2]	–	–
		Market Comparables	Run Rate EBITDA Multiple [2]	20.50x	–
Preferred Stocks	119,543,383	Market Comparables	Priced to new financing round[2]	–	–
			Revenue Multiple[2]	7.0x- 12.0x	9.65x
			Revenue Growth Rate[1]	84.00%	–
		Option Pricing Model	Gross Profit Growth Rate[2]	83.00%	
			Revenue Multiple[2]	4.50x-9.00x	7.80x
			Risk Free Rate[1]	0.48% - 0.64%	0.52%
			Revenue Growth Rate[1]	182.00%	–
			Volatility[2]	54.00% - 57.00%	54.80%
			Time to Exit[1]	1-2 years	–
		Probability-Weighted Expected Return Model	Discount Rate[1]	20.00%	–
			IPO Exit Probability[2]	45.00% - 85.00%	70.79%
			Merger & Acquisition Probability[2]	10.00% - 50.00%	24.21%
			Revenue Multiple[2]	9.0x - 14.25x	12.33x
			Revenue Growth Rate[1]	78.00% - 83.00%	81.22%
			Time to Exit[1]	1-3 years	–
Total	$165,972,142				

[1] Decrease in unobservable input may result in a significant increase to value, while an increase in unobservable input may result in a significant decrease to value.

[2] Increase in unobservable input may result in a significant increase to value, while a decrease in unobservable input may result in a significant decrease to value.

[3] For the period ended June 30, 2016, the valuation technique for certain investments classified as corporate bonds changed to a Coverage Analysis Model. The investment was previously valued utilizing an Option Pricing Model. A Coverage Analysis Model was considered to be a more relevant measure of fair value for this investment.

See Notes to Consolidated Financial Statements.

Consolidated Statement of Assets and Liabilities

June 30, 2016 (Unaudited)	BlackRock Global Allocation V.I. Fund
Assets	
Investments at value – unaffiliated (including securities loaned at value of $268,397,632)(cost – $11,045,041,601)	$ 11,013,388,626
Investments at value – affiliated (cost – $320,225,397)	318,123,824
Cash	658,738
Cash held for investments sold short	36,317,738
Cash pledged for centrally cleared swaps	15,286,960
Receivables:	
Investments sold	35,679,808
Securities lending income – affiliated	104,455
Capital shares sold	1,893,081
Dividends – affiliated	193
Dividends – unaffiliated	11,846,526
Interest	27,294,817
From the Manager	2,000,572
Variation margin on futures contracts	176,627
Variation margin on centrally cleared swaps	739,645
Unrealized appreciation on:	
Forward foreign currency exchange contracts	33,572,882
OTC swaps	1,824,378
Prepaid expenses	28,359
Total assets	11,498,937,229
Liabilities	
Investments sold short at value (proceeds – $34,876,751)	33,947,104
Foreign bank overdraft – (cost – $668,299)	683,278
Cash received:	
Collateral – Options written	18,520,000
Collateral – TBA commitments	503,000
Collateral on securities loaned at value	274,482,165
Options written at value (premiums received – $41,309,609)	42,167,144
Payables:	
Investments purchased	329,271,509
Capital shares redeemed	9,131,115
Deferred foreign capital gain tax	212,618
Distribution fees	1,764,299
Dividends on short sales	29,501
Investment advisory fees	5,500,311
Officer's and Directors' fees	43,800
Options written	138,055
Other accrued expenses	6,668,218
Other affiliates	59,139
Variation margin on futures contracts	638,929
Unrealized depreciation on:	
Forward foreign currency exchange contracts	52,582,106
OTC swaps	18,802,146
Total liabilities	795,144,437
Net Assets	$ 10,703,792,792
Net Assets Consist of	
Paid-in capital	$ 11,054,783,461
Undistributed net investment income	43,535,153
Accumulated net realized loss	(323,960,713)
Net unrealized appreciation (depreciation)	(70,565,109)
Net Assets	$ 10,703,792,792
Net Asset Value	
Class I – Based on net assets of $2,061,298,121 and 136,379,307 shares outstanding, 400 million shares authorized, $0.10 par value	$ 15.11
Class II – Based on net assets of $238,012,527 and 15,810,417 shares outstanding, 200 million shares authorized, $0.10 par value	$ 15.05
Class III – Based on net assets of $8,404,482,144 and 644,272,041 shares outstanding, 1.5 billion shares authorized, $0.10 par value	$ 13.04

See Notes to Consolidated Financial Statements.

Consolidated Statement of Operations

Six Months Ended June 30, 2016 (Unaudited)	BlackRock Global Allocation V.I. Fund
Investment Income	
Dividends — unaffiliated	$ 86,835,729
Interest	55,019,981
Securities lending — affiliated — net	1,743,660
Dividends — affiliated	232,698
Foreign taxes withheld	(5,411,979)
Total income	138,420,089
Expenses	
Investment advisory	33,381,516
Distribution — class specific	10,725,663
Transfer agent	2,379
Transfer agent — class specific	9,832,377
Custodian	583,532
Accounting services	305,845
Printing	287,036
Professional	286,516
Officer and Directors	80,967
Registration	2,765
Miscellaneous	269,069
Total expenses excluding dividend expense and stock loan fees	55,757,665
Dividend expense	363,624
Stock loan fees	4,032
Total expenses	56,125,321
Less:	
Fees waived by the Manager	(1,284)
Transfer agent fees reimbursed — class specific	(6,089,573)
Total expenses after fees waived and reimbursed	50,034,464
Net investment income	88,385,625
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) from:	
Investments — unaffiliated	(152,234,911)
Investments — affiliated	1,787,228
Futures contracts	(8,576,328)
Foreign currency transactions	(75,934,450)
Options written	(11,914,202)
Short sales	3,007,060
Swaps	8,575,545
	(235,290,058)
Net change in unrealized appreciation (depreciation) on:	
Investments — unaffiliated (net of $184,163 foreign capital gain tax)	187,820,844
Investments — affiliated	5,438,957
Futures contracts	1,911,280
Foreign currency translations	(18,125,968)
Options written	(5,087,254)
Short sales	292,569
Swaps	(22,378,451)
	149,871,977
Net realized and unrealized loss	(85,418,081)
Net Increase in Net Assets Resulting from Operations	$ 2,967,544

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

BlackRock Global Allocation V.I. Fund

Increase (Decrease) in Net Assets:	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
Operations		
Net investment income	$ 88,385,625	$ 129,521,516
Net realized gain (loss)	(235,290,058)	472,061,666
Net change in unrealized appreciation (depreciation)	149,871,977	(729,403,422)
Net increase (decrease) in net assets resulting from operations	2,967,544	(127,820,240)
Distributions to Shareholders[1]		
From net investment income:		
Class I	–	(22,591,667)
Class II	–	(2,596,531)
Class III	–	(96,000,973)
From net realized gain:		
Class I	–	(104,343,065)
Class II	–	(13,712,126)
Class III	–	(543,917,999)
From return of capital:		
Class I	–	(1,227,074)
Class II	–	(159,076)
Class III	–	(6,297,189)
Decrease in net assets resulting from distributions to shareholders	–	(790,845,700)
Capital Share Transactions		
Net increase (decrease) in net assets derived from capital share transactions	(419,798,333)	290,068,576
Net Assets		
Total decrease in net assets	(416,830,789)	(628,597,364)
Beginning of period	11,120,623,581	11,749,220,945
End of period	$ 10,703,792,792	$ 11,120,623,581
Undistributed (distributions in excess of) net investment income, end of period	$ 43,535,153	$ (44,850,472)

[1] Distributions for annual periods determined in accordance with federal income tax regulations.

See Notes to Consolidated Financial Statements.

	Class I					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31,				
		2015	2014	2013	2012	2011
Per Share Operating Performance						
Net asset value, beginning of period	$ 15.09	$ 16.26	$ 17.61	$ 16.10	$ 14.87	$ 16.15
Net investment income[1]	0.14	0.22	0.29	0.22	0.26	0.28
Net realized and unrealized gain (loss)	(0.12)	(0.35)	0.12	2.14	1.27	(0.84)
Net increase (decrease) from investment operations	0.02	(0.13)	0.41	2.36	1.53	(0.56)
Distributions:[2]						
From net investment income	–	(0.19)	(0.39)	(0.20)	(0.25)	(0.36)
From net realized gain	–	(0.84)	(1.37)	(0.65)	(0.05)	(0.36)
From return of capital	–	(0.01)	–	–	–	–
Total distributions	–	(1.04)	(1.76)	(0.85)	(0.30)	(0.72)
Net asset value, end of period	$ 15.11	$ 15.09	$ 16.26	$ 17.61	$ 16.10	$ 14.87
Total Return[3]						
Based on net asset value	0.20%[4]	(0.89)%	2.30%	14.76%	10.28%	(3.49)%
Ratios to Average Net Assets						
Total expenses	0.74%[5,6]	0.75%	0.74%	0.72%	0.74%	0.69%
Total expenses after fees waived and/or reimbursed	0.74%[5,6]	0.73%	0.72%	0.72%	0.74%	0.69%
Total expenses after fees waived and/or reimbursed and excluding dividend expense, interest expense and stock loan fees	0.73%[5,6]	0.73%	0.72%	0.72%	0.74%	0.69%
Net investment income	1.87%[5,6]	1.32%	1.64%	1.26%	1.66%	1.75%
Supplemental Data						
Net assets, end of period (000)	$ 2,061,298	$1,994,371	$1,708,903	$2,426,154	$1,868,059	$1,737,294
Portfolio turnover rate[7]	58%	90%	72%	53%	49%	31%

1 Based on average shares outstanding.
2 Distributions for annual periods determined in accordance with federal income tax regulations.
3 Where applicable, excludes insurance-related fees and expenses and assumes the reinvestment of distributions.
4 Aggregate total return.
5 Ratios do not include expenses incurred indirectly as a result of investments in underlying funds of approximately 0.01%.
6 Annualized.
7 Includes mortgage dollar roll transactions ("MDRs"). Additional information regarding portfolio turnover is as follows:

	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31,				
		2015	2014	2013	2012	2011
Portfolio turnover rate (excluding MDRs)	57%	88%	72%	53%	49%	31%

See Notes to Consolidated Financial Statements.

	Class II					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31,				
		2015	2014	2013	2012	2011
Per Share Operating Performance						
Net asset value, beginning of period	$ 15.04	$ 16.21	$ 17.56	$ 16.07	$ 14.85	$ 16.13
Net investment income[1]	0.12	0.19	0.25	0.19	0.23	0.26
Net realized and unrealized gain (loss)	(0.11)	(0.35)	0.14	2.14	1.28	(0.84)
Net increase (decrease) from investment operations	0.01	(0.16)	0.39	2.33	1.51	(0.58)
Distributions:[2]						
From net investment income	–	(0.16)	(0.37)	(0.19)	(0.24)	(0.34)
From net realized gain	–	(0.84)	(1.37)	(0.65)	(0.05)	(0.36)
From return of capital	–	(0.01)	–	–	–	–
Total distributions	–	(1.01)	(1.74)	(0.84)	(0.29)	(0.70)
Net asset value, end of period	$ 15.05	$ 15.04	$ 16.21	$ 17.56	$ 16.07	$ 14.85
Total Return[3]						
Based on net asset value	0.13%[4]	(1.05)%	2.16%	14.55%	10.14%	(3.63)%
Ratios to Average Net Assets						
Total expenses	1.01%[5,6]	1.02%	1.01%	1.00%	0.98%	0.84%
Total expenses after fees waived and/or reimbursed	0.89%[5,6]	0.88%	0.88%	0.87%	0.90%	0.84%
Total expenses after fees waived and/or reimbursed and excluding dividend expense, interest expense and stock loan fees	0.88%[5,6]	0.88%	0.87%	0.87%	0.90%	0.84%
Net investment income	1.70%[5,6]	1.17%	1.39%	1.07%	1.43%	1.60%
Supplemental Data						
Net assets, end of period (000)	$ 238,013	$256,964	$260,312	$216,395	$ 80,236	$ 25,768
Portfolio turnover rate[7]	58%	90%	72%	53%	49%	31%

1 Based on average shares outstanding.
2 Distributions for annual periods determined in accordance with federal income tax regulations.
3 Where applicable, excludes insurance-related fees and expenses and assumes the reinvestment of distributions.
4 Aggregate total return.
5 Ratios do not include expenses incurred indirectly as a result of investments in underlying funds of approximately 0.01%.
6 Annualized.
7 Includes mortgage dollar roll transactions ("MDRs"). Additional information regarding portfolio turnover is as follows:

	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31,				
		2015	2014	2013	2012	2011
Portfolio turnover rate (excluding MDRs)	57%	88%	72%	53%	49%	31%

See Notes to Consolidated Financial Statements.

	Class III					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31,				
		2015	2014	2013	2012	2011
Per Share Operating Performance						
Net asset value, beginning of period	$ 13.04	$ 14.19	$ 15.58	$ 14.34	$ 13.28	$ 14.49
Net investment income[1]	0.10	0.15	0.21	0.16	0.20	0.22
Net realized and unrealized gain (loss)	(0.10)	(0.30)	0.12	1.89	1.12	(0.74)
Net increase (decrease) from investment operations	–	(0.15)	0.33	2.05	1.32	(0.52)
Distributions:[2]						
From net investment income	–	(0.15)	(0.35)	(0.16)	(0.21)	(0.33)
From net realized gain	–	(0.84)	(1.37)	(0.65)	(0.05)	(0.36)
From return of capital	–	(0.01)	–	–	–	–
Total distributions	–	(1.00)	(1.72)	(0.81)	(0.26)	(0.69)
Net asset value, end of period	$ 13.04	$ 13.04	$ 14.19	$ 15.58	$ 14.34	$ 13.28
Total Return[3]						
Based on net asset value	0.08%[4]	(1.14)%	2.08%	14.42%	9.97%	(3.64)%
Ratios to Average Net Assets						
Total expenses	1.13%[5,6]	1.12%	1.11%	1.11%	1.07%	0.94%
Total expenses after fees waived and/or reimbursed	0.99%[5,6]	0.98%	0.98%	0.97%	0.99%	0.94%
Total expenses after fees waived and/or reimbursed and excluding dividend expense, interest expense and stock loan fees	0.98%[5,6]	0.98%	0.97%	0.97%	0.99%	0.94%
Net investment income	1.61%[5,6]	1.07%	1.32%	1.02%	1.41%	1.50%
Supplemental Data						
Net assets, end of period (000)	$ 8,404,482	$8,869,288	$9,780,007	$10,014,301	$8,702,140	$7,704,593
Portfolio turnover rate[7]	58%	90%	72%	53%	49%	31%

1 Based on average shares outstanding.
2 Distributions for annual periods determined in accordance with federal income tax regulations.
3 Where applicable, excludes insurance-related fees and expenses and assumes the reinvestment of distributions.
4 Aggregate total return.
5 Ratios do not include expenses incurred indirectly as a result of investments in underlying funds of approximately 0.01%.
6 Annualized.
7 Includes mortgage dollar roll transactions ("MDRs"). Additional information regarding portfolio turnover is as follows:

	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31,				
		2015	2014	2013	2012	2011
Portfolio turnover rate (excluding MDRs)	57%	88%	72%	53%	49%	31%

See Notes to Consolidated Financial Statements.

1. Organization:

BlackRock Variable Series Funds, Inc. (the "Company") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. The Company is organized as a Maryland corporation that is comprised of 20 separate funds. The funds offer shares to insurance companies for their separate accounts to fund benefits under certain variable annuity and variable life insurance contracts. The consolidated financial statements presented are for BlackRock Global Allocation V.I. Fund (the "Fund"). The Fund is classified as diversified. Class I, Class II and Class III Shares have equal voting, dividend, liquidation and other rights, except that only shares of the respective classes are entitled to vote on matters concerning only that class. In addition, Class II and Class III Shares bear certain expenses related to the distribution of such shares.

Basis of Consolidation: The accompanying consolidated financial statements of the Fund include the accounts of BlackRock Cayman Global Allocation V.I. Fund I, Ltd. (the "Subsidiary"), which is a wholly owned subsidiary of the Fund and primarily invests in commodity-related instruments. The Subsidiary enables the Fund to hold these commodity-related instruments and satisfy regulated investment company tax requirements. The Fund may invest up to 25% of its total assets in the Subsidiary. The net assets of the Subsidiary as of period end were $350,752,241 and 3.3% of the Fund's consolidated net assets. Intercompany accounts and transactions, if any, have been eliminated. The Subsidiary is subject to the same investment policies and restrictions that apply to the Fund, except that the Subsidiary may invest without limitation in commodity-related instruments.

The Fund, together with certain other registered investment companies advised by BlackRock Advisors, LLC (the "Manager") or its affiliates, is included in a complex of open-end funds referred to as the Equity-Bond Complex.

2. Significant Accounting Policies:

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the consolidated financial statements, disclosure of contingent assets and liabilities at the date of the consolidated 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. The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies. Below is a summary of significant accounting policies:

Foreign Currency: The Fund's books and records are maintained in U.S. dollars. Purchases and sales of investments are recorded at the rates of exchange prevailing on the respective dates of such transactions. Generally, when the U.S. dollar rises in value against a foreign currency, the investments denominated in that currency will lose value; the opposite effect occurs if the U.S. dollar falls in relative value.

The Fund does not isolate the portion of the results of operations arising as a result of changes in the exchange rates from the changes in the market prices of investments held or sold for financial reporting purposes. Accordingly, the effects of changes in exchange rates on investments are not segregated in the Consolidated Statement of Operations from the effects of changes in market prices of those investments, but are included as a component of net realized and unrealized gain (loss) from investments. The Fund reports realized currency gains (losses) on foreign currency related transactions as components of net realized gain (loss) for financial reporting purposes, whereas such components are generally treated as ordinary income for federal income tax purposes.

Segregation and Collateralization: In cases where the Fund enters into certain investments (e.g., futures contracts, forward foreign currency exchange contracts, options written, swaps and short sales), that would be treated as "senior securities" for 1940 Act purposes, the Fund may segregate or designate on its books and records cash or liquid assets having a market value at least equal to the amount of its future obligations under such investments. Doing so allows the investment to be excluded from treatment as a "senior security." Furthermore, if required by an exchange or counterparty agreement, the Fund may be required to deliver/deposit cash and/or securities to/with an exchange, or broker-dealer or custodian as collateral for certain investments or obligations.

Investment Transactions and Investment Income: For financial reporting purposes, investment transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on investment transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend date. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Fund is informed of the ex-dividend date. Under the applicable foreign tax laws, a withholding tax at various rates may be imposed on capital gains, dividends and interest. Upon notification from issuers, some of the dividend income received from a real estate investment trust may be redesignated as a reduction of cost of the related investment and/or realized gain. Interest income, including amortization and accretion of premiums and discounts on debt securities, is recognized on the accrual basis. Income, expenses and realized and unrealized gains and losses are allocated daily to each class based on its relative net assets.

Distributions: Distributions paid by the Fund are recorded on the ex-dividend date. The portion of distributions, if any, that exceeds the Fund's current and accumulated earnings and profits, as measured on a tax basis, constitute a non-taxable return of capital. The character and timing of distributions are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP.

Net income and realized gains from investments held by the Subsidiary are treated as ordinary income for tax purposes. If a net loss is realized by the Subsidiary in any taxable year, the loss will generally not be available to offset the Fund's ordinary income and/or capital gains for that year.

Indemnifications: In the normal course of business, the Fund enters into contracts that contain a variety of representations that provide general indemnification. The Fund's maximum exposure under these arrangements is unknown because it involves future potential claims against the Fund, which cannot be predicted with any certainty.

Other: Expenses directly related to the Fund or its classes are charged to the Fund or the applicable class. Other operating expenses shared by several funds, including other funds managed by the Manager, are pro-rated among those funds on the basis of relative net assets or other appropriate methods. Expenses directly related to the Fund and other shared expenses prorated to the Fund are allocated daily to each class based on its relative net assets or other appropriate methods.

The Fund has an arrangement with its custodian whereby fees may be reduced by credits earned on uninvested cash balances, which, if applicable, are shown as fees paid indirectly in the Consolidated Statement of Operations. The custodian imposes fees on overdrawn cash balances, which can be offset by accumulated credits earned or may result in additional custody charges.

3. Investment Valuation and Fair Value Measurements:

Investment Valuation Policies: The Fund's investments are valued at fair value (also referred to as "market value" within the consolidated financial statements) as of the close of trading on the New York Stock Exchange ("NYSE") (generally 4:00 p.m., Eastern time). U.S. GAAP defines fair value as the price the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund determines the fair values of its financial instruments using various independent dealers or pricing services under policies approved by the Board of Directors of the Company (the "Board"). The BlackRock Global Valuation Methodologies Committee (the "Global Valuation Committee") is the committee formed by management to develop global pricing policies and procedures and to oversee the pricing function for all financial instruments.

Fair Value Inputs and Methodologies: The following methods (or "techniques") and inputs are used to establish the fair value of the Fund's assets and liabilities:

- Equity investments traded on a recognized securities exchange are valued at the official closing price each day, if available. For equity investments traded on more than one exchange, the official close price on the exchange where the stock is primarily traded is used. Equity investments traded on a recognized exchange for which there were no sales on that day may be valued at the last available bid (long positions) or ask (short positions) price.
- Bond investments are valued on the basis of last available bid prices or current market quotations provided by dealers or pricing services. Floating rate loan interests are valued at the mean of the bid prices from one or more brokers or dealers as obtained from a pricing service. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures. Asset-backed and mortgage-backed securities are valued by independent pricing services using models that consider estimated cash flows of each tranche of the security, establish a benchmark yield and develop an estimated tranche-specific spread to the benchmark yield based on the unique attributes of the tranche.
- Generally, trading in foreign instruments is substantially completed each day at various times prior to the close of business on the NYSE. Occasionally, events affecting the values of such instruments may occur between the foreign market close and the close of business on the NYSE that may not be reflected in the computation of the Fund's net assets. Each business day, the Fund uses a pricing service to assist with the valuation of certain foreign exchange-traded equity securities and foreign exchange-traded OTC options (the "Systematic Fair Value Price"). Using current market factors, the Systematic Fair Value Price is designed to value such foreign securities and foreign options at fair value as of the close of business on the NYSE, which follows the close of the local markets.
- To-be-announced ("TBA") commitments are valued on the basis of last available bid prices or current market quotations provided by pricing services.
- Investments in open-end U.S. mutual funds are valued at net asset value each business day.
- The Fund values its investment in BlackRock Liquidity Series, LLC, Money Market Series (the "Money Market Series") at fair value, which is ordinarily based upon its pro rata ownership in the underlying fund's net assets. The Money Market Series seeks current income consistent with maintaining liquidity and preserving capital. Although the Money Market Series is not registered under the 1940 Act, its investments may follow the parameters

of investments by a money market fund that is subject to Rule 2a-7 under the 1940 Act. The Fund may withdraw up to 25% of its investment daily, although the manager of the Money Market Series, in its sole discretion, may permit an investor to withdraw more than 25% on any one day.

- Futures contracts traded on exchanges are valued at their last sale price.
- Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates determined as of the close of business on the NYSE. Forward foreign currency exchange contracts are valued at the mean between the bid and ask prices and are determined as of the close of business on the NYSE. Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available.
- Exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade. An exchange-traded option for which there is no mean price is valued at the last bid (long positions) or ask (short positions) price. If no bid or ask price is available, the prior day's price will be used, unless it is determined that the prior day's price no longer reflects the fair value of the option. OTC options and options on swaps ("swaptions") are valued by an independent pricing service using a mathematical model, which incorporates a number of market data factors, such as the trades and prices of the underlying instruments.
- Swap agreements are valued utilizing quotes received daily by the Fund's pricing service or through brokers, which are derived using daily swap curves and models that incorporate a number of market data factors, such as discounted cash flows, trades and values of the underlying reference instruments.

If events (e.g., a company announcement, market volatility or a natural disaster) occur that are expected to materially affect the value of such instruments, or in the event that the application of these methods of valuation results in a price for an investment that is deemed not to be representative of the market value of such investment, or if a price is not available, the investment will be valued by the Global Valuation Committee, or its delegate, in accordance with a policy approved by the Board as reflecting fair value ("Fair Valued Investments"). When determining the price for Fair Valued Investments, the Global Valuation Committee, or its delegate, seeks to determine the price that the Fund might reasonably expect to receive or pay from the current sale or purchase of that asset or liability in an arm's-length transaction. Fair value determinations shall be based upon all available factors that the Global Valuation Committee, or its delegate, deems relevant consistent with the principles of fair value measurement which include the market approach, income approach and/or in the case of recent investments, the cost approach, as appropriate. The market approach generally consists of using comparable market transactions. The income approach generally is used to discount future cash flows to present value and is adjusted for liquidity as appropriate. These factors include but are not limited to: (i) attributes specific to the investment or asset; (ii) the principal market for the investment or asset; (iii) the customary participants in the principal market for the investment or asset; (iv) data assumptions by market participants for the investment or asset, if reasonably available; (v) quoted prices for similar investments or assets in active markets; and (vi) other factors, such as future cash flows, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, recovery rates, liquidation amounts and/or default rates. Due to the inherent uncertainty of valuations of such investments, the fair values may differ from the values that would have been used had an active market existed. The Global Valuation Committee, or its delegate, employs various methods for calibrating valuation approaches for investments where an active market does not exist, including regular due diligence of the Fund's pricing vendors, regular reviews of key inputs and assumptions, transactional back-testing or disposition analysis to compare unrealized gains and losses to realized gains and losses, reviews of missing or stale prices and large movements in market values and reviews of any market related activity. The pricing of all Fair Valued Investments is subsequently reported to the Board or a committee thereof on a quarterly basis.

Fair Value Hierarchy: Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

- Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access
- Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market–corroborated inputs)
- Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The 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). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The significant unobservable inputs used by the Global Valuation Committee in determining the price for Fair Valued Investments are typically categorized as Level 3. The fair value hierarchy for the Fund's investments and derivative financial instruments has been included in the Consolidated Schedule of Investments.

Changes in valuation techniques may result in transfers into or out of an assigned level within the hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investments and derivative financial instruments and is not necessarily an indication of the risks associated with investing in those securities.

4. Securities and Other Investments:

Asset-Backed and Mortgage-Backed Securities: Asset-backed securities are generally issued as pass-through certificates or as debt instruments. Asset-backed securities issued as pass-through certificates represent undivided fractional ownership interests in an underlying pool of assets. Asset-backed securities issued as debt instruments, which are also known as collateralized obligations, are typically issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. The yield characteristics of certain asset-backed securities may differ from traditional debt securities. One such major difference is that all or a principal part of the obligations may be prepaid at any time because the underlying assets (i.e., loans) may be prepaid at any time. As a result, a decrease in interest rates in the market may result in increases in the level of prepayments as borrowers, particularly mortgagors, refinance and repay their loans. An increased prepayment rate with respect to an asset-backed security will have the effect of shortening the maturity of the security. In addition, the Fund may subsequently have to reinvest the proceeds at lower interest rates. If the Fund has purchased such an asset-backed security at a premium, a faster than anticipated prepayment rate could result in a loss of principal to the extent of the premium paid.

For mortgage pass-through securities (the "Mortgage Assets") there are a number of important differences among the agencies and instrumentalities of the U.S. Government that issue mortgage-related securities and among the securities that they issue. For example, mortgage-related securities guaranteed by Ginnie Mae are guaranteed as to the timely payment of principal and interest by Ginnie Mae and such guarantee is backed by the full faith and credit of the United States. However, mortgage-related securities issued by Freddie Mac and Fannie Mae, including Freddie Mac and Fannie Mae guaranteed mortgage pass-through certificates, which are solely the obligations of Freddie Mac and Fannie Mae, are not backed by or entitled to the full faith and credit of the United States, but are supported by the right of the issuer to borrow from the U.S. Treasury.

Non-agency mortgage-backed securities are securities issued by non-governmental issuers and have no direct or indirect government guarantees of payment and are subject to various risks. Non-agency mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The ability of a borrower to repay a loan is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, acts of God, terrorism, social unrest and civil disturbances, may impair a borrower's ability to repay its loans.

Inflation-Indexed Bonds: Inflation-indexed bonds (other than municipal inflation-indexed and certain corporate inflation-indexed bonds) are fixed income securities whose principal value is periodically adjusted according to the rate of inflation. If the index measuring inflation rises or falls, the principal value of inflation-indexed bonds (other than municipal inflation-indexed and certain corporate inflation-indexed bonds) will be adjusted upward or downward, and consequently the interest payable on these securities (calculated with respect to a larger or smaller principal amount) will be increased or reduced, respectively. Any upward or downward adjustment in the principal amount of an inflation-indexed bond will be included as interest income in the Consolidated Statement of Operations, even though investors do not receive their principal until maturity. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal. With regard to municipal inflation-indexed bonds and certain corporate inflation-indexed bonds, the inflation adjustment is typically reflected in the semi-annual coupon payment. As a result, the principal value of municipal inflation-indexed bonds and such corporate inflation-indexed bonds does not adjust according to the rate of inflation.

Multiple Class Pass-Through Securities: Multiple class pass-through securities, including collateralized mortgage obligations ("CMOs") and commercial mortgage-backed securities. may be issued by Ginnie Mae, U.S. Government agencies or instrumentalities or by trusts formed by private originators of, or investors in, mortgage loans. In general, CMOs are debt obligations of a legal entity that are collateralized by, a pool of residential or commercial mortgage loans or Mortgage Assets. The payments on these are used to make payments on the CMOs or multiple pass-through securities. Multiple class pass-through securities represent direct ownership interests in the Mortgage Assets. Classes of CMOs include interest only ("IOs"), principal only ("POs"), planned amortization classes and targeted amortization classes. IOs and POs are stripped mortgage-backed securities representing interests in a pool of mortgages, the cash flow from which has been separated into interest and principal components. IOs receive the interest portion of the cash flow while POs receive the principal portion. IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the principal is returned and the yield to maturity on the PO. When payments on mortgages underlying a PO are slower than anticipated, the life of the PO is lengthened and the yield to maturity is reduced. If the underlying Mortgage Assets experience greater than anticipated prepayments of principal, the Fund's initial investment in the IOs may not fully recoup.

Zero-Coupon Bonds: Zero-coupon bonds, are normally issued at a significant discount from face value and do not provide for periodic interest payments. These bonds may experience greater volatility in market value than other debt obligations of similar maturity which provide for regular interest payments.

Capital Securities and Trust Preferred Securities: Capital securities, including trust preferred securities, are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics. In the case of trust preferred securities, an affiliated business trust of a corporation issues these securities, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The securities can be structured with either a fixed or adjustable coupon that can have either a perpetual or stated maturity date. For trust preferred securities, the issuing bank or corporation pays interest to the trust, which is then distributed to holders of the these securities as a dividend. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. Payments on these securities are treated as interest rather than dividends for federal income tax purposes. These securities generally are rated below that of the issuing company's senior debt securities and are freely callable at the issuer's option.

Preferred Stock: Preferred stock has a preference over common stock in liquidation (and generally in receiving dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Warrants: Warrants entitle the Fund to purchase a specified number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date of the warrants, if any. If the price of the underlying stock does not rise above the strike price before the warrant expires, the warrant generally expires without any value and the Fund will lose any amount it paid for the warrant. Thus, investments in warrants may involve more risk than investments in common stock. Warrants may trade in the same markets as their underlying stock; however, the price of the warrant does not necessarily move with the price of the underlying stock.

Floating Rate Loan Interests: Floating rate loan interests are typically issued to companies (the "borrower") by banks, other financial institutions, or privately and publicly offered corporations (the "lender"). Floating rate loan interests are generally non-investment grade, often involve borrowers whose financial condition is troubled or uncertain and companies that are highly leveraged in bankruptcy proceedings. In addition, transactions in floating rate loan interests may settle on a delayed basis, which may result to proceeds from the sale to not be readily available for the Fund to make additional investments or meet its redemption obligations. Floating rate loan interests may include fully funded term loans or revolving lines of credit. Floating rate loan interests are typically senior in the corporate capital structure of the borrower. Floating rate loan interests generally pay interest at rates that are periodically determined by reference to a base lending rate plus a premium. Since the rates reset only periodically, changes in prevailing interest rates (and particularly sudden and significant changes) can be expected to cause some fluctuations in the net asset value of the Fund to the extent that it invests in floating rate debt securities. The base lending rates are generally the lending rate offered by one or more European banks, such as the London Interbank Offered Rate ("LIBOR"), the prime rate offered by one or more U.S. banks or the certificate of deposit rate. Floating rate loan interests may involve foreign borrowers, and investments may be denominated in foreign currencies. These investments are treated as investments in debt securities for purposes of the Fund's investment policies.

When the Fund purchases a floating rate loan interest, it may receive a facility fee and when it sells a floating rate loan interest, it may pay a facility fee. On an ongoing basis, the Fund may receive a commitment fee based on the undrawn portion of the underlying line of credit amount of a floating rate loan interest. Facility and commitment fees are typically amortized to income over the term of the loan or term of the commitment, respectively. Consent and amendment fees are recorded to income as earned. Prepayment penalty fees, which may be received by the Fund upon the prepayment of a floating rate loan interest by a borrower, are recorded as realized gains. The Fund may invest in multiple series or tranches of a loan. A different series or tranche may have varying terms and carry different associated risks.

Floating rate loan interests are usually freely callable at the borrower's option. The Fund may invest in such loans in the form of participations in loans ("Participations") or assignments ("Assignments") of all or a portion of loans from third parties. Participations typically will result in the Fund having a contractual relationship only with the lender, not with the borrower. The Fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the Participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing Participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of offset against the borrower. The Fund may not benefit directly from any collateral supporting the loan in which it has purchased the Participation. As a result, the Fund assumes the credit risk of both the borrower and the lender that is selling the Participation. The Fund's investment in

loan participation interests involves the risk of insolvency of the financial intermediaries who are parties to the transactions. In the event of the insolvency of the lender selling the Participation, the Fund may be treated as a general creditor of the lender and may not benefit from any offset between the lender and the borrower. Assignments typically result in the Fund having a direct contractual relationship with the borrower, and the Fund may enforce compliance by the borrower with the terms of the loan agreement.

Forward Commitments and When-Issued Delayed Delivery Securities: The Fund may purchase securities on a when-issued basis and may purchase or sell securities on a forward commitment basis. Settlement of such transactions normally occurs within a month or more after the purchase or sale commitment is made. The Fund may purchase securities under such conditions with the intention of actually acquiring them, but may enter into a separate agreement to sell the securities before the settlement date. Since the value of securities purchased may fluctuate prior to settlement, the Fund may be required to pay more at settlement than the security is worth. In addition, the Fund is not entitled to any of the interest earned prior to settlement. When purchasing a security on a delayed delivery basis, the Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations. In the event of default by the counterparty, the Fund's maximum amount of loss is the unrealized appreciation of unsettled when-issued transactions.

TBA Commitments: TBA commitments are forward agreements for the purchase or sale of mortgage-backed securities for a fixed price, with payment and delivery on an agreed upon future settlement date. The specific securities to be delivered are not identified at the trade date. However, delivered securities must meet specified terms, including issuer, rate and mortgage terms. When entering into TBA commitments, the Fund may take possession of or deliver the underlying mortgage-backed securities but can extend the settlement or roll the transaction. TBA commitments involve a risk of loss if the value of the security to be purchased or sold declines or increases, respectively, prior to settlement date.

In order to better define contractual rights and to secure rights that will help the Fund mitigate its counterparty risk, TBA commitments may be entered into by the Fund under Master Securities Forward Transaction Agreements (each, an "MSFTA"). An MSFTA typically contains, among other things, collateral posting terms and netting provisions in the event of default and/or termination event. The collateral requirements are typically calculated by netting the mark-to-market amount for each transaction under such agreement and comparing that amount to the value of the collateral currently pledged by the Fund and the counterparty. Cash collateral that has been pledged to cover the obligations of the Fund and cash collateral received from the counterparty, if any, is reported separately on the Consolidated Statement of Assets and Liabilities as cash pledged as collateral for TBA commitments or cash received as collateral for TBA commitments, respectively. Non-cash collateral pledged by the Fund, if any, is noted in the Consolidated Schedule of Investments. Typically, the Fund is permitted to sell, repledge or use the collateral it receives; however, the counterparty is not permitted to do so. To the extent amounts due to the Fund is not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty nonperformance.

Mortgage Dollar Roll Transactions: The Fund may sell TBA mortgage-backed securities and simultaneously contract to repurchase substantially similar (i.e., same type, coupon and maturity) securities on a specific future date at an agreed upon price. During the period between the sale and repurchase, the Fund is not entitled to receive interest and principal payments on the securities sold. Mortgage dollar roll transactions are treated as purchases and sales and realizes gains and losses on these transactions. Mortgage dollar rolls involve the risk that the market value of the securities that the Fund is required to purchase may decline below the agreed upon repurchase price of those securities.

Short Sales Transactions: In short sale transaction, the Fund sells a security it does not hold in anticipation of a decline in the market price of that security. When the Fund makes a short sale, it will borrow the security sold short from a broker/counterparty and deliver the security to the purchaser. To close out a short position, the Fund delivers the same security to the broker and records a liability to reflect the obligation to return the security to the broker. The amount of the liability is subsequently marked-to-market to reflect the market value of the short sale. The Fund maintains a segregated account of securities or deposits cash with the broker-dealer as collateral for the short sales. Cash deposited with the broker is recorded as an asset in the Consolidated Statement of Assets and Liabilities. Securities segregated as collateral are denoted in the Consolidated Schedule of Investments. The Fund may pay a financing fee for the difference between the market value of the short position and the cash collateral deposited with the broker which would be recorded as interest expense. The Fund is required to repay the counterparty any dividends received on the security sold short, which, if applicable, is shown as dividend expense in the Consolidated Statement of Operations. The Fund may pay a fee on the assets borrowed from the counterparty, which, if applicable, is shown as stock loan fees in the Consolidated Statement of Operations. The Fund is exposed to market risk based on the amount, if any, that the market value of the security increases beyond the market value at which the position was sold. Thus, a short sale of a security involves the risk that instead of declining, the price of the security sold short will rise. The short sale of securities involves the possibility of an unlimited loss since there is an unlimited potential for the market price of the security sold short to increase. A gain, limited to the price at which the Fund sold the security short. A realized gain or loss is recognized upon the termination of a short sale if the market price is either less than or greater than the proceeds originally received. There is no assurance that the Fund will be able to close out a short position at a particular time or at an acceptable price.

Securities Lending: The Fund may lend its securities to approved borrowers, such as brokers, dealers and other financial institutions. The borrower pledges and maintains with the Fund collateral consisting of cash, an irrevocable letter of credit issued by a bank, or securities issued or guaranteed by

the U.S. Government. The initial collateral received by the Fund is required to have a value of at least 102% of the current value of the loaned securities for securities traded on U.S. exchanges and a value of at least 105% for all other securities. The collateral is maintained thereafter at a value equal to at least 100% of the current market value of the securities on loan. The market value of the loaned securities is determined at the close of each business day of the Fund and any additional required collateral is delivered to the Fund, or excess collateral returned by the Fund, on the next business day. During the term of the loan, the Fund is entitled to all distributions made on or in respect of the loaned securities. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for settlement of securities transactions.

The market value of any securities on loan, all of which were classified as common or preferred stocks in the Fund's Consolidated Schedule of Investments, and the value of any related collateral are shown separately in the Consolidated Statement of Assets and Liabilities as a component of investments at value — unaffiliated, and collateral on securities loaned at value, respectively. As of period end, any securities on loan were collateralized by cash. The cash collateral invested by the securities lending agent, BlackRock Investment Management, LLC ("BIM"), if any, is disclosed in the Consolidated Schedule of Investments.

Securities lending transactions are entered into by the Fund under Master Securities Lending Agreements (each, an "MSLA"), which provide the right, in the event of default (including bankruptcy or insolvency), for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaults, the Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. When the value of the collateral is greater than that of the market value of the securities loaned, the lender is left with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an MSLA counterparty's bankruptcy or insolvency. Under the MSLA, absent an event of default the borrower can resell or re-pledge the loaned securities, and the Fund can reinvest cash collateral received in connection with loaned securities. Upon an event of default, the parties' obligations to return the securities or collateral to the other party are extinguished, and the parties can resell or re-pledge the loaned securities or the collateral received in connection with the loaned securities in order to satisfy the defaulting party's net payment obligation for all transactions under the MSLA. The defaulting party remains liable for any deficiency.

As of period end, the following table is a summary of the Fund's securities lending agreements by counterparty which are subject to offset under an MSLA:

Counterparty	Securities Loaned at Value[1]	Cash Collateral Received[2]	Net Amount[3]
Barclays Capital, Inc.	$ 5,322,750	$ (5,322,750)	–
BNP Paribas S.A.	2,946,886	(2,946,886)	–
Citigroup Global Markets, Inc.	4,407,744	(4,407,744)	–
Credit Suisse Securities (USA) LLC	4,986,645	(4,986,645)	–
Goldman Sachs & Co.	14,390,231	(14,390,231)	–
JP Morgan Securities LLC	115,459,428	(115,459,428)	–
Merrill Lynch, Pierce, Fenner & Smith, Inc.	6,929,118	(6,929,118)	–
Morgan Stanley	77,726,684	(77,726,684)	–
Nomura Securities International Inc.	4,206,840	(4,206,684)	$156
State Street Bank & Trust Co.	19,921,530	(19,921,530)	–
UBS AG	12,099,776	(12,099,776)	–
Total	$268,397,632	$(268,397,476)	$156

[1] Securities loaned with a value of $805,991 have been sold and are pending settlement as of June 30, 2016.

[2] Collateral with a value of $274,482,165 has been received in connection with securities lending agreements. Collateral received in excess of the value of securities loaned from the individual counterparty is not shown for financial reporting purposes in the table above.

[3] The market value of the loaned securities is determined as of June 30, 2016. Additional collateral is delivered to the Fund on the next business day in accordance with the MSLA. The net amount would be subject to the borrower default indemnity in the event of default by the counterparty.

The risks of securities lending include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate these risks, the Fund benefits from a borrower default indemnity provided by BIM. BIM's indemnity allows for full replacement of the securities loaned if the collateral received does not cover the value on the securities loaned in the event of borrower default. The Fund could suffer a loss if the value of an investment purchased with cash collateral falls below the market value of loaned securities or if the value of an investment purchased with cash collateral falls below the value of the original cash collateral received.

5. Derivative Financial Instruments:

The Fund engages in various portfolio investment strategies using derivative contracts both to increase the returns of the Fund and/or to manage its exposure to certain risks such as credit risk, equity risk, interest rate risk, foreign currency exchange rate risk, commodity price risk or other risks (e.g.

inflation risk). Derivative financial instruments categorized by risk exposure are included in the Consolidated Schedule of Investments. These contracts may be transacted on an exchange or OTC.

Futures Contracts: The Fund invests in long and/or short positions in futures and options on futures contracts to gain exposure to, or manage exposure to, changes in interest rates (interest rate risk), changes in the value of equity securities (equity risk) or foreign currencies (foreign currency exchange rate risk.

Futures contracts are agreements between the Fund and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and on a specified date. Depending on the terms of a contract, it is settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash amount on the settlement date. Upon entering into a futures 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 a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract.

Securities deposited as initial margin are designated in the Consolidated Schedule of Investments and cash deposited, if any, is shown as cash pledged for futures contracts in the Consolidated Statement of Assets and Liabilities. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in market value of the contract ("variation margin"). Variation margin is recorded as unrealized appreciation (depreciation) and, if any, shown as variation margin receivable (or payable) on futures contracts in the Consolidated Statement of Assets and Liabilities. When the contract is closed, a realized gain or loss is recorded in the Consolidated Statement of Operations equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The use of futures contracts involves the risk of an imperfect correlation in the movements in the price of futures contracts and interest, foreign currency exchange rates or underlying assets.

Forward Foreign Currency Exchange Contracts: The Fund enters into forward foreign currency exchange contracts to gain or reduce exposure, to foreign currencies (foreign currency exchange rate risk).

A forward foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a specified date. These contracts help to manage the overall exposure to the currencies in which some of the investments held by the Fund are denominated and in some cases, may be used to obtain exposure to a particular market.

The contract is marked to market daily and the change in market value is recorded as unrealized appreciation (depreciation) in the Consolidated Statement of Assets and Liabilities. When a contract is closed, a realized gain or loss is recorded in the Consolidated Statement of Operations equal to the difference between the value at the time it was opened and the value at the time it was closed. Non-deliverable forward foreign currency exchange contracts are settled with the counterparty in cash without the delivery of foreign currency. The use of forward foreign currency exchange contracts involves the risk that the value of a forward foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies.

Options: The Fund purchases and writes call and put options to increase or decrease its exposure to the risks of underlying instruments, including equity risk, interest rate risk and/or commodity price risk and/or, in the case of options written, to generate gains from options premiums.

A call option gives the purchaser (holder) of the option the right (but not the obligation) to buy, and obligates the seller (writer) to sell (when the option is exercised) the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the exercise or strike price at any time or at a specified time during the option period.

Premiums paid on options purchased and premiums received on options written, as well as the daily fluctuation in market value, are included in investments at value – unaffiliated and options written at value, respectively, in the Consolidated Statement of Assets and Liabilities. When an instrument is purchased or sold through the exercise of an option, the premium is offset against the cost or proceeds of the underlying instrument. When an option expires, a realized gain or loss is recorded in the Consolidated Statement of Operations to the extent of the premiums received or paid. When an option is closed or sold, a gain or loss is recorded in the Consolidated Statement of Operations to the extent the cost of the closing transaction exceeds the premiums received or paid. When the Fund writes a call option, such option is typically "covered," meaning that it holds the underlying instrument subject to being called by the option counterparty. When the Fund writes a put option, such option is covered by cash in an amount sufficient to cover the obligation.

- Swaptions — The Fund purchases and writes options on swaps ("swaptions") primarily to preserve a return or spread on a particular investment or portion of the Fund's holdings, as a duration management technique or to protect against an increase in the price of securities it anticipates purchasing at a later date. The purchaser and writer of a swaption is buying or granting the right to enter into a previously agreed upon interest rate or credit default swap agreement (interest rate risk and/or credit risk) at any time before the expiration of the option.

- Foreign Currency options — The Fund purchases and writes foreign currency options, foreign currency futures and options on foreign currency futures to gain or reduce exposure to foreign currencies (foreign currency exchange rate risk). Foreign currency options give the purchaser the right to buy from or sell to the writer a foreign currency at any time before the expiration of the option.
- Barrier options — The Fund may purchase and write a variety of options with non-standard payout structures or other features ("barrier options") that are generally traded OTC.

  The Fund may invest in various types of barrier options, including down-and-out options, down-and-in options, double no-touch options, one-touch options and up-and-out options. Down-and-out options expire worthless to the purchaser if the price of the underlying instrument falls below a specific barrier price level prior to the expiration date. Down-and-in options expire worthless to the purchaser unless the price of the underlying instrument falls below a specific barrier price level prior to the expiration date. Double no-touch options provide the purchaser an agreed-upon payout if the price of the underlying instrument does not reach or surpass predetermined barrier price levels prior to the option's expiration date. One-touch options provide the purchaser an agreed-upon payout if the price of the underlying instrument reaches or surpasses predetermined barrier price levels prior to the expiration date. Up-and-out options expire worthless if the price of the underlying instrument increases beyond a predetermined barrier price level prior to the expiration date.
- Structured options — The Fund invests in structured options to increase or decrease its exposure to an underlying index or group of securities (equity risk).

  These options may consist of single or multiple OTC options which are priced as a single instrument. They may only be exercised at the expiration date, but may be transferred/sold prior to the expiration date. The value of a structured option may either increase or decrease with the underlying index or group of securities, depending on the combination of options used. Structured options are issued in units whereby each unit represents a structure based on the specific index with an initial reference strike price. One type of structure involves the combination of selling a put while buying a call on a specific index. This option would rise in value as the underlying index increases and fall in value as the underlying index decreases. Alternatively, another structure involves the sale of a call and the purchase of a put. This option structure would rise in value as the underlying index decreases and fall in value as the underlying index increases. Upon the exercise of the structured option, the Fund will receive a payment from, or be required to remit a payment to, the counterparty depending on the value of the underlying index at exercise.

In purchasing and writing options, the Fund bears the risk of an unfavorable change in the value of the underlying instrument or the risk that it may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written option could result in the Fund purchasing or selling a security when it otherwise would not, or at a price different from the current market value.

Swaps: The Fund enters into swap contracts to manage exposure to issuers, markets and securities. Such contracts are agreements between the Fund and a counterparty to make periodic net payments on a specified notional amount or a net payment upon termination. Swap agreements are privately negotiated in the OTC market and may be entered into as a bilateral contract ("OTC swaps") or centrally cleared ("centrally cleared swaps").

For OTC swaps, any upfront premiums paid and any upfront fees received are shown as swap premiums paid and swap premiums received, respectively, in the Consolidated Statement of Assets and Liabilities and amortized over the term of the contract. The daily fluctuation in market value is recorded as unrealized appreciation (depreciation) on OTC Swaps in the Consolidated Statement of Assets and Liabilities. Payments received or paid are recorded in the Consolidated Statement of Operations as realized gains or losses, respectively. When an OTC swap is terminated, a realized gain or loss is recorded in the Consolidated Statement of Operations equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund's basis in the contract, if any. Generally, the basis of the contract is the premium received or paid.

In a centrally cleared swap, immediately following execution of the swap contract, the swap contract is novated to a central counterparty (the "CCP") and the Fund's counterparty on the swap agreement becomes the CCP. The Fund is required to interface with the CCP through the broker. Upon entering into a centrally cleared swap, 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. Securities deposited as initial margin are designated in the Consolidated Schedule of Investments and cash deposited is shown as cash pledged for centrally cleared swaps in the Consolidated Statement of Assets and Liabilities. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in market value of the contract ("variation margin"). Variation margin is recorded as unrealized appreciation (depreciation) and shown as variation margin receivable (or payable) on centrally cleared swaps in the Consolidated Statement of Assets and Liabilities. Payments received from (paid to) the counterparty, including at termination, are recorded as realized gains (losses) in the Consolidated Statement of Operations.

- Credit default swaps — The Fund enters into credit default swaps to manage its exposure to the market or certain sectors of the market, to reduce their risk exposure to defaults of corporate and/or sovereign issuers or to create exposure to corporate and/or sovereign issuers to which it is not otherwise exposed (credit risk).

  The Fund may either buy or sell (write) credit default swaps on single-name issuers (corporate or sovereign), a combination or basket of single-name issuers or traded indexes. Credit default swaps are agreements in which the protection buyer pays fixed periodic payments to the seller in

consideration for a promise from the protection seller to make a specific payment should a negative credit event take place with respect to the referenced entity (e.g., bankruptcy, failure to pay, obligation acceleration, repudiation, moratorium or restructuring). As a buyer, if an underlying credit event occurs, the Fund will either (i) receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising the index, or (ii) receive a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the index. As a seller (writer), if an underlying credit event occurs, the Fund will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising the index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the index.

- Total return swaps — The Fund enters into total return swaps to obtain exposure to a security or market without owning such security or investing directly in such market or to exchange the risk/return of one market (e.g., fixed income) with another market (e.g., equity or commodity prices) (equity risk, commodity price risk and/or interest rate risk).

  Total return swaps are agreements in which there is an exchange of cash flows whereby one party commits to make payments based on the total return (distributions plus capital gains/losses) of an underlying instrument in exchange for fixed or floating rate interest payments. If the total return of the instrument or index underlying the transaction exceeds or falls short of the offsetting fixed or floating interest rate obligation, the Fund receives payment from or makes a payment to the counterparty.

- Interest rate swaps — The Fund enters into interest rate swaps to gain or reduce exposure to interest rates or to manage duration, the yield curve or interest rate (interest rate risk).

  Interest rate swaps are agreements in which one party pays a stream of interest payments, either fixed or floating, in exchange for another party's stream of interest payments, either fixed or floating, on the same notional amount for a specified period of time. In more complex interest rate swaps, the notional principal amount may decline (or amortize) over time.

- Currency swaps — The Fund enters into currency swaps to gain or reduce exposure to foreign currencies (foreign currency exchange rate risk).

  Currency swaps are interest rate swaps in which one party pays a stream of interest payments, either fixed or floating, in exchange for another party's stream of interest payments, either fixed or floating, based on the notional amounts of two different currencies. The notional amounts are typically determined based on the spot exchange rates at the inception of the trade. Currency swaps may also involve an exchange of notional amounts at the start, during and/or at expiration of the contract, either at the current spot rate or another specified rate.

- Forward swaps — The Fund enters into forward interest rate swaps and forward total return swaps. In a forward swap, the Fund and the counterparty agree to make periodic net payments beginning on a specified date or a net payment at termination.

Swap transactions involve, to varying degrees, elements of interest rate, credit and market risk in excess of the amounts recognized in the Consolidated Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavorable changes in interest rates and/or market values associated with these transactions.

Master Netting Arrangements: In order to define its contractual rights and to secure rights that will help it 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 counterparties. An ISDA Master Agreement is a bilateral agreement between the Fund and a counterparty that governs certain OTC derivatives 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 financial instruments' 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 including the bankruptcy or insolvency of the counterparty. Bankruptcy or insolvency laws of a particular jurisdiction may restrict or prohibit the right of offset in bankruptcy, insolvency or other events. In addition, certain ISDA Master Agreements allow counterparties to terminate derivative contracts prior to maturity in the event the Fund's net assets decline by a stated percentage or the Fund fails to meet the terms of its ISDA Master Agreements. The result would cause the Fund to accelerate payment of any net liability owed to the counterparty.

Collateral Requirements: For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark-to-market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by the Fund and the counterparty.

Cash collateral that has been pledged to cover obligations of the Fund and cash collateral received from the counterparty, if any, is reported separately on the Consolidated Statement of Assets and Liabilities as cash pledged as collateral and cash received as collateral, respectively. Non-cash collateral pledged by the Fund, if any, is noted in the Consolidated Schedule of Investments. Generally, the amount of collateral due from or to a counterparty is

subject to a certain minimum transfer amount threshold before a transfer is required, which is determined at the close of business of the Fund. Any additional required collateral is delivered to/pledged by the Fund on the next business day. Typically, the counterparty is not permitted to sell, re-pledge or use cash and non-cash collateral it receives. The Fund generally agrees not to use non-cash collateral that it receives but may, absent default or certain other circumstances defined in the underlying ISDA Master Agreement, be permitted to use cash collateral received. In such cases, interest may be paid pursuant to the collateral arrangement with the counterparty. To the extent amounts due to the Fund from its counterparties are not fully collateralized, it bears the risk of loss from counterparty non-performance. Likewise, to the extent the Fund has delivered collateral to a counterparty and stands ready to perform under the terms of its agreement with such counterparty, it bears the risk of loss from a counterparty in the amount of the value of the collateral in the event the counterparty fails to return such collateral. Based on the terms of agreements, collateral may not be required for all derivative contracts.

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

6. Investment Advisory Agreement and Other Transactions with Affiliates:

The PNC Financial Services Group, Inc. is the largest stockholder and an affiliate of BlackRock, Inc. ("BlackRock") for 1940 Act purposes.

Investment Advisory

The Company, on behalf of the Fund, entered into an Investment Advisory Agreement with the Manager, the Fund's investment adviser, an indirect, wholly owned subsidiary of BlackRock, to provide investment advisory and administration services. The Manager is responsible for the management of the Fund's portfolio and provides the personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays the Manager a monthly fee, which is determined by calculating a percentage of the Fund's average daily net assets, based on the following annual rates:

Average Daily Net Assets	Investment Advisory Fee
First $6 Billion	0.65%
$6 Billion - $8 Billion	0.61%
$8 Billion - $10 Billion	0.59%
$10 Billion - $15 Billion	0.57%
Greater than $15 Billion	0.55%

The Manager provides investment management and other services to the Subsidiary. The Manager does not receive separate compensation from the Subsidiary for providing investment management or administrative services. However, the Fund pays the Manager based on the Fund's net assets, which includes the assets of the Subsidiary.

Distribution Fees

The Company, on behalf of the Fund, entered into a Distribution Agreement and a Distribution Plan with BlackRock Investments, LLC ("BRIL"), an affiliate of the Manager. Pursuant to the Distribution Plan and in accordance with Rule 12b-1 under the 1940 Act, the Fund pays BRIL ongoing service and distribution fees. The fees are accrued daily and paid monthly at annual rates based upon the average daily net assets of the relevant share class of the Fund as follows:

Class II	Class III
0.15%	0.25%

For the six months ended June 30, 2016, the following table shows the class specific distribution fees borne directly by each share class of the Fund:

Class II	Class III	Total
$181,129	$10,544,534	$10,725,663

Transfer Agent

The Manager, on behalf of the Fund, entered into agreements with insurance companies and other financial intermediaries ("Service Organizations"), some of which may be affiliates. Pursuant to these agreements, the Service Organizations provide the Fund with administrative, networking, recordkeeping, sub-transfer agency and shareholder services to sub-accounts they service. For these services, the Service Organizations receive an annual fee per shareholder account, which will vary depending on share class and/or net assets of Fund shareholders serviced by the Service Organizations, which is shown as transfer agent – class specific. For the six months ended June 30, 2016, the Fund did not pay any amounts to affiliates in return for these services.

In addition, the Fund pays the transfer agent, which is not an affiliate, a fee for issuance, transfer and redemption of shares and the opening and maintenance of shareholder accounts, which is included in transfer agent in the Consolidated Statement of Operations.

For the six months ended June 30, 2016, the following table shows the class specific transfer agent fees borne directly by each class of the Fund:

Class I	Class II	Class III	Total
$721,232	$238,855	$8,872,290	$9,832,377

Expense Limitations, Waivers and Reimbursements

The Manager, with respect to the Fund, contractually agreed to waive and/or reimburse fees or expenses in order to limit expenses, excluding interest expense, dividend expense, tax expense, acquired fund fees and expenses, and certain other fund expenses, which constitute extraordinary expenses not incurred in the ordinary course of the Fund's business. The expense limitations as a percentage of average daily net assets are as follows:

Class I	1.25%
Class II	1.40%
Class III	1.50%

The Manager has agreed not to reduce or discontinue this contractual expense limitation prior to May 1, 2017 unless approved by the Board, including a majority of the Independent Directors who are not "interested persons" of the Fund, as defined in the 1940 Act ("Independent Directors") or by a majority of the outstanding voting securities of the Fund.

The Manager, with respect to the Fund, voluntarily agreed to waive its investment advisory fees by the amount of investment advisory fees the Fund pays to the Manager indirectly through its investment in affiliated money market funds. This amount is shown as fees waived by the Manager in the Consolidated Statement of Operations. However, the Manager does not waive its investment advisory fees by the amount of investment advisory fees paid in connection with the Fund's investment in other affiliated investment companies, if any. For the six months ended June 30, 2016, the amount waived was $1,284.

The Manager has contractually agreed to reimburse transfer agent fees in order to limit such expenses as a percentage of average daily net assets as follows:

Class I	0.07%
Class II	0.07%
Class III	0.07%

The Manager has agreed not to reduce or discontinue this contractual expense limitation prior to May 1, 2017 unless approved by the Board, including a majority of the Independent Directors or by a majority of the outstanding voting securities of the Fund.

These amounts reimbursed are shown as transfer agent fees reimbursed – class specific in the Consolidated Statement of Operations. Class specific expense reimbursements are as follows:

	Class I	Class II	Class III	Total
Transfer Agent Fees Reimbursed	$23,745	$154,096	$5,911,732	$6,089,573

For the six months ended June 30, 2016, the Fund reimbursed the Manager $59,272 for certain accounting services, which is included in accounting services in the Consolidated Statement of Operations.

Securities Lending

The U.S. Securities and Exchange Commission has issued an exemptive order which permits BIM, an affiliate of the Manager, to serve as securities lending agent for the Fund, subject to applicable conditions. As securities lending agent, BIM bears all operational costs directly related to securities lending. The Fund is responsible for expenses in connection with the investment of cash collateral received for securities on loan (the "collateral investment expenses"). The cash collateral is invested in a private investment company managed by the Manager or its affiliates. However, BIM has agreed to cap the collateral investment expenses of the private investment company to an annual rate of 0.04%. The investment adviser to the private investment company will not charge any advisory fees with respect to shares purchased by the Fund.

Securities lending income is equal to the total of income earned from the reinvestment of cash collateral, net of fees and other payments to and from borrowers of securities, and less the collateral investment expenses. The Fund retains a portion of securities lending income and remits a remaining portion to BIM as compensation for its services as securities lending agent.

Pursuant to a securities lending agreement, the Fund retains 80% of securities lending income, and this amount retained can never be less than 70% of the total of securities lending income plus the collateral investment expenses.

In addition, commencing the business day following the date that the aggregate securities lending income earned across the Equity-Bond Complex in a calendar year exceeds a specified threshold, the Fund, pursuant to the securities lending agreement, will retain for the remainder of that calendar year securities lending income as follows: 85% of securities lending income, and this amount retained can never be less than 70% of the total of securities lending income plus the collateral investment expenses.

The share of securities lending income earned by the Fund is shown as securities lending — affiliated — net in the Consolidated Statement of Operations. For the six months ended June 30, 2016, the Fund paid BIM $426,366 for securities lending agent services.

Officers and Directors

Certain officers and/or directors of the Company are officers and/or directors of BlackRock or its affiliates. The Fund reimburses the Manager for a portion of the compensation paid to the Fund's Chief Compliance Officer, which is included in Officer and Directors in the Consolidated Statement of Operations.

Other Transactions

The Fund may purchase securities from, or sell securities to, an affiliated fund provided the affiliation is due solely to having a common investment adviser, common officers, or common directors. For the six months ended June 30, 2016, the purchase and sale transactions which resulted in net realized gains (losses) with an affiliated fund in compliance with Rule 17a-7 under the 1940 Act were as follows.

Purchases	Sales	Net Realized Gain
$9,877,590	$4,566,154	$557,197

7. Purchases and Sales:

For the six months ended June 30, 2016, purchases and sales of investments, including paydowns and excluding short-term securities, were as follows:

	Purchases	Sales
Non-U.S. Government Securities	$4,263,686,951	$3,623,825,858
U.S. Government Securities	$2,351,879,960	$1,884,222,567

For the six months ended June 30, 2016, purchases and sales related to mortgage dollar rolls were $148,044,015 and $147,522,701, respectively.

8. Income Tax Information:

It is the Fund's policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

The Fund files U.S. federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Fund's U.S. federal tax returns generally remains open for each of the four years ended December 31, 2015. The statutes of limitations on the Fund's state and local tax returns may remain open for an additional year depending upon the jurisdiction.

Management has analyzed tax laws and regulations and their application to the Fund as of June 30, 2016, inclusive of the open tax return years, and does not believe there are any uncertain tax positions that require recognition of a tax liability in the Fund's financial statements.

As of June 30, 2016, gross unrealized appreciation and depreciation based on cost for federal income tax purposes were as follows:

Tax cost	$11,432,839,176
Gross unrealized appreciation	$ 657,725,138
Gross unrealized depreciation	(759,051,864)
Net unrealized depreciation	$ (101,326,726)

9. Bank Borrowings:

The Company, on behalf of the Fund, along with certain other funds managed by the Manager and its affiliates ("Participating Funds"), is a party to a 364-day, $2.1 billion credit agreement with a group of lenders. Under this agreement, the Fund may borrow to fund shareholder redemptions. Excluding

commitments designated for certain individual funds, the Participating Funds, including the Fund, can borrow up to an aggregate commitment amount of $1.6 billion at any time outstanding, subject to asset coverage and other limitations as specified in the agreement. The credit agreement has the following terms: a fee of 0.12% per annum on unused commitment amounts and interest at a rate equal to the higher of (a) one-month LIBOR (but, in any event, not less than 0.00%) on the date the loan is made plus 0.80% per annum or (b) the Fed Funds rate (but, in any event, not less than 0.00%) in effect from time to time plus 0.80% per annum on amounts borrowed. The agreement expires in April 2017 unless extended or renewed. Prior to April 21, 2016, the credit agreement had a fee per annum of 0.06% on unused commitment amounts and interest at a rate equal to the higher of (a) one-month LIBOR (but, in any event, not less than 0.00%) on the date the loan is made plus 0.80% per annum or (b) the Fed Funds rate (but, in any event, not less than 0.00%) in effect from time to time plus 0.80% per annum on amounts borrowed. Participating Funds paid administration, legal and arrangement fees, which, if applicable, are included in miscellaneous expenses in the Consolidated Statement of Operations. These fees were allocated among such funds based upon portions of the aggregate commitment available to them and relative net assets of Participating Funds. During the six months ended June 30, 2016, the Fund did not borrow under the credit agreement.

10. Principal Risks:

In the normal course of business, the Fund invests in securities and enters into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer to meet all its obligations, including the ability to pay principal and interest when due (issuer credit risk). The value of securities held by the Fund may decline in response to certain events, including those directly involving the issuers of securities owned by the Fund. Changes arising from the general economy; the overall market and local, regional or global political or/and social instability, as well as currency, interest rate and price fluctuations, may also affect the securities' value.

The Fund may be exposed to prepayment risk, which is the risk that borrowers may exercise their option to prepay principal earlier than scheduled during periods of declining interest rates, which would force the Fund to reinvest in lower yielding securities. The Fund may also be exposed to reinvestment risk, which is the risk that income from the Fund's portfolio will decline if the Fund invests the proceeds from matured, traded or called fixed income securities at market interest rates that are below the Fund portfolio's current earnings rate.

Counterparty Credit Risk: Similar to issuer credit risk, the Fund may be exposed to counterparty credit risk, or the risk that an entity may fail to or be unable to perform on its commitments related to unsettled or open transactions. The Fund manages counterparty credit risk by entering into transactions only with counterparties that the Manager believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Fund to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Fund's exposure to market, issuer and counterparty credit risks with respect to these financial assets is approximately their value recorded in the Consolidated Statement of Assets and Liabilities, less any collateral held by the Fund.

A derivative contract may suffer a mark-to-market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract.

The Fund's risk of loss from counterparty credit risk on OTC derivatives is generally limited to the aggregate unrealized gain less the value of any collateral held by the Fund.

For OTC options purchased, the Fund bears the risk of loss of the amount of the premiums paid plus the positive change in market values net of any collateral held by such Fund should the counterparty fail to perform under the contracts. Options written by the Fund do not typically give rise to counterparty credit risk, as options written generally obligate the Fund, and not the counterparty, to perform. The Fund may be exposed to counterparty credit risk with respect to options written to the extent the Fund deposits collateral with its counterparty to a written option.

With exchange-traded options purchased, futures and centrally cleared swaps, there is less counterparty credit risk to the Fund since the exchange or clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, credit risk is limited to failure of the clearinghouse. While offset rights may exist under applicable law, the Fund does not have a contractual right of offset against a clearing broker or clearinghouse in the event of a default (including the bankruptcy or insolvency). Additionally, credit risk exists in exchange-traded futures and centrally cleared swaps with respect to initial and variation margin that is held in a clearing broker's customer accounts. While clearing brokers are required to segregate customer margin from their own assets, in the event that a clearing broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the clearing broker for all its clients, typically the shortfall would be allocated on a pro rata basis across all the clearing broker's customers, potentially resulting in losses to the Fund.

The Fund invests a significant portion of its assets in fixed-income securities and/or uses derivatives tied to the fixed-income markets. Changes in market interest rates or economic conditions, may affect the value and/or liquidity of such investments. Interest rate risk is the risk that prices of bonds

and other fixed-income securities will increase as interest rates fall and decrease as interest rates rise. The Fund may be subject to a greater risk of rising interest rates due to the current period of historically low rates.

11. Capital Share Transactions:

Transactions in capital shares for each class were as follows:

	Six Months Ended June 30, 2016		Year Ended December 31, 2015	
	Shares	Amount	Shares	Amount
Class I				
Shares sold	10,277,855	$152,287,171	29,942,559	$ 491,454,627
Shares issued in reinvestment of distributions	–	–	7,239,930	111,785,594
Shares redeemed	(6,104,793)	(90,886,023)	(10,045,140)	(164,284,586)
Net increase	4,173,062	$ 61,401,148	27,137,349	$ 438,955,635
Class II				
Shares sold	374,658	$ 5,539,660	1,738,682	$ 28,612,376
Shares issued in reinvestment of distributions	–	–	1,068,549	16,467,733
Shares redeemed	(1,653,195)	(24,374,446)	(1,772,664)	(28,738,978)
Net increase (decrease)	(1,278,537)	$(18,834,786)	1,034,567	$ 16,341,131
Class III				
Shares sold	7,948,227	$ 101,529,025	21,372,342	$ 305,722,607
Shares issued in reinvestment of distributions	–	–	48,275,550	646,216,116
Shares redeemed	(44,046,068)	(563,893,720)	(78,303,391)	(1,117,166,913)
Net decrease	(36,097,841)	$(462,364,695)	(8,655,499)	$ (165,228,190)
Total Net Increase (Decrease)	(33,203,316)	$(419,798,333)	19,516,417	$ 290,068,576

12. Subsequent Events:

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were issued and has determined that there were no subsequent events requiring adjustment or additional disclosure in the consolidated financial statements.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements

The Board of Directors (the "Board," the members of which are referred to as "Board Members") of BlackRock Variable Series Funds, Inc. (the "Corporation") met in person on April 12, 2016 (the "April Meeting") and May 10-11, 2016 (the "May Meeting") to consider the approval of the investment advisory agreements (collectively, the "Advisory Agreements") between the Corporation, on behalf of BlackRock Basic Value V.I. Fund (the "Basic Value V.I. Fund"), BlackRock Capital Appreciation V.I. Fund (the "Capital Appreciation V.I. Fund"), BlackRock Equity Dividend V.I. Fund (the "Equity Dividend V.I. Fund"), BlackRock Global Allocation V.I. Fund (the "Global Allocation V.I. Fund"), BlackRock Global Opportunities V.I. Fund (the "Global Opportunities V.I. Fund"), BlackRock Government Money Market V.I. Fund (the "Government Money Market V.I. Fund"), BlackRock High Yield V.I. Fund (the "High Yield V.I. Fund"), BlackRock International V.I. Fund (the "International V.I. Fund"), BlackRock iShares Alternative Strategies V.I. Fund (the "iShares Alternative Strategies V.I. Fund"), BlackRock iShares Dynamic Allocation V.I. Fund (the "iShares Dynamic Allocation V.I. Fund"), BlackRock iShares Dynamic Fixed Income V.I. Fund (the "iShares Dynamic Fixed Income V.I. Fund"), BlackRock iShares Equity Appreciation V.I. Fund (the "iShares Equity Appreciation V.I. Fund), BlackRock Large Cap Core V.I. Fund (the "Large Cap Core V.I. Fund"), BlackRock Large Cap Growth V.I. Fund (the "Large Cap Growth V.I. Fund"), BlackRock Large Cap Value V.I. Fund (the "Large Cap Value V.I. Fund"), BlackRock Managed Volatility V.I. Fund (the "Managed Volatility V.I. Fund"), BlackRock S&P 500 Index V.I. Fund (the "S&P 500 Index V.I. Fund"), BlackRock Total Return V.I. Fund (the "Total Return V.I. Fund"), BlackRock U.S. Government Bond V.I. Fund (the "U.S. Government Bond V.I. Fund") and BlackRock Value Opportunities V.I. Fund (the "Value Opportunities V.I. Fund") (each, a "Fund," and collectively, the "Funds"), each a series of the Corporation, and BlackRock Advisors, LLC (the "Manager"), each Fund's investment advisor. The Board also considered the approval of the sub-advisory agreements (collectively, the "Sub-Advisory Agreements") between the Manager and (a) BlackRock International Limited; (b) BlackRock Asset Management North Asia Limited; and (c) BlackRock (Singapore) Limited (collectively, the "Sub-Advisors"), respectively with respect to the Funds, as applicable. The Manager and the Sub-Advisors are referred to herein as "BlackRock." The Advisory Agreements and the Sub-Advisory Agreements are referred to herein as the "Agreements."

Activities and Composition of the Board

On the date of the May Meeting, the Board consisted of thirteen individuals, ten of whom were not "interested persons" of the Corporation as defined in the Investment Company Act of 1940, as amended (the "1940 Act") (the "Independent Board Members"). One of the Board Members is a non-management interested Board Member by virtue of his former positions with BlackRock, Inc. and its affiliates. The Board Members are responsible for the oversight of the operations of the Funds and perform the various duties imposed on the directors of investment companies by the 1940 Act. The Independent Board Members have retained independent legal counsel to assist them in connection with their duties. The Chair of the Board is an Independent Board Member. The Board has established five standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee and an Executive Committee, each of which is chaired by an Independent Board Member and composed of Independent Board Members (except for the Performance Oversight Committee and the Executive Committee, each of which also has one interested Board Member).

The Agreements

Pursuant to the 1940 Act, the Board is required to consider the continuation of the Agreements on an annual basis. The Board has four quarterly meetings per year, each extending over two days, a fifth one-day meeting to consider specific information surrounding the consideration of renewing the Agreements and additional in-person and telephonic meetings as needed. In connection with this year-long deliberative process, the Board assessed, among other things, the nature, extent and quality of the services provided to each Fund by BlackRock, BlackRock's personnel and affiliates, including (as applicable): investment management; administrative and shareholder services; the oversight of fund service providers; marketing; risk oversight; compliance; and ability to meet applicable legal and regulatory requirements.

The Board, acting directly and through its committees, considers at each of its meetings, and from time to time as appropriate, factors that are relevant to its annual consideration of the renewal of the Agreements, including the services and support provided by BlackRock to each Fund and its shareholders. BlackRock also furnished additional information to the Board in response to specific questions from the Board. This additional information is discussed further below in the section titled "Board Considerations in Approving the Agreements." Among the matters the Board considered were: (a) investment performance for one-year, three-year, five-year, ten-year, and/or since inception periods, as applicable, against peer funds, applicable benchmark, and performance metrics, as applicable, as well as senior management's and portfolio managers' analysis of the reasons for any over-performance or underperformance relative to its peers, benchmarks, and other performance metrics, as applicable; (b) fees, including advisory, administration, if applicable, and other amounts paid to BlackRock and its affiliates by each Fund for services; (c) Fund operating expenses and how BlackRock allocates expenses to each Fund; (d) the resources devoted to, risk oversight of, and compliance reports relating to, implementation of each Fund's investment objective(s), policies and restrictions, and meeting regulatory requirements; (e) each Fund's compliance with its compliance policies and procedures; (f) the nature, cost and character of non-investment management services provided by BlackRock and its affiliates; (g) BlackRock's and other service providers' internal controls and risk and compliance oversight mechanisms; (h) BlackRock's implementation of the proxy voting policies approved by the Board; (i) the use of brokerage commissions and execution quality of portfolio transactions; (j) BlackRock's implementation of each Fund's valuation and liquidity procedures; (k) an analysis of management fees for products with similar investment mandates across the open-end fund, exchange-traded fund ("ETF"), closed-end fund and institutional account product channels, as applicable, and the similarities and

differences between these products and the services provided as compared to each Fund; (l) BlackRock's compensation methodology for its investment professionals and the incentives and accountability it creates, along with investment professionals' investments in the fund(s) they manage; and (m) periodic updates on BlackRock's business.

Board Considerations in Approving the Agreements

The Approval Process: Prior to the April Meeting, the Board requested and received materials specifically relating to the Agreements. The Board is continuously engaged in a process with its independent legal counsel and BlackRock to review the nature and scope of the information provided to better assist its deliberations. The materials provided in connection with the April Meeting included (a) information independently compiled and prepared by Broadridge Financial Solutions, Inc. ("Broadridge") on Fund fees and expenses as compared with a peer group of funds as determined by Broadridge ("Expense Peers") and the investment performance of each Fund (other than the Large Cap Growth V.I. Fund, the Global Opportunities V.I. Fund and the S&P 500 Index V.I. Fund) as compared with a peer group of funds as determined by Broadridge,[1] for the Large Cap Growth V.I. Fund and the Global Opportunities V.I. Fund, customized peer groups selected by BlackRock (each a "Customized Peer Group"), and for the S&P 500 Index V.I. Fund, the performance of the Fund as compared with its benchmark; (b) information on the profits realized by BlackRock and its affiliates pursuant to the Agreements and a discussion of fall-out benefits to BlackRock and its affiliates; (c) a general analysis provided by BlackRock concerning investment management fees charged to other clients, such as institutional clients, sub-advised mutual funds, ETFs and closed-end funds, under similar investment mandates, as well as the performance of such other clients, as applicable; (d) review of non-management fees; (e) the existence, impact and sharing of potential economies of scale; (f) a summary of aggregate amounts paid by each Fund to BlackRock; and (g) sales and redemption data regarding each Fund's shares.

At the April Meeting, the Board reviewed materials relating to its consideration of the Agreements. As a result of the discussions that occurred during the April Meeting, and as a culmination of the Board's year-long deliberative process, the Board presented BlackRock with questions and requests for additional information. BlackRock responded to these requests with additional written information in advance of the May Meeting.

At the May Meeting, the Board, including the Independent Board Members, approved the continuation of the Advisory Agreements between the Manager and the Corporation, on behalf of each Fund, and the Sub-Advisory Agreements between the Manager and the Sub-Advisors, with respect to each Fund, as applicable, each for a one-year term ending June 30, 2017. In approving the continuation of the Agreements, the Board considered: (a) the nature, extent and quality of the services provided by BlackRock; (b) the investment performance of each Fund; (c) the advisory fee and the cost of the services and profits to be realized by BlackRock and its affiliates from their relationship with each Fund; (d) each Fund's costs to investors compared to the costs of Expense Peers and performance compared to the relevant performance metrics as previously discussed; (e) the sharing of potential economies of scale; (f) fall-out benefits to BlackRock and its affiliates as a result of its relationship with each Fund; and (g) other factors deemed relevant by the Board Members.

The Board also considered other matters it deemed important to the approval process, such as other payments made to BlackRock or its affiliates, securities lending and cash management, services related to the valuation and pricing of Fund portfolio holdings, and materials submitted for the Board's review. The Board noted the willingness of BlackRock personnel to engage in open, candid discussions with the Board. The Board did not identify any particular information as determinative, and each Board Member may have attributed different weights to the various items considered.

A. Nature, Extent and Quality of the Services Provided by BlackRock

The Board, including the Independent Board Members, reviewed the nature, extent and quality of services provided by BlackRock, including the investment advisory services and the resulting performance of each Fund. Throughout the year, the Board compared Fund performance to the performance of a comparable group of mutual funds, a relevant benchmark, and performance metrics, as applicable. The Board met with BlackRock's senior management personnel responsible for investment activities, including the senior investment officers. The Board also reviewed the materials provided by each Fund's portfolio management team discussing each Fund's performance and each Fund's investment objective(s), strategies and outlook.

The Board considered, among other factors, with respect to BlackRock: the number, education and experience of investment personnel generally and each Fund's portfolio management team; BlackRock's research capabilities; investments by portfolio managers in the funds they manage; portfolio trading capabilities; use of technology; commitment to compliance; credit analysis capabilities; risk analysis and oversight capabilities; and the approach to training and retaining portfolio managers and other research, advisory and management personnel. The Board engaged in a review of BlackRock's compensation structure with respect to each Fund's portfolio management team and BlackRock's ability to attract and retain high-quality talent and create performance incentives.

In addition to investment advisory services, the Board considered the quality of the administrative and other non-investment advisory services provided to each Fund. BlackRock and its affiliates provide each Fund with certain administrative, shareholder and other services (in addition to any such services provided to each Fund by third parties) and officers and other personnel as are necessary for the operations of each Fund. In particular,

[1] Funds are ranked by Broadridge in quartiles, ranging from first to fourth, where first is the most desirable quartile position and fourth is the least desirable.

BlackRock and its affiliates provide each Fund with administrative services including, among others: (i) preparing disclosure documents, such as the prospectus, the summary prospectus (as applicable), the statement of additional information and periodic shareholder reports; (ii) oversight of daily accounting and pricing; (iii) preparing periodic filings with regulators; (iv) overseeing and coordinating the activities of other service providers; (v) organizing Board meetings and preparing the materials for such Board meetings; (vi) providing legal and compliance support; (vii) furnishing analytical and other support to assist the Board in its consideration of strategic issues such as the merger, consolidation or repurposing of certain open-end funds; and (viii) performing other administrative functions necessary for the operation of each Fund, such as tax reporting, fulfilling regulatory filing requirements and call center services. The Board reviewed the structure and duties of BlackRock's fund administration, shareholder services, and legal & compliance departments and considered BlackRock's policies and procedures for assuring compliance with applicable laws and regulations.

B. The Investment Performance of each Fund and BlackRock

The Board, including the Independent Board Members, also reviewed and considered the performance history of each Fund. In preparation for the April Meeting, the Board was provided with reports independently prepared by Broadridge, which included a comprehensive analysis of each Fund's performance. The Board also reviewed a narrative and statistical analysis of the Broadridge data that was prepared by BlackRock. In connection with its review, the Board received and reviewed information regarding the investment performance of each Fund (other than the Large Cap Growth V.I. Fund, Global Opportunities V.I. Fund and the S&P 500 Index V.I. Fund) as compared to other funds in its applicable Broadridge category, for the Large Cap Growth V.I. Fund and the Global Opportunities V.I. Fund, Customized Peer Groups, and for the S&P 500 Index V.I. Fund, the performance of the Fund as compared with its benchmark. The Board was provided with a description of the methodology used by Broadridge to select peer funds and periodically meets with Broadridge representatives to review its methodology. The Board was provided with information on the composition of the Broadridge performance universes and expense universes. The Board and its Performance Oversight Committee regularly review, and meet with Fund management to discuss, the performance of each Fund throughout the year.

In evaluating performance, the Board recognized that the performance data reflects a snapshot of a period as of a particular date and that selecting a different performance period could produce significantly different results. Further, the Board recognized that 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 long-term performance disproportionately.

The Board noted that for the one-, three- and five-year periods reported, the Basic Value V.I. Fund ranked in the fourth, second and third quartiles, respectively, against its Broadridge Performance Universe. The Board and BlackRock reviewed and discussed the reasons for the Basic Value V.I. Fund's underperformance during the one- and five-year periods.

The Board and BlackRock discussed BlackRock's strategy for improving the Basic Value V.I. Fund's investment performance. Discussions covered topics such as: investment risks undertaken by the Basic Value V.I. Fund; performance attribution; the Fund's investment personnel; and the resources appropriate to support the Fund's investment processes. The Board and BlackRock also discussed BlackRock's active equity platform, and it was noted that BlackRock has recruited a Head of Global Active Equity, and has appointed a Chief Performance Officer to provide analysis of investment performance to senior management and the Board.

The Board noted that for the one-, three- and five-year periods reported, the Capital Appreciation V.I. Fund ranked in the second, third and fourth quartiles, respectively, against its Broadridge Performance Universe. The Board noted the Capital Appreciation V.I. Fund's improved performance during the one-year period. The Board and BlackRock reviewed and discussed the reasons for the Capital Appreciation V.I. Fund's underperformance during the three- and five-year periods.

The Board and BlackRock discussed BlackRock's strategy for improving the Capital Appreciation V.I. Fund's investment performance. Discussions covered topics such as: investment risks undertaken by the Capital Appreciation V.I. Fund; performance attribution; the Fund's investment personnel; and the resources appropriate to support the Fund's investment processes. The Board and BlackRock also discussed BlackRock's active equity platform, and it was noted that BlackRock has recruited a Head of Global Active Equity, and has appointed a Chief Performance Officer to provide analysis of investment performance to senior management and the Board.

The Board noted that for the one-, three- and five-year periods reported, the Equity Dividend V.I. Fund ranked in the first, third and second quartiles, respectively, against its Broadridge Performance Universe.

The Board noted that for the one-, three- and five-year periods reported, the Global Allocation V.I. Fund ranked in the first, second and third quartiles, respectively, against its Broadridge Performance Universe.

The Board noted that for the one-, three- and five-year periods reported, the Global Opportunities V.I. Fund ranked in the first, fourth, and fourth quartiles, respectively, against its Customized Peer Group. BlackRock believes that the Customized Peer Group is an appropriate performance metric for the Global Opportunities V.I. Fund. The Board noted the Global Opportunities V.I. Fund's improved performance during the one-year period. The Board and BlackRock reviewed and discussed the reasons for the Global Opportunities V.I. Fund's underperformance during the three- and five-year periods.

In response to the Board's ongoing concerns about underperformance, among other factors, the Board and BlackRock agreed to a continuation of a contractual expense cap, as detailed in Section C.

The Board and BlackRock discussed BlackRock's strategy for improving the Global Opportunities V.I. Fund's investment performance. Discussions covered topics such as: investment risks undertaken by the Global Opportunities V.I. Fund; performance attribution; the Fund's investment personnel; and the resources appropriate to support the Fund's investment processes. The Board and BlackRock also discussed BlackRock's active equity platform, and it was noted that BlackRock has recruited a Head of Global Active Equity, and has appointed a Chief Performance Officer to provide analysis of investment performance to senior management and the Board.

The Board noted that for the one-, three- and five-year periods reported, the Government Money Market V.I. Fund ranked in the first, first, and third quartiles, respectively, against its Broadridge Performance Universe. Additionally, the Board noted that the Government Money Market V.I. Fund performed within the one basis point threshold of its Broadridge Performance Universe peer median for the five-year period. The Board reviewed the Government Money Market V.I. Fund's performance within the context of the low yield environment that has existed over the past few years. The Board noted that effective September 1, 2015, the Government Money Market V.I. Fund had undergone a change in its investment strategy, and in that connection had changed its name from BlackRock Money Market V.I. Fund to BlackRock Government Money Market V.I. Fund.

The quartile standing of the Government Money Market V.I. Fund in its Broadridge Performance Universe takes into account the Fund's current yield only. The Board believes that a money market fund can only be understood holistically, accounting for current yield and risk. While the Board reviews the Government Money Market V.I. Fund's current yield performance, it also examines the liquidity, duration, and credit quality of the Fund's portfolio. In the Board's view, BlackRock's money market funds have performed well over the one-, three- and five-year periods given BlackRock's emphasis on preserving capital and seeking as high a level of current income as is consistent with liquidity while simultaneously managing risk.

The Board noted that for the one-, three- and five-year periods reported, the High Yield V.I. Fund ranked in the third, first and first quartiles, respectively, against its Broadridge Performance Universe. The Board and BlackRock reviewed and discussed the reasons for the High Yield V.I. Fund's underperformance during the one-year period.

The Board noted that for the one-, three- and five-year periods reported, the International V.I. Fund ranked in the third, third and fourth quartiles, respectively, against its Broadridge Performance Universe. The Board and BlackRock reviewed and discussed the reasons for the International V.I. Fund's underperformance during these periods.

The Board and BlackRock discussed BlackRock's strategy for improving the International V.I. Fund's investment performance. Discussions covered topics such as: investment risks undertaken by the International V.I. Fund; performance attribution; the Fund's investment personnel; and the resources appropriate to support the Fund's investment processes. The Board and BlackRock also discussed BlackRock's active equity platform, and it was noted that BlackRock has recruited a Head of Global Active Equity, and has appointed a Chief Performance Officer to provide analysis of investment performance to senior management and the Board.

The Board noted that for each of the one-year and since-inception periods reported, the iShares Alternative Strategies V.I. Fund ranked in the first quartile against its Broadridge Performance Universe.

The Board noted that for each of the one-year and since-inception periods reported, the iShares Dynamic Allocation V.I. Fund ranked in the third quartile against its Broadridge Performance Universe. The Board and BlackRock reviewed and discussed the reasons for the iShares Dynamic Allocation V.I. Fund's underperformance during these periods.

The Board and BlackRock discussed BlackRock's strategy for improving the iShares Dynamic Allocation V.I. Fund's investment performance. Discussions covered topics such as: investment risks undertaken by the iShares Dynamic Allocation V.I. Fund; performance attribution; the Fund's investment personnel; and the resources appropriate to support the Fund's investment processes.

The Board noted that for each of the one-year and since-inception periods reported, the iShares Dynamic Fixed Income V.I. Fund ranked in the second quartile against its Broadridge Performance Universe.

The Board noted that for each of the one-year and since-inception periods reported, the iShares Equity Appreciation V.I. Fund ranked in the fourth quartile against its Broadridge Performance Universe. The Board and BlackRock reviewed and discussed the reasons for the iShares Equity Appreciation V.I. Fund's underperformance during these periods.

The Board and BlackRock discussed BlackRock's strategy for improving the iShares Equity Appreciation V.I. Fund's investment performance. Discussions covered topics such as: investment risks undertaken by the iShares Equity Appreciation V.I. Fund; performance attribution; the Fund's investment personnel; and the resources appropriate to support the Fund's investment processes.

The Board noted that for the one-, three- and five-year periods reported, the Large Cap Core V.I. Fund ranked in the third, second and second quartiles, respectively, against its Broadridge Performance Universe. The Board and BlackRock reviewed and discussed the reasons for the Large Cap Core V.I. Fund's underperformance during the one-year period.

The Board noted that for the one-, three- and five-year periods reported, the Large Cap Growth V.I. Fund ranked in the fourth, third and second quartiles, respectively, against its Customized Peer Group. BlackRock believes that the Customized Peer Group is an appropriate performance metric for the Large Cap Growth V.I. Fund. The Board and BlackRock reviewed and discussed the reasons for the Large Cap Growth V.I. Fund's underperformance during one- and three-year periods.

The Board and BlackRock discussed BlackRock's strategy for improving the Large Cap Growth V.I. Fund's investment performance. Discussions covered topics such as: investment risks undertaken by the Large Cap Growth V.I. Fund; performance attribution; the Fund's investment personnel; and the resources appropriate to support the Fund's investment processes. The Board and BlackRock also discussed BlackRock's active equity platform, and it was noted that BlackRock has recruited a Head of Global Active Equity, and has appointed a Chief Performance Officer to provide analysis of investment performance to senior management and the Board.

The Board noted that for the one-, three- and five-year periods reported, the Large Cap Value V.I. Fund ranked in the first, first and second quartiles, respectively, against its Broadridge Performance Universe.

The Board noted that for each of the one-, three- and five-year periods reported, the Managed Volatility V.I. Fund ranked in the first quartile against its Broadridge Performance Universe.

The Board noted that for the past five one-year periods reported, the S&P 500 Index V.I. Fund's net performance was within the tolerance range of its benchmark index for four of the five periods. BlackRock believes that net performance relative to the benchmark is an appropriate performance metric for the Fund.

The Board noted that for each of the one-, three- and five-year periods reported, the Total Return V.I. Fund ranked in the second quartile against its Broadridge Performance Universe.

The Board noted that for the one-, three- and five-year periods reported, the U.S. Government Bond V.I. Fund ranked in the third, second and third quartiles, respectively, against its Broadridge Performance Universe. The Board and BlackRock reviewed and discussed the reasons for the U.S. Government Bond V.I. Fund's underperformance during one- and five-year periods.

The Board and BlackRock discussed BlackRock's strategy for improving the U.S. Government Bond V.I. Fund's investment performance. Discussions covered topics such as: investment risks undertaken by the U.S. Government Bond V.I. Fund; performance attribution; the Fund's investment personnel; and the resources appropriate to support the Fund's investment processes.

The Board noted that for the one-, three- and five-year periods reported, the Value Opportunities V.I. Fund ranked in the fourth, second, and third quartiles, respectively, against its Broadridge Performance Universe. The Board and BlackRock reviewed and discussed the reasons for the Value Opportunities V.I. Fund's underperformance during one- and five-year periods.

The Board and BlackRock discussed BlackRock's strategy for improving the Value Opportunities V.I. Fund's investment performance. Discussions covered topics such as: investment risks undertaken by the Value Opportunities V.I. Fund; performance attribution; the Fund's investment personnel; and the resources appropriate to support the Fund's investment processes. The Board and BlackRock also discussed BlackRock's active equity platform, and it was noted that BlackRock has recruited a Head of Global Active Equity, and has appointed a Chief Performance Officer to provide analysis of investment performance to senior management and the Board.

C. Consideration of the Advisory/Management Fees and the Cost of the Services and Profits to be Realized by BlackRock and its Affiliates from their Relationship with each Fund

The Board, including the Independent Board Members, reviewed each Fund's contractual management fee rate compared with the other funds in its Broadridge category. The contractual management fee rate represents a combination of the advisory fee and any administrative fees, before taking into account any reimbursements or fee waivers. The Board also compared each Fund's total expense ratio, as well as its actual management fee rate, to those of other funds in its Broadridge category. The total expense ratio represents a fund's total net operating expenses, including any 12b-1 or non 12b-1 service fees. The total expense ratio gives effect to any expense reimbursements or fee waivers that benefit a fund, and the actual management fee rate gives effect to any management fee reimbursements or waivers that benefit a fund. The Board considered the services provided and the fees charged by BlackRock and its affiliates to other types of clients with similar investment mandates, as applicable, including institutional accounts and sub-advised mutual funds (including mutual funds sponsored by third parties).

The Board received and reviewed statements relating to BlackRock's financial condition. The Board reviewed BlackRock's profitability methodology and was also provided with a profitability analysis that detailed the revenues earned and the expenses incurred by BlackRock for services provided to each Fund. The Board reviewed BlackRock's profitability with respect to each Fund and other funds the Board currently oversees for the year ended December 31, 2015 compared to available aggregate profitability data provided for the prior two years. The Board reviewed BlackRock's profitability with respect to certain other U.S. fund complexes managed by the Manager and/or its affiliates. The Board reviewed BlackRock's assumptions and methodology of allocating expenses in the profitability analysis, noting the inherent limitations in allocating costs among various advisory products. The Board recognized that profitability may be affected by numerous factors including, among other things, fee waivers and expense reimbursements by

the Manager, the types of funds managed, precision of expense allocations and business mix. As a result, calculating and comparing profitability at individual fund level is difficult.

The Board noted that, in general, individual fund or product line profitability of other advisors is not publicly available. The Board reviewed BlackRock's overall operating margin, in general, compared to that of certain other publicly-traded asset management firms. The Board considered the differences between BlackRock and these other firms, including the contribution of technology at BlackRock, BlackRock's expense management, and the relative product mix.

In addition, the Board considered the cost of the services provided to each Fund by BlackRock, and BlackRock's and its affiliates' profits relating to the management and distribution of each Fund and the other funds advised by BlackRock and its affiliates. As part of its analysis, the Board reviewed BlackRock's methodology in allocating its costs of managing each Fund, to each Fund. The Board may receive and review information from independent third parties as part of its annual evaluation. The Board considered whether BlackRock has the financial resources necessary to attract and retain high quality investment management personnel to perform its obligations under the Agreements and to continue to provide the high quality of services that is expected by the Board. The Board further considered factors including but not limited to BlackRock's commitment of time, assumption of risk, and liability profile in servicing each Fund in contrast to what is required of BlackRock with respect to other products with similar investment mandates across the open-end fund, ETF, closed-end fund, sub-advised mutual fund and institutional account product channels, as applicable.

The Board noted that the Basic Value V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Fund's Expense Peers. The Board also noted that the Basic Value V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Basic Value V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Basic Value V.I. Fund on a class-by-class basis.

The Board noted that the Capital Appreciation V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio ranked in the first and second quartiles, respectively, relative to the Fund's Expense Peers. The Board also noted that the Capital Appreciation V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Capital Appreciation V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Capital Appreciation V.I. Fund on a class-by-class basis.

The Board noted that the Equity Dividend V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the second quartile, relative to the Fund's Expense Peers. The Board also noted that the Equity Dividend V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Equity Dividend V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Equity Dividend V.I. Fund on a class-by-class basis.

The Board noted that the Global Allocation V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio each ranked in the second quartile, relative to the Fund's Expense Peers. The Board also noted that the Global Allocation V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Global Allocation V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Global Allocation V.I. Fund on a class-by-class basis.

The Board noted that the Global Opportunities V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio ranked in the first and second quartiles, respectively, relative to the Fund's Expense Peers. The Board also noted that the Global Opportunities V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Global Opportunities V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. The Board also noted that BlackRock agreed to a lower contractual expense cap on a class-by-class basis. The expense cap reduction was implemented on June 1, 2015. After discussions between the Board, including the Independent Board Members, and BlackRock, the Board and BlackRock agreed to a continuation of the contractual cap. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Global Opportunities V.I. Fund on a class-by-class basis.

The Board noted that the Government Money Market V.I. Fund's contractual management fee rate ranked in the third quartile, and that the actual management fee rate and total expense ratio each ranked in the fourth quartile, relative to the Fund's Expense Peers. The Board reviewed the Government Money Market V.I. Fund's expenses within the context of the low yield environment and consequent expense waivers and reimbursements. The Board

also noted that the Government Money Market V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Government Money Market V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. In addition, the Board noted that BlackRock proposed, and the Board agreed to, a lower contractual expense cap on a class by class basis, which was implemented on March 1, 2016. The Board also noted that, in connection with the lower contractual expense cap, effective March 1, 2016, BlackRock had discontinued the cap on certain operational and recordkeeping fees for the Government Money Market V.I. Fund on a class-by-class basis. Finally, the Board noted that, to enable the Government Money Market V.I. Fund to maintain minimum levels of daily net investment income, BlackRock has voluntarily agreed to waive a portion of its fees and/or reimburse the Fund's operating expenses as necessary. This waiver and/or reimbursement may be discontinued at any time without notice.

The Board noted that the High Yield V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Fund's Expense Peers. The Board also noted that the High Yield V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the aggregate assets of the Fund, combined with the assets of Total Return V.I. Fund, increase above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the High Yield V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the High Yield V.I. Fund on a class-by-class basis.

The Board noted that the International V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the second quartile, relative to the Fund's Expense Peers. The Board also noted that the International V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the International V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the International V.I. Fund on a class-by-class basis.

The Board noted that the varying fee structure for fund of funds can limit the value of management fee comparisons. The Board also noted that the iShares Alternative Strategies V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Fund's Expense Peers. The Board further noted that the iShares Alternative Strategies V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. Additionally, the Board noted that BlackRock has contractually agreed to a cap on the iShares Alternative Strategies V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. The Board noted that BlackRock proposed, and the Board agreed to, a lower contractual expense cap on a class-by-class basis. The contractual expense cap reduction was implemented on August 1, 2015.

The Board noted that the varying fee structure for fund of funds can limit the value of management fee comparisons. The Board also noted that the iShares Dynamic Allocation V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Fund's Expense Peers. The Board further noted that the iShares Dynamic Allocation V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. Additionally, the Board noted that BlackRock has contractually agreed to a cap on the iShares Dynamic Allocation V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. The Board noted that BlackRock proposed, and the Board agreed to, a lower contractual expense cap on a class-by-class basis. The contractual expense cap reduction was implemented on August 1, 2015.

The Board noted that the varying fee structure for fund of funds can limit the value of management fee comparisons. The Board also noted that the iShares Dynamic Fixed Income V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Fund's Expense Peers. The Board further noted that the iShares Dynamic Fixed Income V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. Additionally, the Board noted that BlackRock has contractually agreed to a cap on the iShares Dynamic Fixed Income V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. The Board noted that BlackRock proposed, and the Board agreed to, a lower contractual expense cap on a class-by-class basis. The contractual expense cap reduction was implemented on August 1, 2015.

The Board noted that the varying fee structure for fund of funds can limit the value of management fee comparisons. The Board also noted that the iShares Equity Appreciation V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio ranked in the first and second quartiles, respectively, relative to the Fund's Expense Peers. The Board further noted that the iShares Equity Appreciation V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. Additionally, the Board noted that BlackRock has contractually agreed to a cap on the iShares Equity Appreciation V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. The Board noted that

BlackRock proposed, and the Board agreed to, a lower contractual expense cap on a class-by-class basis. The contractual expense cap reduction was implemented on August 1, 2015.

The Board noted that the Large Cap Core V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Fund's Expense Peers. The Board also noted that the Large Cap Core V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Large Cap Core V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Large Cap Core V.I. Fund on a class-by-class basis.

The Board noted that the Large Cap Growth V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio each ranked in the second quartile, relative to the Fund's Expense Peers. The Board also noted that the Large Cap Growth V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Large Cap Growth V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Large Cap Growth V.I. Fund on a class-by-class basis.

The Board noted that the Large Cap Value V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Fund's Expense Peers. The Board also noted that the Large Cap Value V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Large Cap Value V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. After discussions between the Board, including the Independent Board Members, and BlackRock, the Board and BlackRock agreed to reduce the existing voluntary advisory fee waiver. This voluntary waiver reduction was implemented on June 17, 2016. Finally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Large Cap Value V.I. Fund on a class-by-class basis.

The Board noted that the Managed Volatility V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio ranked in the first and fourth quartiles, respectively, relative to the Fund's Expense Peers. The Board also noted that the Managed Volatility V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Managed Volatility V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Finally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Managed Volatility V.I. Fund on a class-by-class basis. In addition, the Board noted that BlackRock had agreed to a lower contractual expense cap on a class-by-class basis. The contractual expense cap reduction was implemented on June 1, 2014. After discussions between the Board, including the Independent Board Members, and BlackRock, the Board and BlackRock agreed to a continuation of the contractual cap.

The Board noted that the S&P 500 Index V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Fund's Expense Peers. The Board also noted that BlackRock has contractually agreed to a cap on the S&P 500 Index V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to waive a portion of the advisory fee payable by the S&P 500 Index V.I. Fund. Finally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the S&P 500 Index V.I. Fund on a class-by-class basis.

The Board noted that the Total Return V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio each ranked in the third quartile, relative to the Fund's Expense Peers. The Board also noted that the Total Return V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the aggregate assets of the Fund, combined with the assets of High Yield V.I. Fund, increase above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Total Return V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Total Return V.I. Fund on a class-by-class basis.

The Board noted that the U.S. Government Bond V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio ranked in the second and fourth quartiles, respectively, relative to the Fund's Expense Peers. The Board also noted that the U.S. Government Bond V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the U.S. Government Bond V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the U.S. Government Bond V.I. Fund on a class-by-class basis. After discussions between the Board, including the Independent Board Members, and BlackRock, the Board and BlackRock agreed to increase the existing voluntary advisory fee waiver. This waiver increase was implemented on June 15, 2016.

The Board noted that the Value Opportunities V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio ranked in the first and second quartiles, respectively, relative to the Fund's Expense Peers. The Board also noted that the Value Opportunities V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Fund increases above certain contractually specified levels. The Board further noted that BlackRock has contractually agreed to a cap on the Value Opportunities V.I. Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock has contractually agreed to a cap on certain operational and recordkeeping fees for the Value Opportunities V.I. Fund on a class-by-class basis.

D. Economies of Scale

The Board, including the Independent Board Members, considered the extent to which economies of scale might be realized as the assets of each Fund increase, as well as the existence of expense caps, as applicable. The Board also considered the extent to which each Fund benefits from such economies in a variety of ways, and whether there should be changes in the advisory fee rate or breakpoint structure in order to enable each Fund to more fully participate in these economies of scale. The Board considered each Fund's asset levels and whether the current fee schedule was appropriate. In its consideration, the Board Members took into account the existence of any expense caps and further considered the continuation and/or implementation, as applicable, of such caps.

E. Other Factors Deemed Relevant by the Board Members

The Board, including the Independent Board Members, also took into account other ancillary or "fall-out" benefits that BlackRock or its affiliates may derive from their respective relationships with each Fund, both tangible and intangible, such as BlackRock's ability to leverage its investment professionals who manage other portfolios and risk management personnel, an increase in BlackRock's profile in the investment advisory community, and the engagement of BlackRock's affiliates as service providers to each Fund, including for administrative, distribution, securities lending and cash management services. The Board also considered BlackRock's overall operations and its efforts to expand the scale of, and improve the quality of, its operations. The Board also noted that BlackRock may use and benefit from third party research obtained by soft dollars generated by certain registered fund transactions to assist in managing all or a number of its other client accounts. The Board further noted that, except with respect to the Government Money Market V.I. Fund, it had considered the investment by BlackRock's funds in affiliated ETFs without any offset against the management fees payable by the funds to BlackRock.

In connection with its consideration of the Agreements, the Board also received information regarding BlackRock's brokerage and soft dollar practices. The Board received reports from BlackRock which included information on brokerage commissions and trade execution practices throughout the year.

The Board noted the competitive nature of the open-end fund marketplace, and that shareholders are able to redeem their Fund shares if they believe that each Fund's fees and expenses are too high or if they are dissatisfied with the performance of each Fund.

Conclusion

The Board, including the Independent Board Members, approved the continuation of the Advisory Agreements between the Manager and the Corporation, on behalf of each Fund, for a one-year term ending June 30, 2017, and the Sub-Advisory Agreements between the Manager and the Sub-Advisors, with respect to each Fund, as applicable, for a one-year term ending June 30, 2017. Based upon its evaluation of all of the aforementioned factors in their totality, as well as other information, the Board, including the Independent Board Members, was satisfied that the terms of the Agreements were fair and reasonable and in the best interest of each Fund and its shareholders. In arriving at its decision to approve the Agreements, the Board did not identify any single factor or group of factors as all-important or controlling, but considered all factors together, and different Board Members may have attributed different weights to the various factors considered. The Independent Board Members were also assisted by the advice of independent legal counsel in making this determination. The contractual fee arrangements for each Fund reflect the results of several years of review by the Board Members and predecessor Board Members, and discussions between such Board Members (and predecessor Board Members) and BlackRock. As a result, the Board Members' conclusions may be based in part on their consideration of these arrangements in prior years.

Officers and Directors

Robert M. Hernandez, Chair of the Board and Director
Fred G. Weiss, Vice Chair of the Board and Director
James H. Bodurtha, Director
Bruce R. Bond, Director
Donald W. Burton, Director
Honorable Stuart E. Eizenstat, Director
Robert Fairbairn, Director
Henry Gabbay, Director
John F. O'Brien, Director
Donald C. Opatrny, Director
Roberta Cooper Ramo, Director
David H. Walsh, Director
John M. Perlowski, Director, President and Chief Executive Officer
Jennifer McGovern, Vice President
Neal J. Andrews, Chief Financial Officer
Jay M. Fife, Treasurer
Charles Park, Chief Compliance Officer
Fernanda Piedra, Anti-Money Laundering Compliance Officer
Benjamin Archibald, Secretary

Effective May 6, 2016, Valerie G. Brown resigned as a Director of the Company.
Effective May 10, 2016, Kenneth A. Froot resigned as a Director of the Company.
On June 2, 2016, the Board appointed Henry R. Keizer as a Director of the Company, effective July 28, 2016.

Investment Advisor
BlackRock Advisors, LLC
Wilmington, DE 19809

Sub-Advisors
BlackRock International Limited[1]
Edinburgh, United Kingdom

BlackRock Asset Management North Asia Limited[2]
Hong Kong

BlackRock (Singapore) Limited[2]
079912 Singapore

Accounting Agent and Transfer Agent
BNY Mellon Investment Servicing (US) Inc.
Wilmington, DE 19809

Custodians
The Bank of New York Mellon[3]
New York, NY 10286

Brown Brothers Harriman & Co.[4]
Boston, MA 02109

Distributor
BlackRock Investments, LLC
New York, NY 10022

Legal Counsel
Willkie Farr & Gallagher LLP
New York, NY 10019

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
Philadelphia, PA 19103

Address of the Funds
100 Bellevue Parkway
Wilmington, DE 19809

[1]For BlackRock International V.I. Fund and BlackRock Managed Volatility V.I Fund.

[2]For BlackRock Managed Volatility V.I. Fund.

[3]For all Funds except BlackRock Global Allocation V.I. Fund, BlackRock International V.I. Fund and BlackRock Large Cap Growth V.I. Fund.

[4]For BlackRock Global Allocation V.I. Fund, BlackRock International V.I. Fund and BlackRock Large Cap Growth V.I. Fund.

Additional Information

General Information

Availability of Quarterly Schedule of Investments

The Funds file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at http://www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room or how to access documents on the SEC's website without charge may be obtained by calling (800) SEC-0330. The Funds' Forms N-Q may also be obtained upon request and without charge by calling (800) 441-7762.

Availability of Proxy Voting Policies and Procedures

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available upon request and without charge (1) by calling (800) 441-7762; (2) at **http://www.blackrock.com/prospectus/insurance;** and (3) on the SEC's website at http://www.sec.gov.

Availability of Proxy Voting Record

Information about how the Funds voted proxies relating to securities held in the Funds' portfolios during the most recent 12-month period ended June 30 is available upon request and without charge (1) at **http://www.blackrock.com/prospectus/insurance** or by calling (800) 441-7762 and (2) on the SEC's website at http://www.sec.gov.

BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, "Clients") and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal non-public information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our websites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

This report is only for distribution to shareholders of the Funds of BlackRock Variable Series Funds, Inc. Past performance results shown in this report should not be considered a representation of future performance. Investment return and principal value of non-money market fund shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Statements and other information herein are as dated and are subject to change.

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COLUMBIA THREADNEEDLE INVESTMENTS

SEMIANNUAL REPORT
June 30, 2016

COLUMBIA VARIABLE PORTFOLIO – EMERGING MARKETS BOND 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 — Emerging Markets Bond Fund (the Fund) Class 2 shares returned 10.74% for the six-month period that ended June 30, 2016.
- The Fund slightly underperformed its benchmark, the JPMorgan Emerging Markets Bond Index (EMBI) — Global, which returned 10.90% for the same period.

Average Annual Total Returns (%) (for period ended June 30, 2016)

	Inception	6 Months Cumulative	1 Year	Life
Class 1	04/30/12	10.80	7.61	3.45
Class 2	04/30/12	10.74	7.31	3.21
JPMorgan EMBI — Global		10.90	10.32	5.08

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 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.

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)

Quality Breakdown (%) (at June 30, 2016)	
A rating	3.4
BBB rating	31.3
BB rating	29.1
B rating	30.7
CCC rating	5.5
Total	**100.0**

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

Bond ratings apply to the underlying holdings of the Fund and not the Fund itself and are divided into categories ranging from highest to lowest credit quality, determined by using the middle rating of Moody's, S&P and Fitch, after dropping the highest and lowest available ratings. When ratings are available from only two rating agencies, the lower rating is used. When a rating is available from only one rating agency, that rating is used. When a bond is not rated by any rating agency, it is designated as "Not rated." Credit quality ratings assigned by a rating agency are subjective opinions, not statements of fact, and are subject to change, including daily. The ratings assigned by credit rating agencies are but one of the considerations that the Investment Manager and/or Fund's subadviser incorporates into its credit analysis process, along with such other country-specific factors as the direction and stance of fiscal policy, balance of payment trends and commodity prices, the level and structure of public debt as well as political stability and commitment to strong macroeconomic policies.

Portfolio Management

Jim Carlen, CFA

Henry Stipp, Ph.D.

PORTFOLIO OVERVIEW *(continued)*

(Unaudited)

Country Breakdown (%) (at June 30, 2016)	
Angola	0.4
Argentina	7.4
Brazil	5.2
Chile	0.7
Colombia	2.9
Costa Rica	1.6
Croatia	1.8
Dominican Republic	6.4
Ecuador	1.2
Egypt	0.3
El Salvador	0.4
Gabon	0.6
Georgia	1.5
Ghana	1.4
Guatemala	1.9
Honduras	0.3
Hungary	2.4
Indonesia	9.9
Ivory Coast	1.5
Jamaica	0.9
Kazakhstan	1.8
Mexico	12.5
Mongolia	0.2
Morocco	0.4
Netherlands	2.4
Pakistan	1.0
Panama	0.6
Paraguay	0.4
Peru	0.6
Philippines	1.1
Republic of Namibia	0.8
Republic of the Congo	0.6
Russian Federation	8.0
Senegal	0.8
Serbia	1.0
Trinidad and Tobago	2.1
Tunisia	0.4
Turkey	6.4
Ukraine	1.0
United States[(a)]	5.0
Uruguay	0.5
Venezuela	3.3
Zambia	0.4
Total	**100.0**

Country Breakdown is based primarily on issuer's place of organization/incorporation. Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

(a) Includes investments in Money Market Funds.

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, 2016 – June 30, 2016

	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	1,108.00	1,021.13	3.93	3.77	0.75
Class 2	1,000.00	1,000.00	1,107.40	1,019.89	5.24	5.02	1.00

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

Expenses do not include fees and expenses incurred indirectly by the Fund from 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, 2016 (Unaudited)

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes[a] 11.6%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
BRAZIL 1.4%			
JBS Investments GmbH[b] 04/03/24	7.250%	1,000,000	1,029,700
Marfrig Holdings Europe BV[b] 06/08/23	8.000%	600,000	612,300
Total			1,642,000
CHILE 0.7%			
Cencosud SA[b] 02/12/45	6.625%	896,000	872,702
COLOMBIA 0.7%			
Banco de Bogota SA[b] 05/12/26	6.250%	900,000	907,034
GHANA 0.8%			
Kosmos Energy Ltd.[b] 08/01/21	7.875%	487,000	469,955
08/01/21	7.875%	575,000	554,875
Total			1,024,830
GUATEMALA 1.2%			
Agromercantil Senior Trust[b] 04/10/19	6.250%	246,000	254,487
Comcel Trust[b] 02/06/24	6.875%	706,000	688,350
Industrial Senior Trust[b] 11/01/22	5.500%	543,000	532,140
Total			1,474,977
MEXICO 4.6%			
America Movil SAB de CV 12/05/22	6.450% MXN	10,860,000	569,061
BBVA Bancomer SA Subordinated[b][c] 11/12/29	5.350%	380,000	377,658
Cemex SAB de CV[b] 01/15/21	7.250%	1,072,000	1,131,174
04/16/26	7.750%	450,000	471,801
Concesionaria Mexiquense SA de CV (linked to Mexican Unidad de Inversion Index)[b] 12/15/35	5.950% MXN	9,400,799	515,856
Elementia SAB de CV[b] 01/15/25	5.500%	380,000	378,100
Grupo Posadas SAB de CV[b] 06/30/22	7.875%	1,376,000	1,396,640

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Grupo Televisa SAB 05/14/43	7.250% MXN	7,940,000	375,789
Mexichem SAB de CV[b] 09/17/44	5.875%	326,000	299,920
Total			5,515,999
PANAMA 0.6%			
Panama Canal Railway Co.[b] 11/01/26	7.000%	705,749	704,867
PERU 0.3%			
Cementos Pacasmayo SAA[b] 02/08/23	4.500%	150,000	147,375
Union Andina de Cementos SAA[b] 10/30/21	5.875%	184,000	186,484
Total			333,859
TURKEY 0.3%			
Akbank TAS[b] 03/31/25	5.125%	353,000	347,686
UKRAINE 1.0%			
MHP SA[b] 04/02/20	8.250%	250,000	236,250
04/02/20	8.250%	1,011,000	952,868
Total			1,189,118
Total Corporate Bonds & Notes (Cost: $14,517,005)			**14,013,072**

Foreign Government Obligations[a][d] 82.8%

ANGOLA 0.4%			
Angolan Government International Bond[b] 11/12/25	9.500%	500,000	492,360
ARGENTINA 7.4%			
Argentina Republic Government International Bond[b] 04/22/21	6.875%	1,030,000	1,098,495
04/22/26	7.500%	520,000	562,900
04/22/46	7.625%	350,000	378,000
Argentina Republic Government International Bond[b][e] 07/06/28	6.625%	700,000	700,000
07/06/36	7.125%	500,000	500,000
Argentina Republic Government International Bond[c] 12/31/33	0.000%	1,219,773	1,341,750

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

PORTFOLIO OF INVESTMENTS *(continued)*

June 30, 2016 (Unaudited)

Foreign Government Obligations[a][d] *(continued)*

Issuer	Coupon Rate		Principal Amount ($)	Value ($)
City of Buenos Aires Argentina[b]				
06/01/27	7.500%		800,000	834,000
Provincia de Buenos Aires[b]				
06/09/21	9.950%		450,000	502,875
06/09/21	9.950%		1,000,000	1,115,805
03/16/24	9.125%		300,000	330,000
Provincia de Cordoba[b]				
06/10/21	7.125%		600,000	600,000
YPF SA[b]				
03/23/21	8.500%		500,000	535,000
07/28/25	8.500%		400,000	421,000
Total				8,919,825
BRAZIL 3.8%				
Brazil Minas SPE via State of Minas Gerais[b]				
02/15/28	5.333%		1,000,000	892,500
Brazilian Government International Bond				
01/07/25	4.250%		400,000	393,000
01/07/41	5.625%		2,300,000	2,219,500
Petrobras Global Finance BV				
01/27/21	5.375%		1,175,000	1,072,187
Total				4,577,187
COLOMBIA 2.1%				
Colombia Government International Bond				
06/28/27	9.850%	COP	1,484,000,000	607,986
01/18/41	6.125%		808,000	930,786
Ecopetrol SA				
01/16/25	4.125%		326,000	294,932
09/18/43	7.375%		420,000	418,950
Emgesa SA ESP[b]				
01/25/21	8.750%	COP	998,000,000	326,194
Total				2,578,848
COSTA RICA 1.6%				
Costa Rica Government International Bond[b]				
03/12/45	7.158%		1,974,000	1,969,065
CROATIA 1.7%				
Croatia Government International Bond[b]				
01/26/24	6.000%		1,361,000	1,483,898
Hrvatska Elektroprivreda[b]				
10/23/22	5.875%		600,000	630,276
Total				2,114,174
DOMINICAN REPUBLIC 6.3%				
Banco de Reservas de la Republica Dominicana Subordinated[b]				
02/01/23	7.000%		787,000	779,130

Foreign Government Obligations[a][d] *(continued)*

Issuer	Coupon Rate		Principal Amount ($)	Value ($)
Dominican Republic International Bond[b]				
07/05/19	14.500%	DOP	37,990,000	931,588
01/08/21	14.000%	DOP	29,158,000	720,233
01/29/26	6.875%		1,600,000	1,740,320
04/20/27	8.625%		1,710,000	2,022,075
04/30/44	7.450%		1,086,000	1,194,600
01/27/45	6.850%		271,000	280,485
Total				7,668,431
ECUADOR 1.2%				
Ecuador Government International Bond[b]				
03/24/20	10.500%		1,421,000	1,413,895
EGYPT 0.3%				
Egypt Government International Bond[b]				
06/11/25	5.875%		400,000	348,000
EL SALVADOR 0.4%				
El Salvador Government International Bond[b]				
01/18/27	6.375%		73,000	66,065
04/10/32	8.250%		412,000	396,550
Total				462,615
GABON 0.6%				
Gabon Government International Bond[b]				
12/12/24	6.375%		783,882	675,158
GEORGIA 1.4%				
Georgian Railway JSC[b]				
07/11/22	7.750%		1,589,000	1,751,872
GHANA 0.6%				
Ghana Government International Bond[b]				
08/07/23	7.875%		515,000	447,360
01/18/26	8.125%		261,000	224,147
Total				671,507
GUATEMALA 0.7%				
Guatemala Government Bond[b]				
05/03/26	4.500%		650,000	657,150
02/13/28	4.875%		200,000	208,500
Total				865,650
HONDURAS 0.3%				
Honduras Government International Bond[b]				
03/15/24	7.500%		300,000	325,500
HUNGARY 2.4%				
Hungary Government International Bond				
03/29/21	6.375%		722,000	821,550
11/22/23	5.750%		284,000	323,306
03/29/41	7.625%		868,000	1,258,600

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

PORTFOLIO OF INVESTMENTS *(continued)*

June 30, 2016 (Unaudited)

Foreign Government Obligations[a][d] *(continued)*

Issuer	Coupon Rate		Principal Amount ($)	Value ($)
Magyar Export-Import Bank Zrt.[b]				
02/12/18	5.500%		508,000	532,450
Total				2,935,906
INDONESIA 9.8%				
Indonesia Government International Bond[b]				
01/08/26	4.750%		1,300,000	1,397,574
01/17/38	7.750%		1,986,000	2,695,034
01/17/38	7.750%		500,000	678,508
01/15/45	5.125%		300,000	318,281
Indonesia Treasury Bond				
03/15/24	8.375%	IDR	19,000,000,000	1,516,405
Indonesia Treasury Bond[e]				
05/15/28	6.125%	IDR	4,375,000,000	285,657
PT Pertamina Persero[b]				
05/03/42	6.000%		1,335,000	1,349,674
PT Perusahaan Listrik Negara[b]				
11/22/21	5.500%		3,311,000	3,599,786
Total				11,840,919
IVORY COAST 1.4%				
Ivory Coast Government International Bond[b]				
07/23/24	5.375%		300,000	279,109
07/23/24	5.375%		446,000	418,214
03/03/28	6.375%		772,000	746,949
Ivory Coast Government International Bond[b][c]				
12/31/32	5.750%		322,740	300,522
Total				1,744,794
JAMAICA 0.9%				
Jamaica Government International Bond				
04/28/28	6.750%		450,000	472,500
07/28/45	7.875%		600,000	640,500
Total				1,113,000
KAZAKHSTAN 1.8%				
KazMunayGas National Co. JSC[b]				
07/02/18	9.125%		154,000	170,555
05/05/20	7.000%		1,062,000	1,168,200
Kazakhstan Government International Bond[b]				
07/21/25	5.125%		450,000	492,894
07/21/45	6.500%		300,000	348,642
Total				2,180,291
MEXICO 7.9%				
Banco Nacional de Comercio Exterior SNC[b]				
10/14/25	4.375%		1,100,000	1,136,652

Foreign Government Obligations[a][d] *(continued)*

Issuer	Coupon Rate		Principal Amount ($)	Value ($)
Comision Federal de Electricidad[b]				
06/16/45	6.125%		700,000	741,125
Mexican Bonos				
06/09/22	6.500%	MXN	21,570,000	1,231,534
06/03/27	7.500%	MXN	30,720,000	1,879,145
Mexico Government International Bond				
01/23/46	4.600%		543,000	572,865
Petroleos Mexicanos				
01/23/26	4.500%		299,000	287,758
11/12/26	7.470%	MXN	4,700,000	224,736
06/02/41	6.500%		2,844,000	2,879,550
Petroleos Mexicanos[b]				
09/12/24	7.190%	MXN	600,000	29,634
08/04/26	6.875%		500,000	558,293
Total				9,541,292
MONGOLIA 0.2%				
Trade & Development Bank of Mongolia LLC[b]				
05/19/20	9.375%		300,000	295,394
MOROCCO 0.4%				
Morocco Government International Bond[b]				
12/11/22	4.250%		418,000	439,423
NETHERLANDS 2.4%				
Petrobras Global Finance BV				
12/10/18	8.375%		350,000	388,062
05/23/21	8.375%		2,400,000	2,472,000
Total				2,860,062
PAKISTAN 1.0%				
Pakistan Government International Bond[b]				
12/03/19	6.750%		532,000	555,116
04/15/24	8.250%		600,000	631,041
Total				1,186,157
PARAGUAY 0.4%				
Paraguay Government International Bond[b]				
08/11/44	6.100%		407,000	429,385
PERU 0.3%				
Corporacion Financiera de Desarrollo SA[b]				
07/15/19	3.250%		400,000	410,200
PHILIPPINES 1.1%				
Philippine Government International Bond				
01/15/21	4.950%	PHP	27,000,000	595,972

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

PORTFOLIO OF INVESTMENTS *(continued)*

June 30, 2016 (Unaudited)

Foreign Government Obligations[a][d] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Power Sector Assets & Liabilities Management Corp.[b]			
12/02/24	7.390%	559,000	751,156
Total			1,347,128
REPUBLIC OF NAMIBIA 0.8%			
Namibia International Bonds[b]			
11/03/21	5.500%	885,000	932,613
REPUBLIC OF THE CONGO 0.6%			
Congolese International Bond[b][c]			
06/30/29	4.000%	953,876	686,981
RUSSIAN FEDERATION 8.0%			
Gazprom Neft OAO Via GPN Capital SA[b]			
09/19/22	4.375%	1,266,000	1,243,845
Gazprom OAO Via Gaz Capital SA[b]			
03/07/22	6.510%	1,205,000	1,316,704
03/07/22	6.510%	400,000	437,080
02/06/28	4.950%	800,000	784,032
08/16/37	7.288%	1,096,000	1,276,840
Russian Agricultural Bank OJSC Via RSHB Capital SA[b]			
12/27/17	5.298%	814,000	838,420
Russian Foreign Bond — Eurobond[b]			
04/04/22	4.500%	200,000	213,730
04/04/42	5.625%	1,800,000	2,016,689
Vnesheconombank Via VEB Finance PLC[b]			
11/21/23	5.942%	1,100,000	1,149,544
11/22/25	6.800%	354,000	384,975
Total			9,661,859
SENEGAL 0.8%			
Senegal Government International Bond[b]			
07/30/24	6.250%	1,019,000	966,796
SERBIA 1.0%			
Serbia International Bond[b]			
12/03/18	5.875%	342,000	362,370
09/28/21	7.250%	700,000	801,311
Total			1,163,681
TRINIDAD AND TOBAGO 2.1%			
Petroleum Co. of Trinidad & Tobago Ltd.[b]			
08/14/19	9.750%	2,311,000	2,518,990
TUNISIA 0.4%			
Banque Centrale de Tunisie International Bond[b]			
01/30/25	5.750%	597,000	538,793

Foreign Government Obligations[a][d] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
TURKEY 6.1%			
Export Credit Bank of Turkey[b]			
04/24/19	5.875%	467,000	495,926
09/23/21	5.000%	418,000	425,315
TC Ziraat Bankasi AS[b]			
04/29/21	4.750%	400,000	406,586
Turkey Government International Bond			
03/30/21	5.625%	1,655,000	1,803,950
03/25/22	5.125%	250,000	267,309
09/26/22	6.250%	250,000	282,702
04/14/26	4.250%	597,000	606,044
03/17/36	6.875%	1,932,000	2,355,263
02/17/45	6.625%	560,000	680,074
Total			7,323,169
URUGUAY 0.5%			
Uruguay Government International Bond			
11/20/45	4.125%	650,000	586,625
VENEZUELA 3.3%			
Petroleos de Venezuela SA[b]			
11/02/17	8.500%	317,533	222,123
11/17/21	9.000%	536,480	229,882
05/16/24	6.000%	8,095,356	2,862,923
Venezuela Government International Bond[b]			
12/01/18	7.000%	169,000	84,711
10/13/19	7.750%	1,400,000	626,500
Total			4,026,139
ZAMBIA 0.4%			
Zambia Government International Bond[b]			
04/14/24	8.500%	200,000	173,780
07/30/27	8.970%	400,000	344,275
Total			518,055
Total Foreign Government Obligations (Cost: $99,548,718)			**100,081,739**

Money Market Funds 5.0%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.441%[f][g]	6,042,974	6,042,974
Total Money Market Funds (Cost: $6,042,974)		**6,042,974**
Total Investments (Cost: $120,108,697)		**120,137,785**
Other Assets & Liabilities, Net		784,952
Net Assets		**120,922,737**

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

PORTFOLIO OF INVESTMENTS *(continued)*

June 30, 2016 (Unaudited)

At June 30, 2016, cash totaling $65,650 was pledged as collateral.

Investments in Derivatives

Forward Foreign Currency Exchange Contracts Open at June 30, 2016

Counterparty	Exchange Date	Currency to be Delivered		Currency to be Received		Unrealized Appreciation ($)	Unrealized Depreciation ($)
Citi	07/15/2016	2,857,290,000	COP	965,806	USD	—	(10,104)
Credit Suisse	07/08/2016	2,848,000	EUR	3,175,150	USD	14,223	—
Total						14,223	(10,104)

Futures Contracts Outstanding at June 30, 2016

Long Futures Contracts Outstanding

Contract Description	Number of Contracts	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized (Depreciation) ($)
U.S. Treasury 10-Year Note	35	USD	4,654,453	09/2016	118,068	—
U.S. Ultra Bond	4	USD	745,500	09/2016	46,649	—
Total			5,399,953		164,717	—

Notes to Portfolio of Investments

(a) Principal amounts are denominated in United States Dollars unless otherwise noted.

(b) Represents privately placed and other securities and instruments exempt from SEC registration (collectively, private placements), such as Section 4(a)(2) and Rule 144A eligible securities, which are often sold only to qualified institutional buyers. The Fund may invest in private placements determined to be liquid as well as those determined to be illiquid. Private placements may be determined to be liquid under guidelines established by the Fund's Board of Trustees. At June 30, 2016, the value of these securities amounted to $83,438,763 or 69.00% of net assets.

(c) Variable rate security.

(d) Principal and interest may not be guaranteed by the government.

(e) Security, or a portion thereof, has been purchased on a when-issued or delayed delivery basis.

(f) The rate shown is the seven-day current annualized yield at June 30, 2016.

(g) 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, 2016 are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	13,977,237	26,512,608	(34,446,871)	6,042,974	18,586	6,042,974

Currency Legend

COP	Colombian Peso
DOP	Dominican Republic Peso
EUR	Euro
IDR	Indonesian Rupiah
MXN	Mexican Peso
PHP	Philippine Peso
USD	US Dollar

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

PORTFOLIO OF INVESTMENTS *(continued)*

June 30, 2016 (Unaudited)

Fair Value Measurements

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's 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.

Certain investments that have been measured at fair value using the net asset value per share (or its equivalent) are not categorized in the fair value hierarchy. The fair value amounts presented in the table are intended to reconcile the fair value hierarchy to the amounts presented in the Portfolio of Investments. The Columbia Short-Term Cash Fund seeks to provide shareholders with maximum current income consistent with liquidity and stability of principal. Investments in Columbia Short-Term Cash Fund may be redeemed on a daily basis without restriction.

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, 2016 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at June 30, 2016:

	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Investments				
Corporate Bonds & Notes	—	14,013,072	—	14,013,072
Foreign Government Obligations	—	98,429,918	1,651,821	100,081,739
Investments measured at net asset value				
Money Market Funds	—	—	—	6,042,974
Total Investments	—	112,442,990	1,651,821	120,137,785
Derivatives				
Assets				
Forward Foreign Currency Exchange Contracts	—	14,223	—	14,223
Futures Contracts	164,717	—	—	164,717
Liabilities				
Forward Foreign Currency Exchange Contracts	—	(10,104)	—	(10,104)
Total	164,717	112,447,109	1,651,821	120,306,621

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.

Derivative instruments are valued at unrealized appreciation (depreciation).

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

The following table is a reconciliation of Level 3 assets for which significant observable and unobservable inputs were used to determine fair value:

	Foreign Government Obligations ($)
Balance as of December 31, 2015	1,640,671
Increase (decrease) in accrued discounts/premiums	(8,703)
Realized gain (loss)	—
Change in unrealized appreciation (depreciation)[(a)]	19,853
Sales	—
Purchases	—
Transfers into Level 3	—
Transfers out of Level 3	—
Balance as of June 30, 2016	1,651,821

(a) Change in unrealized appreciation relating to securities held at June 30, 2016 was $19,853.

The Fund's assets assigned to the Level 3 category are valued utilizing the valuation technique deemed the most appropriate in the circumstances. Certain foreign government obligations classified as Level 3 securities are valued using the market approach and utilize single market quotations from broker dealers which may have included, but were not limited to, observable transactions for identical or similar assets in the market and the distressed nature of the security. The appropriateness of fair values for these securities is monitored on an ongoing basis which may include results of back testing, manual price reviews and other control procedures. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) valuation measurement.

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

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2016 (Unaudited)

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $114,065,723)	$114,094,811
Affiliated issuers (identified cost $6,042,974)	6,042,974
Total investments (identified cost $120,108,697)	120,137,785
Cash	28,450
Margin deposits	65,650
Unrealized appreciation on forward foreign currency exchange contracts	14,223
Receivable for:	
Investments sold	343,523
Capital shares sold	41,950
Dividends	1,105
Interest	1,909,917
Foreign tax reclaims	27,802
Total assets	122,570,405
Liabilities	
Unrealized depreciation on forward foreign currency exchange contracts	10,104
Payable for:	
Investments purchased on a delayed delivery basis	1,497,843
Capital shares purchased	6,997
Variation margin	6,359
Foreign capital gains taxes deferred	7,342
Investment management fees	57,714
Distribution and/or service fees	4,532
Transfer agent fees	5,771
Compensation of board members	21,043
Other expenses	29,963
Total liabilities	1,647,668
Net assets applicable to outstanding capital stock	**$120,922,737**
Represented by	
Paid-in capital	$134,397,410
Undistributed net investment income	2,126,309
Accumulated net realized loss	(15,791,255)
Unrealized appreciation (depreciation) on:	
Investments	29,088
Foreign currency translations	(309)
Forward foreign currency exchange contracts	4,119
Futures contracts	164,717
Foreign capital gains tax	(7,342)
Total — representing net assets applicable to outstanding capital stock	**$120,922,737**

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

STATEMENT OF ASSETS AND LIABILITIES *(continued)*

June 30, 2016 (Unaudited)

Class 1	
Net assets	$97,363,821
Shares outstanding	10,204,454
Net asset value per share	$9.54
Class 2	
Net assets	$23,558,916
Shares outstanding	2,472,504
Net asset value per share	$9.53

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

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2016 (Unaudited)

Net investment income	
Income:	
Dividends — affiliated issuers	$18,586
Interest	3,811,118
Foreign taxes withheld	(21,381)
Total income	3,808,323
Expenses:	
Investment management fees	326,955
Distribution and/or service fees	
Class 2	23,328
Transfer agent fees	
Class 1	27,096
Class 2	5,599
Compensation of board members	5,828
Custodian fees	8,852
Printing and postage fees	3,731
Audit fees	18,171
Legal fees	4,569
Other	6,330
Total expenses	430,459
Net investment income	3,377,864
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	(3,502,276)
Foreign currency translations	49,335
Forward foreign currency exchange contracts	(761,134)
Futures contracts	115,283
Net realized loss	(4,098,792)
Net change in unrealized appreciation (depreciation) on:	
Investments	11,901,401
Foreign currency translations	19,336
Forward foreign currency exchange contracts	115,617
Futures contracts	171,504
Foreign capital gains tax	(7,342)
Net change in unrealized appreciation	12,200,516
Net realized and unrealized gain	8,101,724
Net increase in net assets resulting from operations	**$11,479,588**

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

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
Operations		
Net investment income	$3,377,864	$7,837,362
Net realized loss	(4,098,792)	(13,267,935)
Net change in unrealized appreciation	12,200,516	7,558,363
Net increase in net assets resulting from operations	11,479,588	2,127,790
Distributions to shareholders		
Net investment income		
Class 1	(1,666,062)	(2,893,470)
Class 2	(324,395)	(202,662)
Total distributions to shareholders	(1,990,457)	(3,096,132)
Increase (decrease) in net assets from capital stock activity	7,121,350	(91,410,612)
Total increase (decrease) in net assets	16,610,481	(92,378,954)
Net assets at beginning of period	104,312,256	196,691,210
Net assets at end of period	**$120,922,737**	**$104,312,256**
Undistributed net investment income	$2,126,309	$738,902

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, 2016 (Unaudited)		Year Ended December 31, 2015	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	35,564	325,229	144,935	1,294,020
Distributions reinvested	185,737	1,666,061	321,140	2,893,470
Redemptions	(11,598)	(104,920)	(11,010,849)	(101,057,631)
Net increase (decrease)	209,703	1,886,370	(10,544,774)	(96,870,141)
Class 2 shares				
Subscriptions	686,898	6,251,639	960,289	8,648,443
Distributions reinvested	36,164	324,395	22,443	202,662
Redemptions	(150,669)	(1,341,054)	(380,606)	(3,391,576)
Net increase	572,393	5,234,980	602,126	5,459,529
Total net increase (decrease)	**782,096**	**7,121,350**	**(9,942,648)**	**(91,410,612)**

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 any fees and expenses imposed under your Contract and/or Qualified Plan, as applicable; such fees and expenses would reduce the total returns for all periods shown. 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, 2016 (Unaudited)	Year Ended December 31, 2015	2014	2013	2012[a]
Per share data					
Net asset value, beginning of period	$8.77	$9.01	$9.41	$10.88	$10.00
Income from investment operations:					
Net investment income	0.28	0.52	0.57	0.56	0.35
Net realized and unrealized gain (loss)	0.66	(0.61)	(0.39)	(1.37)	0.80
Total from investment operations	0.94	(0.09)	0.18	(0.81)	1.15
Less distributions to shareholders:					
Net investment income	(0.17)	(0.15)	(0.53)	(0.60)	(0.27)
Net realized gains	—	—	(0.05)	(0.06)	—
Total distributions to shareholders	(0.17)	(0.15)	(0.58)	(0.66)	(0.27)
Net asset value, end of period	$9.54	$8.77	$9.01	$9.41	$10.88
Total return	10.80%	(1.03%)	1.81%	(7.54%)	11.58%
Ratios to average net assets[b]					
Total gross expenses	0.75%[c]	0.75%	0.71%	0.69%	0.70%[c]
Total net expenses[d]	0.75%[c]	0.75%	0.71%	0.69%	0.70%[c]
Net investment income	6.24%[c]	5.77%	5.93%	5.50%	5.09%[c]
Supplemental data					
Net assets, end of period (in thousands)	$97,364	$87,659	$184,984	$287,061	$416,903
Portfolio turnover	12%	64%	30%	21%	21%

Notes to Financial Highlights

(a) Based on operations from April 30, 2012 (commencement of operations) through the stated period end.

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

(c) Annualized.

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

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

FINANCIAL HIGHLIGHTS *(continued)*

Class 2	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	2014	2013	2012[a]
Per share data					
Net asset value, beginning of period	$8.76	$9.02	$9.43	$10.88	$10.00
Income from investment operations:					
Net investment income	0.27	0.49	0.55	0.54	0.32
Net realized and unrealized gain (loss)	0.66	(0.60)	(0.40)	(1.36)	0.81
Total from investment operations	0.93	(0.11)	0.15	(0.82)	1.13
Less distributions to shareholders:					
Net investment income	(0.16)	(0.15)	(0.51)	(0.57)	(0.25)
Net realized gains	—	—	(0.05)	(0.06)	—
Total distributions to shareholders	(0.16)	(0.15)	(0.56)	(0.63)	(0.25)
Net asset value, end of period	$9.53	$8.76	$9.02	$9.43	$10.88
Total return	10.74%	(1.31%)	1.44%	(7.65%)	11.42%
Ratios to average net assets[b]					
Total gross expenses	1.00%[c]	1.01%	0.96%	0.95%	0.95%[c]
Total net expenses[d]	1.00%[c]	1.01%	0.96%	0.95%	0.95%[c]
Net investment income	6.02%[c]	5.49%	5.75%	5.68%	4.64%[c]
Supplemental data					
Net assets, end of period (in thousands)	$23,559	$16,653	$11,708	$4,249	$3
Portfolio turnover	12%	64%	30%	21%	21%

Notes to Financial Highlights

(a) Based on operations from April 30, 2012 (commencement of operations) through the stated period end.

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

(c) Annualized.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 (Unaudited)

Note 1. Organization

Columbia Variable Portfolio — Emerging Markets Bond Fund (the Fund), a series of Columbia Funds Variable Series Trust II (the Trust), is a non-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 may invest by participating in a Qualified Plan or by 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 cost structure and other features.

Note 2. Summary of Significant Accounting Policies

Basis of Preparation

The Fund is an investment company that applies the accounting and reporting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services — Investment Companies* (ASC 946). The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), which requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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

Security Valuation

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques that take into account, as applicable, factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are not readily available or not believed to be reflective of market value may also be valued based upon a bid quote from an approved independent broker-dealer. Debt securities maturing in 60 days or less are valued primarily at amortized cost value, unless this method results in a valuation that management believes does not approximate market value.

Investments in open-end investment companies, including money market funds, are valued at their latest 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 at the close of regular trading on their principal exchanges or, in the absence of transactions, at the mean of the latest quoted bid and ask prices.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reflective of market value or reliable, are valued at fair value as determined in good faith under procedures approved 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.

GAAP requires 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. This

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2016 (Unaudited)

information is disclosed following the Fund's Portfolio of Investments.

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 New York Stock Exchange (NYSE) on any given day. 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 securities, currencies, commodities, indices, or other assets or instruments. Derivatives may be used to increase investment flexibility (including to maintain cash reserves while maintaining desired exposure to certain 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 derivatives 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

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2016 (Unaudited)

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 transactions to terminate derivatives contracts prior to maturity in the event the Fund's net asset value declines by a stated percentage over a specified time period or if the Fund fails to meet certain 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 certain terms of the ISDA Master Agreement. In addition to considering counterparty credit risk, the Fund would consider terminating the derivatives 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 and to manage exposure to movements in interest rates. These instruments may be used for other purposes in future periods. Upon entering into futures contracts, the Fund bears risks that it may not achieve the anticipated benefits of the futures contracts and may realize a 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

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2016 (Unaudited)

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 and unrealized gains (losses). The derivative instrument schedules following the Portfolio of Investments present additional information regarding derivative instruments outstanding at the end of the period, if any.

The following table is a summary of the fair value of derivative instruments (not considered to be hedging instruments for accounting disclosure purposes) at June 30, 2016:

Asset Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Foreign exchange risk	Unrealized appreciation on forward foreign currency exchange contracts	14,223
Interest rate risk	Net assets — unrealized appreciation on futures contracts	164,717*
Total		178,940
Liability Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Foreign exchange risk	Unrealized depreciation on forward foreign currency exchange contracts	10,104

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

The following table indicates the effect of derivative instruments (not considered to be hedging instruments for accounting disclosure purposes) in the Statement of Operations for the six months ended June 30, 2016:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income			
Risk Exposure Category	**Forward Foreign Currency Exchange Contracts ($)**	**Futures Contracts ($)**	**Total ($)**
Foreign exchange risk	(761,134)	—	(761,134)
Interest rate risk	—	115,283	115,283
Total	(761,134)	115,283	(645,851)
Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income			
Risk Exposure Category	**Forward Foreign Currency Exchange Contracts ($)**	**Futures Contracts ($)**	**Total ($)**
Foreign exchange risk	115,617	—	115,617
Interest rate risk	—	171,504	171,504
Total	115,617	171,504	287,121

The following table provides a summary of the average outstanding volume by derivative instrument for the six months ended June 30, 2016:

Derivative Instrument	**Average Notional Amounts ($)***
Futures contracts — Long	5,457,266
Derivative Instrument	**Average Unrealized Appreciation ($)***	**Average Unrealized Depreciation ($)***
Forward foreign currency exchange contracts	7,112	(45,038)

*Based on the ending quarterly outstanding amounts for the six months ended June 30, 2016.

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.

Offsetting of Assets and Liabilities

The following table presents the Fund's gross and net amount of assets and liabilities available for offset under

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2016 (Unaudited)

netting arrangements as well as any related collateral received or pledged by the Fund as of June 30, 2016:

	Citi ($)	Credit Suisse ($)	Total ($)
Assets			
Forward foreign currency exchange contracts	—	14,223	14,223
Liabilities			
Forward foreign currency exchange contracts	10,104	—	10,104
Total Financial and Derivative Net Assets	**(10,104)**	**14,223**	**4,119**
Total collateral received (pledged)[a]	—	—	—
Net Amount[b]	**(10,104)**	**14,223**	**4,119**

(a) In some instances, the actual collateral received and/or pledged may be more than the amount shown due to overcollateralization.

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

Security Transactions

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

Income Recognition

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

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 collectibility of interest is reasonably assured.

Dividend income is recorded on the ex-dividend date.

Expenses

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

Determination of Class Net Asset Value

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

Federal Income Tax Status

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. 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 quarterly. 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

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2016 (Unaudited)

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

Guarantees and Indemnifications

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

Note 3. Fees and Other Transactions with Affiliates

Management Fees

Effective May 1, 2016, the Fund entered into a Management Agreement with Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial). Under the Management Agreement, the Investment Manager provides the Fund with investment research and advice, as well as administrative and accounting services. The management services fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.600% to 0.393% as the Fund's net assets increase. The annualized effective management services fee rate for the six months ended June 30, 2016 was 0.600% of the Fund's average daily net assets.

Prior to May 1, 2016, the Fund paid the Investment Manager an annual fee for advisory services under an Investment Management Services Agreement and a separate annual fee for administrative and accounting services under an Administrative Services Agreement. For the period from January 1, 2016 through April 30, 2016, the investment advisory services fee paid to the Investment Manager was $184,866, and the administrative services fee paid to the Investment Manager was $24,417.

Participating Affiliates

The Investment Manager and its investment advisory affiliates (Participating Affiliates) around the world may coordinate in providing services to their clients. Such coordination may include functional leadership of the business (the "Global" business). From time to time the Investment Manager (or any affiliated investment subadviser to the Fund, as the case may be) may engage its Participating Affiliates to provide a variety of services such as investment research, investment monitoring, trading and discretionary investment management (including portfolio management) to certain accounts managed by the Investment Manager, including the Fund. These Participating Affiliates will provide services to the Investment Manager (or any affiliated investment subadviser to the Fund as the case may be) either pursuant to subadvisory agreements, personnel-sharing agreements or similar inter-company arrangements and the Fund will pay no additional fees and expenses as a result of any such arrangements.

These Participating Affiliates, like the Investment Manager, are direct or indirect subsidiaries of Ameriprise Financial and are registered with appropriate respective regulators in their home jurisdictions and, where required, the Securities and Exchange Commission and the Commodity Futures Trading Commission in the United States.

Pursuant to some of these arrangements, certain employees of these Participating Affiliates may 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 such services to the Fund on behalf of the Investment Manager.

Other Expenses

Other expenses are for, among other things, miscellaneous expenses of the Fund or the Board, including payments to Board Services Corp., 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, 2016, other expenses paid by the Fund to this company were $332.

Compensation of Board Members

Board members, who are not officers or employees of the Investment Manager or Ameriprise Financial, are compensated for their services to the Fund as disclosed in the Statement of Operations. Under a Deferred Compensation Plan (the Plan), these Board members may elect to defer payment of up to 100% of their compensation. Deferred amounts are treated as though

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2016 (Unaudited)

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. All amounts payable under the Plan constitute a general unsecured obligation of the Fund.

Transfer Agency Fees

The Fund has a Transfer 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.

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

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

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

	May 1, 2016 through April 30, 2017	Prior to May 1, 2016
Class 1	0.89%	0.86%
Class 2	1.14	1.11

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange-traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend and interest expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, infrequent and/or unusual expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from the Investment Manager, certain of its affiliates and the Fund. Any fees waived and/or expenses reimbursed under the expense reimbursement arrangements described above are not recoverable by the Investment Manager or its affiliates in future periods.

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, 2016, the cost of investments for federal income tax purposes was approximately $120,109,000 and the aggregate gross approximate unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$4,611,000
Unrealized depreciation	(4,582,000)
Net unrealized appreciation	$29,000

The following capital loss carryforwards, determined as of December 31, 2015, 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 ($)
No expiration — short-term	1,625,277
No expiration — long-term	9,942,286
Total	11,567,563

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2016 (Unaudited)

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term investments and derivatives, if any, aggregated to $28,611,148 and $11,671,153, respectively, for the six months ended June 30, 2016. 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. Line of Credit

The Fund has access to a revolving credit facility whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. Effective December 8, 2015, Citibank, N.A. and HSBC Bank USA, N.A. joined JPMorgan Chase Bank, N.A. (JPMorgan) as lead of a syndicate of banks under the credit facility, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, that permits collective borrowings up to $1 billion. 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 0.15% per annum. The commitment fee is included in other expenses in the Statement of Operations. Prior to December 8, 2015, JPMorgan was the sole lead bank under the credit facility agreement that permitted borrowings up to $550 million under the same terms and interest rates as described above with the exception of the commitment fee which was charged at a rate of 0.075% per annum.

The Fund had no borrowings during the six months ended June 30, 2016.

Note 8. Significant Risks

Shareholder Concentration Risk

At June 30, 2016, affiliated shareholders of record owned 87.8% 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. In the case of a large redemption, the Fund may be forced to sell investments at inopportune times, including its liquid or more liquid positions, resulting in Fund losses and the Fund holding a higher percentage of less liquid or illiquid securities. Large redemptions could result in decreased economies of scale and increased operating expenses for non-redeeming Fund shareholders.

Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk of losses attributable to changes in interest rates. In general, if prevailing interest rates rise, the values of debt securities tend to fall, and if interest rates fall, the values of debt securities tend to rise. Actions by governments and central banking authorities can result in increases in interest rates. Increasing interest rates may negatively affect the value of debt securities held by the Fund, resulting in a negative impact on the Fund's performance and net asset value per share. In general, the longer the maturity or duration of a debt security, the greater its sensitivity to changes in interest rates.

Liquidity Risk

Liquidity risk is the risk associated with a lack of marketability of investments which may make it difficult to sell the investment at a desirable time or price. Changing regulatory, market or other conditions or environments (for example, the interest rate or credit environments) may adversely affect the liquidity of the Fund's investments. The Fund may have to accept a lower selling price for the holding, sell other investments,

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2016 (Unaudited)

or forego another, more appealing investment opportunity. Generally, the less liquid the market at the time the Fund sells a portfolio investment, the greater the risk of loss or decline of value to the Fund. A less liquid market can lead to an increase in Fund redemptions, which may negatively impact Fund performance and net asset value per share, including, for example, if the Fund is forced to sell securities in a down market.

Foreign Securities and Emerging Market Countries Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities. Investing in emerging markets may accentuate these risks. These countries are also more likely to experience high levels of inflation, deflation or currency devaluation which could hurt their economies and securities markets. To the extent that the Fund concentrates its investment exposure to any one or a few specific countries, the Fund will be particularly susceptible to the various conditions, events or other factors impacting those countries and may, therefore, have a greater risk than that of a fund which is more geographically diversified.

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.

Non-Diversification Risk

A non-diversified fund is permitted to invest a greater percentage of its total assets in fewer issuers than a diversified fund. The Fund may, therefore, have a greater risk of loss from a few issuers than a similar fund that invests more broadly.

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 http://www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the Funds' Boards of Trustees.

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

June 30, 2016 (Unaudited)

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

APPROVAL OF MANAGEMENT AGREEMENT

Columbia Management Investment Advisers, LLC (Columbia Threadneedle or the Investment Manager, and together with its domestic and global affiliates, Columbia Threadneedle Investments), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), serves as the investment manager to Columbia Variable Portfolio — Emerging Markets Bond Fund (the Fund). Under a management agreement (the Management Agreement), Columbia Threadneedle 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 Management Agreement. Columbia Threadneedle prepared detailed reports for the Board and its Contracts Committee in February, March and April 2016, including reports providing the results of analyses performed by an independent organization, Broadridge Financial Solutions, Inc. (Broadridge), and a comprehensive response to items 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. Many of the materials presented in February, March and April were first supplied in draft form to designated independent Board representatives, *i.e.*, Independent Legal Counsel, the Chair of the Board and/or the Chair of the Contracts Committee, and the final materials were revised to contain information reflective of 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 Threadneedle addressing the services Columbia Threadneedle provides and Fund performance. The Board also accords appropriate weight to the work, deliberations and conclusions of the various committees, such as the Contracts Committee, the Investment Review Committee and the Compliance Committee in determining whether to continue the Management Agreement.

The Board, at its June 13-15, 2016 in-person Board meeting (the June Meeting), considered the renewal of the Management Agreement for an additional one-year term. At the June Meeting, Independent Legal Counsel reviewed with the Independent Trustees various factors relevant to the Board's consideration of management 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 Management Agreement.

Nature, Extent and Quality of Services Provided by Columbia Threadneedle

The Independent Trustees analyzed various reports and presentations they had received detailing the services performed by Columbia Threadneedle, as well as its organization, expertise, resources and capabilities.

The Independent Trustees specifically considered many developments during the past year concerning the services provided by Columbia Threadneedle, including, in particular, the relatively recent change in the leadership of equity department oversight, improvements in technology research and the use of research analysts' model portfolios to highlight best ideas and improve implementation. The Independent Trustees further noted the restructured investment risk management department and its additional resources, including the new head of multi-asset investment risk. They also observed the relatively recent 5P leadership transition, and the additional staff and resources dedicated to the 5P team. The Board also noted the broad scope of services provided by Columbia Threadneedle to each Fund, including, among other services, investment, risk and compliance oversight. The Board also took into account the information it received concerning Columbia Threadneedle's ability to attract and retain key portfolio management personnel.

In connection with the Board's evaluation of the overall package of services provided by Columbia Threadneedle, the Board also considered the nature, quality and range of administrative services provided to the Fund by Columbia Threadneedle, as well as the achievements in 2015 in the performance of administrative services, and noted the various enhancements anticipated for 2016. In evaluating the quality of services provided under the Management 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 reviewed the financial condition of Columbia Threadneedle and its affiliates and each entity's ability to carry out its responsibilities under the

APPROVAL OF MANAGEMENT AGREEMENT *(continued)*

Management Agreement and the Fund's other service 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 Management Agreement (including the relatively broad scope of services required to be performed by Columbia Threadneedle), noting that no material changes are proposed from the form of agreement previously approved. They also noted the wide array of legal and compliance services provided to the Funds. It was also observed that the services being performed under the Management 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 Threadneedle and its affiliates are 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 Management 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 met expectations.

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

The Board reviewed comparative fees and the costs of services provided under the Management 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 Threadneedle's profitability. The Board reviewed the fees charged to comparable institutional or other accounts/vehicles managed by Columbia Threadneedle and discussed differences in how the products are managed and operated, noting no unreasonable differences in the levels of contractual fees.

The Board considered the reports of its independent fee consultant, JDL Consultants, LLC (JDL), which assisted in its analysis of the Funds' performance and expenses, the reasonableness of the Funds' fee rates, the reasonableness of Columbia Threadneedle's profitability and JDL's conclusion that the management fees being charged to the Fund are reasonable. The Board accorded particular weight to the notion that the level of fees should generally 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 certain defined exceptions) are generally in line with the "pricing philosophy" currently in effect (*i.e.*, that the total expense ratio of the Fund is generally no higher than the median expense ratio of funds in the comparison universe of the Fund). The Board took into account that the Fund's total expense ratio (after considering proposed expense caps/waivers) was below the peer universe's median expense ratio shown in the reports. Based on its review, the Board concluded that the Fund's management fee was fair and reasonable in light of the extent and quality of services that the Fund receives.

The Board also considered the expected profitability of Columbia Threadneedle and its affiliates in connection with Columbia Threadneedle providing management services to the Fund. In this regard, the Independent Trustees referred to their detailed analysis of the Profitability Report, discussing the profitability to Columbia Threadneedle and Ameriprise Financial from managing, operating and distributing the Funds. The Board took into account JDL's conclusion that 2015 Columbia Threadneedle profitability, relative to industry competitors, was reasonable. It also considered that in 2015 the Board had concluded that 2014 profitability was reasonable and that Columbia Threadneedle generated 2015 profitability that only slightly exceeded 2014 levels. It also took into account the indirect economic benefits flowing to Columbia Threadneedle or its affiliates in connection with managing or distributing the Funds, such as the enhanced ability to offer various other financial products to

APPROVAL OF MANAGEMENT AGREEMENT *(continued)*

Ameriprise Financial customers, soft dollar benefits and overall reputational advantages. The Board noted that the fees paid by the Fund 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 Threadneedle as the Fund grows and took note of the extent to which Fund shareholders might also benefit from such growth. In this regard, the Board took into account that management fees decline as Fund assets exceed various breakpoints, all of which have not been surpassed. The Board concluded that the breakpoints in the management fee rate schedule satisfactorily provides for the sharing of economies of scale, as they allow for adequate opportunity for shareholders to realize benefits (fee breaks) as Fund assets grow.

Based on the foregoing, the Board, including all of the Independent Trustees, concluded that the management 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 June 15, 2016, the Board, including all of the Independent Trustees, approved the renewal of the Management Agreement.

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

Columbia Variable Portfolio — Emerging Markets Bond Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. **Please read and consider the investment objectives, risks, charges and expenses for any fund carefully before investing. 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.

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.
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S-6537 AK (8/16)

Dimensional

SEMI-ANNUAL REPORT

six months ended: April 30, 2016 (Unaudited)

DFA Investment Dimensions Group Inc.

VA U.S. Targeted Value Portfolio

VA U.S. Large Value Portfolio

VA International Value Portfolio

VA International Small Portfolio

VA Short-Term Fixed Portfolio

VA Global Bond Portfolio

VIT Inflation-Protected Securities Portfolio

DFA VA Global Moderate Allocation Portfolio

Dimensional Fund Advisors
6300 Bee Cave Road, Building One
Austin, TX 78746

May 2016

Dear Shareholder,

At Dimensional we strive to offer Fund shareholders the best available investment solutions and second-to-none client service. More than just shares in a mutual fund, the assets invested with us represent institutions and individuals and are often savings earned with sacrifice. We appreciate and take with enormous responsibility the trust clients have put in us, always aiming for the highest standards when managing money, performing research, and finding ways to better provide client service.

On behalf of all of us at Dimensional, thank you for letting us help you pursue your investment goals. Your trust is taken with the seriousness it deserves.

Sincerely,

Eduardo A. Repetto
Co-Chief Executive Officer and Co-Chief Investment Officer

DFA INVESTMENT DIMENSIONS GROUP INC.

SEMI-ANNUAL REPORT
(Unaudited)

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This report is submitted for the information of the Fund's shareholders. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

DFA INVESTMENT DIMENSIONS GROUP INC.

DEFINITIONS OF ABBREVIATIONS AND FOOTNOTES

Summary Schedules of Portfolio Holdings/Schedules of Investments

Investment Abbreviations

ADR	American Depositary Receipt
P.L.C.	Public Limited Company
GBP	British Pounds
USD	United States Dollars

Investment Footnotes

†	See Note B to Financial Statements.
††	Securities that have generally been fair value factored. See Note B to Financial Statements.
**	Calculated as a percentage of total net assets. Percentages shown parenthetically next to the category headings have been calculated as a percentage of total investments. "Other Securities" are those securities that are not among the top 50 holdings in unaffiliated issuers of the Fund or do not represent more than 1.0% of the net assets of the Fund. Some of the individual securities within this category may include Total or Partial Securities on Loan and/or Non-Income Producing Securities.
*	Non-Income Producing Securities.
#	Total or Partial Securities on Loan.
^	Denominated in USD, unless otherwise noted.
@	Security purchased with cash proceeds from Securities on Loan.
(r)	The adjustable rate shown is effective as of April 30, 2016.
##	Rule 144A, Section 4(2), or other security which is restricted as to resale to institutional investors. The Fund's Advisor has deemed this security to be liquid based upon procedures approved by the Board of Trustees.
§	Affiliated Fund.
^^^	Face amount of security is not adjusted for inflation.

Financial Highlights

(A)	Computed using average shares outstanding.
(B)	Represents the combined ratios for the respective portfolio and its respective pro-rata share of its Master Funds.
(C)	Because of commencement of operations and related preliminary transaction costs, these ratios are not necessarily indicative of future ratios.
(D)	Non-Annualized
(E)	Annualized

All Statements, Schedules and Notes to Financial Statements

—	Amounts designated as — are either zero or rounded to zero.
SEC	Securities and Exchange Commission
(a)	Commencement of Operations.

DFA INVESTMENT DIMENSIONS GROUP INC.

DISCLOSURE OF FUND EXPENSES
(Unaudited)

The following Expense Tables are shown so that you can understand the impact of fees on your investment. All mutual funds have operating expenses. As a shareholder of the fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports, among others. Operating expenses, legal and audit services, which are deducted from a fund's gross income, directly reduce the investment return of the fund. A fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs, in dollars, of investing in the fund and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The Expense Tables below illustrate your fund's costs in two ways.

Actual Fund Return

This section helps you to estimate the actual expenses after fee waivers that you paid over the period. The "Ending Account Value" shown is derived from the fund's actual return and "Expenses Paid During Period" reflect the dollar amount that would have been paid by an investor who started with $1,000 in the fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by $1,000 (for example, a $7,500 account value divided by $1,000 = 7.5), then multiply the result by the number given for your fund under the heading "Expenses Paid During Period."

Hypothetical Example for Comparison Purposes

This section is intended to help you compare your fund's costs with those of other mutual funds. The hypothetical "Ending Account Value" and "Expenses Paid During Period" are derived from the fund's actual expense ratio and an assumed 5% annual return before expenses. In this case, because the return used is not the fund's actual return, the results do not apply to your investment. The example is useful in making comparisons because the SEC requires all mutual funds to calculate expenses based on a 5% annual return. You can assess your fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Please note that the expenses shown in the tables are meant to highlight and help you compare ongoing costs only and do not reflect any transactional costs, if applicable. The "Annualized Expense Ratio" represents the actual expenses for the six-month period indicated.

EXPENSE TABLES

Six Months Ended April 30, 2016

	Beginning Account Value 11/01/15	Ending Account Value 04/30/16	Annualized Expense Ratio*	Expenses Paid During Period*
VA U.S. Targeted Value Portfolio				
Actual Fund Return	$1,000.00	$1,007.30	0.38%	$1.90
Hypothetical 5% Annual Return	$1,000.00	$1,022.97	0.38%	$1.91
VA U.S. Large Value Portfolio				
Actual Fund Return	$1,000.00	$ 999.60	0.27%	$1.34
Hypothetical 5% Annual Return	$1,000.00	$1,023.52	0.27%	$1.36

DISCLOSURE OF FUND EXPENSES
CONTINUED

	Beginning Account Value 11/01/15	Ending Account Value 04/30/16	Annualized Expense Ratio*	Expenses Paid During Period*
VA International Value Portfolio				
Actual Fund Return	$1,000.00	$ 962.10	0.45%	$2.20
Hypothetical 5% Annual Return	$1,000.00	$1,022.63	0.45%	$2.26
VA International Small Portfolio				
Actual Fund Return	$1,000.00	$1,033.60	0.59%	$2.98
Hypothetical 5% Annual Return	$1,000.00	$1,021.93	0.59%	$2.97
VA Short-Term Fixed Portfolio				
Actual Fund Return	$1,000.00	$1,003.00	0.27%	$1.34
Hypothetical 5% Annual Return	$1,000.00	$1,023.52	0.27%	$1.36
VA Global Bond Portfolio				
Actual Fund Return	$1,000.00	$1,020.20	0.24%	$1.21
Hypothetical 5% Annual Return	$1,000.00	$1,023.67	0.24%	$1.21
VIT Inflation-Protected Securities Portfolio				
Actual Fund Return	$1,000.00	$1,038.40	0.18%	$0.91
Hypothetical 5% Annual Return	$1,000.00	$1,023.97	0.18%	$0.91
DFA VA Global Moderate Allocation Portfolio**				
Actual Fund Return	$1,000.00	$1,007.00	0.40%	$2.00
Hypothetical 5% Annual Return	$1,000.00	$1,022.87	0.40%	$2.01

* Expenses are equal to the fund's annualized expense ratio for the six-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period (182), then divided by the number of days in the year (366) to reflect the six-month period.

** DFA VA Global Moderate Allocation Portfolio is a Fund of Funds. The expenses shown reflect the direct expenses of the Fund of Funds and the Fund of Fund's portion of the expenses of its Master Funds (Affiliated Investment Companies).

DFA INVESTMENT DIMENSIONS GROUP INC.

DISCLOSURE OF PORTFOLIO HOLDINGS
(Unaudited)

The SEC requires that all funds file a complete Schedule of Investments with the SEC for their first and third fiscal quarters on Form N-Q. For DFA Investment Dimensions Group Inc., this would be for the fiscal quarters ending January 31 and July 31. The Form N-Q filing must be made within 60 days of the end of the quarter. DFA Investment Dimensions Group Inc. filed its most recent Form N-Q with the SEC on March 31, 2016. They are available upon request, without charge, by calling collect: (512) 306-7400 or by mailing a request to Dimensional Fund Advisors LP, 6300 Bee Cave Road, Building One, Austin, Texas 78746, or by visiting the SEC's website at http://www.sec.gov, or they may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (call 1-800-732-0330 for information on the operation of the Public Reference Room).

SEC regulations permit a fund to include in its reports to shareholders a "Summary Schedule of Portfolio Holdings" in lieu of a full Schedule of Investments. The Summary Schedule of Portfolio Holdings reports the fund's 50 largest holdings in unaffiliated issuers and any investments that exceed one percent of the fund's net assets at the end of the reporting period. The regulations also require that the Summary Schedule of Portfolio Holdings identify each category of investments that are held.

A fund is required to file a complete Schedule of Investments with the SEC on Form N-CSR within ten days after mailing the annual and semi-annual reports to shareholders. It will be available upon request, without charge, by calling collect: (512) 306-7400 or by mailing a request to Dimensional Fund Advisors LP, 6300 Bee Cave Road, Building One, Austin, Texas 78746, or by visiting the SEC's website at http://www.sec.gov, or they may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (call 1-800-732-0330 for information on the operation of the Public Reference Room).

PORTFOLIO HOLDINGS

The SEC requires that all funds present their categories of portfolio holdings in a table, chart or graph format in their annual and semi-annual shareholder reports, whether or not a Schedule of Investments is utilized. The following table, which presents portfolio holdings as a percent of total investments before short-term investments and collateral for loaned securities, is provided in compliance with such requirement. The categories shown below represent broad industry sectors. Each industry sector consists of one or more specific industry classifications.

FUND OF FUNDS

	Affiliated Investment Companies
DFA VA Global Moderate Allocation Portfolio	100.0%

DOMESTIC AND INTERNATIONAL EQUITY PORTFOLIOS

VA U.S. Targeted Value Portfolio		VA U.S. Large Value Portfolio		VA International Value Portfolio	
Consumer Discretionary	14.4%	Consumer Discretionary	13.1%	Consumer Discretionary	11.9%
Consumer Staples	3.6%	Consumer Staples	5.8%	Consumer Staples	3.6%
Energy	8.0%	Energy	15.6%	Energy	18.0%
Financials	25.9%	Financials	21.1%	Financials	30.5%
Health Care	4.7%	Health Care	9.9%	Health Care	1.3%
Industrials	20.3%	Industrials	12.9%	Industrials	10.6%
Information Technology	13.7%	Information Technology	12.0%	Information Technology	3.3%
Materials	6.8%	Materials	4.2%	Materials	12.7%
Telecommunication Services	1.6%	Telecommunication Services	5.0%	Telecommunication Services	5.0%
Utilities	1.0%	Utilities	0.4%	Utilities	3.1%
	100.0%		100.0%		100.0%

DISCLOSURE OF PORTFOLIO HOLDINGS
CONTINUED

VA International Small Portfolio	
Consumer Discretionary	17.2%
Consumer Staples	6.9%
Energy	4.5%
Financials	16.2%
Health Care	6.3%
Industrials	23.6%
Information Technology	8.8%
Materials	12.5%
Telecommunication Services	1.4%
Utilities	2.6%
	100.0%

FIXED INCOME PORTFOLIOS

VA Short-Term Fixed Portfolio	
Corporate	21.1%
Government	13.9%
Foreign Corporate	27.5%
Foreign Government	32.0%
Supranational	5.5%
	100.0%

VA Global Bond Portfolio	
Corporate	35.7%
Foreign Corporate	33.2%
Foreign Government	25.0%
Supranational	6.1%
	100.0%

VIT Inflation-Protected Securities Portfolio	
Government	100.0%

VA U.S. TARGETED VALUE PORTFOLIO

SUMMARY SCHEDULE OF PORTFOLIO HOLDINGS

April 30, 2016
(Unaudited)

		Shares	Value†	Percentage of Net Assets**
COMMON STOCKS — (86.2%)				
Consumer Discretionary — (12.4%)				
#*	AutoNation, Inc.	19,217	$ 973,341	0.5%
	Harman International Industries, Inc.	9,516	730,448	0.4%
*	Liberty Ventures Series A	25,363	1,014,520	0.5%
	PulteGroup, Inc.	66,087	1,215,340	0.6%
	TEGNA, Inc.	41,420	967,571	0.5%
*	Toll Brothers, Inc.	31,289	854,190	0.4%
	Other Securities		23,564,192	11.4%
Total Consumer Discretionary			29,319,602	14.3%
Consumer Staples — (3.1%)				
	Ingredion, Inc.	10,598	1,219,724	0.6%
	Pinnacle Foods, Inc.	17,964	765,087	0.4%
#*	Post Holdings, Inc.	11,988	861,218	0.4%
	Other Securities		4,576,840	2.2%
Total Consumer Staples			7,422,869	3.6%
Energy — (6.9%)				
*	FMC Technologies, Inc.	41,974	1,279,787	0.6%
#	Helmerich & Payne, Inc.	19,880	1,314,466	0.6%
	Transocean, Ltd.	61,197	678,063	0.3%
	Other Securities		13,010,733	6.4%
Total Energy			16,283,049	7.9%
Financials — (22.3%)				
	Assurant, Inc.	12,206	1,032,261	0.5%
	Assured Guaranty, Ltd.	26,137	676,164	0.3%
	Axis Capital Holdings, Ltd.	18,027	960,298	0.5%
	Endurance Specialty Holdings, Ltd.	12,596	805,892	0.4%
	Investors Bancorp, Inc.	65,367	754,989	0.4%
	Navient Corp.	60,789	830,986	0.4%
	Old Republic International Corp.	46,721	863,871	0.4%
	PacWest Bancorp	21,780	870,764	0.4%
#	People's United Financial, Inc.	58,665	909,308	0.5%
*	Realogy Holdings Corp.	27,560	984,994	0.5%
	Reinsurance Group of America, Inc.	12,290	1,170,254	0.6%
#	RenaissanceRe Holdings, Ltd.	8,161	905,137	0.4%
	Validus Holdings, Ltd.	15,495	714,165	0.4%
#	Zions Bancorporation	38,221	1,051,842	0.5%
	Other Securities		40,311,928	19.6%
Total Financials			52,842,853	25.8%
Health Care — (4.1%)				
*	Amsurg Corp.	10,294	833,608	0.4%
	Other Securities		8,757,349	4.3%
Total Health Care			9,590,957	4.7%
Industrials — (17.5%)				
	ADT Corp. (The)	30,314	1,272,582	0.6%
*	AECOM	28,801	935,744	0.5%
#	AGCO Corp.	15,501	828,838	0.4%
	AMERCO	1,930	679,360	0.3%
*	Jacobs Engineering Group, Inc.	23,110	1,030,244	0.5%
	ManpowerGroup, Inc.	13,825	1,064,940	0.5%

VA U.S. Targeted Value Portfolio
CONTINUED

	Shares	Value†	Percentage of Net Assets**
Industrials — (Continued)			
* Quanta Services, Inc.	29,506	$ 699,882	0.3%
* United Rentals, Inc.	16,637	1,113,514	0.5%
Waste Connections, Inc.	20,519	1,380,518	0.7%
Other Securities		32,510,278	15.9%
Total Industrials		41,515,900	20.2%
Information Technology — (11.8%)			
* Arrow Electronics, Inc.	17,405	1,080,850	0.5%
Avnet, Inc.	24,846	1,021,668	0.5%
* Flextronics International, Ltd.	101,466	1,232,812	0.6%
Ingram Micro, Inc. Class A	27,656	966,577	0.5%
* ON Semiconductor Corp.	74,879	709,104	0.4%
* Qorvo, Inc.	17,362	781,811	0.4%
Other Securities		22,192,466	10.7%
Total Information Technology		27,985,288	13.6%
Materials — (5.9%)			
Airgas, Inc.	11,328	1,613,560	0.8%
Huntsman Corp.	46,287	728,557	0.4%
Reliance Steel & Aluminum Co.	13,569	1,003,699	0.5%
Steel Dynamics, Inc.	44,309	1,117,030	0.6%
Westlake Chemical Corp.	13,576	681,379	0.3%
Other Securities		8,764,288	4.2%
Total Materials		13,908,513	6.8%
Other — (0.0%)			
Other Securities		—	0.0%
Telecommunication Services — (1.4%)			
Frontier Communications Corp.	221,053	1,229,055	0.6%
Other Securities		2,132,239	1.0%
Total Telecommunication Services		3,361,294	1.6%
Utilities — (0.8%)			
* Calpine Corp.	64,127	1,011,924	0.5%
UGI Corp.	17,533	705,528	0.4%
Other Securities		256,383	0.1%
Total Utilities		1,973,835	1.0%
TOTAL COMMON STOCKS		204,204,160	99.5%
RIGHTS/WARRANTS — (0.0%)			
Other Securities		40	0.0%
	Face Amount (000)		
BONDS — (0.0%)			
Health Care — (0.0%)			
Other Securities		4,763	0.0%
TOTAL INVESTMENT SECURITIES		204,208,963	

VA U.S. Targeted Value Portfolio
CONTINUED

	Shares	Value†	Percentage of Net Assets**
TEMPORARY CASH INVESTMENTS — (0.1%)			
State Street Institutional Liquid Reserves, 0.455%	308,795	$ 308,795	0.2%
SECURITIES LENDING COLLATERAL — (13.7%)			
§@ DFA Short Term Investment Fund	2,803,214	32,433,183	15.8%
TOTAL INVESTMENTS — (100.0%)			
(Cost $228,508,394)		$236,950,941	115.5%

Summary of the Portfolio's investments as of April 30, 2016, based on their valuation inputs, is as follows (See Security Valuation Note):

	Investments in Securities (Market Value)			
	Level 1	Level 2	Level 3	Total
Common Stocks				
Consumer Discretionary	$ 29,319,602	—	—	$ 29,319,602
Consumer Staples	7,422,869	—	—	7,422,869
Energy	16,283,049	—	—	16,283,049
Financials	52,842,853	—	—	52,842,853
Health Care	9,590,957	—	—	9,590,957
Industrials	41,515,900	—	—	41,515,900
Information Technology	27,985,288	—	—	27,985,288
Materials	13,908,513	—	—	13,908,513
Other	—	—	—	—
Telecommunication Services	3,361,294	—	—	3,361,294
Utilities	1,973,835	—	—	1,973,835
Rights/Warrants	—	$ 40	—	40
Bonds				
Health Care	—	4,763	—	4,763
Temporary Cash Investments	308,795	—	—	308,795
Securities Lending Collateral	—	32,433,183	—	32,433,183
TOTAL	$204,512,955	$32,437,986	—	$236,950,941

See accompanying Notes to Financial Statements.

VA U.S. LARGE VALUE PORTFOLIO

SUMMARY SCHEDULE OF PORTFOLIO HOLDINGS

April 30, 2016
(Unaudited)

	Shares	Value†	Percentage of Net Assets**
COMMON STOCKS — (95.5%)			
Consumer Discretionary — (12.6%)			
Comcast Corp. Class A	135,846	$ 8,254,003	3.5%
Ford Motor Co.	178,787	2,424,352	1.0%
General Motors Co.	65,260	2,075,268	0.9%
Time Warner Cable, Inc.	20,790	4,409,767	1.8%
Time Warner, Inc.	47,918	3,600,559	1.5%
Other Securities		10,575,944	4.4%
Total Consumer Discretionary		31,339,893	13.1%
Consumer Staples — (5.6%)			
CVS Health Corp.	43,727	4,394,563	1.8%
Mondelez International, Inc. Class A	56,787	2,439,570	1.0%
# Tyson Foods, Inc. Class A	23,525	1,548,415	0.7%
Other Securities		5,506,662	2.3%
Total Consumer Staples		13,889,210	5.8%
Energy — (14.9%)			
Chevron Corp.	64,630	6,603,893	2.8%
ConocoPhillips	39,739	1,899,127	0.8%
EOG Resources, Inc.	18,054	1,491,622	0.6%
Exxon Mobil Corp.	108,566	9,597,234	4.0%
Occidental Petroleum Corp.	22,765	1,744,937	0.7%
Phillips 66	24,421	2,005,208	0.8%
Schlumberger, Ltd.	22,912	1,840,750	0.8%
Valero Energy Corp.	31,170	1,834,978	0.8%
Other Securities		10,057,435	4.2%
Total Energy		37,075,184	15.5%
Financials — (20.2%)			
American International Group, Inc.	33,331	1,860,536	0.8%
Bank of America Corp.	173,842	2,531,140	1.1%
Bank of New York Mellon Corp. (The)	38,150	1,535,156	0.6%
Capital One Financial Corp.	24,451	1,770,008	0.7%
Citigroup, Inc.	97,195	4,498,185	1.9%
Goldman Sachs Group, Inc. (The)	16,497	2,707,323	1.1%
JPMorgan Chase & Co.	133,382	8,429,742	3.5%
PNC Financial Services Group, Inc. (The)	15,500	1,360,590	0.6%
Travelers Cos., Inc. (The)	14,243	1,565,306	0.7%
Wells Fargo & Co.	67,777	3,387,494	1.4%
Other Securities		20,744,967	8.7%
Total Financials		50,390,447	21.1%
Health Care — (9.4%)			
Aetna, Inc.	22,358	2,510,133	1.0%
* Allergan P.L.C.	6,107	1,322,532	0.6%
Anthem, Inc.	16,612	2,338,471	1.0%
* Express Scripts Holding Co.	31,513	2,323,453	1.0%
Humana, Inc.	7,894	1,397,791	0.6%
Medtronic P.L.C.	20,707	1,638,959	0.7%
Pfizer, Inc.	201,515	6,591,556	2.8%
Thermo Fisher Scientific, Inc.	12,872	1,856,786	0.8%
Other Securities		3,537,091	1.3%
Total Health Care		23,516,772	9.8%

VA U.S. Large Value Portfolio
CONTINUED

	Shares	Value†	Percentage of Net Assets**
Industrials — (12.3%)			
# Caterpillar, Inc.	18,468	$ 1,435,333	0.6%
CSX Corp.	59,904	1,633,582	0.7%
FedEx Corp.	10,735	1,772,456	0.7%
General Electric Co.	143,254	4,405,061	1.8%
Norfolk Southern Corp.	17,791	1,603,147	0.7%
Southwest Airlines Co.	43,565	1,943,435	0.8%
Stanley Black & Decker, Inc.	13,721	1,535,654	0.6%
Union Pacific Corp.	41,458	3,616,381	1.5%
Other Securities		12,890,343	5.5%
Total Industrials		30,835,392	12.9%
Information Technology — (11.4%)			
Cisco Systems, Inc.	196,863	5,411,764	2.3%
EMC Corp.	59,307	1,548,506	0.6%
Hewlett Packard Enterprise Co.	106,724	1,778,022	0.7%
HP, Inc.	106,724	1,309,503	0.5%
Intel Corp.	177,561	5,376,547	2.3%
QUALCOMM, Inc.	28,866	1,458,310	0.6%
Other Securities		11,601,044	4.9%
Total Information Technology		28,483,696	11.9%
Materials — (4.0%)			
Newmont Mining Corp.	44,779	1,565,922	0.7%
Other Securities		8,431,309	3.5%
Total Materials		9,997,231	4.2%
Telecommunication Services — (4.7%)			
AT&T, Inc.	242,848	9,427,359	3.9%
Other Securities		2,400,964	1.1%
Total Telecommunication Services		11,828,323	5.0%
Utilities — (0.4%)			
Other Securities		1,057,435	0.4%
TOTAL COMMON STOCKS		238,413,583	99.7%
TEMPORARY CASH INVESTMENTS — (0.1%)			
State Street Institutional Liquid Reserves, 0.455%	324,294	324,294	0.1%
SECURITIES LENDING COLLATERAL — (4.4%)			
§@ DFA Short Term Investment Fund	935,058	10,818,625	4.6%
TOTAL INVESTMENTS — (100.0%) (Cost $200,874,620)		$249,556,502	104.4%

VA U.S. Large Value Portfolio
CONTINUED

Summary of the Portfolio's investments as of April 30, 2016, based on their valuation inputs, is as follows (See Security Valuation Note):

	Investments in Securities (Market Value)			
	Level 1	Level 2	Level 3	Total
Common Stocks				
Consumer Discretionary	$ 31,339,893	—	—	$ 31,339,893
Consumer Staples	13,889,210	—	—	13,889,210
Energy	37,075,184	—	—	37,075,184
Financials	50,390,447	—	—	50,390,447
Health Care	23,516,772	—	—	23,516,772
Industrials	30,835,392	—	—	30,835,392
Information Technology	28,483,696	—	—	28,483,696
Materials	9,997,231	—	—	9,997,231
Telecommunication Services	11,828,323	—	—	11,828,323
Utilities	1,057,435	—	—	1,057,435
Temporary Cash Investments	324,294	—	—	324,294
Securities Lending Collateral	—	$10,818,625	—	10,818,625
TOTAL	$238,737,877	$10,818,625	—	$249,556,502

VA INTERNATIONAL VALUE PORTFOLIO

SUMMARY SCHEDULE OF PORTFOLIO HOLDINGS

April 30, 2016
(Unaudited)

		Shares	Value††	Percentage of Net Assets**
COMMON STOCKS — (93.2%)				
AUSTRALIA — (5.9%)				
	Australia & New Zealand Banking Group, Ltd.	73,409	$ 1,345,581	0.8%
	BHP Billiton, Ltd.	136,342	2,129,245	1.3%
*	Newcrest Mining, Ltd.	60,155	877,157	0.5%
	Rio Tinto, Ltd.	21,462	837,415	0.5%
	Woodside Petroleum, Ltd.	56,561	1,210,971	0.7%
	Other Securities		3,866,342	2.5%
TOTAL AUSTRALIA			10,266,711	6.3%
AUSTRIA — (0.0%)				
	Other Securities		60,644	0.0%
BELGIUM — (1.5%)				
	Other Securities		2,620,583	1.6%
CANADA — (8.6%)				
	Bank of Montreal	29,618	1,929,909	1.2%
	Canadian Natural Resources, Ltd.	57,482	1,725,610	1.1%
	Suncor Energy, Inc.(867224107)	35,374	1,038,934	0.6%
	Suncor Energy, Inc.(B3NB1P2)	55,331	1,624,164	1.0%
	Other Securities		8,644,448	5.3%
TOTAL CANADA			14,963,065	9.2%
DENMARK — (1.7%)				
	Vestas Wind Systems A.S.	12,965	928,061	0.6%
	Other Securities		1,998,478	1.2%
TOTAL DENMARK			2,926,539	1.8%
FINLAND — (0.7%)				
	Other Securities		1,175,900	0.7%
FRANCE — (8.9%)				
#	AXA SA	54,203	1,368,604	0.8%
	BNP Paribas SA	18,138	960,569	0.6%
	Cie de Saint-Gobain	30,917	1,416,695	0.9%
	Engie SA	70,881	1,169,071	0.7%
	Orange SA	83,508	1,387,395	0.9%
	Renault SA	12,571	1,212,948	0.7%
	Societe Generale SA	30,614	1,204,574	0.7%
#	Total SA	70,675	3,571,971	2.2%
	Other Securities		3,103,934	1.9%
TOTAL FRANCE			15,395,761	9.4%
GERMANY — (7.4%)				
	Allianz SE	12,806	2,178,657	1.3%
	Bayerische Motoren Werke AG	17,255	1,596,321	1.0%
	Daimler AG	39,844	2,776,196	1.7%
	E.ON SE	137,213	1,422,099	0.9%
*	RWE AG	60,150	901,203	0.5%
	Other Securities		3,922,268	2.4%
TOTAL GERMANY			12,796,744	7.8%

VA International Value Portfolio
CONTINUED

	Shares	Value††	Percentage of Net Assets**
HONG KONG — (2.4%)			
Sun Hung Kai Properties, Ltd.	63,362	$ 798,559	0.5%
Other Securities		3,353,330	2.1%
TOTAL HONG KONG		4,151,889	2.6%
IRELAND — (0.2%)			
Other Securities		376,378	0.2%
ISRAEL — (0.5%)			
Other Securities		924,938	0.6%
ITALY — (1.2%)			
Eni SpA	62,126	1,014,948	0.6%
Other Securities		1,044,095	0.7%
TOTAL ITALY		2,059,043	1.3%
JAPAN — (18.7%)			
Hitachi, Ltd.	190,000	870,623	0.5%
Honda Motor Co., Ltd.	65,100	1,756,774	1.1%
Mitsubishi UFJ Financial Group, Inc.	360,700	1,664,563	1.0%
Mizuho Financial Group, Inc.	832,700	1,248,143	0.8%
Nissan Motor Co., Ltd.	107,100	950,408	0.6%
Sumitomo Mitsui Financial Group, Inc.	49,800	1,498,566	0.9%
Other Securities		24,447,400	14.9%
TOTAL JAPAN		32,436,477	19.8%
NETHERLANDS — (2.8%)			
ING Groep NV	95,778	1,173,608	0.7%
Koninklijke Philips NV	32,407	891,517	0.6%
Other Securities		2,739,036	1.7%
TOTAL NETHERLANDS		4,804,161	3.0%
NEW ZEALAND — (0.1%)			
Other Securities		115,068	0.1%
NORWAY — (0.8%)			
Other Securities		1,368,233	0.8%
PORTUGAL — (0.0%)			
Other Securities		60,765	0.0%
SINGAPORE — (0.9%)			
Other Securities		1,463,868	0.9%
SPAIN — (2.9%)			
Banco Santander SA	537,999	2,732,129	1.6%
Iberdrola SA	154,943	1,102,999	0.7%
Other Securities		1,107,561	0.7%
TOTAL SPAIN		4,942,689	3.0%
SWEDEN — (2.7%)			
Svenska Cellulosa AB SCA Class B	34,183	1,078,529	0.7%
Other Securities		3,516,243	2.1%
TOTAL SWEDEN		4,594,772	2.8%

VA International Value Portfolio
CONTINUED

	Shares	Value††	Percentage of Net Assets**
SWITZERLAND — (7.9%)			
ABB, Ltd.	95,921	$ 2,030,673	1.2%
Cie Financiere Richemont SA	22,439	1,496,237	0.9%
Novartis AG	19,786	1,505,758	0.9%
Swiss Re AG	17,407	1,547,109	0.9%
UBS Group AG	45,288	785,088	0.5%
Zurich Insurance Group AG	6,382	1,432,020	0.9%
Other Securities		4,941,237	3.1%
TOTAL SWITZERLAND		13,738,122	8.4%
UNITED KINGDOM — (17.4%)			
Barclays P.L.C. Sponsored ADR	91,383	918,399	0.5%
BP P.L.C. Sponsored ADR	198,994	6,682,215	4.1%
Glencore P.L.C.	417,942	998,847	0.6%
HSBC Holdings P.L.C. Sponsored ADR	120,898	4,029,530	2.5%
Royal Dutch Shell P.L.C. Sponsored ADR, Class A	87,058	4,604,521	2.8%
Royal Dutch Shell P.L.C. Sponsored ADR, Class B	58,185	3,104,170	1.9%
Vodafone Group P.L.C.	1,463,266	4,714,405	2.9%
Other Securities		5,081,213	3.1%
TOTAL UNITED KINGDOM		30,133,300	18.4%
TOTAL COMMON STOCKS		161,375,650	98.7%
PREFERRED STOCKS — (0.8%)			
GERMANY — (0.8%)			
Volkswagen AG	7,158	1,038,362	0.6%
Other Securities		378,716	0.2%
TOTAL GERMANY		1,417,078	0.8%
TOTAL PREFERRED STOCKS		1,417,078	0.8%
TOTAL INVESTMENT SECURITIES		162,792,728	
		Value†	
SECURITIES LENDING COLLATERAL — (6.0%)			
§@ DFA Short Term Investment Fund	890,818	10,306,766	6.3%
TOTAL INVESTMENTS — (100.0%) (Cost $191,903,799)		$173,099,494	105.8%

VA International Value Portfolio
CONTINUED

Summary of the Portfolio's investments as of April 30, 2016, based on their valuation inputs, is as follows (See Security Valuation Note):

	Investments in Securities (Market Value)			
	Level 1	Level 2	Level 3	Total
Common Stocks				
Australia	$ 40,589	$ 10,226,122	—	$ 10,266,711
Austria	—	60,644	—	60,644
Belgium	—	2,620,583	—	2,620,583
Canada	14,960,129	2,936	—	14,963,065
Denmark	—	2,926,539	—	2,926,539
Finland	—	1,175,900	—	1,175,900
France	—	15,395,761	—	15,395,761
Germany	979,573	11,817,171	—	12,796,744
Hong Kong	—	4,151,889	—	4,151,889
Ireland	156,204	220,174	—	376,378
Israel	205,222	719,716	—	924,938
Italy	175,680	1,883,363	—	2,059,043
Japan	221,526	32,214,951	—	32,436,477
Netherlands	1,411,406	3,392,755	—	4,804,161
New Zealand	—	115,068	—	115,068
Norway	—	1,368,233	—	1,368,233
Portugal	—	60,765	—	60,765
Singapore	—	1,463,868	—	1,463,868
Spain	2,593	4,940,096	—	4,942,689
Sweden	218,535	4,376,237	—	4,594,772
Switzerland	649,197	13,088,925	—	13,738,122
United Kingdom	20,803,213	9,330,087	—	30,133,300
Preferred Stocks				
Germany	—	1,417,078	—	1,417,078
Securities Lending Collateral	—	10,306,766	—	10,306,766
TOTAL	$39,823,867	$133,275,627	—	$173,099,494

See accompanying Notes to Financial Statements.

VA INTERNATIONAL SMALL PORTFOLIO

SUMMARY SCHEDULE OF PORTFOLIO HOLDINGS

April 30, 2016
(Unaudited)

	Shares	Value††	Percentage of Net Assets**
COMMON STOCKS — (88.6%)			
AUSTRALIA — (6.3%)			
Challenger, Ltd.	36,198	$ 244,857	0.2%
Other Securities		9,660,318	6.8%
TOTAL AUSTRALIA		9,905,175	7.0%
AUSTRIA — (1.2%)			
Other Securities		1,948,730	1.4%
BELGIUM — (1.6%)			
Ackermans & van Haaren NV	1,790	233,337	0.2%
# Umicore SA	6,669	332,914	0.2%
Other Securities		1,925,262	1.4%
TOTAL BELGIUM		2,491,513	1.8%
CANADA — (7.6%)			
Other Securities		11,965,928	8.5%
CHINA — (0.0%)			
Other Securities		5,951	0.0%
DENMARK — (1.7%)			
#* Genmab A.S.	2,467	366,031	0.3%
Other Securities		2,230,574	1.5%
TOTAL DENMARK		2,596,605	1.8%
FINLAND — (2.3%)			
Amer Sports Oyj	9,341	276,530	0.2%
# Elisa Oyj	9,007	336,789	0.2%
# Huhtamaki Oyj	7,365	289,703	0.2%
Nokian Renkaat Oyj	6,746	249,170	0.2%
Other Securities		2,429,128	1.7%
TOTAL FINLAND		3,581,320	2.5%
FRANCE — (4.5%)			
Arkema SA	4,632	369,710	0.3%
Eiffage SA	3,144	250,113	0.2%
Technip SA	4,655	272,830	0.2%
Teleperformance	3,757	337,462	0.3%
Other Securities		5,922,826	4.1%
TOTAL FRANCE		7,152,941	5.1%
GERMANY — (5.7%)			
# Freenet AG	8,771	268,492	0.2%
Lanxess AG	6,091	318,983	0.2%
LEG Immobilien AG	3,642	337,847	0.2%
# MTU Aero Engines AG	2,855	269,931	0.2%
Osram Licht AG	4,864	253,993	0.2%
* QIAGEN NV	12,774	287,295	0.2%
Other Securities		7,254,977	5.2%
TOTAL GERMANY		8,991,518	6.4%
HONG KONG — (2.8%)			
Other Securities		4,464,247	3.2%

VA International Small Portfolio
CONTINUED

	Shares	Value††	Percentage of Net Assets**
IRELAND — (0.5%)			
Other Securities		$ 836,772	0.6%
ISRAEL — (0.6%)			
Other Securities		954,750	0.7%
ITALY — (3.5%)			
Banca Popolare di Milano Scarl	330,269	251,344	0.2%
Mediaset SpA	52,344	236,472	0.2%
Prysmian SpA	12,247	289,750	0.2%
Other Securities		4,742,800	3.3%
TOTAL ITALY		5,520,366	3.9%
JAPAN — (19.8%)			
Other Securities		31,203,962	22.1%
NETHERLANDS — (1.9%)			
* TNT Express NV	27,007	245,164	0.2%
Other Securities		2,706,332	1.9%
TOTAL NETHERLANDS		2,951,496	2.1%
NEW ZEALAND — (1.3%)			
Other Securities		2,086,684	1.5%
NORWAY — (0.8%)			
Other Securities		1,318,112	0.9%
PORTUGAL — (0.4%)			
Other Securities		595,045	0.4%
SINGAPORE — (1.3%)			
Other Securities		1,996,455	1.4%
SPAIN — (2.0%)			
Gamesa Corp. Tecnologica SA	14,488	286,108	0.2%
Other Securities		2,847,415	2.0%
TOTAL SPAIN		3,133,523	2.2%
SWEDEN — (3.3%)			
Other Securities		5,107,311	3.6%
SWITZERLAND — (4.9%)			
Baloise Holding AG	2,379	294,892	0.2%
Clariant AG	13,904	263,433	0.2%
Flughafen Zuerich AG	262	240,691	0.2%
Helvetia Holding AG	478	257,446	0.2%
Swiss Prime Site AG	3,707	324,979	0.2%
Other Securities		6,309,424	4.5%
TOTAL SWITZERLAND		7,690,865	5.5%
UNITED KINGDOM — (14.6%)			
* Balfour Beatty P.L.C.	75,670	264,402	0.2%
Bellway P.L.C.	12,276	439,570	0.3%
DCC P.L.C.	3,242	287,550	0.2%
DS Smith P.L.C.	75,229	419,574	0.3%
Greene King P.L.C.	22,618	270,692	0.2%
Halma P.L.C.	26,320	343,498	0.3%

VA International Small Portfolio
CONTINUED

	Shares	Value††	Percentage of Net Assets**
UNITED KINGDOM — (Continued)			
Henderson Group P.L.C.	72,990	$ 273,248	0.2%
Howden Joinery Group P.L.C.	42,954	310,712	0.2%
ICAP P.L.C.	34,293	235,104	0.2%
IG Group Holdings P.L.C.	21,847	247,179	0.2%
Inchcape P.L.C.	25,389	251,834	0.2%
Informa P.L.C.	26,210	251,103	0.2%
John Wood Group P.L.C.	26,138	239,112	0.2%
Man Group P.L.C.	121,260	262,283	0.2%
Pennon Group P.L.C.	23,088	274,373	0.2%
Rentokil Initial P.L.C.	94,387	243,232	0.2%
Rightmove P.L.C.	6,175	348,982	0.3%
Rotork P.L.C.	85,396	233,621	0.2%
RPC Group P.L.C.	24,610	262,621	0.2%
Spectris P.L.C.	9,134	243,690	0.2%
Spirax-Sarco Engineering P.L.C.	4,752	237,443	0.2%
William Hill P.L.C.	53,746	246,066	0.2%
Other Securities		16,848,516	11.6%
TOTAL UNITED KINGDOM		23,034,405	16.4%
TOTAL COMMON STOCKS		139,533,674	99.0%
PREFERRED STOCKS — (0.3%)			
GERMANY — (0.3%)			
Other Securities		473,370	0.3%
UNITED KINGDOM — (0.0%)			
Other Securities		114	0.0%
TOTAL PREFERRED STOCKS		473,484	0.3%
RIGHTS/WARRANTS — (0.0%)			
AUSTRALIA — (0.0%)			
Other Securities		15	0.0%
AUSTRIA — (0.0%)			
Other Securities		—	0.0%
GERMANY — (0.0%)			
Other Securities		306	0.0%
HONG KONG — (0.0%)			
Other Securities		278	0.0%
NORWAY — (0.0%)			
Other Securities		—	0.0%
SINGAPORE — (0.0%)			
Other Securities		1,889	0.0%
SWEDEN — (0.0%)			
Other Securities		2,565	0.0%
TOTAL RIGHTS/WARRANTS		5,053	0.0%
TOTAL INVESTMENT SECURITIES		140,012,211	

VA International Small Portfolio
CONTINUED

	Shares	Value†	Percentage of Net Assets**
SECURITIES LENDING COLLATERAL — (11.1%)			
§@ DFA Short Term Investment Fund	1,509,577	$ 17,465,804	12.4%
TOTAL INVESTMENTS — (100.0%)			
(Cost $156,177,791)		$157,478,015	111.7%

Summary of the Portfolio's investments as of April 30, 2016, based on their valuation inputs, is as follows (See Security Valuation Note):

	Investments in Securities (Market Value)			
	Level 1	Level 2	Level 3	Total
Common Stocks				
Australia	—	$ 9,905,175	—	$ 9,905,175
Austria	—	1,948,730	—	1,948,730
Belgium	—	2,491,513	—	2,491,513
Canada	$11,965,842	86	—	11,965,928
China	—	5,951	—	5,951
Denmark	—	2,596,605	—	2,596,605
Finland	—	3,581,320	—	3,581,320
France	—	7,152,941	—	7,152,941
Germany	—	8,991,518	—	8,991,518
Hong Kong	24,739	4,439,508	—	4,464,247
Ireland	—	836,772	—	836,772
Israel	10,800	943,950	—	954,750
Italy	—	5,520,366	—	5,520,366
Japan	91,678	31,112,284	—	31,203,962
Netherlands	—	2,951,496	—	2,951,496
New Zealand	—	2,086,684	—	2,086,684
Norway	—	1,318,112	—	1,318,112
Portugal	—	595,045	—	595,045
Singapore	—	1,996,455	—	1,996,455
Spain	—	3,133,523	—	3,133,523
Sweden	21,027	5,086,284	—	5,107,311
Switzerland	110,396	7,580,469	—	7,690,865
United Kingdom	—	23,034,405	—	23,034,405
Preferred Stocks				
Germany	—	473,370	—	473,370
United Kingdom	—	114	—	114
Rights/Warrants				
Australia	—	15	—	15
Austria	—	—	—	—
Germany	—	306	—	306
Hong Kong	—	278	—	278
Norway	—	—	—	—
Singapore	—	1,889	—	1,889
Sweden	—	2,565	—	2,565
Securities Lending Collateral	—	17,465,804	—	17,465,804
TOTAL	$12,224,482	$145,253,533	—	$157,478,015

See accompanying Notes to Financial Statements.

VA SHORT-TERM FIXED PORTFOLIO

SCHEDULE OF INVESTMENTS

April 30, 2016
(Unaudited)

	Face Amount (000)	Value†
AGENCY OBLIGATIONS — (7.7%)		
Federal Home Loan Bank		
1.000%, 06/09/17	$ 700	$ 702,140
0.750%, 08/28/17	2,300	2,300,922
0.625%, 10/26/17	1,150	1,147,894
5.000%, 11/17/17	510	542,950
Federal Home Loan Mortgage Corporation		
1.000%, 07/28/17	1,900	1,907,074
1.000%, 09/29/17	1,000	1,003,479
5.125%, 11/17/17	1,425	1,518,882
1.000%, 12/15/17	900	902,670
0.750%, 01/12/18	2,500	2,496,740
Federal National Mortgage Association		
1.000%, 09/27/17	1,500	1,505,397
0.875%, 12/20/17	780	780,875
TOTAL AGENCY OBLIGATIONS		14,809,023
BONDS — (77.2%)		
3M Co.		
1.000%, 06/26/17	1,000	1,002,795
Agence Francaise de Developpement		
1.125%, 10/03/16	1,000	1,001,049
Alberta, Province of Canada		
1.000%, 06/21/17	1,332	1,333,263
ANZ New Zealand Int'l, Ltd.		
1.400%, 04/27/17	900	902,383
Apple, Inc.		
# 1.050%, 05/05/17	500	501,555
# 0.900%, 05/12/17	2,800	2,803,920
Asian Development Bank		
5.250%, 06/12/17	1,500	1,572,642
Australia & New Zealand Banking Group, Ltd.		
1.250%, 01/10/17	1,500	1,502,970
1.875%, 10/06/17	400	403,748
Australia & New Zealand Banking Group, Ltd. Floating Rate Note		
(r) 1.009%, 01/10/17	1,800	1,802,367
(r) 1.009%, 01/10/17	1,000	1,001,315
Bank Nederlandse Gemeenten NV		
0.625%, 09/15/16	2,400	2,397,581
5.125%, 10/05/16	200	203,620
0.875%, 02/21/17	1,896	1,895,922
1.375%, 09/27/17	250	251,532
1.000%, 02/12/18	200	199,804
1.375%, 03/19/18	500	502,655
Bank of Montreal		
1.400%, 09/11/17	1,200	1,204,728
Bank of Montreal Floating Rate Note		
(r) 1.115%, 09/01/17	1,300	1,299,207
Bank of Nova Scotia (The)		
1.300%, 07/21/17	1,323	1,325,359
Bank of Nova Scotia (The) Floating Rate Note		
(r) 0.939%, 04/11/17	$ 2,010	$ 2,009,035
Berkshire Hathaway Finance Corp		
1.450%, 03/07/18	2,375	2,397,135
Berkshire Hathaway Finance Corp.		
1.600%, 05/15/17	500	503,993
Berkshire Hathaway Finance Corp. Floating Rate Note		
#(r) 0.931%, 01/12/18	2,000	1,999,342
Caisse des Depots et Consignations		
0.875%, 11/07/16	1,200	1,200,122
Canada Government International Bond		
0.875%, 02/14/17	500	500,615
Chevron Corp.		
1.344%, 11/09/17	4,100	4,119,692
1.365%, 03/02/18	200	200,883
Chevron Corp. Floating Rate Note		
(r) 0.718%, 02/22/17	1,300	1,299,241
Cisco Systems, Inc.		
3.150%, 03/14/17	500	510,412
1.400%, 02/28/18	700	705,197
Coca-Cola Co. (The)		
# 0.875%, 10/27/17	600	600,522
Commonwealth Bank of Australia		
1.900%, 09/18/17	3,000	3,022,740
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA Floating Rate Note		
(r) 0.898%, 11/23/16	900	900,507
Denmark Government International Bond		
0.875%, 03/20/17	500	500,375
Development Bank of Japan, Inc.		
5.125%, 02/01/17	1,000	1,030,236
5.125%, 02/01/17	500	515,125
1.500%, 03/13/17	500	500,900
Erste Abwicklungsanstalt		
1.000%, 02/27/17	3,400	3,398,745
1.000%, 10/13/17	2,000	1,996,030
European Bank for Reconstruction & Development		
1.000%, 02/16/17	1,857	1,861,503
European Investment Bank		
1.750%, 03/15/17	2,000	2,016,530
5.125%, 05/30/17	500	522,670
1.000%, 08/17/17	400	400,786
1.125%, 09/15/17	500	501,515
1.000%, 12/15/17	1,500	1,502,010
1.000%, 03/15/18	500	500,331
Export Development Canada		
0.625%, 04/27/17	500	497,767
0.750%, 12/15/17	750	748,237

VA Short-Term Fixed Portfolio
CONTINUED

	Face Amount (000)	Value†
Exxon Mobil Corp.		
0.921%, 03/15/17	$ 1,000	$ 1,001,828
# 1.439%, 03/01/18	2,100	2,120,294
Exxon Mobil Corp. Floating Rate Note		
(r) 1.232%, 02/28/18	1,911	1,926,900
FMS Wertmanagement AoeR		
0.625%, 01/30/17	1,000	998,617
1.125%, 09/05/17	2,900	2,907,801
Inter-American Development Bank		
1.250%, 01/16/18	270	271,528
International Bank for Reconstruction & Development		
0.625%, 05/02/17	1,000	996,629
International Business Machines Corp.		
5.700%, 09/14/17	1,667	1,774,225
Japan Bank for International Cooperation		
1.125%, 07/19/17	2,000	2,000,450
Japan Finance Organization for Municipalities		
1.500%, 09/12/17	1,000	1,001,802
KFW		
0.750%, 03/17/17	3,800	3,799,609
0.875%, 09/05/17	1,000	1,000,250
2.375%, 12/22/17	200	204,662
Kommunalbanken A.S.		
1.375%, 06/08/17	500	502,379
Kommunekredit		
1.125%, 01/16/18	1,500	1,503,489
Kommuninvest I Sverige AB		
1.625%, 02/13/17	1,000	1,005,585
1.000%, 04/11/17	1,000	1,001,041
1.000%, 10/24/17	2,000	2,000,150
Landeskreditbank Baden-Wuerttemberg Foerderbank		
0.625%, 01/26/17	800	798,820
0.875%, 03/20/17	1,000	1,000,078
0.875%, 04/10/17	1,400	1,399,576
1.625%, 04/25/17	1,137	1,145,012
Landwirtschaftliche Rentenbank		
0.875%, 09/12/17	500	499,815
Manitoba, Province of Canada		
4.900%, 12/06/16	1,000	1,023,830
Merck & Co., Inc. Floating Rate Note		
(r) 0.746%, 02/10/17	1,600	1,601,053
National Australia Bank, Ltd.		
1.300%, 07/25/16	500	500,755
1.250%, 03/17/17	1,000	1,001,080
1.300%, 06/30/17	394	394,660
National Australia Bank, Ltd. Floating Rate Note		
#(r) 1.188%, 07/25/16	500	500,571
(r) 1.063%, 12/02/16	500	500,674
(r) 1.012%, 03/17/17	1,000	999,851
Nederlandse Waterschapsbank NV		
1.250%, 01/16/18	$ 500	$ 501,521
1.500%, 04/16/18	500	503,648
Nestle Holdings, Inc.		
1.375%, 06/21/17	2,008	2,016,869
Netherlands Government Bond		
1.000%, 02/24/17	500	500,920
Nordea Bank AB		
3.125%, 03/20/17	200	203,570
3.125%, 03/20/17	1,570	1,598,024
NRW Bank		
1.000%, 05/22/17	500	500,500
Oesterreichische Kontrollbank AG		
0.750%, 12/15/16	2,120	2,119,729
0.750%, 05/19/17	2,000	1,998,460
Ontario, Province of Canada		
1.600%, 09/21/16	1,000	1,003,068
1.100%, 10/25/17	4,080	4,085,875
3.150%, 12/15/17	404	417,832
Pfizer, Inc.		
1.100%, 05/15/17	800	803,727
Royal Bank of Canada		
# 1.000%, 04/27/17	400	399,984
1.250%, 06/16/17	800	800,136
1.400%, 10/13/17	1,000	1,003,300
1.500%, 01/16/18	1,000	1,004,019
Royal Bank of Canada Floating Rate Note		
(r) 0.897%, 02/03/17	1,500	1,500,097
Shell International Finance BV		
1.125%, 08/21/17	1,500	1,500,916
1.250%, 11/10/17	1,500	1,501,804
State of North Rhine-Westphalia		
1.125%, 11/21/17	2,000	2,002,570
Statoil ASA		
3.125%, 08/17/17	1,660	1,700,311
Svensk Exportkredit AB		
5.125%, 03/01/17	1,961	2,029,496
1.125%, 04/05/18	1,500	1,501,569
Svenska Handelsbanken AB		
2.875%, 04/04/17	600	610,352
Svenska Handelsbanken AB Floating Rate Note		
(r) 1.095%, 09/23/16	2,900	2,903,787
Toronto-Dominion Bank (The)		
# 1.125%, 05/02/17	900	900,990
# 1.625%, 03/13/18	3,100	3,114,477
Toronto-Dominion Bank (The) Floating Rate Note		
(r) 0.890%, 01/06/17	1,500	1,499,967
Total Capital International SA		
1.500%, 02/17/17	1,225	1,230,609
1.550%, 06/28/17	300	301,459
Toyota Motor Credit Corp.		
1.125%, 05/16/17	650	651,656
1.750%, 05/22/17	1,000	1,008,730

VA Short-Term Fixed Portfolio
CONTINUED

	Face Amount (000)	Value†
Toyota Motor Credit Corp. Floating Rate Note		
(r) 0.808%, 02/16/17	$ 2,000	$ 2,002,214
(r) 1.011%, 04/06/18	1,800	1,800,218
Westpac Banking Corp.		
1.200%, 05/19/17	400	400,269
1.500%, 12/01/17	1,500	1,506,441
# 1.600%, 01/12/18	475	477,351
Westpac Banking Corp. Floating Rate Note		
(r) 1.005%, 12/01/17	2,898	2,888,451
TOTAL BONDS		149,448,541
U.S. TREASURY OBLIGATIONS — (2.3%)		
U.S. Treasury Notes		
0.625%, 07/31/17	1,000	999,648
1.000%, 09/15/17	1,000	1,004,336
0.750%, 10/31/17	500	500,312
2.250%, 11/30/17	800	819,094
1.000%, 12/15/17	900	903,867
0.750%, 12/31/17	300	300,035
TOTAL U.S. TREASURY OBLIGATIONS		4,527,292
COMMERCIAL PAPER — (8.9%)		
Apple, Inc.		
## 0.370%, 06/06/16	2,000	1,999,175
Bank of Montreal		
0.930%, 06/16/17	1,000	996,250
Bank of Nova Scotia (The)		
0.865%, 12/05/16	700	700,031
CPPIB Capital, Inc.		
## 0.480%, 06/15/16	$ 500	$ 499,737
0.500%, 06/22/16	3,500	3,497,837
Nordea Bank Finland P.L.C.		
0.898%, 02/13/17	2,500	2,499,450
1.610%, 05/02/18	300	300,000
Pfizer, Inc.		
## 0.480%, 07/11/16	2,000	1,997,988
PSP Capital, Inc.		
## 0.530%, 05/02/16	2,500	2,499,930
Siemens Capital Co. LLC		
## 0.460%, 06/14/16	1,000	999,488
0.490%, 06/15/16	900	899,526
Svenska Handelsbanken AB		
0.798%, 08/17/16	500	500,260
TOTAL COMMERCIAL PAPER		17,389,672
	Shares	
TEMPORARY CASH INVESTMENTS — (0.3%)		
State Street Institutional Liquid Reserves, 0.455%	519,551	519,551
SECURITIES LENDING COLLATERAL — (3.6%)		
§@ DFA Short Term Investment Fund	600,199	6,944,308
TOTAL INVESTMENTS — (100.0%) (Cost $193,471,360)		$193,638,387

Summary of the Portfolio's investments as of April 30, 2016, based on their valuation inputs, is as follows (See Security Valuation Note):

	Investments in Securities (Market Value)			
	Level 1	Level 2	Level 3	Total
Agency Obligations	—	$ 14,809,023	—	$ 14,809,023
Bonds	—	149,448,541	—	149,448,541
U.S. Treasury Obligations	—	4,527,292	—	4,527,292
Commercial Paper	—	17,389,672	—	17,389,672
Temporary Cash Investments	$519,551	—	—	519,551
Securities Lending Collateral	—	6,944,308	—	6,944,308
TOTAL	$519,551	$193,118,836	—	$193,638,387

See accompanying Notes to Financial Statements.

VA GLOBAL BOND PORTFOLIO

SCHEDULE OF INVESTMENTS

April 30, 2016
(Unaudited)

	Face Amount^ (000)	Value†
BONDS — (99.5%)		
AUSTRALIA — (9.2%)		
Australia & New Zealand Banking Group, Ltd.		
2.250%, 06/13/19	3,838	$ 3,886,401
2.700%, 11/16/20	1,000	1,026,547
Commonwealth Bank of Australia		
2.500%, 09/20/18	900	920,058
2.250%, 03/13/19	4,500	4,559,661
2.300%, 09/06/19	500	508,321
2.300%, 03/12/20	500	505,788
National Australia Bank, Ltd.		
2.250%, 07/01/19	500	505,998
2.400%, 12/09/19	1,500	1,523,610
2.625%, 07/23/20	3,050	3,131,106
Westpac Banking Corp.		
2.250%, 01/17/19	4,800	4,874,827
2.300%, 05/26/20	2,000	2,025,924
TOTAL AUSTRALIA		23,468,241
CANADA — (15.0%)		
Alberta, Province of Canada		
1.750%, 08/26/20	4,000	4,022,940
Bank of Nova Scotia (The)		
2.050%, 06/05/19	3,500	3,529,739
2.350%, 10/21/20	500	508,018
Manitoba, Province of Canada		
2.050%, 11/30/20	4,300	4,378,952
Ontario, Province of Canada		
4.000%, 10/07/19	1,600	1,728,091
4.400%, 04/14/20	1,500	1,655,930
1.875%, 05/21/20	2,500	2,526,065
Quebec, Province of Canada		
3.500%, 07/29/20	6,500	6,988,280
Royal Bank of Canada		
2.150%, 03/15/19	1,000	1,014,902
2.150%, 03/06/20	3,094	3,140,138
2.350%, 10/30/20	1,369	1,391,927
Toronto-Dominion Bank (The)		
2.125%, 07/02/19	2,712	2,749,919
2.250%, 11/05/19	1,000	1,019,026
2.500%, 12/14/20	2,800	2,857,557
2.125%, 04/07/21	780	780,477
TOTAL CANADA		38,291,961
FRANCE — (5.0%)		
Agence Francaise de Developpement		
1.625%, 01/21/20	5,600	5,617,802
Dexia Credit Local SA		
2.250%, 01/30/19	2,000	2,034,492
Total Capital International SA		
2.100%, 06/19/19	2,650	2,694,237
FRANCE — (Continued)		
Total Capital SA		
2.125%, 08/10/18	1,300	$ 1,321,503
4.450%, 06/24/20	1,000	1,101,018
TOTAL FRANCE		12,769,052
GERMANY — (3.4%)		
KFW		
1.500%, 04/20/20	4,500	4,524,327
2.750%, 09/08/20	1,000	1,054,813
Landwirtschaftliche Rentenbank		
1.375%, 12/15/20	GBP 110	161,810
State of North Rhine-Westphalia		
1.625%, 01/22/20	3,000	3,014,928
TOTAL GERMANY		8,755,878
IRELAND — (2.7%)		
GE Capital International Funding Co. Unlimited Co.		
2.342%, 11/15/20	3,300	3,377,992
2.342%, 11/15/20	1,600	1,637,815
GE Capital UK Funding Unlimited Co.		
5.875%, 11/04/20	GBP 1,000	1,720,537
TOTAL IRELAND		6,736,344
JAPAN — (2.0%)		
Development Bank of Japan, Inc.		
1.625%, 09/25/19	1,000	999,436
Japan Bank for International Cooperation		
1.750%, 05/29/19	2,030	2,034,689
1.750%, 05/29/19	400	400,956
Japan Finance Organization for Municipalities		
2.125%, 03/06/19	1,700	1,718,721
TOTAL JAPAN		5,153,802
NETHERLANDS — (5.8%)		
Bank Nederlandse Gemeenten NV		
1.750%, 03/24/20	3,400	3,439,950
Cooperatieve Rabobank UA		
2.250%, 01/14/19	4,535	4,616,181
Shell International Finance BV		
2.000%, 11/15/18	1,300	1,323,691
4.300%, 09/22/19	500	543,836
4.375%, 03/25/20	485	531,263
2.125%, 05/11/20	2,200	2,229,420
2.250%, 11/10/20	2,000	2,032,258
TOTAL NETHERLANDS		14,716,599

VA Global Bond Portfolio
CONTINUED

		Face Amount^ (000)	Value†
NORWAY — (1.9%)			
Statoil ASA			
1.950%, 11/08/18		1,100	$ 1,112,600
2.250%, 11/08/19		3,650	3,724,989
TOTAL NORWAY			4,837,589
SINGAPORE — (0.3%)			
Singapore Government Bond			
2.000%, 07/01/20	SGD	1,000	762,315
SUPRANATIONAL ORGANIZATION OBLIGATIONS — (6.0%)			
EUROFIMA			
1.750%, 05/29/20		5,500	5,544,039
European Investment Bank			
1.625%, 03/16/20		3,500	3,537,233
1.625%, 03/16/20		1,000	1,010,731
1.625%, 12/15/20		2,500	2,516,510
Inter-American Development Bank			
1.875%, 06/16/20		2,700	2,749,569
TOTAL SUPRANATIONAL ORGANIZATION OBLIGATIONS			15,358,082
SWEDEN — (9.5%)			
Kommuninvest I Sverige AB			
2.000%, 11/12/19		2,250	2,297,183
2.500%, 12/01/20	SEK	5,000	671,693
Nordea Bank AB			
2.375%, 04/04/19		4,000	4,071,324
2.500%, 09/17/20		3,000	3,052,254
Svensk Exportkredit AB			
1.750%, 08/28/20		3,300	3,320,080
1.750%, 03/10/21		1,000	1,005,063
Svenska Handelsbanken AB			
2.500%, 01/25/19		1,000	1,026,323
2.250%, 06/17/19		2,750	2,796,184
5.125%, 03/30/20		2,000	2,225,278
2.400%, 10/01/20		500	508,998
Sweden Government Bond			
5.000%, 12/01/20	SEK	20,750	3,182,091
TOTAL SWEDEN			24,156,471
UNITED KINGDOM — (3.1%)			
Network Rail Infrastructure Finance P.L.C.			
4.625%, 07/21/20	GBP	850	1,420,456
United Kingdom Gilt			
2.000%, 07/22/20	GBP	694	1,060,593
1.500%, 01/22/21	GBP	3,600	5,384,530
TOTAL UNITED KINGDOM			7,865,579
UNITED STATES — (35.6%)			
3M Co.			
1.625%, 06/15/19		850	863,711
2.000%, 08/07/20		3,500	3,581,028
UNITED STATES — (Continued)			
Apple, Inc.			
2.100%, 05/06/19		4,150	$ 4,250,936
1.550%, 02/07/20		1,700	1,713,394
2.000%, 05/06/20		1,000	1,022,033
Automatic Data Processing, Inc.			
2.250%, 09/15/20		3,739	3,858,498
Berkshire Hathaway, Inc.			
2.100%, 08/14/19		1,700	1,743,743
2.200%, 03/15/21		2,810	2,885,373
Chevron Corp.			
2.193%, 11/15/19		1,500	1,535,861
1.961%, 03/03/20		4,300	4,350,482
2.427%, 06/24/20		500	513,698
2.419%, 11/17/20		500	514,453
Cisco Systems, Inc.			
4.450%, 01/15/20		1,263	1,396,219
2.450%, 06/15/20		4,201	4,362,717
2.200%, 02/28/21		1,500	1,531,512
Coca-Cola Co. (The)			
1.875%, 10/27/20		6,000	6,107,952
3.150%, 11/15/20		630	672,619
Exxon Mobil Corp.			
1.819%, 03/15/19		3,300	3,349,949
1.912%, 03/06/20		3,000	3,030,747
2.222%, 03/01/21		1,000	1,018,516
International Business Machines Corp.			
# 1.950%, 02/12/19		1,200	1,224,602
1.875%, 05/15/19		1,000	1,015,901
1.625%, 05/15/20		500	502,043
2.250%, 02/19/21		3,500	3,577,812
Johnson & Johnson			
1.650%, 03/01/21		1,400	1,410,781
Merck & Co., Inc.			
1.850%, 02/10/20		6,904	7,021,071
Microsoft Corp.			
1.850%, 02/12/20		4,800	4,901,155
2.000%, 11/03/20		1,000	1,025,772
Novartis Capital Corp.			
4.400%, 04/24/20		2,000	2,218,724
Pfizer, Inc.			
2.100%, 05/15/19		5,550	5,702,076
Procter & Gamble Co. (The)			
1.900%, 11/01/19		2,300	2,357,212
1.850%, 02/02/21		307	312,401
Toyota Motor Credit Corp.			
2.125%, 07/18/19		4,250	4,347,954
2.150%, 03/12/20		1,300	1,326,607
1.900%, 04/08/21		1,524	1,525,180
US Bank NA			
2.125%, 10/28/19		1,500	1,526,942
Wal-Mart Stores, Inc.			
3.625%, 07/08/20		2,200	2,394,273
TOTAL UNITED STATES			90,693,947
TOTAL BONDS			253,565,860
TOTAL INVESTMENT SECURITIES			253,565,860

VA Global Bond Portfolio
CONTINUED

	Shares	Value†
SECURITIES LENDING COLLATERAL — (0.5%)		
§@ DFA Short Term Investment Fund	108,384	$ 1,254,000
TOTAL INVESTMENTS — (100.0%) (Cost $250,781,005)		$254,819,860

Summary of the Portfolio's investments as of April 30, 2016, based on their valuation inputs, is as follows (See Security Valuation Note):

	Investments in Securities (Market Value)			
	Level 1	Level 2	Level 3	Total
Bonds				
Australia	—	$ 23,468,241	—	$ 23,468,241
Canada	—	38,291,961	—	38,291,961
France	—	12,769,052	—	12,769,052
Germany	—	8,755,878	—	8,755,878
Ireland	—	6,736,344	—	6,736,344
Japan	—	5,153,802	—	5,153,802
Netherlands	—	14,716,599	—	14,716,599
Norway	—	4,837,589	—	4,837,589
Singapore	—	762,315	—	762,315
Supranational Organization Obligations	—	15,358,082	—	15,358,082
Sweden	—	24,156,471	—	24,156,471
United Kingdom	—	7,865,579	—	7,865,579
United States	—	90,693,947	—	90,693,947
Securities Lending Collateral	—	1,254,000	—	1,254,000
Forward Currency Contracts**	—	(354,819)	—	(354,819)
TOTAL	—	$254,465,041	—	$254,465,041

** Not reflected in the Schedule of Investments, valued at the unrealized appreciation/(depreciation) on the investment. (Note G)

VIT INFLATION-PROTECTED SECURITIES PORTFOLIO

SCHEDULE OF INVESTMENTS

April 30, 2016
(Unaudited)

	Face Amount^^^ (000)	Value†
U.S. TREASURY OBLIGATIONS — (99.8%)		
Treasury Inflation Protected Security		
1.125%, 01/15/21	$ 287	$ 332,125
0.625%, 07/15/21	2,195	2,423,369
0.125%, 01/15/22	2,409	2,562,306
0.125%, 07/15/22	2,395	2,513,487
0.125%, 01/15/23	2,405	2,493,575
0.375%, 07/15/23	2,290	2,405,845
0.625%, 01/15/24	2,480	2,630,522
0.125%, 07/15/24	2,150	2,160,437
0.250%, 01/15/25	2,175	2,200,506
2.375%, 01/15/25	950	1,425,039
0.375%, 07/15/25	1,230	1,260,856
2.000%, 01/15/26	755	1,058,118
2.375%, 01/15/27	825	1,187,555
1.750%, 01/15/28	930	1,224,353
3.625%, 04/15/28	642	1,298,674
2.500%, 01/15/29	520	723,389
3.875%, 04/15/29	450	931,043
3.375%, 04/15/32	240	465,815
TOTAL U.S. TREASURY OBLIGATIONS		29,297,014
TOTAL INVESTMENT SECURITIES		29,297,014

	Shares	
TEMPORARY CASH INVESTMENTS — (0.2%)		
State Street Institutional U.S. Government Money Market Fund, 0.220%	57,874	57,874
TOTAL INVESTMENTS — (100.0%)		
(Cost $28,554,354)		$29,354,888

Summary of the Fund's investments as of April 30, 2016, based on their valuation inputs, is as follows (See Security Valuation Note):

	Investments in Securities (Market Value)			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Obligations	—	$29,297,014	—	$29,297,014
Temporary Cash Investments	$57,874	—	—	57,874
TOTAL	$57,874	$29,297,014	—	$29,354,888

See accompanying Notes to Financial Statements.

DFA VA GLOBAL MODERATE ALLOCATION PORTFOLIO

SCHEDULE OF INVESTMENTS

April 30, 2016
(Unaudited)

	Shares	Value†
AFFILIATED INVESTMENT COMPANIES — (99.9%)		
Investment in U.S. Core Equity 2 Portfolio		
DFA Investment Dimensions Group Inc.	1,892,888	$ 31,554,438
Investment in International Core Equity Portfolio of		
DFA Investment Dimensions Group Inc.	1,293,167	14,949,006
Investment in DFA Selectively Hedged Global Fixed Income Portfolio of		
DFA Investment Dimensions Group Inc.	1,369,639	13,148,539
Investment in VA Global Bond Portfolio of		
DFA Investment Dimensions Group Inc.	1,200,194	13,118,122
Investment in U.S. Core Equity 1 Portfolio of		
DFA Investment Dimensions Group Inc.	642,322	11,221,365
Investment in DFA Two-Year Global Fixed Income Portfolio of		
DFA Investment Dimensions Group Inc.	520,913	5,193,502
Investment in VA Short-Term Fixed Portfolio of		
DFA Investment Dimensions Group Inc.	507,662	5,188,306
Investment in Emerging Markets Core Equity Portfolio of		
DFA Investment Dimensions Group Inc.	267,768	4,565,449
Investment in VA U.S. Large Value Portfolio of		
DFA Investment Dimensions Group Inc.	105,273	2,237,043
Investment in DFA Real Estate Securities Portfolio		
DFA Investment Dimensions Group Inc.	48,932	1,663,198
Investment in VA International Value Portfolio of		
DFA Investment Dimensions Group Inc.	156,223	1,662,211
TOTAL INVESTMENTS IN AFFILIATED INVESTMENT COMPANIES (Cost $102,490,657)		104,501,179
TEMPORARY CASH INVESTMENTS — (0.1%)		
State Street Institutional Liquid Reserves, 0.455% (Cost $55,117)	55,117	55,117
TOTAL INVESTMENTS — (100.0%) (Cost $102,545,774)		$104,556,296

Summary of the Portfolio's investments as of April 30, 2016, based on their valuation inputs, is as follows (See Security Valuation Note):

	Investments in Securities (Market Value)			
	Level 1	Level 2	Level 3	Total
Affiliated Investment Companies	$104,501,179	—	—	$104,501,179
Temporary Cash Investments	55,117	—	—	55,117
TOTAL	$104,556,296	—	—	$104,556,296

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

STATEMENTS OF ASSETS AND LIABILITIES

APRIL 30, 2016
(Unaudited)
(Amounts in thousands, except share and per share amounts)

	VA U.S. Targeted Value Portfolio*	VA U.S. Large Value Portfolio*	VA International Value Portfolio	VA International Small Portfolio*
ASSETS:				
Investments at Value (including $38,816, $14,752, $8,939 and $16,301 of securities on loan, respectively)	$ 204,209	$ 238,414	$ 162,793	$ 140,012
Temporary Cash Investments at Value & Cost	309	324	—	—
Collateral from Securities on Loan Invested in Affiliate at Value & Cost	32,433	10,819	10,307	17,466
Foreign Currencies at Value	—	—	183	276
Cash	—	—	312	—
Receivables:				
Investment Securities Sold	1,013	122	74	30
Dividends and Tax Reclaims	65	291	745	633
Securities Lending Income	16	3	33	38
Fund Shares Sold	509	315	49	259
Unrealized Gain on Foreign Currency Contracts	—	—	12	1
Total Assets	238,554	250,288	174,508	158,715
LIABILITIES:				
Payables:				
Upon Return of Securities Loaned	32,433	10,819	10,307	17,466
Investment Securities Purchased	864	394	362	27
Fund Shares Redeemed	62	75	198	55
Due to Advisor	58	48	52	56
Line of Credit	—	—	—	113
Accrued Expenses and Other Liabilities	15	13	39	48
Total Liabilities	33,432	11,349	10,958	17,765
NET ASSETS	$ 205,122	$ 238,939	$ 163,550	$ 140,950
SHARES OUTSTANDING, $0.01 PAR VALUE (1)	12,391,859	11,246,617	15,368,184	12,356,388
NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE	**$ 16.55**	**$ 21.25**	**$ 10.64**	**$ 11.41**
Investments at Cost	$ 195,766	$ 189,732	$ 181,597	$ 138,712
Foreign Currencies at Cost	$ —	$ —	$ 182	$ 274
NET ASSETS CONSIST OF:				
Paid-In Capital	$ 190,955	$ 190,248	$ 190,591	$ 138,936
Undistributed Net Investment Income (Distributions in Excess of Net Investment Income)	679	1,808	1,856	656
Accumulated Net Realized Gain (Loss)	5,045	(1,799)	(10,120)	32
Net Unrealized Foreign Exchange Gain (Loss)	—	—	26	24
Net Unrealized Appreciation (Depreciation)	8,443	48,682	(18,803)	1,302
NET ASSETS	$ 205,122	$ 238,939	$ 163,550	$ 140,950
(1) NUMBER OF SHARES AUTHORIZED	100,000,000	100,000,000	100,000,000	100,000,000

* See Note J in the Notes to Financial Statements for additional securities lending collateral.

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

STATEMENTS OF ASSETS AND LIABILITIES

APRIL 30, 2016
(Unaudited)
(Amounts in thousands, except share and per share amounts)

	VA Short-Term Fixed Portfolio	VA Global Bond Portfolio	VIT Inflation-Protected Securities Portfolio	DFA VA Global Moderate Allocation Portfolio
ASSETS:				
Investments in Affiliated Investment Companies at Value	—	—	—	$ 104,501
Investments at Value (including $6,802, $1,229, $0 and $0 of securities on loan, respectively)	$ 186,175	$ 253,566	$ 29,297	—
Temporary Cash Investments at Value & Cost	520	—	58	55
Collateral from Securities on Loan Invested in Affiliate at Value & Cost	6,944	1,254	—	—
Foreign Currencies at Value	—	1	—	—
Cash	—	2,205	—	—
Receivables:				
Investment Securities Sold	2,010	—	—	—
Interest	572	1,604	52	—
Securities Lending Income	1	1	—	—
Fund Shares Sold	438	782	—	—
Unrealized Gain on Forward Currency Contracts	—	1	—	—
Deferred Offering Costs	—	—	3	—
Total Assets	196,660	259,414	29,410	104,556
LIABILITIES:				
Payables:				
Upon Return of Securities Loaned	6,944	1,254	—	—
Investment Securities Purchased	501	—	—	—
Fund Shares Redeemed	159	33	7	41
Due to Advisor	39	46	—	11
Unrealized Loss on Forward Currency Contracts	—	356	—	—
Accrued Expenses and Other Liabilities	10	10	9	1
Total Liabilities	7,653	1,699	16	53
NET ASSETS	$ 189,007	$ 257,715	$ 29,394	$ 104,503
SHARES OUTSTANDING, $0.01 PAR VALUE (1)	18,492,043	23,587,688	2,907,295	9,484,530
NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE	**$ 10.22**	**$ 10.93**	**$ 10.11**	**$ 11.02**
Investments in Affiliated Investment Companies at Cost	$ —	$ —	$ —	$ 102,491
Investments at Cost	$ 186,008	$ 249,527	$ 28,496	$ —
Foreign Currencies at Cost	$ —	$ 1	$ —	$ —
NET ASSETS CONSIST OF:				
Paid-In Capital	$ 188,492	$ 252,103	$ 28,649	$ 101,673
Undistributed Net Investment Income (Distributions in Excess of Net Investment Income)	385	1,320	(54)	240
Accumulated Net Realized Gain (Loss)	(37)	603	(2)	580
Net Unrealized Foreign Exchange Gain (Loss)	—	(350)	—	—
Net Unrealized Appreciation (Depreciation)	167	4,039	801	2,010
NET ASSETS	$ 189,007	$ 257,715	$ 29,394	$ 104,503
(1) NUMBER OF SHARES AUTHORIZED	100,000,000	100,000,000	100,000,000	200,000,000

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

STATEMENTS OF OPERATIONS

FOR THE SIX MONTHS ENDED APRIL 30, 2016
(Unaudited)
(Amounts in thousands)

	VA U.S. Targeted Value Portfolio	VA U.S. Large Value Portfolio	VA International Value Portfolio	VA International Small Portfolio
Investment Income				
Dividends (Net of Foreign Taxes Withheld of $1, $0, $230 and $140, respectively)	$ 1,553	$ 3,012	$ 2,577	$1,678
Income from Securities Lending	110	24	81	160
Total Investment Income	1,663	3,036	2,658	1,838
Expenses				
Investment Management Fees	329	278	299	320
Accounting & Transfer Agent Fees	6	7	9	9
Custodian Fees	6	3	14	31
Shareholders' Reports	3	3	2	2
Directors'/Trustees' Fees & Expenses	1	1	1	1
Professional Fees	4	5	3	3
Other	5	3	9	9
Total Expenses	354	300	337	375
Fees Paid Indirectly (Note C)	—	—	—	—
Net Expenses	354	300	337	375
Net Investment Income (Loss)	1,309	2,736	2,321	1,463
Realized and Unrealized Gain (Loss)				
Net Realized Gain (Loss) on:				
Investment Securities Sold	5,242	(1,496)	(6,635)	123
Foreign Currency Transactions	—	—	17	—
Change in Unrealized Appreciation (Depreciation) of:				
Investment Securities and Foreign Currency	(4,354)	(1,266)	(774)	3,110
Translation of Foreign Currency Denominated Amounts	—	—	29	25
Net Realized and Unrealized Gain (Loss)	888	(2,762)	(7,363)	3,258
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 2,197	$ (26)	$(5,042)	$4,721

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

STATEMENTS OF OPERATIONS

FOR THE SIX MONTHS ENDED APRIL 30, 2016
(Unaudited)
(Amounts in thousands)

	VA Short-Term Fixed Portfolio	VA Global Bond Portfolio	VIT Inflation-Protected Securities Portfolio	DFA VA Global Moderate Allocation Portfolio
Investment Income				
Income Distributions Received from Affiliated Investment Companies	—	—	—	$1,065
Total Net Investment Income Received from Affiliated Investment Companies	—	—	—	1,065
Dividends	$ 3	—	—	—
Interest	779	$2,317	$ (34)	—
Income from Securities Lending	4	—	—	—
Total Investment Income	786	2,317	(34)	—
Expenses				
Investment Management Fees	234	268	10	123
Accounting & Transfer Agent Fees	6	7	1	—
Custodian Fees	3	4	—	1
Shareholders' Reports	3	3	2	1
Directors'/Trustees' Fees & Expenses	1	1	—	—
Professional Fees	4	5	3	1
Offering Costs	—	—	21	—
Other	1	3	—	—
Total Expenses	252	291	37	126
Fees (Waived), (Expenses Reimbursed), and/or Previously Waived Fees Recovered by Advisor (Note C)	—	—	(20)	(56)
Fees Paid Indirectly (Note C)	—	(1)	—	—
Net Expenses	252	290	17	70
Net Investment Income (Loss)	534	2,027	(51)	995
Realized and Unrealized Gain (Loss)				
Capital Gain Distributions Received from Affiliated Investment Companies	—	—	—	881
Net Realized Gain (Loss) on:				
Investment Securities Sold	(38)	635	1	(158)
Foreign Currency Transactions	—	(32)	—	—
Change in Unrealized Appreciation (Depreciation) of:				
Investment Securities and Foreign Currency	175	2,737	924	(956)
Translation of Foreign Currency Denominated Amounts	—	(363)	—	—
Net Realized and Unrealized Gain (Loss)	137	2,977	925	(233)
Net Increase (Decrease) in Net Assets Resulting from Operations	$671	$5,004	$874	$ 762

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

STATEMENTS OF CHANGES IN NET ASSETS

(Amounts in thousands)

	VA U.S. Targeted Value Portfolio		VA U.S. Large Value Portfolio	
	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015
	(Unaudited)		(Unaudited)	
Increase (Decrease) in Net Assets				
Operations:				
Net Investment Income (Loss)	$ 1,309	$ 2,555	$ 2,736	$ 4,793
Net Realized Gain (Loss) on:				
Investment Securities Sold	5,242	13,276	(1,496)	10,551
In-Kind Redemptions	—	9,806	—	13,445
Change in Unrealized Appreciation (Depreciation) of:				
Investment Securities	(4,354)	(27,037)	(1,266)	(24,999)
Net Increase (Decrease) in Net Assets Resulting from Operations	2,197	(1,400)	(26)	3,790
Distributions From:				
Net Investment Income	(2,558)	(1,890)	(4,847)	(4,357)
Net Short-Term Gains	(2,378)	—	—	(208)
Net Long-Term Gains	(10,897)	(9,989)	(10,777)	(4,141)
Total Distributions	(15,833)	(11,879)	(15,624)	(8,706)
Capital Share Transactions (1):				
Shares Issued	24,998	91,373	22,699	105,774
Shares Issued in Lieu of Cash Distributions	15,653	11,782	15,584	8,690
Shares Redeemed	(12,130)	(106,408)	(16,263)	(135,684)
Net Increase (Decrease) from Capital Share Transactions	28,521	(3,253)	22,020	(21,220)
Total Increase (Decrease) in Net Assets	14,885	(16,532)	6,370	(26,136)
Net Assets				
Beginning of Period	190,237	206,769	232,569	258,705
End of Period	$205,122	$ 190,237	$238,939	$ 232,569
(1) Shares Issued and Redeemed:				
Shares Issued	1,552	4,911	1,087	4,586
Shares Issued in Lieu of Cash Distributions	988	685	755	398
Shares Redeemed	(752)	(5,715)	(781)	(5,820)
Net Increase (Decrease) from Shares Issued and Redeemed	1,788	(119)	1,061	(836)
Undistributed Net Investment Income (Distributions in Excess of Net Investment Income)	**$ 679**	**$ 1,928**	**$ 1,808**	**$ 3,919**

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

STATEMENTS OF CHANGES IN NET ASSETS

(Amounts in thousands)

	VA International Value Portfolio		VA International Small Portfolio	
	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015
	(Unaudited)		(Unaudited)	
Increase (Decrease) in Net Assets				
Operations:				
Net Investment Income (Loss)	$ 2,321	$ 5,081	$ 1,463	$ 2,893
Net Realized Gain (Loss) on:				
Investment Securities Sold	(6,635)	(42)	123	4,134
Foreign Currency Transactions	17	(80)	—	(97)
In-Kind Redemptions	—	5,629	—	8,655
Change in Unrealized Appreciation (Depreciation) of:				
Investment Securities and Foreign Currency	(774)	(19,075)	3,110	(10,179)
Translation of Foreign Currency Denominated Amounts	29	6	25	5
Net Increase (Decrease) in Net Assets Resulting from Operations	(5,042)	(8,481)	4,721	5,411
Distributions From:				
Net Investment Income	(4,932)	(6,690)	(2,717)	(2,956)
Net Short-Term Gains	—	—	(204)	(577)
Net Long-Term Gains	—	—	(3,999)	(2,383)
Total Distributions	(4,932)	(6,690)	(6,920)	(5,916)
Capital Share Transactions (1):				
Shares Issued	23,409	80,055	17,382	60,239
Shares Issued in Lieu of Cash Distributions	4,916	6,675	6,824	5,859
Shares Redeemed	(10,052)	(81,281)	(8,870)	(73,279)
Net Increase (Decrease) from Capital Share Transactions	18,273	5,449	15,336	(7,181)
Total Increase (Decrease) in Net Assets	8,299	(9,722)	13,137	(7,686)
Net Assets				
Beginning of Period	155,251	164,973	127,813	135,499
End of Period	$163,550	$155,251	$140,950	$127,813
(1) Shares Issued and Redeemed:				
Shares Issued	2,278	6,499	1,582	5,097
Shares Issued in Lieu of Cash Distributions	474	588	630	546
Shares Redeemed	(953)	(6,471)	(808)	(6,142)
Net Increase (Decrease) from Shares Issued and Redeemed	1,799	616	1,404	(499)
Undistributed Net Investment Income (Distributions in Excess of Net Investment Income)	**$ 1,856**	**$ 4,467**	**$ 656**	**$ 1,910**

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

STATEMENTS OF CHANGES IN NET ASSETS

(Amounts in thousands)

	VA Short-Term Fixed Portfolio		VA Global Bond Portfolio		VIT Inflation-Protected Securities Portfolio	
	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Six Months Ended April 30, 2016	Period May 29, 2015(a) to Oct. 31, 2015
	(Unaudited)		(Unaudited)		(Unaudited)	
Increase (Decrease) in Net Assets						
Operations:						
Net Investment Income (Loss)	$ 534	$ 498	$ 2,027	$ 3,644	$ (51)	$ 52
Capital Gain Distributions Received from Investment Securities	—	—	—	—	—	—
Net Realized Gain (Loss) on:						
Investment Securities Sold	(38)	176	635	(53)	1	(3)
Foreign Currency Transactions	—	—	(32)	960	—	—
Change in Unrealized Appreciation (Depreciation) of:						
Investment Securities and Foreign Currency	175	(76)	2,737	671	924	(123)
Translation of Foreign Currency Denominated Amounts	—	—	(363)	(91)	—	—
Net Increase (Decrease) in Net Assets Resulting from Operations	671	598	5,004	5,131	874	(74)
Distributions From:						
Net Investment Income	(573)	(318)	(3,687)	(4,456)	(55)	—
Net Short-Term Gains	(130)	(26)	(194)	(95)	—	—
Net Long-Term Gains	(45)	(69)	(786)	(237)	—	—
Total Distributions	(748)	(413)	(4,667)	(4,788)	(55)	—
Capital Share Transactions (1):						
Shares Issued	31,860	49,799	35,683	65,710	14,275	16,841
Shares Issued in Lieu of Cash Distributions	746	413	4,612	4,743	55	—
Shares Redeemed	(30,316)	(53,319)	(17,999)	(42,735)	(2,134)	(388)
Net Increase (Decrease) from Capital Share Transactions	2,290	(3,107)	22,296	27,718	12,196	16,453
Total Increase (Decrease) in Net Assets	2,213	(2,922)	22,633	28,061	13,015	16,379
Net Assets						
Beginning of Period	186,794	189,716	235,082	207,021	16,379	—
End of Period	$189,007	$186,794	$257,715	$235,082	$29,394	$16,379
(1) Shares Issued and Redeemed:						
Shares Issued	3,123	4,877	3,302	6,059	1,442	1,717
Shares Issued in Lieu of Cash Distributions	73	41	432	442	6	—
Shares Redeemed	(2,971)	(5,222)	(1,659)	(3,939)	(218)	(40)
Net Increase (Decrease) from Shares Issued and Redeemed	225	(304)	2,075	2,562	1,230	1,677
Undistributed Net Investment Income (Distributions in Excess of Net Investment Income)	**$ 385**	**$ 424**	**$ 1,320**	**$ 2,980**	**$ (54)**	**$ 52**

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

STATEMENTS OF CHANGES IN NET ASSETS

(Amounts in thousands)

	DFA VA Global Moderate Allocation Portfolio	
	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015
	(Unaudited)	
Increase (Decrease) in Net Assets		
Operations:		
Net Investment Income (Loss)	$ 995	$ 1,290
Capital Gain Distributions Received from Affiliated Investment Companies	881	215
Net Realized Gain (Loss) on:		
Investment Securities Sold	(158)	(137)
Foreign Currency Transactions	—	—
Change in Unrealized Appreciation (Depreciation) of:		
Affiliated Investment Companies Shares	(956)	(1,730)
Translation of Foreign Currency Denominated Amounts	—	—
Net Increase (Decrease) in Net Assets Resulting from Operations	762	(362)
Distributions From:		
Net Investment Income	(1,376)	(1,073)
Net Short-Term Gains	—	(1)
Net Long-Term Gains	(196)	(271)
Total Distributions	(1,572)	(1,345)
Capital Share Transactions (1):		
Shares Issued	7,821	38,872
Shares Issued in Lieu of Cash Distributions	1,572	1,346
Shares Redeemed	(2,967)	(4,621)
Net Increase (Decrease) from Capital Share Transactions	6,426	35,597
Total Increase (Decrease) in Net Assets	5,616	33,890
Net Assets		
Beginning of Period	98,887	64,997
End of Period	$104,503	$98,887
(1) Shares Issued and Redeemed:		
Shares Issued	728	3,463
Shares Issued in Lieu of Cash Distributions	146	124
Shares Redeemed	(278)	(413)
Net Increase (Decrease) from Shares Issued and Redeemed	596	3,174
Undistributed Net Investment Income (Distributions in Excess of Net Investment Income)	**$ 240**	**$ 621**

See page 1 for the Definitions of Abbreviations and Footnotes.

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

FINANCIAL HIGHLIGHTS

(for a share outstanding throughout each period)

	VA U.S. Targeted Value Portfolio						VA U.S. Large Value Portfolio					
	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Year Ended Oct. 31, 2014	Year Ended Oct. 31, 2013	Year Ended Oct. 31, 2012	Year Ended Oct. 31, 2011	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Year Ended Oct. 31, 2014	Year Ended Oct. 31, 2013	Year Ended Oct. 31, 2012	Year Ended Oct. 31, 2011
	(Unaudited)						(Unaudited)					
Net Asset Value, Beginning of Period	$ 17.94	$ 19.28	$ 17.63	$ 12.58	$ 10.95	$ 10.40	$ 22.83	$ 23.47	$ 22.58	$ 16.90	$ 14.60	$ 14.09
Income from Investment Operations												
Net Investment Income (Loss) (A)	0.11	0.23	0.17	0.19	0.12	0.09	0.25	0.46	0.39	0.35	0.30	0.24
Net Gains (Losses) on Securities (Realized and Unrealized)	(0.04)	(0.44)	1.62	5.05	1.60	0.53	(0.31)	(0.24)	2.67	5.64	2.26	0.52
Total from Investment Operations	0.07	(0.21)	1.79	5.24	1.72	0.62	(0.06)	0.22	3.06	5.99	2.56	0.76
Less Distributions												
Net Investment Income	(0.24)	(0.18)	(0.14)	(0.19)	(0.09)	(0.07)	(0.47)	(0.43)	(0.32)	(0.31)	(0.26)	(0.25)
Net Realized Gains	(1.22)	(0.95)	—	—	—	—	(1.05)	(0.43)	(1.85)	—	—	—
Total Distributions	(1.46)	(1.13)	(0.14)	(0.19)	(0.09)	(0.07)	(1.52)	(0.86)	(2.17)	(0.31)	(0.26)	(0.25)
Net Asset Value, End of Period	$ 16.55	$ 17.94	$ 19.28	$ 17.63	$ 12.58	$ 10.95	$ 21.25	$ 22.83	$ 23.47	$ 22.58	$ 16.90	$ 14.60
Total Return	0.73%(D)	(0.80)%	10.19%	42.19%	15.82%	5.94%	(0.04)%(D)	1.07%	14.73%	36.04%	17.87%	5.37%
Net Assets, End of Period (thousands)	$205,122	$190,237	$206,769	$161,321	$102,845	$88,845	$238,939	$232,569	$258,705	$200,123	$151,046	$123,893
Ratio of Expenses to Average Net Assets	0.38%(E)	0.39%	0.37%	0.39%	0.41%	0.40%	0.27%(E)	0.29%	0.27%	0.28%	0.30%	0.29%
Ratio of Net Investment Income to Average Net Assets	1.39%(E)	1.27%	0.93%	1.28%	1.00%	0.82%	2.46%(E)	2.00%	1.71%	1.78%	1.92%	1.59%
Portfolio Turnover Rate	17%(D)	33%	21%	15%	21%	14%	9%(D)	31%	19%	29%	12%	15%

See page 1 for the Definitions of Abbreviations and Footnotes.

DFA INVESTMENT DIMENSIONS GROUP INC.

FINANCIAL HIGHLIGHTS

(for a share outstanding throughout each period)

	VA International Value Portfolio						VA International Small Portfolio					
	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Year Ended Oct. 31, 2014	Year Ended Oct. 31, 2013	Year Ended Oct. 31, 2012	Year Ended Oct. 31, 2011	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Year Ended Oct. 31, 2014	Year Ended Oct. 31, 2013	Year Ended Oct. 31, 2012	Year Ended Oct. 31, 2011
	(Unaudited)						(Unaudited)					
Net Asset Value, Beginning of Period	$ 11.44	$ 12.74	$ 13.22	$ 10.82	$ 10.87	$ 12.07	$ 11.67	$ 11.83	$ 12.55	$ 10.02	$ 10.20	$ 10.62
Income from Investment Operations												
Net Investment Income (Loss) (A)	0.16	0.37	0.55	0.34	0.37	0.37	0.12	0.25	0.25	0.26	0.24	0.25
Net Gains (Losses) on Securities (Realized and Unrealized)	(0.60)	(1.17)	(0.71)	2.41	(0.02)	(1.32)	0.24	0.09	(0.33)	2.69	0.28	(0.45)
Total from Investment Operations	(0.44)	(0.80)	(0.16)	2.75	0.35	(0.95)	0.36	0.34	(0.08)	2.95	0.52	(0.20)
Less Distributions												
Net Investment Income	(0.36)	(0.50)	(0.32)	(0.35)	(0.40)	(0.25)	(0.24)	(0.25)	(0.27)	(0.25)	(0.31)	(0.22)
Net Realized Gains	—	—	—	—	—	—	(0.38)	(0.25)	(0.37)	(0.17)	(0.39)	—
Total Distributions	(0.36)	(0.50)	(0.32)	(0.35)	(0.40)	(0.25)	(0.62)	(0.50)	(0.64)	(0.42)	(0.70)	(0.22)
Net Asset Value, End of Period	$ 10.64	$ 11.44	$ 12.74	$ 13.22	$ 10.82	$ 10.87	$ 11.41	$ 11.67	$ 11.83	$ 12.55	$ 10.02	$ 10.20
Total Return	(3.79)%(D)	(6.26)%	(1.16)%	26.10%	3.57%	(8.08)%	3.36%(D)	3.28%	(0.59)%	30.50%	6.05%	(2.03)%
Net Assets, End of Period (thousands)	$163,550	$155,251	$164,973	$137,908	$99,157	$93,450	$140,950	$127,813	$135,499	$119,927	$86,604	$75,790
Ratio of Expenses to Average Net Assets	0.45%(E)	0.47%	0.46%	0.47%	0.50%	0.49%	0.59%(E)	0.61%	0.59%	0.65%	0.63%	0.62%
Ratio of Expenses to Average Net Assets (Excluding Fees Paid Indirectly)	0.45%(E)	0.47%	0.46%	0.47%	0.50%	0.49%	0.59%(E)	0.61%	0.59%	0.65%	0.63%	0.62%
Ratio of Net Investment Income to Average Net Assets	3.11%(E)	3.01%	4.16%	2.90%	3.56%	3.02%	2.29%(E)	2.13%	1.99%	2.36%	2.51%	2.26%
Portfolio Turnover Rate	8%(D)	20%	16%	14%	17%	19%	4%(D)	25%	8%	12%	13%	13%

See page 1 for the Definitions of Abbreviations and Footnotes.

See accompanying Notes to Financial Statements.

DFA INVESTMENT DIMENSIONS GROUP INC.

FINANCIAL HIGHLIGHTS

(for a share outstanding throughout each period)

	VA Short-Term Fixed Portfolio						VA Global Bond Portfolio					
	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Year Ended Oct. 31, 2014	Year Ended Oct. 31, 2013	Year Ended Oct. 31, 2012	Year Ended Oct. 31, 2011	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Year Ended Oct. 31, 2014	Year Ended Oct. 31, 2013	Year Ended Oct. 31, 2012	Year Ended Oct. 31, 2011
	(Unaudited)						(Unaudited)					
Net Asset Value, Beginning of Period	$ 10.23	$ 10.22	$ 10.23	$ 10.26	$ 10.25	$ 10.31	$ 10.93	$ 10.92	$ 10.92	$ 11.18	$ 11.28	$ 11.82
Income from Investment Operations												
Net Investment Income (Loss) (A)	0.03	0.03	0.02	0.03	0.04	0.04	0.09	0.17	0.15	0.11	0.18	0.23
Net Gains (Losses) on Securities (Realized and Unrealized)	—	0.01	0.01	—	0.04	0.01	0.13	0.09	0.05	(0.04)	0.25	0.06
Total from Investment Operations	0.03	0.04	0.03	0.03	0.08	0.05	0.22	0.26	0.20	0.07	0.43	0.29
Less Distributions												
Net Investment Income	(0.03)	(0.02)	(0.03)	(0.04)	(0.04)	(0.06)	(0.17)	(0.23)	(0.05)	(0.18)	(0.30)	(0.49)
Net Realized Gains	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)	(0.05)	(0.05)	(0.02)	(0.15)	(0.15)	(0.23)	(0.34)
Total Distributions	(0.04)	(0.03)	(0.04)	(0.06)	(0.07)	(0.11)	(0.22)	(0.25)	(0.20)	(0.33)	(0.53)	(0.83)
Net Asset Value, End of Period	$ 10.22	$ 10.23	$ 10.22	$ 10.23	$ 10.26	$ 10.25	$ 10.93	$ 10.93	$ 10.92	$ 10.92	$ 11.18	$ 11.28
Total Return	0.30%(D)	0.34%	0.25%	0.35%	0.73%	0.42%	2.02%(D)	2.40%	1.90%	0.63%	3.97%	2.77%
Net Assets, End of Period (thousands)	$189,007	$186,794	$189,716	$137,906	$112,040	$115,501	$257,715	$235,082	$207,021	$167,293	$141,190	$131,212
Ratio of Expenses to Average Net Assets	0.27%(E)	0.28%	0.27%	0.29%	0.30%	0.29%	0.24%(E)	0.26%	0.25%	0.27%	0.29%	0.29%
Ratio of Expenses to Average Net Assets (Excluding Fees Paid Indirectly)	0.27%(E)	0.28%	0.27%	0.29%	0.30%	0.29%	0.24%(E)	0.26%	0.25%	0.27%	0.29%	0.29%
Ratio of Net Investment Income to Average Net Assets	0.57%(E)	0.28%	0.20%	0.32%	0.42%	0.42%	1.67%(E)	1.61%	1.37%	1.04%	1.61%	2.10%
Portfolio Turnover Rate	27%(D)	105%	70%	55%	85%	66%	23%(D)	54%	75%	73%	63%	71%

See page 1 for the Definitions of Abbreviations and Footnotes.

DFA INVESTMENT DIMENSIONS GROUP INC.

FINANCIAL HIGHLIGHTS

(for a share outstanding throughout each period)

	VIT Inflation-Protected Securities Portfolio		DFA VA Global Moderate Allocation Portfolio			
	Six Months Ended April 30, 2016	Period May 29, 2015(a) to Oct. 31, 2015	Six Months Ended April 30, 2016	Year Ended Oct. 31, 2015	Year Ended Oct. 31, 2014	Period April 8, 2013(a) to Oct. 31, 2013
	(Unaudited)		(Unaudited)			
Net Asset Value, Beginning of Period	$ 9.77	$ 10.00	$ 11.12	$ 11.37	$ 10.91	$ 10.00
Income from Investment Operations						
Net Investment Income (Loss) (A)	(0.03)	0.05	0.11	0.18	0.14	0.07
Net Gains (Losses) on Securities (Realized and Unrealized)	0.40	(0.28)	(0.04)	(0.22)	0.49	0.84
Total from Investment Operations	0.37	(0.23)	0.07	(0.04)	0.63	0.91
Less Distributions						
Net Investment Income	(0.03)	—	(0.15)	(0.17)	(0.14)	—
Net Realized Gains	—	—	(0.02)	(0.04)	(0.03)	—
Total Distributions	(0.03)	—	(0.17)	(0.21)	(0.17)	—
Net Asset Value, End of Period	$ 10.11	$ 9.77	$ 11.02	$ 11.12	$ 11.37	$ 10.91
Total Return	3.84%(D)	(2.30)%(D)	0.70%(D)	(0.23)%	5.87%	9.10%(D)
Net Assets, End of Period (thousands)	$29,394	$16,379	$104,503	$98,887	$64,997	$40,483
Ratio of Expenses to Average Net Assets	0.18%(E)	0.18%(C)(E)	0.40%(B)(E)	0.40%(B)	0.40%(B)	0.40%(B)(C)(E)
Ratio of Expenses to Average Net Assets (Excluding Fees (Waived), (Expenses Reimbursed), and/or Previously Waived Fees Recovered by Advisor)	0.38%(E)	0.88%(C)(E)	0.51%(B)(E)	0.54%(B)	0.66%(B)	0.93%(B)(C)(E)
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.53)%(E)	1.29%(C)(E)	2.02%(B)(E)	1.56%(B)	1.27%(B)	1.12%(B)(C)(E)
Portfolio Turnover Rate	10%(D)	4%(D)	—	—	—	—

See page 1 for the Definitions of Abbreviations and Footnotes.

See accompanying Notes to Financial Statements.

A. Organization:

DFA Investment Dimensions Group Inc. (the "Fund") is an open-end management investment company registered under the Investment Company Act of 1940, whose shares are generally offered without a sales charge, to institutional investors, retirement plans and clients of registered investment advisors. The Fund consists of ninety-five operational portfolios, eight of which (the "Portfolios") are included in this report. The remaining eighty-seven are presented in separate reports. The Portfolios are only available through a select group of insurance products.

DFA VA Global Moderate Allocation Portfolio invests in eleven portfolios within the Fund (the "Master Funds").

Fund of Funds		Percentage Ownership at 04/30/16
DFA VA Global Moderate Allocation Portfolio	U.S. Core Equity 2 Portfolio	—*
	International Core Equity Portfolio	—*
	DFA Selectively Hedged Global Fixed Income Portfolio	1%
	VA Global Bond Portfolio	5%
	U.S. Core Equity 1 Portfolio	—*
	Emerging Markets Core Equity Portfolio	—*
	DFA Two-Year Global Fixed Income Portfolio	—*
	VA Short-Term Fixed Portfolio	2%
	VA U.S. Large Value Portfolio	1%
	VA International Value Portfolio	1%
	DFA Real Estate Securities Portfolio	—*

* Amounts designated as — are less than 1%.

B. Significant Accounting Policies:

The following significant accounting policies are in conformity with accounting principles generally accepted in the United States of America. Such policies are consistently followed by the Fund in preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the fair value of investments, 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 and those differences could be material.

1. *Security Valuation:* The Portfolios utilize a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels described below:

- Level 1 – inputs are quoted prices in active markets for identical securities (including equity securities, open-end investment companies, futures contracts)
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Portfolios' own assumptions in determining the fair value of investments)

Securities held by VA U.S. Targeted Value Portfolio and VA U.S. Large Value Portfolio (the "Domestic Equity Portfolios") and by VA International Value Portfolio and VA International Small Portfolio (the "International Equity

Portfolios"), including over-the-counter securities, are valued at the last quoted sale price of the day. International equity securities are subject to a fair value factor, as described later in this note. Securities held by the Domestic Equity Portfolios and the International Equity Portfolios that are listed on Nasdaq are valued at the Nasdaq Official Closing Price ("NOCP"). If there is no last reported sale price or NOCP for the day, the Domestic Equity Portfolios and the International Equity Portfolios value the securities within the range of the most recent quoted bid and asked prices. Price information on listed securities is taken from the exchange where the security is primarily traded. Generally, securities issued by open-end investment companies are valued using their respective net asset values or public offering prices, as appropriate, for purchase orders placed at the close of the New York Stock Exchange (NYSE). These securities are generally categorized as Level 1 in the hierarchy.

Securities for which no market quotations are readily available (including restricted securities), or for which market quotations have become unreliable, are valued in good faith at fair value in accordance with procedures adopted by the Board of Directors of the Fund. Fair value pricing may also be used if events that have a significant effect on the value of an investment (as determined in the discretion of Dimensional Fund Advisors LP) occur before the net asset value of the Portfolio is calculated. When fair value pricing is used, the prices of securities used by the Domestic Equity Portfolios and the International Equity Portfolios may differ from the quoted or published prices for the same securities on their primary markets or exchanges. These securities are generally categorized as Level 2 in the hierarchy.

The International Equity Portfolios will also apply a fair value price in the circumstances described below. Generally, trading in foreign securities markets is completed each day at various times prior to the close of the NYSE. For example, trading in the Japanese securities markets is completed each day at the close of the Tokyo Stock Exchange (normally, 2:00 a.m. ET), which is fourteen hours before the close of the NYSE (normally, 4:00 p.m. ET) and the time that the net asset values of the International Equity Portfolios are computed. Due to the time differences between the closings of the relevant foreign securities exchanges and the time the International Equity Portfolios price their shares at the close of the NYSE, the International Equity Portfolios will fair value their foreign investments when it is determined that the market quotations for the foreign investments are either unreliable or not readily available. The fair value prices will attempt to reflect the impact of the U.S. financial markets' perceptions and trading activities on the International Equity Portfolios' foreign investments since the last closing prices of the foreign investments were calculated on their primary foreign securities markets or exchanges. For these purposes, the Board of Directors of the Fund has determined that movements in relevant indices or other appropriate market indicators, after the close of the Tokyo Stock Exchange or the London Stock Exchange, demonstrate that market quotations may be unreliable. Fair valuation of portfolio securities may occur on a daily basis. The fair value pricing by the International Equity Portfolios utilizes data furnished by an independent pricing service (and that data draws upon, among other information, the market values of foreign investments). When the International Equity Portfolios use fair value pricing, the values assigned to the foreign investments may not be the quoted or published prices of the investments on their primary markets or exchanges. These securities are generally categorized as Level 2 in the hierarchy.

Debt securities held by VA Short-Term Fixed Portfolio, VA Global Bond Portfolio and VIT Inflation-Protected Securities Portfolio (the "Fixed Income Portfolios"), are valued on the basis of evaluated prices provided by one or more pricing services or other reasonably reliable sources including broker/dealers that typically handle the purchase and sale of such securities. Securities that are traded over-the-counter and on a stock exchange generally will be valued according to the broadest and most representative market, and it is expected that for bonds and other fixed income securities, this ordinarily will be the over-the-counter market. Securities for which quotations are not readily available (including restricted securities), or for which market quotations have become unreliable, are valued in good faith at fair value in accordance with procedures adopted by the Board of Directors of the Fund. These securities are generally categorized as Level 2 in the hierarchy.

Futures contracts held by the Portfolios are valued using the settlement price established each day on the exchange on which they are traded. These valuations are generally categorized as Level 1 in the hierarchy. Over-the-counter derivative contracts, which include forward currency contracts, do not require material subjectivity as pricing inputs are observed from quoted markets and are categorized as Level 2 in the hierarchy.

Shares held by the DFA VA Global Moderate Allocation Portfolio of the Master Funds, which are treated as regulated investment companies, and the shares held by the Portfolios in other investment companies, are valued at their respective daily net asset values as reported by their administrator. These securities are generally categorized as Level 1 in the hierarchy.

A summary of the inputs used to value the Portfolios' investments by each major security type, industry and/or country is disclosed previously in this note. Valuation hierarchy tables have been included at the end of the Summary Schedule of Portfolio Holdings/Schedule of Investments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

For the six months ended April 30, 2016, there were no significant transfers between Level 1 and Level 2 and no significant Level 3 investments held by the Portfolios.

2. *Foreign Currency Translation:* Securities and other assets and liabilities of the International Equity Portfolios and VA Global Bond Portfolio whose values are initially expressed in foreign currencies are translated to U.S. dollars using the mean between the most recent bid and asked prices for the U.S. dollar as quoted by generally recognized reliable sources. Dividend and interest income and certain expenses are translated to U.S. dollars at the rate of exchange on their respective accrual dates. Receivables and payables denominated in foreign currencies are marked-to-market daily based on daily exchange rates and exchange gains or losses are realized upon ultimate receipt or disbursement. The VA Global Bond Portfolio also enters into forward currency contracts solely for the purpose of hedging against fluctuations in currency exchange rates. These contracts are marked-to-market daily based on daily forward exchange rates.

The International Equity Portfolios do not isolate the effect of fluctuations in foreign exchange rates from the effect of fluctuations in the market prices of securities whether realized or unrealized. However, the VA Global Bond Portfolio does isolate the effect of fluctuations in foreign currency rates when determining the realized gain or loss upon the sale or maturity of foreign currency denominated debt obligations pursuant to U.S. Federal income tax regulations; such amounts are categorized as foreign exchange gain or loss for income tax reporting purposes.

Realized gains or losses on foreign currency transactions represent net foreign exchange gains or losses from the disposition of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between amounts of interest, dividends and any foreign withholding taxes recorded on the books of the International Equity Portfolios and VA Global Bond Portfolio and the U.S. dollar equivalent amounts actually received or paid.

3. *Deferred Compensation Plan:* Each eligible Director of the Fund may elect participation in The Fee Deferral Plan for Independent Directors and Trustees (the "Plan"). Under the Plan, effective January 1, 2002, such Directors may defer payment of all or a portion of their total fees earned as a Director. These deferred amounts may be treated as though such amounts had been invested in shares of the following funds: U.S. Large Cap Value Portfolio; U.S. Core Equity 1 Portfolio; U.S. Core Equity 2 Portfolio; U.S. Vector Equity Portfolio; U.S. Micro Cap Portfolio; DFA International Value Portfolio; International Core Equity Portfolio; Emerging Markets Portfolio; Emerging Markets Core Equity Portfolio; and/or DFA Two-Year Global Fixed Income Portfolio. Contributions made under the Plan and the change in unrealized appreciation (depreciation) and income are included in Directors' Fees & Expenses.

Each Director has the option to receive their distribution of proceeds in one of the following methods: lump sum; annual installments over a period of agreed-upon years; or quarterly installments over a period of agreed-upon years. Each Director shall have the right in a notice of election (the "Notice") to defer the receipt of the Director's deferred compensation until a date specified by such Director in the Notice, which date may not be sooner than the earlier of: (i) the first business day of January following the year in which such Director ceases to be a member of the Board of Directors of the Fund; and (ii) five years following the effective date of the Director's first deferral election. If a Director who elects to defer fees fails to designate in the Notice a time or date as of which payment of the Director's deferred fee account shall commence, payment of such amount shall commence as of the first business day of January following the year in which the Director ceases to be a member of the Board (unless the Director files an amended Notice selecting a different distribution date). As of April 30, 2016, none of the Directors have requested or received a distribution of proceeds of a deferred fee account.

4. *Other:* Security transactions are accounted for as of the trade date. Costs used in determining realized gains and losses on the sale of investment securities and foreign currency are accounted for on the basis of identified cost. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Distributions received on securities that represent a return of capital or capital gains are recorded as a reduction of cost of investments or as a realized gain, respectively. The Portfolios estimate the character of distributions received that may be considered return of capital distributions. Interest income is recorded on an accrual basis. Discount and premium on debt securities purchased are amortized over the lives of the respective securities, utilizing the effective interest method. Expenses directly attributable to a Portfolio are directly charged. Common expenses of the Fund or the Portfolios are allocated using methods approved by the Board, generally based on average net assets.

The International Equity Portfolios may be subject to taxes imposed by countries in which they invest, with respect to their investments in issuers existing or operating in such countries. Such taxes are generally based on income earned or repatriated and capital gains realized on the sale of such investments. The International Equity Portfolios accrue such taxes when the related income or capital gains are earned or throughout the holding period. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales earned by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad.

C. Investment Advisor:

The Advisor, Dimensional Fund Advisors LP, provides investment management services to the Portfolios. For the six months ended April 30, 2016, the Portfolios' investment management fees were accrued daily and paid monthly to the Advisor based on the following effective annual rates of average daily net assets:

VA U.S. Targeted Value Portfolio	0.35%
VA U.S. Large Value Portfolio	0.25%
VA International Value Portfolio	0.40%
VA International Small Portfolio	0.50%
VA Short-Term Fixed Portfolio	0.25%
VA Global Bond Portfolio	0.22%*
VIT Inflation-Protected Securities Portfolio	0.10%
DFA VA Global Moderate Allocation Portfolio	0.25%

* The VA Global Bond Portfolio's investment management fees are based on an effective annual rate of 0.25% of the first $100 million of average daily net assets and 0.20% of average daily net assets exceeding $100 million.

Pursuant to a Fee Waiver and/or Expense Assumption Agreement (the "Fee Waiver Agreement"), the Advisor has contractually agreed to waive certain fees and in certain instances, assume certain expenses of the VIT Inflation-Protected Securities Portfolio and DFA VA Global Moderate Allocation Portfolio, as described in the notes below. The Fee Waiver Agreements for the VIT Inflation-Protected Securities Portfolio and DFA VA Global Moderate Allocation Portfolio will remain in effect through February 28, 2017, and may only be terminated by the Fund's Board of Directors prior to that date. The Fee Waiver Agreements shall continue in effect from year to year thereafter unless terminated by the Fund or the Advisor. For the six months ended April 30, 2016, the Portfolios had the expense limits listed below based on a percentage of average net assets on an annualized basis. Previously waived fees subject to future recovery by the Advisor are reflected below (amounts in thousands). The Fund, on behalf of the Portfolios, is not obligated to reimburse the Advisor for fees previously waived or expenses previously assumed by the Advisor more than thirty-six months before the date of recovery.

Institutional Class Shares	Expense Limitation Amount	Recovery of Previously Waived Fees/ Expenses Assumed	Previously Waived Fees/ Expenses Assumed Subject to Future Recovery
VIT Inflation-Protected Securities Portfolio (1)	0.18%	—	$ 48
DFA VA Global Moderate Allocation Portfolio (2)	0.40%	—	348

(1) The Advisor has contractually agreed to waive all or a portion of its management fee and to assume the ordinary operating expenses of a class of the Portfolio (excluding the expenses that the Portfolio incurs indirectly through its investment in other investment companies) ("Portfolio Expenses") to the extent necessary to limit the Portfolio Expenses of a class of the Portfolio to the rate listed above as a percentage of the Portfolio's average net assets on an annualized basis (the "Expense Limitation Amount"). At any time that the Portfolio Expenses are less than the Expense Limitation Amount, the Advisor retains the right to recover any fees previously waived and/or expenses previously assumed to the extent that such recovery is within 36 months and will not cause the Portfolio's annualized Portfolio Expenses to exceed the Expense Limitation Amount.

(2) The Advisor has agreed to waive all or a portion of its management fee and to assume the expenses of the Institutional Class shares of the Portfolio (including the expenses that the Portfolio bears as a shareholder of other funds managed by the Advisor but excluding the expenses that the Portfolio incurs indirectly through its investment in unaffiliated investment companies) ("Portfolio Expenses") to the extent necessary to limit the Portfolio Expenses of the Institutional Class shares of the Portfolio, on an annualized basis, to the rate listed above as a percentage of the Portfolio's average net assets (the "Expense Limitation Amount"). At any time that the Portfolio Expenses of the Institutional Class shares of the Portfolio are less than the Expense Limitation Amount, the Advisor retains the right to recover any fees previously waived and/or expenses previously assumed to the extent that such recovery is within 36 months and will not cause the annualized Portfolio Expenses of such class of shares to exceed the Expense Limitation Amount.

Earned Income Credit:

In addition, the Portfolios have entered into arrangements with their custodian whereby net interest earned on uninvested cash balances was used to reduce a portion of the Portfolios' custody expenses. Custody expense in the accompanying financial statements is presented before reduction for credits. The impact of such credits is generally less than one basis point of each Portfolio's net assets. During the six months ended April 30, 2016, expenses reduced were as follows (amounts in thousands):

	Fees Paid Indirectly
VA International Value Portfolio	—*
VA International Small Portfolio	—*
VA Global Bond Portfolio	$ 1

* Amounts designated as — are less than $500.

Fees Paid to Officers and Directors/Trustees:

Certain Officers and Directors of the Advisor are also Officers and Directors of the Fund; however, such Officers and Directors (with the exception of the Chief Compliance Officer ("CCO")) receive no compensation from the Fund. For the six months ended April 30, 2016, the total related amounts paid by the Fund to the CCO were $144 (in thousands). The total related amounts paid by each of the Portfolios are included in Other Expenses on the Statements of Operations.

D. Deferred Compensation:

At April 30, 2016, the total liability for deferred compensation to Directors is included in Accrued Expenses and Other Liabilities on the Statements of Assets and Liabilities as follows (amounts in thousands):

VA U.S. Targeted Value Portfolio	$ 5
VA U.S. Large Value Portfolio	6
VA International Value Portfolio	4
VA International Small Portfolio	4
VA Short-Term Fixed Portfolio	5
VA Global Bond Portfolio	6
VIT Inflation-Protected Securities Portfolio	—
DFA VA Global Moderate Allocation Portfolio	1

E. Purchases and Sales of Securities:

For the six months ended April 30, 2016, the Portfolios made the following purchases and sales of investment securities, other than short-term securities (amounts in thousands):

	U.S. Government Securities		Other Investment Securities	
	Purchases	Sales	Purchases	Sales
VA U.S. Targeted Value Portfolio	—	—	$46,089	$31,717
VA U.S. Large Value Portfolio	—	—	28,582	19,502
VA International Value Portfolio	—	—	28,306	12,441
VA International Small Portfolio	—	—	15,232	4,745
VA Short-Term Fixed Portfolio	$15,225	$19,202	52,287	22,814
VA Global Bond Portfolio	5,203	5,250	74,582	49,627
VIT Inflation-Protected Securities Portfolio	14,251	2,025	—	—

For the six months ended April 30, 2016, DFA VA Global Moderate Allocation Portfolio made the following purchases and sales of Affiliated Investment Companies (amounts in thousands):

	DFA VA Global Moderate Allocation Portfolio					
Affiliated Investment Companies	Balance at 10/31/2015	Balance at 4/30/2016	Purchases	Sales	Dividend Income	Distributions of Realized Gains
U.S. Core Equity 2 Portfolio	$30,228	$ 31,554	$2,903	$ 664	$ 307	$594
International Core Equity Portfolio	14,054	14,949	1,140	143	120	—
DFA Selectively Hedged Global Fixed Income Portfolio	12,308	13,149	1,280	699	136	—
VA Global Bond Portfolio	12,325	13,118	1,601	819	194	52
U.S. Core Equity 1 Portfolio	10,839	11,221	619	—	109	129
DFA Two-Year Global Fixed Income Portfolio	4,900	5,194	461	173	15	—
VA Short-Term Fixed Portfolio	4,900	5,188	461	168	15	5
Emerging Markets Core Equity Portfolio	4,129	4,565	372	9	42	—
VA U.S. Large Value Portfolio	2,191	2,237	192	—	45	101
DFA Real Estate Securities Portfolio	1,449	1,663	175	—	32	—
VA International Value Portfolio	1,575	1,662	191	—	50	—
Total	$98,898	$104,500	$9,395	$2,675	$1,065	$881

F. Federal Income Taxes:

Each Portfolio has qualified and intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code for federal income tax purposes and to distribute substantially all of its taxable income and net capital gains to shareholders. Accordingly, no provision has been made for federal income taxes.

Distributions from net investment income and net realized capital gains are determined in accordance with U.S. federal income tax regulations, which may differ from those amounts determined under accounting principles generally accepted in the United States of America. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, they are charged or credited to paid-in capital, undistributed net investment income or accumulated net realized gains or losses, as appropriate, in the period that the differences arise. Accordingly, the following permanent differences as of October 31, 2015, primarily attributable to realized gains on securities considered to be “passive foreign investment companies”, and net

foreign currency gains/losses, were reclassified to the following accounts. These reclassifications had no effect on net assets or net asset value per share (amounts in thousands):

	Increase (Decrease) Paid-In Capital	Increase (Decrease) Undistributed Net Investment Income	Increase (Decrease) Accumulated Net Realized Gains (Losses)
VA U.S. Targeted Value Portfolio	$ 9,703	$ 3	$ (9,706)
VA U.S. Large Value Portfolio	13,443	—	(13,443)
VA International Value Portfolio	5,573	(21)	(5,552)
VA International Small Portfolio	8,504	75	(8,579)
VA Short-Term Fixed Portfolio	—	—	—
VA Global Bond Portfolio	—	(75)	75
DFA VA Global Moderate Allocation Portfolio	—	10	(10)

The tax character of dividends and distributions declared and paid during the years ended October 31, 2014 and October 31, 2015 were as follows (amounts in thousands):

	Net Investment Income and Short-Term Capital Gains	Long-Term Capital Gains	Total
VA U.S. Targeted Value Portfolio			
2014	$1,253	—	$ 1,253
2015	1,890	$ 9,989	11,879
VA U.S. Large Value Portfolio			
2014	2,914	16,668	19,582
2015	4,565	4,140	8,705
VA International Value Portfolio			
2014	3,420	—	3,420
2015	6,690	—	6,690
VA International Small Portfolio			
2014	3,450	2,793	6,243
2015	3,533	2,383	5,916
VA Short-Term Fixed Portfolio			
2014	467	42	509
2015	345	69	414
VA Global Bond Portfolio			
2014	1,112	2,067	3,179
2015	4,551	237	4,788
DFA VA Global Moderate Allocation Portfolio			
2014	648	—	648
2015	1,074	271	1,345

VIT Inflation-Protected Securities Portfolio commenced operations on May 29, 2015, and did not pay any distributions for the years ended October 31, 2014 and October 31, 2015.

At October 31, 2015, the components of distributable earnings (accumulated losses) were as follows (amounts in thousands):

	Undistributed Net Investment Income and Short-Term Capital Gains	Undistributed Long-Term Capital Gains	Capital Loss Carryforwards	Unrealized Appreciation (Depreciation)	Total Net Distributable Earnings (Accumulated Losses)
VA U.S. Targeted Value Portfolio	$4,311	$10,897	—	$ 12,570	$ 27,778
VA U.S. Large Value Portfolio	3,923	10,782	—	49,641	64,346
VA International Value Portfolio	4,476	—	$(3,316)	(18,223)	(17,063)
VA International Small Portfolio	2,768	3,999	—	(2,551)	4,216
VA Short-Term Fixed Portfolio	559	45	—	(8)	596
VA Global Bond Portfolio	3,191	786	—	1,303	5,280
VIT Inflation-Protected Securities Portfolio	55	—	(3)	(127)	(75)
DFA VA Global Moderate Allocation Portfolio	621	195	—	2,824	3,640

For federal income tax purposes, the Fund measures its capital loss carryforwards annually at October 31, its fiscal year end. Capital loss carryforwards may be carried forward and applied against future capital gains. Under the Regulated Investment Company Modernization Act of 2010, capital losses incurred by these Portfolios after October 31, 2011 will not be subject to expiration and will retain their character as either short-term or long-term capital losses. In addition, such losses must be utilized prior to the losses incurred in the years preceding enactment. As of October 31, 2015, the Portfolios had the following capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates (amounts in thousands):

	Expires on October 31,		
	2017	Unlimited	Total
VA U.S. Targeted Value Portfolio	—	—	—
VA U.S. Large Value Portfolio	—	—	—
VA International Value Portfolio	$2,412	$904	$3,316
VA International Small Portfolio	—	—	—
VA Short-Term Fixed Portfolio	—	—	—
VA Global Bond Portfolio	—	—	—
VIT Inflation-Protected Securities Portfolio	—	3	3
DFA VA Global Moderate Allocation Portfolio	—	—	—

At April 30, 2016, the total cost and aggregate gross unrealized appreciation (depreciation) of securities for federal income tax purposes were different from amounts reported for financial reporting purposes, as follows (amounts in thousands):

	Federal Tax Cost	Unrealized Appreciation	Unrealized Depreciation	Net Unrealized Appreciation (Depreciation)
VA U.S. Targeted Value Portfolio	$228,706	$32,704	$(24,459)	$ 8,245
VA U.S. Large Value Portfolio	201,177	56,000	(7,620)	48,380
VA International Value Portfolio	192,095	9,090	(28,085)	(18,995)
VA International Small Portfolio	156,914	27,804	(27,240)	564
VA Short-Term Fixed Portfolio	193,471	218	(50)	168
VA Global Bond Portfolio	250,781	4,041	(2)	4,039
VIT Inflation-Protected Securities Portfolio	28,557	798	—	798
DFA VA Global Moderate Allocation Portfolio	102,688	3,148	(1,280)	1,868

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is primarily attributable to the tax deferral of losses on wash sales and investments in passive foreign investment companies.

Accounting for Uncertainty in Income Taxes sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Management has analyzed the Portfolios' tax positions and has concluded that no additional provision for income tax is required in any Portfolio's financial statements. The Portfolios are not aware of any tax positions for which it is more likely than not that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. The Portfolios' federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

G. Financial Instruments:

In accordance with the Portfolios' investment objectives and policies, the Portfolios may invest in certain financial instruments that have off-balance sheet risk in excess of the amounts recognized in the financial statements and concentrations of credit and market risk. These instruments and their significant corresponding risks are described below:

1. *Foreign Market Risks:* Investments in foreign markets may involve certain considerations and risks not typically associated with investments in the United States of America, including the possibility of future political and economic developments and the level of foreign governmental supervision and regulation of foreign securities markets. These markets are generally smaller, less liquid and more volatile than the major securities markets in the United States of America. Consequently, acquisition and disposition of securities held by the Portfolios may be inhibited.

Derivative Financial Instruments:

Summarized below are the specific types of derivative instruments used by the Portfolios.

2. *Forward Currency Contracts:* The International Equity Portfolios may acquire and sell forward currency contracts in connection with the purchase or sale of foreign equity securities, typically to "lock in" the value of the transaction with respect to a different currency. In addition, the International Equity Portfolios may, from time to time, enter into forward currency contracts to transfer balances from one currency to another currency. The VA Global Bond Portfolio may enter into forward currency contracts only to hedge against adverse changes in the relationship of the U.S. dollar to foreign currencies (foreign exchange rate risk) or to transfer balances from one currency to another currency. The decision to hedge a Portfolio's currency exposure with respect to a foreign market will be based primarily on the Portfolio's existing exposure to a given foreign currency. Each contract is valued daily and the change in value is recorded by the Portfolio as an unrealized gain or loss, which is presented in the Statements of Operations as the change in unrealized appreciation or depreciation from translation of foreign currency denominated amounts. When the contract is closed or offset with the same counterparty, the Portfolio records a realized gain or loss equal to the change in the value of the contract when it was opened and the value at the time it was closed or offset. This is presented in the Statements of Operations as a net realized gain or loss on foreign currency transactions. At April 30, 2016, the VA Global Bond Portfolio had entered into the following contracts and the net unrealized foreign exchange gain (loss) is reflected in the accompanying financial statements (amounts in thousands):

VA Global Bond Portfolio*

Settlement Date	Currency Amount**	Currency	Counterparty	Contract Amount	Value at April 30, 2016	Unrealized Foreign Exchange Gain (Loss)
06/07/16	(1,041)	Singapore Dollar	Citibank, N.A.	$ (768)	$ (773)	$ (5)
05/11/16	(31,679)	Swedish Krona	Citibank, N.A.	(3,884)	(3,946)	(62)
07/01/16	47	UK Pound Sterling	Citibank, N.A.	67	68	1
07/01/16	3	UK Pound Sterling	Citibank, N.A.	4	4	—
07/01/16	(1,039)	UK Pound Sterling	UBS AG	(1,477)	(1,518)	(41)
07/01/16	(5,823)	UK Pound Sterling		(8,261)	(8,509)	(248)
				$(14,319)	$(14,674)	$(355)

* During the six months ended April 30, 2016, the VA Global Bond Portfolio's average contract amount of forward currency contracts was $8,720 (in thousands).

** Positive Currency Amount represents a purchase contract and a Currency Amount in parentheses represents a sale contract.

Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of foreign currency relative to the U.S. dollar and are generally limited to unrealized appreciation, if any, on the contracts.

The following is a summary of the location of derivatives on the VA Global Bond Portfolio's Statement of Assets and Liabilities as of April 30, 2016:

	Location on the Statement of Assets and Liabilities	
Derivative Type	**Asset Derivatives**	**Liability Derivatives**
Foreign exchange contracts	Unrealized Gain on Forward Currency Contracts	Unrealized Loss on Forward Currency Contracts

The following is a summary of the VA Global Bond Portfolio's derivative instrument holdings categorized by primary risk exposure as of April 30, 2016 (amounts in thousands):

	Asset Derivatives Value	
	Total Value at April 30, 2016	**Foreign Exchange Contracts**
VA Global Bond Portfolio	$ 1	$ 1

	Liability Derivatives Value	
	Total Value at April 30, 2016	**Foreign Exchange Contracts**
VA Global Bond Portfolio	(356)	(356)

The following is a summary of the location on the VA Global Bond Portfolio's Statement of Operations of realized and change in unrealized gains and losses from the Portfolio's derivative instrument holdings through the six months ended April 30, 2016:

Derivative Type	**Location of Gain (Loss) on Derivatives**
Foreign exchange contracts	Net Realized Gain (Loss) on: Foreign Currency Transactions Change in Unrealized Appreciation (Depreciation) of: Translation of Foreign Currency Denominated Amounts

The following is a summary of the realized and change in unrealized gains and losses from the VA Global Bond Portfolio's derivative instrument holdings categorized by primary risk exposure through the six months ended April 30, 2016 (amounts in thousands):

	Realized Gain (Loss) on Derivatives	
	Total	**Foreign Exchange Contracts**
VA Global Bond Portfolio	$ (34)	$ (34)

	Change in Unrealized Appreciation (Depreciation) on Derivatives	
	Total	**Foreign Exchange Contracts**
VA Global Bond Portfolio	$(367)	$(367)

Offsetting of Derivative Assets and Derivative Liabilities

The following table presents the VA Global Bond Portfolio'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 Portfolio as of April 30, 2016 (amounts in thousands):

Description	Gross Amounts of Recognized Assets (a)	Gross Amounts Not Offset in the Statements of Assets and Liabilities		Net Amount (c)	Gross Amounts of Recognized Liabilities (a)	Gross Amounts Not Offset in the Statements of Assets and Liabilities		Net Amount (e)
		Financial Instruments (b)	Cash Collateral Received			Financial Instruments (d)	Cash Collateral Pledged	
	Assets				Liabilities			
VA Global Bond Portfolio								
Forward Currency Contracts	$1	$(1)	—	—	$356	$(1)	—	$355

(a) No amounts have been netted against the gross amounts recognized in the Statements of Assets and Liabilities.

(b) 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 Statements of Assets and Liabilities.

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

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

(e) Represents the net amount due to counterparties in the event of default.

Note J contains information regarding securities lending amounts that are subject to netting arrangements.

H. Line of Credit and Interfund Lending Program:

The Fund, together with other Dimensional-advised portfolios, has entered into a $500 million uncommitted, unsecured discretionary line of credit effective March 30, 2016, with its domestic custodian bank. A line of credit with similar terms was in effect through March 29, 2016. Each portfolio is permitted to borrow, subject to its investment limitations, up to a maximum of $500 million, as long as total borrowings under the line of credit do not exceed $500 million in the aggregate. Borrowings under the line of credit are charged interest at rates agreed upon by the parties at the time of borrowing. Each portfolio is individually, and not jointly, liable for its particular advances under the line of credit. There is no commitment fee on the unused portion of the line of credit. The agreement for the discretionary line of credit may be terminated by either party at any time. The agreement for the line of credit expires on March 29, 2017.

The Fund, together with other Dimensional-advised portfolios, has also entered into an additional $500 million unsecured line of credit with its international custodian bank effective January 8, 2016. A line of credit with similar terms was in effect through January 7, 2016. Each portfolio is permitted to borrow, subject to its investment limitations, up to a maximum of $500 million, as long as total borrowings under the line of credit do not exceed $500 million in the aggregate. Each portfolio is individually, and not jointly, liable for its particular advances under the line of credit. Borrowings under the line of credit are charged interest at rates agreed upon by the parties at the time of borrowing. There is no commitment fee on the unused portion of the line of credit. The line of credit agreement expires on January 7, 2017.

For the six months ended April 30, 2016, borrowings by the Portfolios under the lines of credit were as follows (amounts in thousands, except percentages and days):

	Weighted Average Interest Rate	Weighted Average Loan Balance	Number of Days Outstanding*	Interest Expense Incurred	Maximum Amount Borrowed During The Period
VA U.S. Targeted Value Portfolio	0.87%	$ 703	3	—	$1,083
VA U.S. Large Value Portfolio	1.02%	1,056	15	—	1,753
VA International Value Portfolio	1.12%	123	1	—	123
VA International Small Portfolio	1.07%	91	11	—	189
DFA VA Global Moderate Allocation Portfolio	1.04%	120	25	—	625

* Number of Days Outstanding represents the total of single or consecutive days during the six months ended April 30, 2016, that each Portfolio's available line of credit was utilized.

At April 30, 2016, VA International Small Portfolio had loans outstanding in the amount of $113 (in thousands).

Pursuant to an exemptive order issued by the SEC (the "Order"), the Portfolios may participate in an interfund lending program among certain portfolios managed by the Advisor (portfolios that operate as feeder funds do not participate in the program). The program allows the participating portfolios to borrow money from and loan money to each other for temporary or emergency purposes, subject to the conditions in the Order. A loan can only be made through the program if the interfund loan rate on that day is more favorable to both the borrowing and lending portfolios as compared to rates available through short-term bank loans or investments in overnight repurchase agreements and money market funds, respectively, as detailed in the Order. Further, a portfolio may participate in the program only if and to the extent that such participation is consistent with its investment objectives and limitations. Interfund loans have a maximum duration of seven days and may be called on one business day's notice. The Portfolios did not utilize the interfund lending program during the six months ended April 30, 2016.

I. Affiliated Trades:

Cross trades for the year ended October 31, 2015, if any, were executed by the Portfolios pursuant to procedures adopted by the Board of Directors of the Fund to ensure compliance with Rule 17a-7 under the Investment Company Act of 1940 (the "1940 Act"). Cross trading is the buying or selling of portfolio securities between series of investment companies, or between a series of an investment company and another entity, that are or could be considered affiliates by virtue of having a common investment adviser (or affiliated investment advisers), common directors/trustees and/or common officers. At its regularly scheduled meetings, the Board reviews such transactions for compliance with the requirements and restrictions set forth by Rule 17a-7 under the 1940 Act.

For the six months ended April 30, 2016, cross trades by the Portfolios under Rule 17a-7 were as follows (amounts in thousands):

Portfolio	Purchases	Sales	Realized Gains
VA U.S. Targeted Value Portfolio	$1,565	$5,085	$925
VA U.S. Large Value Portfolio	668	1,040	147

J. Securities Lending:

As of April 30, 2016, some of the Portfolios had securities on loan to brokers/dealers, for which each such Portfolio received cash collateral. In addition, the following Portfolios received non-cash collateral consisting of short-and/or long-term U.S. government securities as follows (amounts in thousands):

	Market Value
VA U.S. Targeted Value Portfolio	$7,382
VA U.S. Large Value Portfolio	4,212
VA International Small Portfolio	293

Each Portfolio with securities on loan invests the cash collateral, as described below, and records a liability for the return of the collateral, during the period the securities are on loan. Loans of securities are expected at all times to be secured by collateral in an amount (i) equal to at least 100% of the current market value of the loaned securities with respect to securities of the U.S. government or its agencies, (ii) generally equal to 102% of the current market value of the loaned securities with respect to U.S. securities, and (iii) generally equal to 105% of the current market value of the loaned securities with respect to foreign securities. However, daily market fluctuations could cause the Portfolios' collateral to be lower or higher than the expected thresholds. If this were to occur, the collateral would be adjusted the next business day to ensure adequate collateralization. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. If the borrower fails to return loaned securities, and cash collateral being maintained by the borrower is insufficient to cover the value of loaned securities and provided such collateral insufficiency is not the result of investment losses, the lending agent has agreed to pay the amount of the shortfall to the Portfolio or, at the option

of the lending agent, to replace the securities. In the event of the bankruptcy of the borrower, a Portfolio could experience delay in recovering the loaned securities or only recover cash or a security of equivalent value.

Subject to their stated investment policies, the Portfolios with securities on loan will generally invest the cash collateral received for the loaned securities in The DFA Short Term Investment Fund (the "Money Market Series"), an affiliated registered money market fund advised by the Advisor for which the Advisor receives a management fee of 0.05% of the average daily net assets of the Money Market Series. Such Portfolios also may invest the cash collateral received for the loaned securities in securities of the U.S. government or its agencies, repurchase agreements collateralized by securities of the U.S. government or its agencies, and affiliated and unaffiliated registered and unregistered money market funds. For purposes of this paragraph, agencies include both agency debentures and agency mortgage-backed securities. In addition, each Portfolio with securities on loan will be able to terminate the loan at any time and will receive reasonable interest on the loan, as well as amounts equal to any dividends, interest or other distributions on the loaned securities. However, dividend income received from loaned securities may not be eligible to be taxed at qualified dividend income rates.

The following table reflects a breakdown of transactions accounted for as secured borrowings, the gross obligation by the type of collateral pledged, and the remaining contractual maturity of those transactions as of April 30, 2016:

	Remaining Contractual Maturity of the Agreements As of April 30, 2016				
	Overnight and Continuous	<30 days	Between 30 & 90 days	>90 days	Total
VA U.S. Targeted Value Portfolio					
Bonds	$32,433,183	—	—	—	$32,433,183
VA U.S. Large Value Portfolio					
Bonds	$10,818,625	—	—	—	$10,818,625
VA International Value Portfolio					
Bonds	$10,306,766	—	—	—	$10,306,766
VA International Small Portfolio					
Bonds	$17,465,804	—	—	—	$17,465,804
VA Short-Term Fixed Portfolio					
Bonds	$ 6,944,308	—	—	—	$ 6,944,308
VA Global Bond Portfolio					
Bonds	$ 1,254,000	—	—	—	$ 1,254,000
Total Borrowings	$79,222,686	—	—	—	$79,222,686
Gross amount of recognized liabilities for securities lending transactions					**$79,222,686**

K. Indemnitees; Contractual Obligations:

Under the Fund's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund.

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties that provide general indemnification. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund and/or its affiliates that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

L. Other:

At April 30, 2016, the following number of shareholders held the following approximate percentages of the Portfolios' outstanding shares. One or more of the shareholders may be omnibus accounts, which typically hold shares for the benefit of several other underlying investors.

	Number of Shareholders	Approximate Percentage of Outstanding Shares
VA U.S. Targeted Value Portfolio	3	75%
VA U.S. Large Value Portfolio	3	73%
VA International Value Portfolio	4	78%
VA International Small Portfolio	5	78%
VA Short-Term Fixed Portfolio	5	85%
VA Global Bond Portfolio	5	87%
VIT Inflation-Protected Securities Portfolio	2	96%
DFA VA Global Moderate Allocation Portfolio	5	97%

The Portfolios are subject to claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against us, individually or in aggregate, will not have a material adverse impact on our financial position, our results of operations, or our cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future

The VA U.S. Large Value Portfolio has been named as a defendant in a multi-district litigation pending in the United States District Court for the Southern District of New York (the "Court"), captioned *IN RE TRIBUNE COMPANY FRAUDULENT CONVEYANCE LITIGATION*, No. 11-MD-2296-RJS (the "Tribune MDL"). The Tribune MDL arises from the 2007 leveraged buyout of The Tribune Company ("Tribune") (the "LBO") and Tribune's subsequent bankruptcy and reorganization. In connection with the LBO, thousands of Tribune shareholders, including the VA U.S. Large Value Portfolio, sold Tribune shares back to Tribune for $34 per share. The Tribune MDL includes a series of lawsuits brought by individual creditors of Tribune (the "Individual Creditor Actions") and a lawsuit brought by a court-appointed trustee on behalf of the committee of unsecured creditors of Tribune (the "Committee Action," and with the Individual Creditor Actions, collectively referred to as the "Lawsuits"). The Lawsuits seek to unwind the LBO stock repurchases as fraudulent transfers and recover the stock repurchase proceeds paid to the Tribune shareholders who participated in the LBO. On September 23, 2013, the Court entered an order dismissing the Individual Creditor Actions in their entirety on the grounds that the individual creditor plaintiffs lack standing to pursue their claims. The parties appealed the Court's dismissal order to the Second Circuit, and, on March 29, 2016, the Second Circuit affirmed the dismissal, albeit on the grounds that the individual creditor plaintiffs' claims are preempted by the Bankruptcy Code's safe harbor for securities transactions. The individual creditor plaintiffs have petitioned the Second Circuit for rehearing of the appeal, and that petition is pending. The Committee Action remains pending, and a motion to dismiss on behalf of all shareholder defendants in the Committee Action was filed on May 23, 2014. The motion to dismiss is fully-briefed, and the parties await the scheduling of oral argument on the motion. The Committee Action is stayed pending the disposition of the motion to dismiss.

Litigation counsel to the VA U.S. Large Value Portfolio in the Lawsuits has advised management that it does not believe that it is possible, at this early stage in the proceedings, to predict with any reasonable certainty the probable outcome of the Lawsuits or quantify the ultimate exposure to the VA U.S. Large Value Portfolio arising from the Lawsuits. Until the VA U.S. Large Value Portfolio can do so, no reduction of the net asset value of the VA U.S. Large Value Portfolio will be made relating to the Lawsuits. However, even if the plaintiffs in the Lawsuits were to obtain the full recovery the plaintiffs seek, the amount would be less than 1% of the net asset value of the VA U.S. Large Value Portfolio at this time.

The VA U.S. Large Value Portfolio also cannot quantify the cost of the Lawsuits that could potentially be deducted from its net asset value. Therefore, at this time, those investors buying or redeeming shares of the VA U.S. Large Value Portfolio will pay or receive, as the case may be, a price based on the net asset value of the VA U.S. Large Value Portfolio, with no adjustment relating to the Lawsuits. The attorneys' fees and costs relating to the Lawsuits will be taken as expenses by the VA U.S. Large Value Portfolio as incurred and in a manner similar to any other expense incurred by the VA U.S. Large Value Portfolio.

M. Subsequent Event Evaluations:

Management has evaluated the impact of all subsequent events on the Portfolios and has determined that there are no subsequent events requiring recognition or disclosure in the financial statements.

VOTING PROXIES ON FUND PORTFOLIO SECURITIES

A description of the policies and procedures that the Fund uses in voting proxies relating to securities held in the portfolio is available (1) without charge, upon request, by calling collect: (512) 306-7400; (2) from the Advisor's website at http://us.dimensional.com; and (3) on the SEC's website at http://www.sec.gov. Information regarding how the Advisor votes these proxies is available from the EDGAR database on the SEC's website at http://www.sec.gov and from the Advisor's website at http://us.dimensional.com and reflects the twelve-month period beginning July 1st and ending June 30th.

BOARD APPROVAL OF INVESTMENT MANAGEMENT AGREEMENTS

At the Board meeting held on December 10-11, 2015 (the "Meeting"), the Board of Directors of DFA Investment Dimensions Group Inc. (the "Board") considered the continuation of the investment management agreements for each portfolio (collectively, the "Funds") and, if applicable, a Fund's sub-advisory agreements. For certain Funds, Dimensional Fund Advisors Ltd. or DFA Australia Limited serves as a sub-advisor. (The investment management agreements and the sub-advisory agreements are referred to as the "Management Agreements," and the Advisor and sub-advisors are referred to as the "Advisor.")

Prior to the Meeting, independent counsel to the Independent Board Members sent to the Advisor a request for information, which identified the information that the Independent Board Members wished to receive in order to consider the continuation of the Management Agreements. The Independent Board Members met with their independent counsel in advance of the Meeting to discuss the materials provided by the Advisor, the independent reports prepared by Morningstar Associates, LLC (the "Morningstar Reports"), and issues related to the continuation of the Management Agreements. Also in advance of the Meeting, management provided additional materials to address and respond to questions that the Independent Board Members posed after their review and analysis of materials provided by the Advisor and the Morningstar Reports.

At the Meeting, the Board considered a number of factors when considering the continuation of each Management Agreement for a Fund, including: (i) the nature, extent and quality of services provided by the Advisor to each Fund; (ii) the performance of each Fund and the Advisor; (iii) the fees and expenses borne by each Fund; (iv) the profitability realized by the Advisor from the relationship with each Fund; and (v) whether economies of scale are realized by the Advisor with respect to each Fund as it grows larger, and the extent to which this is reflected in the level of the management fee charged.

When considering the nature and quality of the services provided by the Advisor to a Fund, the Board reviewed: (a) the scope and depth of the Advisor's organization; (b) the experience and expertise of its investment professionals currently providing management services to the Fund; and (c) the Advisor's global investment advisory capabilities. The Board evaluated the Advisor's portfolio management process and discussed the unique features of the Advisor's investment approach. The Board also considered the nature and character of non-investment advisory services provided by the Advisor, including administrative services. After analyzing the caliber of services provided by the Advisor to each Fund, both quantitatively and qualitatively, including the impact of these services on investment performance, the Board concluded that the nature, extent and quality of services provided to each Fund were consistent with the operational requirements of the Fund and met the needs of the shareholders of the Fund.

In considering the performance of each Fund, the Board analyzed the Morningstar Reports, which compared the performance of each Fund with other funds in its respective peer group and investment category. The Board also reviewed the performance analysis prepared by the Advisor, which presented the performance of each Fund and its benchmark index, over multiple performance periods, along with the Advisor's explanation of the performance. The Board concluded that the Advisor's explanations provided a sound basis for understanding the comparative performance of the Funds. The Board determined, among other things, that after considering each Fund's investment strategies and the expectations of its shareholder base, the performance of each Fund was reasonable as compared with relevant performance standards and appropriate market indexes.

When considering the fees and expenses borne by each Fund, and considering the reasonableness of the management fees paid to the Advisor in light of the services provided to the Fund and any additional benefits received by the Advisor in connection with providing such services, the Board compared the fees charged by the Advisor to the Fund to the fees charged to the funds in its peer group for comparable services as provided in the Morningstar Reports. The Board concluded that the effective management fees and total expenses of each Fund over various periods were favorable in relation to those of its peer funds, and that the management fees were fair, both on an absolute basis and in comparison with the fees of other funds identified in the peer groups and the industry at large.

The Board considered the profitability of each Fund to the Advisor by reviewing the profitability analysis provided by the Advisor, including information about its fee revenues and income. The Board reviewed the overall

profitability of the Advisor, and the compensation that it received for providing services to each Fund. The Board considered the profitability to the Advisor of managing and servicing the Funds and the Advisor's unregistered clients, such as collective trusts, group trusts and separate accounts. Upon closely examining the Advisor's profitability, the Board concluded, among other things, that it was reasonable.

The Board also discussed whether economies of scale are realized by the Advisor with respect to each Fund as it grows larger, and the extent to which this is reflected in the level of management fees charged. For several reasons, the Board concluded that economies of scale and the reflection of such economies of scale in the level of management fees charged were inapplicable to each Fund at the present time, due to the current level of fees and expenses and the profitability of the Fund.

After full consideration of the factors discussed above, with no single factor identified as being of paramount importance, the Board, including the Independent Board Members, with the assistance of independent counsel, concluded that the continuation of the Management Agreement for each Fund was in the best interests of the Fund and its shareholders.

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Dreyfus Variable Investment Fund, Quality Bond Portfolio

SEMIANNUAL REPORT
June 30, 2016

BNY MELLON | Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

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A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Variable Investment Fund, Quality Bond Portfolio, covering the six-month period from January 1, 2016 through June 30, 2016. 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.

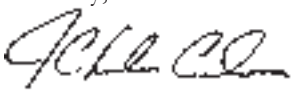
Financial markets experienced heightened turbulence over the first half of 2016 when global economic challenges fueled dramatic swings in market sentiment. At the start of the year, investors reacted cautiously to an economic slowdown in China, sluggish growth in Europe, plummeting commodity prices, and rising short-term interest rates in the United States. These worries sparked sharp declines in U.S. and global equity markets, while high-quality bonds gained value as investors flocked to traditional safe havens.

Investor sentiment subsequently rebounded when U.S. monetary policymakers refrained from additional rate hikes, major central banks eased their monetary policies further, and commodity prices improved. Stocks rallied strongly during the spring, recouping earlier losses, and bonds continued to benefit from robust investor demand. Still, by June, uncertainty continued to dominate the capital markets amid worries about Great Britain's exit from the European Union and disappointing job growth in the United States.

We remain encouraged by the resilience of the stock and bond markets, but we expect volatility to persist until global economic uncertainty abates. In addition, wide differences in underlying fundamental and technical influences across various asset classes, economic sectors, and regional markets suggest that selectivity may be an important determinant of investment success over the second half of 2016. As always, we encourage you to discuss the implications of our observations with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,



J. Charles Cardona
President
The Dreyfus Corporation
July 15, 2016

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2016 through June 30, 2016, as provided by David Bowser, CFA, and David Horsfall, CFA, Portfolio Managers

Fund and Market Performance Overview

For the six-month period ended June 30, 2016, Dreyfus Variable Investment Fund, Quality Bond Portfolio's Initial shares produced a total return of 4.48%, and its Service shares produced a total return of 4.29%.[1] The Barclays U.S. Aggregate Bond Index (the "Index"), the fund's benchmark, achieved a total return of 5.31% for the same period.[2]

High-quality bonds benefited over the first half of 2016 from falling long-term interest rates in the midst of global economic challenges. The fund lagged its benchmark, mainly due to its exposure to corporate bonds from commodities-related issuers.

The Fund's Investment Approach

The fund seeks to maximize total return consisting of capital appreciation and current income. To pursue this goal, the fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in bonds. The fund's investments include corporate bonds, debentures, notes, mortgage-related securities, collateralized mortgage obligations and asset-backed securities, convertible debt obligations, preferred stocks, convertible preferred stocks, municipal obligations, and zero coupon bonds, that, when purchased, are rated A or better or what we believe are the unrated equivalent, as determined by Dreyfus Corporation and in securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, including Treasury inflation-protected securities (TIPS). The fund also may invest up to 10% of its net assets in bonds issued by foreign issuers that are denominated in foreign currencies, and up to 20% of its net assets in bonds issued by foreign issuers whether denominated in U.S. dollars or in a foreign currency. The fund has no limit with respect to its portfolio maturity or duration.

Higher-Quality Bonds Outperformed Riskier Assets

Bonds proved volatile early in the reporting period amid concerns that the Federal Reserve Board (the "Fed") December 2015 rate hike might be the first in a series of increases during 2016 and beyond. Concerns about global economic conditions also sparked heightened market turbulence when a slowdown in China and plummeting commodity prices triggered a flight to traditional safe havens, hurting riskier corporate bonds. Conversely, intensifying demand for high-quality U.S. bonds sparked a rally among U.S. Treasury securities.

The market's trajectory changed dramatically in mid-February, when comments from the Fed suggested that U.S. policymakers would delay additional rate hikes due to global economic challenges. In addition, commodity prices began to rebound, and the People's Bank of China and the European Central Bank announced new stimulus measures. Investors regained a degree of confidence, and riskier corporate bonds began to recover from previous weakness, enabling them to recoup previous losses. Meanwhile, demand for high-quality U.S. government securities remained robust from global investors seeking more competitive yields than were available in overseas markets.

Near the end of the reporting period, concerns surrounding a vote in the United Kingdom to leave the European Union produced renewed volatility. The resulting demand for traditional safe havens drove prices of U.S. Treasury securities higher and their yields toward historical lows.

Corporate Bond Exposure Undermined Fund Results

Although the fund participated significantly in the bond market's rally, its performance compared to the Index was hampered by its exposure to corporate-backed bonds, including those that were hurt by declining commodity prices in the volatile energy and materials sectors. The fund later recouped some of the losses produced by corporate bonds early in the reporting period, but it was not enough to fully offset their weakness. To a lesser extent, the fund's relative results also were undermined by our decision to adopt a relatively short duration posture in advance of the Brexit vote in June. This tactical positioning was designed to protect the fund from potentially higher interest rates in case of a vote to stay in the European Union. Finally, an emphasis on the U.S. dollar proved counterproductive when major foreign currencies gained value in the spring.

The fund achieved better relative results from overweighted positions in taxable municipal bonds and asset-backed securities, and a focus on higher-quality securities proved especially beneficial during the market turbulence surrounding the Brexit vote.

At times during the reporting period, we employed futures to hedge against adverse interest-rate movements, and we used forward contracts to establish the fund's currency positions.

Continued Volatility Expected

As of the reporting period's end, we have maintained a generally cautious investment posture in anticipation of continued volatility in the financial markets. Economic instability in China and Europe seem likely to persist, as does the choppy U.S. economic recovery. In addition, yields of longer term sovereign bonds already have fallen toward historical lows, and yield differences have narrowed along the market's credit-quality spectrum. Therefore, we recently trimmed the fund's corporate bond exposure, and we have redeployed those assets to TIPS and other high-quality bonds with strong liquidity characteristics that can be used as a funding source when more attractively valued opportunities arise.

July 15, 2016

Bond funds are subject generally to interest-rate, credit, liquidity, and market risks, to varying degrees, all of which are more fully described in the fund's prospectus. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can cause price declines.

Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Each of these risks could increase the fund's volatility.

High yield bonds are subject to increased credit risk and are considered speculative in terms of the issuer's perceived ability to continue making interest payments on a timely basis and to repay principal upon maturity.

The fund may use derivative instruments, such as options, futures, options on futures, forward contracts, swaps (including credit default swaps on corporate bonds and asset-backed securities), options on swaps, and other credit derivatives. A small investment in derivatives could have a potentially large impact on the fund's performance.

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, Quality Bond 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. 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 Barclays U.S. Aggregate Bond Index is a widely accepted, unmanaged total return index of corporate, U.S. government and U.S. government agency debt instruments, mortgage-backed securities, and asset-backed securities with an average maturity of 1-10 years. The Index does not include fees and expenses to which the fund is subject. 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 Variable Investment Fund, Quality Bond Portfolio from January 1, 2016 to June 30, 2016. 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, 2016

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.78	$ 6.04
Ending value (after expenses)	$1,044.80	$1,042.90

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, 2016

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.72	$ 5.97
Ending value (after expenses)	$1,020.19	$1,018.95

† *Expenses are equal to the fund's annualized expense ratio of .94% for Initial shares and 1.19% for Service shares, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS
June 30, 2016 (Unaudited)

Bonds and Notes - 103.4%	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Asset-Backed Ctfs./Auto Receivables - 4.1%				
AmeriCredit Automobile Receivables Trust, Ser. 2012-4, Cl. D	2.68	10/9/18	245,000	246,098
AmeriCredit Automobile Receivables Trust, Ser. 2012-5, Cl. D	2.35	12/10/18	155,000	155,371
AmeriCredit Automobile Receivables Trust, Ser. 2013-1, Cl. D	2.09	2/8/19	305,000	305,101
AmeriCredit Automobile Receivables Trust, Ser. 2014-1, Cl. D	2.54	6/8/20	275,000	277,517
Capital Auto Receivables Asset Trust, Ser. 2013-1, Cl. D	2.19	9/20/21	160,000	160,459
Santander Drive Auto Receivables Trust, Ser. 2012-5, Cl. C	2.70	8/15/18	147,000	147,438
Santander Drive Auto Receivables Trust, Ser. 2012-6, Cl. D	2.52	9/17/18	285,000	286,368
Santander Drive Auto Receivables Trust, Ser. 2013-1, Cl. D	2.27	1/15/19	210,000	210,730
Santander Drive Auto Receivables Trust, Ser. 2013-2, Cl. D	2.57	3/15/19	510,000	512,629
				2,301,711
Commercial Mortgage Pass-Through Ctfs. - 1.0%				
Citigroup Commercial Mortgage Trust, Ser. 2007-C6, Cl. A4	5.71	12/10/49	200,000 [a]	205,908
Commercial Mortgage Trust, Ser. 2014-UBS2, Cl. AM	4.20	3/10/47	70,000	76,664
Commercial Mortgage Trust, Ser. 2015-LC19, Cl. AM	3.53	2/10/48	170,000	181,358
Houston Galleria Mall Trust, Ser. 2015-HGLR, Cl. A1A2	3.09	3/5/37	100,000 [b]	104,216
				568,146
Consumer Discretionary - 1.9%				
21st Century Fox America, Gtd. Notes	4.00	10/1/23	90,000	99,148
Comcast, Gtd. Notes	3.15	3/1/26	155,000 [c]	165,059
Cox Communications, Sr. Unscd. Notes	6.25	6/1/18	205,000 [b]	220,235
Sky, Gtd. Notes	3.75	9/16/24	345,000 [b]	359,229
Time Warner, Gtd. Debs.	5.35	12/15/43	210,000	241,653
				1,085,324
Consumer Staples - 1.6%				
Kraft Heinz Foods, Gtd. Notes	3.95	7/15/25	155,000 [b]	168,923
Newell Brands, Sr. Unscd. Notes	4.20	4/1/26	95,000	103,158
Reynolds American, Gtd. Notes	4.85	9/15/23	310,000	354,621
Wm. Wrigley Jr., Sr. Unscd. Notes	3.38	10/21/20	235,000 [b]	250,928
				877,630

Bonds and Notes - 103.4% (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Energy - 1.8%				
Energy Transfer Partners, Sr. Unscd. Notes	4.90	2/1/24	125,000	128,042
Energy Transfer Partners, Sr. Unscd. Notes	5.15	2/1/43	270,000	242,299
Kinder Morgan, Gtd. Notes	7.75	1/15/32	235,000	264,142
Marathon Petroleum, Sr. Unscd. Notes	3.63	9/15/24	150,000	147,624
Unit, Gtd. Notes	6.63	5/15/21	45,000	34,987
Williams Partners, Sr. Unscd. Notes	4.50	11/15/23	130,000	124,920
Williams Partners, Sr. Unscd. Notes	6.30	4/15/40	65,000	61,873
				1,003,887
Financials - 9.2%				
ABN AMRO Bank, Sr. Unscd. Notes	2.50	10/30/18	230,000 [b]	235,649
American Express Credit, Sr. Unscd. Notes, Ser. F	2.60	9/14/20	135,000	139,524
Bank of America, Sr. Unscd. Notes	5.63	7/1/20	40,000	45,046
Bank of America, Sr. Unscd. Notes	4.00	4/1/24	225,000	240,644
Bank of America, Sr. Unscd. Notes	3.50	4/19/26	270,000	279,877
Citigroup, Sr. Unscd. Bonds	3.40	5/1/26	205,000	210,810
Citigroup, Sr. Unscd. Notes	4.65	7/30/45	185,000	204,287
DDR, Sr. Unscd. Notes	4.75	4/15/18	340,000	354,884
Discover Financial Services, Sr. Unscd. Notes	5.20	4/27/22	274,000	300,985
ERAC USA Finance, Gtd. Notes	6.38	10/15/17	120,000 [b]	127,239
ERAC USA Finance, Gtd. Notes	3.85	11/15/24	60,000 [b]	64,625
Ford Motor Credit, Sr. Unscd. Notes, Ser. 1	1.49	3/12/19	315,000 [a]	313,804
Goldman Sachs Group, Sr. Unscd. Notes	1.73	11/15/18	385,000 [a]	386,073
Goldman Sachs Group, Sr. Unscd. Notes	2.75	9/15/20	105,000	107,292
Goldman Sachs Group, Sr. Unscd. Notes	2.27	11/29/23	230,000 [a]	230,273
JPMorgan Chase & Co., Sr. Unscd. Notes	4.35	8/15/21	150,000	165,153
JPMorgan Chase & Co., Sub. Notes	4.25	10/1/27	205,000	218,291
Morgan Stanley, Sr. Unscd. Notes	5.50	7/28/21	100,000	114,328
Morgan Stanley, Sr. Unscd. Notes	3.75	2/25/23	65,000	68,957
Pacific LifeCorp, Sr. Unscd. Notes	5.13	1/30/43	360,000 [b]	397,380

Bonds and Notes - 103.4% (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Financials - 9.2% (continued)				
Prudential Financial, Jr. Sub. Notes	5.88	9/15/42	240,000 [a,c]	259,800
Regency Centers, Gtd. Notes	5.88	6/15/17	96,000	99,804
Synchrony Financial, Sr. Unscd. Notes	3.75	8/15/21	160,000	165,954
Volkswagen Group of America Finance, Gtd. Notes	1.25	5/23/17	200,000 [b]	199,435
Wells Fargo & Co., Sub. Notes	4.30	7/22/27	230,000	248,568
				5,178,682
Foreign/Governmental - 1.0%				
Argentine Government, Sr. Unscd. Notes	7.50	4/22/26	150,000 [b]	162,975
Mexican Government, Sr. Unscd. Notes	4.75	3/8/44	90,000	97,200
Petroleos Mexicanos, Gtd. Notes	5.50	1/21/21	140,000	148,560
Uruguayan Government, Sr. Unscd. Notes	4.50	8/14/24	55,000 [c]	60,019
Uruguayan Government, Sr. Unscd. Notes	4.38	10/27/27	95,000	101,650
				570,404
Health Care - 1.7%				
AmerisourceBergen, Sr. Unscd. Notes	3.25	3/1/25	95,000	99,880
Celgene, Sr. Unscd. Notes	3.55	8/15/22	155,000	162,633
Gilead Sciences, Sr. Unscd. Notes	3.65	3/1/26	55,000	59,913
Gilead Sciences, Sr. Unscd. Notes	4.75	3/1/46	80,000	91,063
Medtronic, Gtd. Notes	4.63	3/15/45	195,000	230,046
Mylan, Gtd. Notes	3.15	6/15/21	140,000 [b]	142,330
Zimmer Biomet Holdings, Sr. Unscd. Notes	3.55	4/1/25	160,000	165,291
				951,156
Industrials - .9%				
General Electric, Sr. Unscd. Notes	1.14	1/14/19	360,000 [a]	360,989
Waste Management, Gtd. Notes	4.10	3/1/45	110,000 [c]	119,972
				480,961
Information Technology - .9%				
Denali International, Sr. Scd. Notes	5.63	10/15/20	170,000 [b]	178,755
Diamond 1 Finance, Sr. Scd. Notes	6.02	6/15/26	135,000 [b]	140,320
Hewlett Packard Enterprise, Sr. Unscd. Notes	4.40	10/15/22	175,000 [b]	187,606
				506,681

Bonds and Notes - 103.4% (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Materials - 1.3%				
Dow Chemical,				
Sr. Unscd. Notes	3.50	10/1/24	195,000	207,406
Glencore Funding,				
Gtd. Notes	4.63	4/29/24	165,000 [b]	154,605
LYB International Finance,				
Gtd. Notes	4.00	7/15/23	120,000	128,729
Mosaic,				
Sr. Unscd. Notes	4.25	11/15/23	235,000	253,598
				744,338
Municipal Bonds - 2.0%				
California,				
GO (Build America Bonds)	7.30	10/1/39	340,000	515,277
New Jersey Economic Development Authority,				
School Facilities Construction Revenue	4.45	6/15/20	305,000	325,499
New York City,				
GO (Build America Bonds)	5.99	12/1/36	200,000	271,844
				1,112,620
Telecommunications - 1.2%				
AT&T,				
Sr. Unscd. Notes	1.58	11/27/18	310,000 [a]	311,705
Rogers Communications,				
Gtd. Notes	4.10	10/1/23	185,000	205,935
Verizon Communications,				
Sr. Unscd. Notes	5.15	9/15/23	160,000	186,698
				704,338
U.S. Government Agencies/Mortgage-Backed - 27.5%				
Federal Home Loan Mortgage Corp.				
4.00%			2,135,000 [d,e]	2,285,284
3.50%, 8/1/45			245,883 [e]	261,414
5.50%, 5/1/40			9,072 [e]	10,111
Federal National Mortgage Association				
3.00%, 5/1/30-4/1/45			2,462,803 [e]	2,585,420
3.50%, 5/1/30-11/1/45			4,462,530 [e]	4,750,340
4.50%, 10/1/40			1,735,609 [e]	1,899,376
5.00%, 3/1/21-10/1/33			874,070 [e]	968,621
5.50%, 2/1/34-7/1/40			210,740 [e]	239,417
7.00%, 6/1/29-9/1/29			19,071 [e]	20,292
Government National Mortgage Association I				
5.50%, 4/15/33			336,784	382,138
Government National Mortgage Association II				
3.00%, 10/20/45-11/20/45			2,074,396	2,171,525
7.00%, 9/20/28-7/20/29			4,465	5,432
				15,579,370
U.S. Government Securities - 45.0%				
U.S. Treasury Bonds	2.50	2/15/46	3,860,000 [c]	4,023,147
U.S. Treasury Floating Rate Notes	0.45	4/30/18	2,290,000 [a]	2,290,879

Bonds and Notes - 103.4% (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
U.S. Government Securities - 45.0% (continued)				
U.S. Treasury Inflation Protected Securities, Notes	0.63	1/15/26	1,087,323 [f]	1,146,085
U.S. Treasury Notes	0.75	1/31/18	3,435,000	3,444,659
U.S. Treasury Notes	0.75	2/15/19	2,295,000 [c]	2,299,840
U.S. Treasury Notes	0.88	4/15/19	2,520,000	2,532,403
U.S. Treasury Notes	0.88	6/15/19	790,000 [c]	793,950
U.S. Treasury Notes	1.38	1/31/21	1,445,000	1,470,909
U.S. Treasury Notes	1.25	3/31/21	2,605,000	2,635,934
U.S. Treasury Notes	1.38	5/31/21	2,910,000	2,963,198
U.S. Treasury Notes	1.63	2/15/26	1,860,000 [c]	1,882,160
				25,483,164
Utilities - 2.3%				
Consolidated Edison Company of New York, Sr. Unscd. Debs., Ser. 06-D	5.30	12/1/16	400,000	406,907
Dominion Resources, Sr. Unscd. Notes	3.90	10/1/25	115,000	123,487
Enel Finance International, Gtd. Notes	6.00	10/7/39	160,000 [b]	189,761
Exelon Generation, Sr. Unscd. Notes	6.25	10/1/39	185,000	203,971
Kentucky Utilities, First Mortgage Bonds	4.38	10/1/45	80,000	91,812
Louisville Gas & Electric, First Mortgage Bonds	4.38	10/1/45	90,000	103,695
Nevada Power, Mortgage Notes, Ser. R	6.75	7/1/37	150,000	207,843
				1,327,476
Total Bonds and Notes (cost $56,843,689)				**58,475,888**

Options Purchased - .0%			Face Amount Covered by Contracts	Value ($)
Call Options - .0%				
Norwegian Krone, September 2016 @ NOK 9.30 (cost $2,547)		EUR	150,000	**2,711**

Short-Term Investments - .0%	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
U.S. Treasury Bills (cost $24,982)	0.35	9/15/16	25,000	**24,990**

Other Investment - .1%			Shares	Value ($)
Registered Investment Company;				
Dreyfus Institutional Preferred Plus Money Market Fund (cost $56,050)			56,050 [g]	**56,050**

Investment of Cash Collateral for Securities Loaned - .6%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund, Institutional Shares (cost $330,950)	330,950 [g]	**330,950**
Total Investments (cost $57,258,218)	**104.1%**	**58,890,589**
Liabilities, Less Cash and Receivables	**(4.1%)**	**(2,313,913)**
Net Assets	**100.0%**	**56,576,676**

EUR—Euro
GO—General Obligation
NOK—Norwegian Krone

[a] *Variable rate security—rate shown is the interest rate in effect at period end.*
[b] *Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2016, these securities were valued at $3,284,211 or 5.8% of net assets.*
[c] *Security, or portion thereof, on loan. At June 30, 2016, the value of the fund's securities on loan was $9,603,947 and the value of the collateral held by the fund was $9,942,157, consisting of cash collateral of $330,950 and U.S. Government & Agency securities valued at $9,611,207.*
[d] *Purchased on a forward commitment basis.*
[e] *The Federal Housing Finance Agency ("FHFA") placed the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association into conservatorship with FHFA as the conservator. As such, the FHFA oversees the continuing affairs of these companies.*
[f] *Principal amount for accrual purposes is periodically adjusted based on changes in the Consumer Price Index.*
[g] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited) [†]	Value (%)
U.S. Government and Agencies/Mortgage-Backed	72.5
Corporate Bonds	22.8
Asset-Backed	4.1
Municipal Bonds	2.0
Commercial Mortgage-Backed	1.0
Foreign/Governmental	1.0
Short-Term/Money Market Investments	.7
Options Purchased	.0
	104.1

[†] *Based on net assets.*
See notes to financial statements.

STATEMENT OF OPTIONS WRITTEN
June 30, 2016 (Unaudited)

		Face Amount Covered by Contracts ($) [a]	Value ($)
Call Options:			
Brazilian Real,			
September 2016 @ BRL 3.8		85,000	(391)
Colombian Peso,			
July 2016 @ COP 3,300		85,000	-
Colombian Peso,			
September 2016 @ COP 3,300		85,000	(914)
Hungarian Forint,			
September 2016 @ HUF 300		85,000	(633)
Norwegian Krone,			
September 2016 @ NOK 9.65	EUR	150,000	(1,058)
South African Rand,			
July 2016 @ ZAR 16.5		85,000	-
South African Rand,			
September 2016 @ ZAR 16.5		85,000	(1,104)
South Korean Won,			
September 2016 @ KRW 1,210		85,000	(696)
Put Options:			
New Zealand Dollar,			
August 2016 @ NZD 1.05	AUD	115,000	(1,021)
Norwegian Krone,			
September 2016 @ NOK 9	EUR	150,000	(783)
Total Options Written (premiums received $11,429)			**(6,600)**

[a] *Face amount stated in U.S. Dollars unless otherwise indicated.*

AUD—Australian Dollar
EUR—Euro

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES
June 30, 2016 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments		
(including securities on loan, valued at $9,603,947)—Note 1(c):		
Unaffiliated issuers	56,871,218	58,503,589
Affiliated issuers	387,000	387,000
Cash		84,219
Cash denominated in foreign currency	1,724	1,727
Receivable for investment securities sold		475,480
Dividends, interest and securities lending income receivable		287,112
Unrealized appreciation on swap agreements—Note 4		109,184
Unrealized appreciation on forward foreign		
currency exchange contracts—Note 4		31,555
Prepaid expenses		1,245
		59,881,111
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		43,364
Payable for open mortgage dollar roll transactions—Note 4		2,279,958
Payable for investment securities purchased		477,833
Liability for securities on loan—Note 1(c)		330,950
Payable for shares of Beneficial Interest redeemed		72,292
Unrealized depreciation on forward foreign		
currency exchange contracts—Note 4		43,510
Outstanding options written, at value (premiums received		
$11,429)—See Statement of Options Written—Note 4		6,600
Accrued expenses		49,928
		3,304,435
Net Assets ($)		**56,576,676**
Composition of Net Assets ($):		
Paid-in capital		56,166,564
Accumulated undistributed investment income—net		43,539
Accumulated net realized gain (loss) on investments		(1,367,859)
Accumulated net unrealized appreciation (depreciation)		
on investments, options transactions, swap transactions and		
foreign currency transactions		1,734,432
Net Assets ($)		**56,576,676**

Net Asset Value Per Share	Initial Shares	Service Shares
Net Assets ($)	42,900,493	13,676,183
Shares Outstanding	3,538,002	1,132,779
Net Asset Value Per Share ($)	**12.13**	**12.07**

See notes to financial statements.

STATEMENT OF OPERATIONS
Six Months Ended June 30, 2016 (Unaudited)

Investment Income ($):	
Income:	
Interest	773,224
Dividends from affiliated issuers	2,084
Income from securities lending—Note 1(c)	6,484
Total Income	**781,792**
Expenses:	
Investment advisory fee—Note 3(a)	186,007
Professional fees	38,009
Distribution fees—Note 3(b)	17,429
Prospectus and shareholders' reports	13,065
Custodian fees—Note 3(b)	10,445
Trustees' fees and expenses—Note 3(c)	2,628
Loan commitment fees—Note 2	455
Shareholder servicing costs—Note 3(b)	304
Miscellaneous	19,197
Total Expenses	**287,539**
Less—reduction in fees due to earnings credits—Note 3(b)	(10)
Net Expenses	**287,529**
Investment Income—Net	**494,263**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments and foreign currency transactions	(439,885)
Net realized gain (loss) on options transactions	23,191
Net realized gain (loss) on financial futures	(16,048)
Net realized gain (loss) on swap transactions	1,264
Net realized gain (loss) on forward foreign currency exchange contracts	(49,289)
Net Realized Gain (Loss)	**(480,767)**
Net unrealized appreciation (depreciation) on investments and foreign currency transactions	2,442,041
Net unrealized appreciation (depreciation) on options transactions	481
Net unrealized appreciation (depreciation) on financial futures	(7,181)
Net unrealized appreciation (depreciation) on swap transactions	68,363
Net unrealized appreciation (depreciation) on forward foreign currency exchange contracts	(27,603)
Net Unrealized Appreciation (Depreciation)	**2,476,101**
Net Realized and Unrealized Gain (Loss) on Investments	**1,995,334**
Net Increase in Net Assets Resulting from Operations	**2,489,597**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
Operations ($):		
Investment income—net	494,263	1,169,015
Net realized gain (loss) on investments	(480,767)	619,979
Net unrealized appreciation (depreciation) on investments	2,476,101	(2,795,192)
Net Increase (Decrease) in Net Assets Resulting from Operations	**2,489,597**	**(1,006,198)**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(413,837)	(962,905)
Service Shares	(116,119)	(289,220)
Total Dividends	**(529,956)**	**(1,252,125)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	1,047,348	4,199,364
Service Shares	701,279	887,312
Dividends reinvested:		
Initial Shares	413,837	962,905
Service Shares	116,119	289,220
Cost of shares redeemed:		
Initial Shares	(4,101,985)	(9,288,329)
Service Shares	(1,931,018)	(3,660,289)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(3,754,420)**	**(6,609,817)**
Total Increase (Decrease) in Net Assets	**(1,794,779)**	**(8,868,140)**
Net Assets ($):		
Beginning of Period	58,371,455	67,239,595
End of Period	**56,576,676**	**58,371,455**
Undistributed investment income—net	43,539	79,232
Capital Share Transactions (Shares):		
Initial Shares		
Shares sold	88,475	347,625
Shares issued for dividends reinvested	35,112	79,851
Shares redeemed	(345,349)	(770,402)
Net Increase (Decrease) in Shares Outstanding	**(221,762)**	**(342,926)**
Service Shares		
Shares sold	59,806	73,533
Shares issued for dividends reinvested	9,896	24,073
Shares redeemed	(163,790)	(304,358)
Net Increase (Decrease) in Shares Outstanding	**(94,088)**	**(206,752)**

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.

	Six Months Ended June 30, 2016	Year Ended December 31,				
Initial Shares	(Unaudited)	2015	2014	2013	2012	2011
Per Share Data ($):						
Net asset value, beginning of period	11.72	12.16	11.85	12.37	11.92	11.55
Investment Operations:						
Investment income—net[a]	.11	.23	.20	.21	.22	.29
Net realized and unrealized gain (loss) on investments	.41	(.43)	.36	(.39)	.59	.51
Total from Investment Operations	.52	(.20)	.56	(.18)	.81	.80
Distributions:						
Dividends from investment income-net	(.11)	(.24)	(.25)	(.34)	(.36)	(.43)
Net asset value, end of period	12.13	11.72	12.16	11.85	12.37	11.92
Total Return (%)	4.48[b]	(1.65)	4.79	(1.54)	7.00	7.04
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.94[c]	.92	.85	.92	.84	.79
Ratio of net expenses to average net assets	.94[c]	.92	.85	.92	.84	.79
Ratio of net investment income to average net assets	1.79[c]	1.91	1.68	1.76	1.80	2.54
Portfolio Turnover Rate[d]	124.77[b]	314.50	387.86	397.26	518.55	379.94
Net Assets, end of period ($ x 1,000)	42,900	44,057	49,880	55,337	66,251	69,072

[a] *Based on average shares outstanding.*

[b] *Not annualized.*

[c] *Annualized.*

[d] *The portfolio turnover rates excluding mortgage dollar roll transactions for the periods ended June 30, 2016, December 31, 2015, 2014, 2013, 2012 and 2011 were 97.84%, 120.54%, 182.67%, 176.37%, 269.42% and 162.19%, respectively.*

See notes to financial statements.

Service Shares	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Per Share Data ($):						
Net asset value, beginning of period	11.67	12.11	11.80	12.33	11.88	11.51
Investment Operations:						
Investment income—net[a]	.09	.20	.17	.18	.19	.26
Net realized and unrealized gain (loss) on investments	.41	(.42)	.36	(.40)	.59	.51
Total from Investment Operations	.50	(.22)	.53	(.22)	.78	.77
Distributions:						
Dividends from investment income-net	(.10)	(.22)	(.22)	(.31)	(.33)	(.40)
Net asset value, end of period	12.07	11.67	12.11	11.80	12.33	11.88
Total Return (%)	4.29[b]	(1.89)	4.56	(1.80)	6.70	6.78
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.19[c]	1.17	1.10	1.17	1.09	1.04
Ratio of net expenses to average net assets	1.19[c]	1.17	1.10	1.17	1.09	1.04
Ratio of net investment income to average net assets	1.54[c]	1.66	1.43	1.51	1.55	2.22
Portfolio Turnover Rate[d]	124.77[b]	314.50	387.86	397.26	518.55	379.94
Net Assets, end of period ($ x 1,000)	13,676	14,314	17,359	19,561	24,378	26,776

[a] *Based on average shares outstanding.*

[b] *Not annualized.*

[c] *Annualized.*

[d] *The portfolio turnover rates excluding mortgage dollar roll transactions for the periods ended June 30, 2016, December 31, 2015, 2014, 2013, 2012 and 2011 were 97.84%, 120.54%, 182.67%, 176.37%, 269.42% and 162.19%, respectively.*

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (Unaudited)

NOTE 1—Significant Accounting Policies:

Quality Bond Portfolio (the "fund") is a separate diversified series of Dreyfus Variable Investment Fund (the "Company"), which is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company and operates as a series company currently offering seven series, including 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's investment objective is to seek to maximize total return, consisting of capital appreciation and current income. 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 Dreyfus, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the Distribution Plan and the expenses borne by each class, the allocation of certain transfer agency costs, and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Company accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The Company enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these

arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Registered investment companies that are not traded on an exchange are valued at their net asset value and are generally categorized within Level 1 of the fair value hierarchy.

Investments in securities, excluding short-term investments (other than U.S. Treasury Bills), financial futures, options and forward foreign currency exchange contracts ("forward contracts") are valued each business day by an independent pricing service (the "Service") approved by the Company's Board of Trustees (the "Board") Investments for which quoted bid prices

are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are valued as determined by the Service, based on methods which include consideration of the following: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. These securities are generally categorized within Level 2 of the fair value hierarchy.

U.S. Treasury Bills are valued at the mean price between quoted bid prices and asked prices by the Service. 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.

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.

Investments denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange.

Financial futures and options, 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. Options traded over-the-counter ("OTC") are valued at the mean between the bid and asked price and are generally

categorized within Level 2 of the fair value hierarchy. Investments in swap transactions are valued each business day by the Service. Swaps are valued by the Service by using a swap pricing model which incorporates among other factors, default probabilities, recovery rates, credit curves of the underlying issuer and swap spreads on interest rates and are generally categorized within Level 2 of the fair value hierarchy. Forward contracts are valued at the forward rate and are generally categorized within Level 2 of the fair value hierarchy.

The following is a summary of the inputs used as of June 30, 2016 in valuing the fund's investments:

	Level 1 - Unadjusted Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Asset-Backed	-	2,301,711	-	**2,301,711**
Commercial Mortgage-Backed	-	568,146	-	**568,146**
Corporate Bonds†	-	12,860,473	-	**12,860,473**
Foreign Government	-	570,404	-	**570,404**
Municipal Bonds†	-	1,112,620	-	**1,112,620**
Mutual Funds	387,000	-	-	**387,000**
U.S. Government Agencies/ Mortgage-Backed	-	15,579,370	-	**15,579,370**
U.S. Treasury	-	25,508,154	-	**25,508,154**
Other Financial Instruments:				
Forward Foreign Currency Exchange Contracts††	-	31,555	-	**31,555**
Options Purchased	-	2,711		**2,711**
Swaps††	-	109,184	-	**109,184**
Liabilities ($)				
Other Financial Instruments:				
Forward Foreign Currency Exchange Contracts††	-	(43,510)	-	**(43,510)**
Options Written	-	(6,600)	-	**(6,600)**

† *See Statement of Investments for additional detailed categorizations.*

†† *Amount shown represents unrealized appreciation (depreciation) at period end.*

At June 30, 2016, there were no transfers between levels of the fair value hierarchy.

(b) Foreign currency transactions: The fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in the market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized on securities transactions between trade and settlement date, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments resulting from changes in exchange rates. Foreign currency gains and losses on foreign currency transactions are also included with net realized and unrealized gain or loss on investments.

(c) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by 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. Additionally, the contractual maturity of security lending transactions are on an overnight and continuous basis. During the period ended June 30, 2016, The Bank of New York Mellon

earned $1,975 from lending portfolio securities, pursuant to the securities lending agreement.

(d) Affiliated issuers: Investments in other investment companies advised by Dreyfus are defined as "affiliated" under the Act. Investments in affiliated investment companies during the period ended June 30, 2016 were as follows:

Affiliated Investment Company	Value 12/31/2015 ($)	Purchases ($)	Sales ($)	Value 6/30/2016 ($)	Net Assets (%)
Dreyfus Institutional Cash Advantage Fund, Institutional Shares	266,500	4,273,753	4,209,303	330,950	.6
Dreyfus Institutional Preferred Plus Money Market Fund	580,061	13,210,252	13,734,263	56,050	.1
Total	**846,561**	**17,484,005**	**17,943,566**	**387,000**	**.7**

(e) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net are normally declared and paid on a monthly 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.

On June 30, 2016, the Board declared a cash dividend of $.015 and $.013 per share for the Initial shares and Service shares, respectively, from undistributed investment income-net payable on July 1, 2016 (ex-dividend date) to shareholders of record as of the close of business on June 30, 2016.

(f) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 2016, 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, 2016, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended December 31, 2015 remains subject to examination by the Internal Revenue Service and state taxing authorities.

Under the Regulated Investment Company Modernization Act of 2010 (the "2010 Act"), the fund is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Furthermore, post-enactment capital loss carryovers retain their character as either short-term or long-term capital losses rather than short-term as they were under previous statute. The 2010 Act requires post-enactment losses to be utilized before the utilization of losses incurred in taxable years prior to the effective date of the 2010 Act ("pre-enactment losses"). As a result of this ordering rule, pre-enactment losses may be more likely to expire unused.

The fund has an unused capital loss carryover of $718,077 available for federal income tax purposes to be applied against future net realized capital gains, if any, realized subsequent to December 31, 2015. If not applied, the carryover expires in fiscal year 2017.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2015 was as follows: ordinary income $1,252,125. 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 $555 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. Prior to January 11, 2016, the unsecured credit facility with Citibank, N.A. was $480 million. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended June 30, 2016, the fund did not borrow under the Facilities.

NOTE 3—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 .65% 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, 2016, Service shares were charged $17,429 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, 2016, the fund was charged $261 for transfer agency services and $22 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 $10.

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, 2016, the fund was charged $10,445 pursuant to the custody agreement.

During the period ended June 30, 2016, the fund was charged $4,812 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 $30,314, Distribution Plan fees $2,824, custodian fees $5,352, Chief Compliance Officer fees $4,812 and transfer agency fees $62.

(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 (including paydowns) of investment securities, excluding short-term securities, forward contracts, financial futures, options transactions and swap transactions, during the period ended June 30, 2016, amounted to $74,039,153 and $79,978,394, respectively, of which $15,981,675 in purchases and $16,004,354 in sales were from mortgage dollar roll transactions.

Mortgage Dollar Rolls: A mortgage dollar roll transaction involves a sale by the fund of mortgage related securities that it holds with an agreement by the fund to repurchase similar securities at an agreed upon price and date. The securities purchased will bear the same interest rate as those sold, but generally will be collateralized by pools of mortgages with different prepayment histories than those securities sold. The fund accounts for mortgage dollar rolls as purchases and sales transactions.

Derivatives: A derivative is a financial instrument whose performance is derived from the performance of another asset. The fund enters into International Swaps and Derivatives Association, Inc. Master Agreements or similar agreements (collectively, "Master Agreements") with its OTC derivative contract counterparties in order to, among other things, reduce its credit risk to counterparties. Master Agreements include provisions for general obligations, representations, collateral and events of default or termination. Under a Master Agreement, the fund may offset with the counterparty certain derivative financial instrument's payables and/or receivables with collateral held and/or posted and create one single net payment in the event of default or termination.

Each type of derivative instrument that was held by the fund during the period ended June 30, 2016 is discussed below.

Financial Futures: In the normal course of pursuing its investment objective, the fund is exposed to market risk, including interest rate 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. At June 30, 2016, there were no financial futures outstanding.

Options Transactions: The fund purchases and writes (sells) put and call options to hedge against changes in foreign currencies or as a substitute for an investment. The fund is subject to market risk and currency risk in the course of pursuing its investment objectives through its investments in options contracts. A call option gives the purchaser of the option the right (but not the obligation) to buy, and obligates the writer to sell, the underlying financial instrument at the exercise price at any time during the option period, or at a specified date. Conversely, a put option gives the purchaser of the option the right (but not the obligation) to sell, and obligates the writer to buy the underlying financial instrument at the exercise price at any time during the option period, or at a specified date.

As a writer of call options, the fund receives a premium at the outset and then bears the market risk of unfavorable changes in the price of the financial instrument underlying the option. Generally, the fund realizes a gain, to the extent of the premium, if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. Generally, the fund incurs a loss if the price of the financial instrument increases between those dates.

As a writer of put options, the fund receives a premium at the outset and then bears the market risk of unfavorable changes in the price of the financial instrument underlying the option. Generally, the fund realizes a gain, to the extent of the premium, if the price of the underlying financial instrument increases between the date the option is written and the date on which the option is terminated. Generally, the fund incurs a loss if the price of the financial instrument decreases between those dates.

As a writer of an option, the fund has no control over whether the underlying financial instrument may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the

financial instrument underlying the written option. There is a risk of loss from a change in value of such options which may exceed the related premiums received. This risk is mitigated by Master Agreements between the fund and the counterparty and the posting of collateral, if any, by the counterparty to the fund to cover the fund's exposure to the counterparty. The Statement of Operations reflects any unrealized gains or losses which occurred during the period as well as any realized gains or losses which occurred upon the expiration or closing of the option transaction.

The following summarizes the fund's call/put options written during the period ended June 30, 2016:

		Options Terminated	
Option Written:	Premiums Received ($)	Cost ($)	Net Realized Gain (Loss) ($)
Contracts outstanding December 31, 2015	19,588		
Contracts written	19,314		
Contracts terminated:			
Contracts expired	27,473	-	27,473
Contracts outstanding June 30, 2016	**11,429**		

Forward Foreign Currency Exchange Contracts: The fund enters into forward contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign portfolio holdings, to settle foreign currency transactions or as a part of its investment strategy. When executing forward contracts, the fund is obligated to buy or sell a foreign currency at a specified rate on a certain date in the future. With respect to sales of forward contracts, the fund incurs a loss if the value of the contract increases between the date the forward contract is opened and the date the forward contract is closed. The fund realizes a gain if the value of the contract decreases between those dates. With respect to purchases of forward contracts, the fund incurs a loss if the value of the contract decreases between the date the forward contract is opened and the date the forward contract is closed. The fund realizes a gain if the value of the contract increases between those dates. Any realized or unrealized gains or losses which occurred during the period are reflected in the Statement of Operations. The fund is exposed to foreign currency risk as a result of changes in value of underlying financial instruments. The fund is also exposed to credit risk associated with counterparty nonperformance on these forward contracts, which is generally limited to the unrealized gain on each open contract. This risk may be mitigated by Master Agreements, if any, between the fund and the counterparty and the posting of collateral, if any, by the counterparty to the fund to cover the fund's exposure to the

counterparty. The following summarizes open forward contracts at June 30, 2016:

Forward Foreign Currency Exchange Contracts	Foreign Currency Amounts	Cost/ Proceeds ($)	Value ($)	Unrealized Appreciation (Depreciation)($)
Purchases:				
Bank of America				
Colombian Peso, Expiring 8/31/2016	533,060,000	177,998	180,103	2,105
Indonesian Rupiah, Expiring 8/31/2016	2,339,850,000	174,942	175,109	167
Barclays Bank				
Colombian Peso, Expiring 8/31/2016	111,630,000	37,025	37,716	691
Citigroup				
Brazilian Real, Expiring 8/2/2016	310,000	84,865	95,487	10,622
Russian Ruble, Expiring 8/31/2016	11,930,000	180,270	183,452	3,182
HSBC				
Australian Dollar, Expiring 7/29/2016	230,000	168,770	171,345	2,575
Swedish Krona, Expiring 7/29/2016	2,130,000	257,879	252,075	(5,804)
JP Morgan Chase Bank				
Argentine Peso, Expiring 7/27/2016	1,230,000	81,457	80,550	(907)
8/17/2016	1,230,000	83,616	79,637	(3,979)
Polish Zloty, Expiring 8/31/2016	655,000	170,559	165,765	(4,794)
UBS				
Norwegian Krone, Expiring 7/29/2016	2,995,000	353,865	357,865	4,000

Forward Foreign Currency Exchange Contracts	Foreign Currency Amounts	Cost/ Proceeds ($)	Value ($)	Unrealized Appreciation (Depreciation)($)
Sales:				
Bank of America				
New Zealand Dollar, Expiring 7/29/2016	360,000	256,823	256,644	179
Singapore Dollar, Expiring 7/29/2016	120,000	88,255	89,058	(803)
South Korean Won, Expiring 8/31/2016	104,145,000	90,009	90,352	(343)
Thai Baht, Expiring 8/31/2016	12,780,000	363,399	363,273	126
Barclays Bank				
Malaysian Ringgit, Expiring 8/30/2016	370,000	91,652	91,390	262
Citigroup				
Chilean Peso, Expiring 8/31/2016	28,960,000	42,048	43,505	(1,457)
Euro, Expiring 7/29/2016	459,000	505,910	509,935	(4,025)
Taiwan Dollar, Expiring 8/31/2016	14,720,000	459,283	456,964	2,319
Goldman Sachs International				
Swiss Franc, Expiring 7/29/2016	175,000	181,150	179,554	1,596
HSBC				
Canadian Dollar, Expiring 7/29/2016	120,000	91,693	92,894	(1,201)
JP Morgan Chase Bank				
Australian Dollar, Expiring 7/1/2016	2,310	1,721	1,723	(2)

Forward Foreign Currency Exchange Contracts	Foreign Currency Amounts	Cost/ Proceeds ($)	Value ($)	Unrealized Appreciation (Depreciation)($)
Sales: (continued)				
JP Morgan Chase Bank (continued)				
Hong Kong Dollar, Expiring 1/19/2017	1,385,000	176,198	178,733	(2,535)
Hungarian Forint, Expiring 8/31/2016	23,570,000	86,559	82,828	3,731
Peruvian New Sol, Expiring 10/21/2016	1,275,000	366,075	382,978	(16,903)
South African Rand, Expiring 8/31/2016	1,464,000	97,349	98,106	(757)
Gross Unrealized Appreciation				**31,555**
Gross Unrealized Depreciation				**(43,510)**

Swap Transactions: The fund enters into swap agreements to exchange the interest rate on, or return generated by, one nominal instrument for the return generated by another nominal instrument. Swap agreements are privately negotiated in the OTC market or centrally cleared. The fund enters into these agreements to hedge certain market or interest rate risks, to manage the interest rate sensitivity (sometimes called duration) of fixed income securities, to provide a substitute for purchasing or selling particular securities or to increase potential returns.

For OTC swaps, the fund accrues for interim payments on a daily basis, with the net amount recorded within unrealized appreciation (depreciation) on swap agreements in the Statement of Assets and Liabilities. Once the interim payments are settled in cash, the net amount is recorded as a realized gain (loss) on swaps, in addition to realized gain (loss) recorded upon the termination of swap transactions in the Statement of Operations. Upfront payments made and/or received by the fund, are recorded as an asset and/or liability in the Statement of Assets and Liabilities and are recorded as a realized gain or loss ratably over the agreement's term/event with the exception of forward starting interest rate swaps which are recorded as realized gains or losses on the termination date.

Fluctuations in the value of swap agreements are recorded for financial statement purposes as unrealized appreciation or depreciation on swap transactions.

Interest Rate Swaps: Interest rate swaps involve the exchange of commitments to pay and receive interest based on a notional principal amount. The fund may elect to pay a fixed rate and receive a floating rate, or receive a fixed rate and pay a floating rate on a notional principal amount. The net interest received or paid on interest rate swap agreements is included within realized gain (loss) on swap transactions in the Statement of Operations. Interest rate swap agreements are subject to general market risk, liquidity risk, counterparty risk and interest rate risk.

For OTC swaps, the fund's maximum risk of loss from counterparty risk is the discounted value of the cash flows to be received from the counterparty over the agreement's remaining life, to the extent that the amount is positive. This risk may be mitigated by Master Agreements, if any, between the fund and the counterparty and the posting of collateral, if any, by the counterparty to the fund to cover the fund's exposure to the counterparty. The following summarizes open interest rate swaps entered into by the fund at June 30, 2016:

OTC Interest Rate Swaps

Notional Amount ($)	Currency/ Floating Rate	Counterparty	(Pay) Receive Fixed Rate (%)	Expiration	Unrealized Appreciation ($)
5,340,000	USD - 1 YEAR US CPI URBAN CONSUMERS NSA	Deutsche Bank	0.34	10/1/2016	38,834
10,600,000	USD - 1 YEAR US CPI URBAN CONSUMERS NSA	Deutsche Bank	0.41	10/2/2016	70,350
Gross Unrealized Appreciation					**109,184**

CPI—Consumer Price Index
NSA—Not Seasonally Adjusted
USD—United States Dollar

Credit Default Swaps: Credit default swaps involve commitments to pay a fixed interest rate in exchange for payment if a credit event affecting a third party (the referenced obligation or index) occurs. Credit events may include a failure to pay interest or principal, bankruptcy, or restructuring. The fund enters into these agreements to manage its exposure to the market or certain sectors of the market, to reduce its 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. For those credit default swaps in which the fund is paying a fixed rate, the fund is buying credit protection on the instrument. In the event of a credit event, the fund would receive the full notional amount for the reference obligation. For those credit default swaps in which the fund is receiving a fixed rate, the fund is selling credit protection on the underlying instrument. The maximum payouts for these agreements are limited to the notional amount of each swap. Credit default swaps may involve greater risks than if the fund had invested in the reference obligation directly and are subject to general market risk, liquidity risk, counterparty risk and credit risk. This risk may be mitigated by Master Agreements, if any, between the fund and the counterparty and the posting of collateral, if any, by the counterparty to the fund to cover the fund's exposure to the counterparty. At June 30, 2016, there were no credit default swap agreements outstanding.

The following tables show the fund's exposure to different types of market risk as it relates to the Statement of Assets and Liabilities and the Statement of Operations, respectively.

Fair value of derivative instruments as of June 30, 2016 is shown below:

	Derivative Assets ($)		Derivative Liabilities ($)
Interest rate risk	109,184[1]	Interest rate risk	-
Foreign exchange risk	34,266[2,3]	Foreign exchange risk	(50,110)[3,4]
Gross fair value of derivative contracts	**143,450**		**(50,110)**

Statement of Assets and Liabilities location:

[1] *Unrealized appreciation (depreciation) on swap agreements.*
[2] *Options purchased are included in Investments in securities—Unaffiliated issuers, at value.*
[3] *Unrealized appreciation (depreciation) on forward foreign currency exchange contracts.*
[4] *Outstanding options written, at value.*

The effect of derivative instruments in the Statement of Operations during the period ended June 30, 2016 is shown below:

	Amount of realized gain (loss) on derivatives recognized in income ($)				
Underlying risk	Financial Futures[1]	Options Transactions[2]	Forward Contracts[3]	Swaps Transactions[4]	Total
Interest rate	(16,048)	-	-	-	**(16,048)**
Foreign Exchange	-	23,191	(49,289)	-	**(26,098)**
Credit	-	-	-	1,264	**1,264**
Total	**(16,048)**	**23,191**	**(49,289)**	**1,264**	**(40,882)**

Change in unrealized appreciation (depreciation) on derivatives recognized in income ($)					
Underlying risk	Financial Futures[5]	Options Transactions[6]	Forward Contracts[7]	Swaps Transactions[8]	Total
Interest rate	(7,181)	-	-	68,363	**61,182**
Foreign Exchange	-	481	(27,603)	-	**(27,122)**
Total	**(7,181)**	**481**	**(27,603)**	**68,363**	**34,060**
Statement of Operations location:					

[1] *Net realized gain (loss) on financial futures.*

[2] *Net realized gain (loss) on options transactions.*

[3] *Net realized gain (loss) on forward foreign currency exchange contracts.*

[4] *Net realized gain (loss) on swaps transactions.*

[5] *Net unrealized appreciation (depreciation) on financial futures.*

[6] *Net unrealized appreciation (depreciation) on options transactions.*

[7] *Net unrealized appreciation (depreciation) on forward foreign currency exchange contracts.*

[8] *Net unrealized appreciation (depreciation) on swap transactions.*

The provisions of ASC Topic 210 "Disclosures about Offsetting Assets and Liabilities" require disclosure on the offsetting of financial assets and liabilities. These disclosures are required for certain investments, including derivative financial instruments subject to Master Agreements which are eligible for offsetting in the Statement of Assets and Liabilities and require the fund to disclose both gross and net information with respect to such investments. For financial reporting purposes, the fund does not offset derivative assets and derivative liabilities that are subject to Master Agreements in the Statement of Assets and Liabilities.

At June 30, 2016, derivative assets and liabilities (by type) on a gross basis are as follows:

Derivative Financial Instruments:	Assets ($)	Liabilities ($)
Options	2,711	(6,600)
Forward contracts	31,555	(43,510)
Swaps	109,184	-
Total gross amount of derivative assets and liabilities in the Statement of Assets and Liabilities	143,450	(50,110)
Derivatives not subject to Master Agreements	-	-
Total gross amount of assets and liabilities subject to Master Agreements	143,450	(50,110)

The following tables present derivative assets and liabilities net of amounts available for offsetting under Master Agreements and net of related collateral received or pledged, if any, as of June 30, 2016:

Counterparty	Gross Amount of Assets ($)[1]	Financial Instruments and Derivatives Available for Offset ($)	Collateral Received ($)	Net Amount of Assets ($)
Bank of America	2,577	(2,250)	-	327
Barclays Bank	953	-	-	953
Citigroup	16,123	(5,482)	-	10,641
Deutsche Bank	109,184	-	-	109,184
Goldman Sachs International	1,596	(391)	-	1,205
HSBC	2,575	(2,575)	-	-
JP Morgan Chase Bank	6,442	(6,442)	-	-
UBS	4,000	-	-	4,000
Total	**143,450**	**(17,140)**	**-**	**126,310**

Counterparty	Gross Amount of Liabilities ($)[1]	Financial Instruments and Derivatives Available for Offset ($)	Collateral Pledged ($)	Net Amount of Liabilities ($)
Bank of America	(2,250)	2,250	-	-
Citigroup	(5,482)	5,482	-	-
Goldman Sachs International	(391)	391	-	-
HSBC	(7,005)	2,575	-	(4,430)
JP Morgan Chase Bank	(34,982)	6,442	-	(28,540)
Total	**(50,110)**	**17,140**	**-**	**(32,970)**

[1] *Absent a default event or early termination, OTC derivative assets and liabilities are presented at gross amounts and are not offset in the Statement of Assets and Liabilities.*

The following summarizes the average market value of derivatives outstanding during the period ended June 30, 2016:

	Average Market Value ($)
Interest rate financial futures	3,436,699
Foreign currency options contracts	7,067
Forward contracts	4,885,513

The following summarizes the average notional value of swap agreements outstanding during the period ended June 30, 2016:

	Average Notional Value ($)
Interest rate swap agreements	15,940,000
Credit default swap agreements	167,143

At June 30, 2016, accumulated net unrealized appreciation on investments was $1,632,371, consisting of $1,779,514 gross unrealized appreciation and $147,143 gross unrealized depreciation.

At June 30, 2016, 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 AGREEMENTS (Unaudited)

At a meeting of the fund's Board of Trustees held on February 17-18, 2016, 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"). The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from Dreyfus representatives. In considering the renewal of the Agreement, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

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.

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, 2015, 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 (lowest in the Performance Group for five out of six periods), except for the ten-year period when it was at the Performance Universe median. The Board also noted that the fund's yield performance was below the Performance Group medians for eight of the ten one-year periods ended December 31st, and was below the Performance Universe medians for seven of the ten one-year periods ended December 31st. 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 that 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 Dreyfus-affiliated primary employer of the fund's primary portfolio manager(s) for advising any separate accounts and/or other types of client portfolios that are considered to have similar investment strategies and policies as the fund (the "Similar Clients"), and explained the nature of the Similar Clients. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board considered the relevance of the fee information provided for the Similar Clients to evaluate the appropriateness and reasonableness of the fund's management fee.

Analysis of Profitability and Economies of Scale. Dreyfus representatives reviewed the expenses allocated and profit received by Dreyfus and its affiliates and the resulting profitability percentage for managing the fund (which has been zero for several years) and the aggregate profitability percentage to Dreyfus and its affiliates for managing the funds in the Dreyfus

fund complex, and the method used to determine the expenses and profit. The Board also had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board considered, on the advice of its counsel, the profitability analysis (1) as part of its evaluation of whether the fees under the Agreement bear a reasonable relationship to the mix of services provided by Dreyfus, including the nature, extent and quality of such services, and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. Dreyfus representatives noted that a discussion of economies of scale is predicated on a fund having achieved a substantial size with increasing assets and that, if a fund's assets had been stable or decreasing, the possibility that Dreyfus may have realized any economies of scale would be less. Dreyfus representatives also noted that, as a result of shared and allocated costs among funds in the Dreyfus fund complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is disproportionate to, or even in the opposite direction from, changes in the fund's asset level. The Board also considered potential benefits to Dreyfus from acting as investment adviser and noted 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 Agreement. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent and quality of the services provided by Dreyfus are adequate and appropriate.
- The Board expressed concern about the fund's performance and agreed to closely monitor performance.
- The Board concluded that the fee paid to Dreyfus was not so disproportionately large that it could not have been the result of an arm's-length bargaining.
- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Agreement and

that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

In evaluating the Agreement, the Board considered these conclusions and determinations and also relied on its previous knowledge, gained through meetings and other interactions with Dreyfus and its affiliates, of the fund and the services provided to the fund by Dreyfus. The Board also relied on information received on a routine and regular basis throughout the year relating to the operations of the fund and the investment management and other services provided under the Agreement, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. In addition, the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board determined to renew the Agreement.

For More Information

Dreyfus Variable Investment Fund, Quality Bond Portfolio

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E-mail Send your request to info@dreyfus.com

Internet Information can be viewed online or downloaded at www.dreyfus.com

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, 2016

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

CMFG LIFE S 08/16

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 High Income VIP Fund

This semiannual report for Franklin High Income VIP Fund covers the period ended June 30, 2016.

Class 1 Performance Summary as of June 30, 2016

The Fund's Class 1 shares delivered a +8.28% total return for the six-month period ended June 30, 2016.

*Performance reflects the Fund's Class 1 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

The Fund seeks a high level of current income with capital appreciation as a secondary goal. Under normal market conditions, the Fund invests predominantly in high yield, lower rated debt securities and preferred stocks.

Fund Risks

All investments involve risks, including possible loss of principal. The risks associated with higher yielding, lower rated securities include higher risk of default and loss of principal. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. In addition, interest rate movements will affect the Fund's share price and yield. 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. Investment in foreign securities also involves special risks, including currency fluctuations, and political and economic 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.

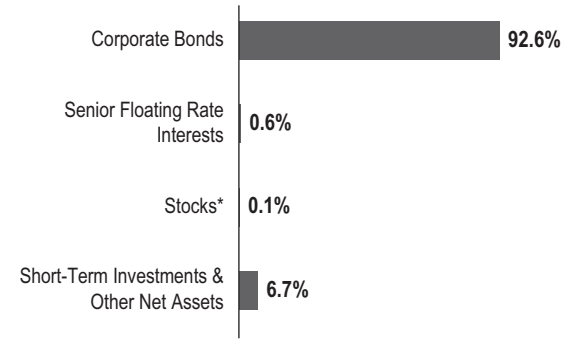
Performance Overview

You can find the Fund's six-month total return in the Performance Summary. In comparison, the Fund's benchmark, the Credit Suisse (CS) High Yield Index, posted a +9.19% total return for the period under review.[1] The Fund's peers, as measured by the Lipper VIP High Yield Funds Classification Average, delivered a +6.52% total return.[2]

Economic and Market Overview

The U.S. economy grew moderately, as measured by gross domestic product in 2016's first and second quarters, driven by consumer spending and exports. A decline in private inventory investment and nonresidential fixed investment contributed to the moderation. Although the unemployment rate rose from 4.7% in May to 4.9% in June, the increase was due to additional people entering the labor force, and for the entire period under review, unemployment declined slightly.[3] Home sales and prices rose amid relatively low mortgage rates. Monthly retail sales grew during most of the review period, and rose to the highest level in April in more than a year, due to a broad-based increase across most retail categories. Inflation, as measured by the Consumer Price Index, remained subdued overall even though it spiked to the highest level in three years in April mainly due to a rebound in energy prices.

Asset Allocation
Based on Total Net Assets as of 6/30/16



*Includes common and convertible preferred shares.

After raising its target range for the federal funds rate to 0.25%–0.50% at its December meeting, the Federal Reserve (Fed) maintained the rate through-period end. Although the Fed hinted at an interest rate hike in June, subsequent reports showed job additions slowed substantially in May. Consequently, at its June meeting, the Fed kept the federal funds rates unchanged, and indicated that in determining the timing and size of future adjustments to the target range, it will assess realized and expected economic conditions relative to its objectives of maximum employment and 2.00% inflation. The Fed expects economic conditions to evolve in a manner that could warrant only gradual increases in the federal funds rate.

The 10-year Treasury yield, which moves inversely to price, declined during the period. It declined from a period high of 2.27% on December 31, 2015, and remained relatively low through period-end, reflecting investors' concerns about global economic uncertainty. Negative interest rates in Japan and Europe, and central banks' purchases of government bonds, also put downward pressure on U.S. yields. It touched a period low of 1.46% on June 27, 2016, and ended the period at 1.49%, after the Fed kept short-term interest rates unchanged and fears of Britain's exit from the European Union (also known as the "Brexit") boosted safe-haven buying by investors.

1. Source: Credit Suisse Group.
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.

Investment Strategy

We are research-driven, fundamental investors who rely on a team of analysts to provide in-depth industry expertise and use qualitative and quantitative analyses to evaluate companies. As bottom-up investors, we focus primarily on individual securities. We also consider sectors when choosing investments. In selecting securities for the Fund's investment portfolio, we do not rely principally on ratings assigned by rating agencies but perform our own independent analysis to evaluate an issuer's creditworthiness. We consider a variety of factors, including an issuer's experience and managerial strength, its sensitivity to economic conditions and its current financial condition.

Manager's Discussion

During the period, mixed U.S. economic data at the start of 2016, continued weak commodity prices and investor concerns about China's growth rate weighed on financial markets. The prospect of the Fed increasing its target short-term interest rate and the Brexit caused further volatility. However, by period-end, dovish comments by the Fed reassured investors, and oil prices posted a notable recovery as a rebalancing of supply and demand led to investor hopes that a sustainable price recovery was underway. Other commodities also rebounded based on general increased optimism for global growth, allowing securities in the metals and mining industry to realize price gains.

The heavy combined weighting of the energy sector and metals and mining industry significantly affected the high yield corporate bond market's performance during the period. The gain in commodity prices and change in investor sentiment drove the high yield market to stage a strong rally in the second half of the period. The Brexit caused temporary volatility, but markets quickly recovered based on analysts' prevailing view that any negative impact would be largely confined to the U.K. Overall, spreads to comparable Treasuries narrowed almost 100 basis points by period-end.

Fundamentally, with the overall decline in commodity prices throughout 2015, earnings and credit quality trends for the energy sector and metals and mining industry were challenged going into 2016. As expected, default rates in commodity-related sectors rose as companies attempted to reduce debt on their balance sheets and strengthen liquidity in the face of lower cash flow and earnings prospects.

We feel the fundamental outlook for the remainder of the high yield corporate market continued to be supportive. Although earnings growth and margin improvements may have already peaked and leverage ratios have ticked higher over the past few years, given the significant refinancing activity and earnings growth over the past several years, non-commodity high yield issuers have experienced below-average default rates. Spreads tightened during the period for many non-commodity related issuers, but given the prospect for more stable credit fundamentals, we still believed valuations to be relatively attractive across many of these industries.

Top 10 Sectors/Industries
6/30/16

	% of Total Net Assets
Energy	13.7%
Materials	13.2%
Media	10.2%
Telecommunication Services	9.1%
Health Care Equipment & Services	5.6%
Banks	5.3%
Diversified Financials	4.3%
Pharmaceuticals, Biotechnology & Life Sciences	3.7%
Consumer Services	3.7%
Consumer Durables & Apparel	3.3%

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).

In terms of the Fund's performance, during the period the Fund underperformed the CS High Yield Index but outperformed the return of peer funds, as measured by the Lipper High Yield Funds Classification Average. The underperformance against the CS High Yield Index was primarily due to the Fund's larger positioning in the energy sector as well as certain holdings in the media and health care sectors.[4]

During the period, we drew on our fundamental research process to make individual investment decisions and to overweight and underweight certain industries relative to our benchmark in an effort to potentially outperform. Overall, our industry exposure had a negative impact on relative returns during the period. For example, our overweighted position and security selection in the cable industry detracted from performance.[5] Significant new issuance, merger and acquisition activity, a highly competitive landscape and potential spectrum sales caused volatility in the industry. Our overweighted position in large cap issuer Intelsat Jackson Holdings, a dominant player in the satellite market, also hurt Fund performance as the company's highly leveraged balance sheet was pressured in the face of uncertain demand.

4. The health care sector comprises health care equipment and services and pharmaceuticals, biotechnology and life sciences in the SOI.
5. Cable is part of media in the SOI.

The normally defensive health care sector was another detractor, with poor performance driven mainly by developments in the pharmaceuticals industry. The Fund was overweighted in the sector as a whole, which dragged on relative performance. Our position in Valeant Pharmaceuticals International, a large cap issuer in the high yield market, experienced notable price declines driven mainly by questionable accounting and strategic practices. Finally, a combination of industry positioning and security selection in the energy sector also hampered returns. Although the energy sector posted a meaningful recovery as a whole, some more leveraged issuers preemptively moved to restructure their balance sheets when oil prices approached their lows. This trend pressured the recovery in their bond prices on a relative basis and our holdings in these types of situations hurt relative performance.

Some of the Fund's industry weightings favorably impacted relative performance. The general rally in commodity prices spurred a recovery in the metals and mining industry, benefiting our overweighted position.[6] The aerospace and defense industry and the information technology sector also produced positive results.[7] The Fund's weightings in these sectors roughly matched the benchmark index, and these positionings did not significantly affect performance. However, our ratings mix in information technology was a relative contributor and our security selection in aerospace and defense outperformed the index.

Thank you for your participation in Franklin High 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, 2016, 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. Metals and mining is part of materials in the SOI.

7. The aerospace and defense sector is part of capital goods in the SOI. The information technology sector comprises software and services and technology, hardware and equipment in the SOI.

Class 1 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 1	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Fund-Level Expenses Incurred During Period* 1/1/16–6/30/16
Actual	$1,000	$1,082.80	$3.16
Hypothetical (5% return before expenses)	$1,000	$1,021.83	$3.07

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 1 shares (0.61%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period.

Financial Highlights

Franklin High Income VIP Fund

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Class 1						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$5.63	$6.62	$7.02	$7.01	$6.52	$6.63
Income from investment operations[a]:						
Net investment income[b]	0.17	0.39	0.42	0.46	0.48	0.50
Net realized and unrealized gains (losses)	0.29	(0.93)	(0.38)	0.09	0.51	(0.19)
Total from investment operations	0.46	(0.54)	0.04	0.55	0.99	0.31
Less distributions from net investment income	(0.42)	(0.45)	(0.44)	(0.54)	(0.50)	(0.42)
Net asset value, end of period	$5.67	$5.63	$6.62	$7.02	$7.01	$6.52
Total return[c]	8.28%	(8.88)%	0.21%	8.17%	15.94%	4.63%
Ratios to average net assets[d]						
Expenses	0.61%[e]	0.59%[e]	0.57%[e]	0.58%[e]	0.58%	0.58%
Net investment income	6.09%	6.20%	6.00%	6.63%	7.15%	7.52%
Supplemental data						
Net assets, end of period (000's)	$26,977	$26,835	$34,552	$39,300	$42,166	$41,971
Portfolio turnover rate	12.24%	28.56%	39.46%	30.78%	37.03%	45.11%

[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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. 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 High Income VIP Fund (continued)

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Class 2						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$5.44	$6.41	$6.81	$6.82	$6.36	$6.47
Income from investment operations[a]:						
Net investment income[b]	0.16	0.36	0.39	0.43	0.46	0.47
Net realized and unrealized gains (losses)	0.29	(0.90)	(0.37)	0.08	0.48	(0.18)
Total from investment operations	0.45	(0.54)	0.02	0.51	0.94	0.29
Less distributions from net investment income	(0.41)	(0.43)	(0.42)	(0.52)	(0.48)	(0.40)
Net asset value, end of period	$5.48	$5.44	$6.41	$6.81	$6.82	$6.36
Total return[c]	8.26%	(9.12)%	(0.02)%	7.83%	15.56%	4.56%
Ratios to average net assets[d]						
Expenses	0.86%[e]	0.84%[e]	0.82%[e]	0.83%[e]	0.83%	0.83%
Net investment income	5.84%	5.95%	5.75%	6.38%	6.90%	7.27%
Supplemental data						
Net assets, end of period (000's)	$212,063	$205,339	$261,944	$291,826	$281,851	$249,452
Portfolio turnover rate	12.24%	28.56%	39.46%	30.78%	37.03%	45.11%

[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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. 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 High Income VIP Fund (continued)

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Class 4						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$5.56	$6.54	$6.94	$6.94	$6.46	$6.57
Income from investment operations[a]:						
Net investment income[b]	0.16	0.37	0.39	0.43	0.46	0.47
Net realized and unrealized gains (losses)	0.29	(0.92)	(0.38)	0.08	0.49	(0.18)
Total from investment operations	0.45	(0.55)	0.01	0.51	0.95	0.29
Less distributions from net investment income	(0.40)	(0.43)	(0.41)	(0.51)	(0.47)	(0.40)
Net asset value, end of period	$5.61	$5.56	$6.54	$6.94	$6.94	$6.46
Total return[c]	8.16%	(9.20)%	(0.15)%	7.72%	15.50%	4.39%
Ratios to average net assets[d]						
Expenses	0.96%[e]	0.94%[e]	0.92%[e]	0.93%[e]	0.93%	0.93%
Net investment income	5.74%	5.85%	5.65%	6.28%	6.80%	7.17%
Supplemental data						
Net assets, end of period (000's)	$22,798	$21,708	$25,740	$27,789	$27,664	$27,055
Portfolio turnover rate	12.24%	28.56%	39.46%	30.78%	37.03%	45.11%

[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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. 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, 2016 (unaudited)

Franklin High Income VIP Fund

	Country	Shares	Value
Common Stocks (Cost $334,368) 0.0%†			
Transportation 0.0%†			
[a,b] CEVA Holdings LLC	United Kingdom	224	$ 78,498
Convertible Preferred Stocks 0.1%			
Transportation 0.1%			
[a,b] CEVA Holdings LLC, cvt. pfd., A-1	United Kingdom	6	3,150
[a,b] CEVA Holdings LLC, cvt. pfd., A-2	United Kingdom	486	169,928
Total Convertible Preferred Stocks (Cost $731,855)			173,078
		Principal Amount*	
Corporate Bonds 92.6%			
Automobiles & Components 1.6%			
Fiat Chrysler Automobiles NV, senior note, 5.25%, 4/15/23	United Kingdom	3,000,000	2,987,774
The Goodyear Tire & Rubber Co.,			
senior bond, 5.00%, 5/31/26	United States	1,000,000	1,021,250
senior note, 5.125%, 11/15/23	United States	300,000	311,250
			4,320,274
Banks 5.3%			
[c] Bank of America Corp., junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	2,500,000	2,509,375
CIT Group Inc., senior note,			
5.375%, 5/15/20	United States	1,000,000	1,045,000
5.00%, 8/15/22	United States	2,700,000	2,754,000
[c] Citigroup Inc., junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	2,800,000	2,789,220
[c] JPMorgan Chase & Co., junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	2,500,000	2,559,375
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	2,000,000	2,098,910
			13,755,880
Capital Goods 1.3%			
[d] Bombardier Inc., senior bond, 144A, 7.50%, 3/15/25	Canada	600,000	522,000
Navistar International Corp., senior bond, 8.25%, 11/01/21	United States	1,400,000	990,500
TransDigm Inc.,			
senior sub. bond, 6.50%, 7/15/24	United States	1,000,000	1,010,000
senior sub. bond, 6.50%, 5/15/25	United States	200,000	201,250
[d] senior sub. bond, 144A, 6.375%, 6/15/26	United States	300,000	299,625
senior sub. note, 6.00%, 7/15/22	United States	500,000	505,090
			3,528,465
Commercial & Professional Services 1.6%			
[d] Acosta Inc., senior note, 144A, 7.75%, 10/01/22	United States	2,000,000	1,765,000
[b,e] Goss Graphic Systems Inc., senior sub. note, 12.25%, 11/19/05	United States	1,912,374	191
United Rentals North America Inc., senior bond, 5.75%, 11/15/24	United States	2,500,000	2,531,250
			4,296,441
Consumer Durables & Apparel 3.3%			
[d] Hanesbrands Inc., senior bond, 144A, 4.875%, 5/15/26	United States	1,600,000	1,613,760
KB Home,			
senior bond, 7.50%, 9/15/22	United States	2,100,000	2,173,500
senior note, 7.00%, 12/15/21	United States	700,000	707,000
[d] Newell Brands Inc., senior note, 144A, 5.00%, 11/15/23	United States	1,200,000	1,261,884

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Consumer Durables & Apparel (continued)			
[d] Taylor Morrison Communities Inc./Monarch Communities Inc., senior note, 144A,			
5.25%, 4/15/21	United States	900,000	$ 902,250
5.875%, 4/15/23	United States	600,000	606,000
5.625%, 3/01/24	United States	1,500,000	1,470,000
			8,734,394
Consumer Services 3.7%			
[d] 1011778 BC ULC/New Red Finance Inc.,			
secured note, second lien, 144A, 6.00%, 4/01/22	Canada	2,000,000	2,079,380
senior secured note, first lien, 144A, 4.625%, 1/15/22	Canada	900,000	915,750
[d] 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22	United States	2,500,000	1,906,250
[d,e] Fontainebleau Las Vegas, senior secured bond, first lien, 144A, 11.00%, 6/15/15	United States	1,700,000	3,358
[d] International Game Technology PLC, senior secured bond, 144A, 6.50%, 2/15/25	United States	2,500,000	2,525,000
[d] Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A, 5.50%, 3/01/25	United States	1,100,000	1,068,375
[d] Wynn Macau Ltd., senior note, 144A, 5.25%, 10/15/21	Macau	1,200,000	1,161,000
			9,659,113
Diversified Financials 4.3%			
AerCap Ireland Capital Ltd./AerCap Global Aviation Trust, senior note, 4.625%, 10/30/20	Netherlands	1,700,000	1,760,359
Deutsche Bank AG, sub. bond, 4.296% to 5/24/23, FRN thereafter, 5/24/28	Germany	1,300,000	1,145,495
[d] KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC, senior note, 144A,			
5.00%, 6/01/24	United States	1,000,000	1,027,500
5.25%, 6/01/26	United States	1,000,000	1,027,500
[d] Lincoln Finance Ltd., senior secured note, 144A, 7.375%, 4/15/21	Netherlands	1,600,000	1,662,000
Navient Corp., senior note, 5.50%, 1/15/19	United States	3,500,000	3,528,875
[d] OneMain Financial Holdings Inc., senior note, 144A, 7.25%, 12/15/21	United States	1,100,000	1,058,750
			11,210,479
Energy 13.7%			
California Resources Corp.,			
[d] secured note, second lien, 144A, 8.00%, 12/15/22	United States	2,155,000	1,532,744
senior bond, 6.00%, 11/15/24	United States	621,000	305,842
senior note, 5.50%, 9/15/21	United States	184,000	93,840
Calumet Specialty Products Partners LP/Calumet Finance Corp., senior note,			
7.75%, 4/15/23	United States	1,500,000	1,068,750
[d] 144A, 11.50%, 1/15/21	United States	600,000	676,500
CGG SA, senior note, 6.875%, 1/15/22	France	2,300,000	1,012,000
[e,f] CHC Helicopter SA,			
senior note, 9.375%, 6/01/21	Canada	260,000	37,700
senior secured note, first lien, 9.25%, 10/15/20	Canada	2,700,000	1,215,000
[d] Cheniere Corpus Christi Holdings LLC, senior secured note, 144A, 7.00%, 6/30/24	United States	1,000,000	1,028,130
[d] Chesapeake Energy Corp., secured note, second lien, 144A, 8.00%, 12/15/22	United States	1,830,000	1,560,075

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
CONSOL Energy Inc., senior note,			
5.875%, 4/15/22	United States	1,100,000	$ 966,625
8.00%, 4/01/23	United States	1,800,000	1,602,000
CSI Compressco LP/CSI Compressco Finance Inc., senior note, 7.25%, 8/15/22	United States	700,000	577,500
Energy Transfer Equity LP,			
senior note, first lien, 7.50%, 10/15/20	United States	2,600,000	2,769,000
senior secured bond, first lien, 5.875%, 1/15/24	United States	400,000	391,000
senior secured bond, first lien, 5.50%, 6/01/27	United States	500,000	472,500
[e] Energy XXI Gulf Coast Inc., senior note,			
7.50%, 12/15/21	United States	1,000,000	115,000
6.875%, 3/15/24	United States	500,000	57,500
[d] EnQuest PLC, senior note, 144A, 7.00%, 4/15/22	United Kingdom	2,500,000	1,528,125
[e] EPL Oil & Gas Inc., senior note, 8.25%, 2/15/18	United States	1,400,000	154,000
[d] Ferrellgas LP/Ferrellgas Finance Corp., senior note, 144A, 6.75%, 6/15/23	United States	2,400,000	2,118,000
[b,e] Goodrich Petroleum Corp., secured note, second lien, 144A, 8.875%, 3/15/18	United States	1,250[g]	125,000
[e] Halcon Resources Corp.,			
senior note, 8.875%, 5/15/21	United States	1,800,000	369,000
[d] senior secured note, third lien, 144A, 13.00%, 2/15/22	United States	1,170,000	625,950
[d,e] Linn Energy LLC/Finance Corp., senior secured note, second lien, 144A, 12.00%, 12/15/20	United States	1,800,000	625,500
Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21	United States	1,100,000	1,023,000
Memorial Resource Development Corp., senior note, 5.875%, 7/01/22	United States	1,100,000	1,100,000
[e] Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21	United States	1,500,000	22,500
[d] Murray Energy Corp., secured note, second lien, 144A, 11.25%, 4/15/21	United States	1,200,000	342,000
[d,e] Peabody Energy Corp., secured note, second lien, 144A, 10.00%, 3/15/22	United States	2,700,000	364,500
[e] Penn Virginia Corp., senior note, 8.50%, 5/01/20	United States	1,200,000	468,000
QEP Resources Inc., senior bond,			
5.375%, 10/01/22	United States	1,000,000	937,500
5.25%, 5/01/23	United States	1,500,000	1,387,500
Sabine Pass Liquefaction LLC,			
first lien, 5.625%, 2/01/21	United States	2,400,000	2,436,000
first lien, 5.625%, 4/15/23	United States	900,000	907,875
senior secured note, first lien, 5.75%, 5/15/24	United States	200,000	199,500
Sanchez Energy Corp., senior note,			
7.75%, 6/15/21	United States	1,800,000	1,534,500
6.125%, 1/15/23	United States	1,000,000	777,500
Weatherford International Ltd., senior note,			
7.75%, 6/15/21	United States	1,000,000	977,500
8.25%, 6/15/23	United States	1,300,000	1,238,250
WPX Energy Inc., senior note, 8.25%, 8/01/23	United States	1,000,000	1,007,500
			35,750,906
Food, Beverage & Tobacco 2.6%			
Cott Beverages Inc., senior note, 6.75%, 1/01/20	United States	1,100,000	1,150,875
[d] Dole Food Co. Inc., senior secured note, 144A, 7.25%, 5/01/19	United States	500,000	500,000

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Food, Beverage & Tobacco (continued)			
[d] JBS USA LLC/Finance Inc.,			
senior bond, 144A, 5.875%, 7/15/24	United States	1,500,000	$ 1,460,625
senior note, 144A, 8.25%, 2/01/20	United States	1,000,000	1,040,000
Post Holdings Inc., senior note,			
7.375%, 2/15/22	United States	1,600,000	1,688,000
[d] 144A, 6.75%, 12/01/21	United States	600,000	636,000
[d] 144A, 6.00%, 12/15/22	United States	300,000	308,625
			6,784,125
Health Care Equipment & Services 5.6%			
[d] Acadia Healthcare Co. Inc., senior note, 144A, 6.50%, 3/01/24	United States	700,000	712,250
Alere Inc., senior sub. note, 6.50%, 6/15/20	United States	200,000	200,000
CHS/Community Health Systems Inc., senior note,			
7.125%, 7/15/20	United States	700,000	652,463
6.875%, 2/01/22	United States	2,300,000	2,024,000
DaVita HealthCare Partners Inc., senior bond, 5.125%, 7/15/24	United States	2,000,000	2,025,950
HCA Inc.,			
senior bond, 5.875%, 5/01/23	United States	1,000,000	1,068,750
senior bond, 5.375%, 2/01/25	United States	1,500,000	1,541,250
senior secured note, first lien, 5.00%, 3/15/24	United States	2,300,000	2,386,250
[d] MPH Acquisition Holdings LLC, senior note, 144A, 7.125%, 6/01/24	United States	400,000	421,000
Tenet Healthcare Corp., senior note,			
5.00%, 3/01/19	United States	200,000	194,500
8.125%, 4/01/22	United States	3,000,000	3,089,400
6.75%, 6/15/23	United States	300,000	288,375
			14,604,188
Materials 13.2%			
[d] American Builders & Contractors Supply Co. Inc., senior note, 144A,			
5.625%, 4/15/21	United States	2,100,000	2,178,750
ArcelorMittal, senior note,			
6.50%, 3/01/21	France	1,900,000	1,961,702
6.125%, 6/01/25	France	700,000	700,000
[d] Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc.,			
senior note, 144A,			
7.00%, 11/15/20	Luxembourg	176,471	173,824
6.75%, 1/31/21	Luxembourg	300,000	302,250
6.00%, 6/30/21	Luxembourg	1,900,000	1,895,250
[d] Barminco Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18	Australia	1,600,000	1,329,504
[d] Blue Cube Spinco Inc., senior bond, 144A, 10.00%, 10/15/25	United States	1,200,000	1,392,000
[d] BlueScope Steel Ltd./BlueScope Steel Finance, senior note, 144A, 7.125%,			
5/01/18	Australia	738,000	767,520
[d] Cemex Finance LLC, senior secured note, first lien, 144A, 6.00%,			
4/01/24	Mexico	1,700,000	1,652,553
[d] Cemex SAB de CV, senior secured bond, first lien, 144A, 6.125%,			
5/05/25	Mexico	1,400,000	1,364,244
The Chemours Co.,			
senior bond, 7.00%, 5/15/25	United States	500,000	421,875
senior note, 6.625%, 5/15/23	United States	1,800,000	1,539,000
[d] CVR Partners LP/CVR Nitrogen Finance Corp., 144A, 9.25%, 6/15/23	United States	1,000,000	1,021,250
[d] Eldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20	Canada	1,600,000	1,608,000

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Materials (continued)			
[d] First Quantum Minerals Ltd., senior note, 144A,			
6.75%, 2/15/20	Canada	2,000,000	$ 1,680,000
7.00%, 2/15/21	Canada	1,836,000	1,484,865
[d] FMG Resources (August 2006) Pty. Ltd., senior secured note, 144A,			
9.75%, 3/01/22	Australia	1,000,000	1,110,000
[d] NOVA Chemicals Corp., senior bond, 144A, 5.00%, 5/01/25	Canada	2,000,000	1,985,000
[d] Owens-Brockway Glass Container Inc., senior note, 144A,			
5.00%, 1/15/22	United States	1,400,000	1,407,000
5.875%, 8/15/23	United States	600,000	631,377
[d] Platform Specialty Products Corp., senior note, 144A,			
10.375%, 5/01/21	United States	300,000	303,000
6.50%, 2/01/22	United States	1,500,000	1,327,500
[d] Rain CII Carbon LLC/CII Carbon Corp., second lien, 144A, 8.25%,			
1/15/21	United States	1,200,000	978,000
[d] Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA,			
first lien, 144A, 5.125%, 7/15/23	United States	1,200,000	1,216,500
senior note, 144A, 7.00%, 7/15/24	United States	500,000	515,687
Steel Dynamics Inc.,			
senior bond, 5.50%, 10/01/24	United States	800,000	820,000
senior note, 5.125%, 10/01/21	United States	800,000	821,000
[d] Summit Materials LLC/Summit Materials Finance Corp., senior note, 144A,			
8.50%, 4/15/22	United States	1,800,000	1,914,750
[e] Verso Paper Holdings LLC/Inc., senior secured note, first lien, 11.75%,			
1/15/19	United States	451,000	77,798
			34,580,199
Media 10.2%			
[d] Altice U.S. Finance I Corp., senior secured bond, 144A, 5.50%, 5/15/26	United States	1,500,000	1,503,750
AMC Networks Inc., senior note, 5.00%, 4/01/24	United States	1,500,000	1,490,437
CCO Holdings LLC/CCO Holdings Capital Corp., senior bond,			
5.25%, 9/30/22	United States	1,000,000	1,028,750
[d] 144A, 5.375%, 5/01/25	United States	800,000	814,000
[d] 144A, 5.75%, 2/15/26	United States	500,000	516,250
Clear Channel Worldwide Holdings Inc.,			
senior note, 6.50%, 11/15/22	United States	1,000,000	1,005,000
senior sub. note, 7.625%, 3/15/20	United States	1,100,000	1,052,150
CSC Holdings LLC, senior note,			
6.75%, 11/15/21	United States	1,500,000	1,533,750
5.25%, 6/01/24	United States	1,000,000	910,000
DISH DBS Corp., senior note, 5.875%, 11/15/24	United States	3,500,000	3,281,250
Gannett Co. Inc.,			
senior bond, 6.375%, 10/15/23	United States	2,000,000	2,132,500
senior note, 5.125%, 7/15/20	United States	500,000	516,875
iHeartCommunications Inc.,			
senior secured bond, first lien, 9.00%, 3/01/21	United States	2,500,000	1,771,875
senior secured note, first lien, 9.00%, 9/15/22	United States	700,000	488,250
[d] Radio One Inc., senior sub. note, 144A, 9.25%, 2/15/20	United States	800,000	712,000
[d] Sirius XM Radio Inc., senior bond, 144A, 6.00%, 7/15/24	United States	2,500,000	2,590,625
[d] Virgin Media Finance PLC, senior bond, 144A, 6.375%, 4/15/23	United Kingdom	1,700,000	1,708,500

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Media (continued)			
[d] Virgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25	United Kingdom	1,100,000	$ 1,084,875
[d] WMG Acquisition Corp., senior note, 144A, 5.625%, 4/15/22	United States	2,500,000	2,565,625
			26,706,462
Pharmaceuticals, Biotechnology & Life Sciences 3.7%			
[d] Concordia International Corp., senior note, 144A, 7.00%, 4/15/23	Canada	1,300,000	1,114,750
[d] Endo Finance LLC/Endo Ltd./Endo Finco Inc.,			
senior bond, 144A, 6.00%, 2/01/25	United States	1,500,000	1,308,750
senior note, 144A, 6.00%, 7/15/23	United States	700,000	619,500
Horizon Pharma Inc., senior note, 6.625%, 5/01/23	United States	2,500,000	2,325,000
[d] Jaguar Holding Co. II/Pharmaceutical Product Development LLC, senior note, 144A, 6.375%, 8/01/23	United States	900,000	922,500
[d] Valeant Pharmaceuticals International, senior note, 144A, 6.375%, 10/15/20	United States	3,000,000	2,595,000
[d] Valeant Pharmaceuticals International Inc.,			
senior bond, 144A, 6.125%, 4/15/25	United States	700,000	563,500
senior note, 144A, 5.625%, 12/01/21	United States	300,000	249,000
			9,698,000
Real Estate 1.1%			
Equinix Inc., senior bond, 5.375%, 4/01/23	United States	2,800,000	2,905,000
Retailing 1.4%			
[d] Argos Merger Sub Inc., senior note, 144A, 7.125%, 3/15/23	United States	1,600,000	1,650,000
Netflix Inc., senior bond, 5.875%, 2/15/25	United States	1,900,000	2,002,125
			3,652,125
Semiconductors & Semiconductor Equipment 0.8%			
[d] Microsemi Corp., senior note, 144A, 9.125%, 4/15/23	United States	700,000	773,500
[d] Qorvo Inc., senior bond, 144A, 7.00%, 12/01/25	United States	1,200,000	1,272,000
			2,045,500
Software & Services 3.0%			
[d] BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21	United States	3,000,000	2,265,000
[d] First Data Corp.,			
second lien, 144A, 5.75%, 1/15/24	United States	2,900,000	2,885,500
senior note, 144A, 7.00%, 12/01/23	United States	700,000	713,125
Infor (U.S.) Inc., senior note, 6.50%, 5/15/22	United States	2,000,000	1,898,760
			7,762,385
Technology Hardware & Equipment 3.0%			
[d] Blackboard Inc., senior note, 144A, 7.75%, 11/15/19	United States	2,000,000	1,690,000
[d] CommScope Technologies Finance LLC, senior bond, 144A, 6.00%, 6/15/25	United States	1,600,000	1,648,000
[d] Diamond 1 Finance Corp./Diamond 2 Finance Corp.,			
senior note, 144A, 5.875%, 6/15/21	United States	300,000	307,734
senior note, 144A, 7.125%, 6/15/24	United States	300,000	313,801
senior secured bond, first lien, 144A, 5.45%, 6/15/23	United States	700,000	726,873
senior secured bond, first lien, 144A, 6.02%, 6/15/26	United States	500,000	519,703
[d] Western Digital Corp., senior note, 144A, 10.50%, 4/01/24	United States	2,400,000	2,574,000
			7,780,111

Franklin High Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Telecommunication Services 9.1%			
CenturyLink Inc.,			
senior bond, 6.75%, 12/01/23	United States	300,000	$ 295,875
senior note, 6.45%, 6/15/21	United States	400,000	407,500
senior note, 5.80%, 3/15/22	United States	2,500,000	2,436,725
[d] Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20	Bermuda	1,500,000	1,257,120
[d] Digicel Ltd., senior note, 144A, 6.00%, 4/15/21	Bermuda	2,200,000	1,894,750
Intelsat Jackson Holdings SA,			
senior bond, 5.50%, 8/01/23	Luxembourg	1,500,000	960,000
senior note, 7.50%, 4/01/21	Luxembourg	3,800,000	2,641,000
Sprint Communications Inc., senior note,			
8.375%, 8/15/17	United States	1,500,000	1,545,000
[d] 144A, 9.00%, 11/15/18	United States	3,000,000	3,206,250
Sprint Corp., senior bond,			
7.875%, 9/15/23	United States	500,000	411,250
7.125%, 6/15/24	United States	500,000	398,125
T-Mobile USA Inc.,			
senior bond, 6.50%, 1/15/24	United States	900,000	950,625
senior bond, 6.375%, 3/01/25	United States	1,600,000	1,678,000
senior note, 6.542%, 4/28/20	United States	1,600,000	1,650,016
senior note, 6.125%, 1/15/22	United States	200,000	210,500
senior note, 6.00%, 4/15/24	United States	600,000	625,500
[d] Wind Acquisition Finance SA,			
secured note, second lien, 144A, 7.375%, 4/23/21	Italy	3,000,000	2,859,015
senior secured note, first lien, 144A, 4.75%, 7/15/20	Italy	500,000	492,500
			23,919,751
Transportation 0.9%			
[d] Florida East Coast Holdings Corp.,			
secured note, first lien, 144A, 6.75%, 5/01/19	United States	900,000	900,000
senior note, 144A, 9.75%, 5/01/20	United States	500,000	427,500
[d] Stena International SA, senior secured bond, first lien, 144A, 5.75%, 3/01/24	Sweden	1,300,000	1,072,500
			2,400,000
Utilities 3.2%			
Calpine Corp.,			
senior bond, 5.75%, 1/15/25	United States	1,200,000	1,171,500
senior note, 5.375%, 1/15/23	United States	1,300,000	1,274,000
[d] senior secured bond, first lien, 144A, 5.875%, 1/15/24	United States	400,000	418,000
[d] InterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	3,000,000	2,137,500
NRG Yield Operating LLC, senior bond, 5.375%, 8/15/24	United States	2,000,000	2,000,000
Talen Energy Supply LLC, senior bond, 6.50%, 6/01/25	United States	700,000	584,500
[d,e] Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings Finance Inc., senior secured note, first lien, 144A, 11.50%, 10/01/20	United States	2,500,000	856,250
			8,441,750
Total Corporate Bonds (Cost $273,011,528)			242,535,548
[h,i] **Senior Floating Rate Interests (Cost $1,515,654) 0.6%**			
Household & Personal Products 0.6%			
Sun Products Corp., Tranche B Term Loan, 5.50%, 3/23/20	United States	1,524,607	1,527,466

Franklin High Income VIP Fund (continued)

	Country	Shares	Value
Escrows and Litigation Trusts (Cost $ —) 0.0%			
[a,b] NewPage Corp., Litigation Trust	United States	2,500,000	$ —
Total Investments before Short Term Investments (Cost $275,593,405)			244,314,590
		Principal Amount*	
Short Term Investments (Cost $6,138,978) 2.4%			
Repurchase Agreements 2.4%			
[j] Joint Repurchase Agreement, 0.382%, 7/01/16 (Maturity Value $6,139,043) BNP Paribas Securities Corp. (Maturity Value $1,991,076) Deutsche Bank Securities Inc. (Maturity Value $613,843) HSBC Securities (USA) Inc. (Maturity Value $3,384,823) Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $149,301) Collateralized by U.S. Government Agency Securities, 0.187% - 5.50%, 7/18/16 - 5/06/21; U.S. Government Agency Securities, Strips, 6/01/17; and U.S. Treasury Note, 0.75% - 3.25%, 11/30/16 - 9/30/20 (valued at $6,264,337)	United States	6,138,978	6,138,978
Total Investments (Cost $281,732,383) 95.7%			250,453,568
Other Assets, less Liabilities 4.3%			11,385,555
Net Assets 100.0%			$261,839,123

See Abbreviations on page FH-26.

[†] Rounds to less than 0.1% of net assets.

* The principal amount is stated in U.S. dollars unless otherwise indicated.

[a] Non-income producing.

[b] Security has been deemed illiquid because it may not be able to be sold within seven days. At June 30, 2016, the aggregate value of these securities was $376,767, representing 0.1% of net assets.

[c] Perpetual security with no stated maturity date.

[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, 2016, the aggregate value of these securities was $118,323,476, representing 45.2% of net assets.

[e] See Note 7 regarding defaulted securities.

[f] At June 30, 2016, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund is restricted from trading these securities at period end.

[g] Principal amount is stated in 1,000 Units.

[h] See Note 1(d) regarding senior floating rate interests.

[i] The coupon rate shown represents the rate at period end.

[j] See Note 1(c) regarding joint repurchase agreement.

Financial Statements

Statement of Assets and Liabilities
June 30, 2016 (unaudited)

	Franklin High Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$275,593,405
Cost - Repurchase agreements	6,138,978
Total cost of investments	$281,732,383
Value - Unaffiliated issuers	$244,314,590
Value - Repurchase agreements	6,138,978
Total value of investments	250,453,568
Receivables:	
Investment securities sold	2,461,918
Capital shares sold	5,319,321
Interest	4,029,675
Other assets	114
Total assets	262,264,596
Liabilities:	
Payables:	
Capital shares redeemed	139,627
Management fees	115,850
Distribution fees	100,363
Trustees' fees and expenses	23
Reports to shareholders	40,904
Professional fees	21,956
Accrued expenses and other liabilities	6,750
Total liabilities	425,473
Net assets, at value	$261,839,123
Net assets consist of:	
Paid-in capital	$315,989,450
Undistributed net investment income	5,579,077
Net unrealized appreciation (depreciation)	(31,278,815)
Accumulated net realized gain (loss)	(28,450,589)
Net assets, at value	$261,839,123
Class 1:	
Net assets, at value	$ 26,977,476
Shares outstanding	4,754,968
Net asset value and maximum offering price per share	$ 5.67
Class 2:	
Net assets, at value	$212,063,417
Shares outstanding	38,690,817
Net asset value and maximum offering price per share	$ 5.48
Class 4:	
Net assets, at value	$ 22,798,230
Shares outstanding	4,061,095
Net asset value and maximum offering price per share	$ 5.61

Statement of Operations
for the six months ended June 30, 2016 (unaudited)

	Franklin High Income VIP Fund
Investment income:	
Interest	$ 8,351,258
Expenses:	
Management fees (Note 3a)	684,216
Distribution fees: (Note 3c)	
Class 2	251,137
Class 4	38,637
Custodian fees (Note 4)	1,079
Reports to shareholders	40,148
Professional fees	25,113
Trustees' fees and expenses	669
Other	11,312
Total expenses	1,052,311
Expense reductions (Note 4)	(17)
Net expenses	1,052,294
Net investment income	7,298,964
Realized and unrealized gains (losses):	
Net realized gain (loss) from investments	(3,421,920)
Net change in unrealized appreciation (depreciation) on investments	15,969,619
Net realized and unrealized gain (loss)	12,547,699
Net increase (decrease) in net assets resulting from operations	$19,846,663

Statements of Changes in Net Assets

	Franklin High Income VIP Fund	
	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 7,298,964	$ 17,823,602
Net realized gain (loss)	(3,421,920)	(8,895,014)
Net change in unrealized appreciation (depreciation)	15,969,619	(34,561,954)
Net increase (decrease) in net assets resulting from operations	19,846,663	(25,633,366)
Distributions to shareholders from:		
Net investment income:		
Class 1	(1,890,311)	(2,177,640)
Class 2	(14,579,216)	(17,219,440)
Class 4	(1,529,698)	(1,604,998)
Total distributions to shareholders	(17,999,225)	(21,002,078)
Capital share transactions: (Note 2)		
Class 1	(80,442)	(2,896,859)
Class 2	5,355,423	(18,609,864)
Class 4	834,627	(212,162)
Total capital share transactions	6,109,608	(21,718,885)
Net increase (decrease) in net assets	7,957,046	(68,354,329)
Net assets:		
Beginning of period	253,882,077	322,236,406
End of period	$261,839,123	$253,882,077
Undistributed net investment income included in net assets:		
End of period	$ 5,579,077	$ 16,279,338

Notes to Financial Statements (unaudited)

Franklin High 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 (1940 Act) as an open-end management investment company, consisting of nineteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin High 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, 2016, 85.09% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers three classes of shares: Class 1, Class 2, and Class 4. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share as of 4 p.m. Eastern time each day the New York Stock Exchange (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 Committee (VC). The VC 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 4 p.m. Eastern time whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time 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.

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 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

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 VC 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 VC 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

Franklin High Income VIP Fund (continued)

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 VC 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 4 p.m. Eastern time. 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 VC 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.

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 in 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

Franklin High Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

c. Joint Repurchase Agreement *(continued)*

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, 2016.

d. 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.

e. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2016, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on each tax jurisdiction's statute of limitation.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

g. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Franklin High Income VIP Fund (continued)

h. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. Shares of Beneficial Interest

At June 30, 2016, 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, 2016		Year Ended December 31, 2015	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	48,240	$ 275,100	75,416	$ 488,620
Shares issued in reinvestment of distributions	336,354	1,890,311	345,109	2,177,640
Shares redeemed	(395,202)	(2,245,853)	(874,142)	(5,563,119)
Net increase (decrease)	(10,608)	$ (80,442)	(453,617)	$ (2,896,859)
Class 2 Shares:				
Shares sold	3,993,563	$ 21,674,166	8,301,712	$ 51,141,411
Shares issued in reinvestment of distributions	2,684,938	14,579,216	2,818,239	17,219,440
Shares redeemed	(5,704,303)	(30,897,959)	(14,249,319)	(86,970,715)
Net increase (decrease)	974,198	$ 5,355,423	(3,129,368)	$(18,609,864)
Class 4 Shares:				
Shares sold	175,339	$ 949,644	185,105	$ 1,139,732
Shares issued in reinvestment of distributions	275,125	1,529,698	256,800	1,604,998
Shares redeemed	(290,428)	(1,644,715)	(474,184)	(2,956,892)
Net increase (decrease)	160,036	$ 834,627	(32,279)	$ (212,162)

3. Transactions With Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin High Income VIP Fund (continued)

3. Transactions With Affiliates (continued)

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including $100 million
0.500%	Over $100 million, up to and including $250 million
0.450%	Over $250 million, up to and including $7.5 billion
0.440%	Over $7.5 billion, up to and including $10 billion
0.430%	Over $10 billion, up to and including $12.5 billion
0.420%	Over $12.5 billion, up to and including $15 billion
0.400%	In excess of $15 billion

For the period ended June 30, 2016, the annualized effective investment management fee rate was 0.549% of the Fund's average daily net assets.

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 0.35% per year of its average daily net assets of each class. The Board has agreed to limit the current rate to 0.25% per year for Class 2. 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.

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, 2016, 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.

Franklin High Income VIP Fund (continued)

At June 30, 2016, capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:	
2016	$ 5,148,804
2017	10,621,353
Capital loss carryforwards not subject to expiration:	
Short term	79,444
Long term	9,179,067
Total capital loss carryforwards	$25,028,668

At June 30, 2016, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$282,994,655
Unrealized appreciation	$ 4,038,847
Unrealized depreciation	(36,579,934)
Net unrealized appreciation (depreciation)	$ (32,541,087)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of defaulted securities, bond discounts and premiums, and wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2016, aggregated $29,309,337 and $33,186,100, respectively.

7. Credit Risk and Defaulted Securities

At June 30, 2016, the Fund had 95.5% of its portfolio invested in high yield securities, senior secured floating rate notes, or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At June 30, 2016, the aggregate value of these securities was $5,117,247, representing 2.0% 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 in the accompanying Statement of Investments.

8. 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 $2 billion (Global Credit Facility) which matures on February 10, 2017. 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. Effective February 12, 2016, the annual commitment fee is 0.15%. These fees are reflected in other expenses in the Statement of Operations. During the period ended June 30, 2016, the Fund did not use the Global Credit Facility.

Franklin High Income VIP Fund (continued)

9. 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, 2016, 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]	$ —	$ —	$251,576	$ 251,576
Corporate Bonds	—	242,384,499	151,049	242,535,548
Senior Floating Rate Interests	—	1,527,466	—	1,527,466
Escrows and Litigation Trusts	—	—	—[c]	—
Short Term Investments	—	6,138,978	—	6,138,978
Total Investments in Securities	$ —	$250,050,943	$402,625	$250,453,568

[a]Includes common 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, 2016.

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.

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	
FRN	Floating Rate Note

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges.

For Russell Indexes: Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

See www.franklintempletondatasources.com for additional data provider information.

Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Barclays U.S. Government Index: Intermediate Component is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Bloomberg Commodity Index comprises exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

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.

FTSE® EPRA®/NAREIT® Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets.

J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/16, there were 313 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 6/30/16, there were 72 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 6/30/16, there were 55 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 6/30/16, there were 109 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 All Country World Index (ACWI) ex USA Index captures large- and mid-capitalization representation across 22 of 23 developed markets countries (excluding the U.S.) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

MSCI Emerging Markets (EM) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

MSCI Europe, Australasia, Far East (EAFE) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets excluding the U.S. and Canada.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

Russell 1000® Growth Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 2500™ Index is market capitalization weighted and measures performance of the smallest companies in the Russell 3000® Index, which represent a modest amount of the Russell 3000® Index's total market capitalization.

Russell 2500™ Value Index is market capitalization weighted and measures performance of those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 3000® Growth Index is market capitalization weighted and measures performance of those Russell 3000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Growth Index is market capitalization weighted and measures performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represent a modest amount of the Russell 1000® Index's total market capitalization.

Standard & Poor's® 500 Index (S&P 500®) is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

Standard & Poor's®/International Finance Corporation Investable (S&P/IFCI) Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

Shareholder Information

Board Review of Investment Management Agreement

At a meeting held April 12, 2016, the Board of Trustees (Board), including a majority of trustees that are not "interested persons" as such term is defined in section 2(a)(19) of the Investment Company Act of 1940 (hereinafter referred to as "non-interested Trustees" or "independent Trustees"), approved renewal of the investment management agreement and investment sub-advisory agreement, as applicable, 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, risk control, pricing, brokerage commissions and execution, and other services provided by each Investment Manager and investment sub-adviser (Manager(s)) and their affiliates, as well as marketing support payments made to financial intermediaries. Information furnished specifically in connection with the renewal process included reports for each Fund prepared by Broadridge Financial Solutions, Inc. (Broadridge), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Broadridge reports, which utilize data from Lipper, Inc. (Lipper), compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments (FTI) 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 Managers and their 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 FTI organization, as well as a memorandum relating to economies of scale and an analysis concerning transfer agent fees charged by an affiliate of the Managers. The Board also received a report on all marketing support payments made by FTI to financial intermediaries during the past year, as well as a memorandum relating to third-party servicing arrangements in response to a Guidance Update from the U.S. Securities and Exchange Commission (SEC) relating to mutual fund distribution and sub-accounting fees.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. While the investment management agreements and investment sub-advisory agreements, as applicable, 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 and investment sub-advisory agreement, as applicable, 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 each investment management agreement and investment sub-advisory agreement, as applicable, was in the best interests of such 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 Managers and their affiliates to the Funds and their shareholders, except as noted later with respect to investment performance and expenses. The Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies and restrictions for each Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. Favorable consideration was given to management's continual efforts and expenditures in establishing effective business continuity plans and developing strategies to address cybersecurity threats. Additionally, the Board noted the Managers' continued attention to pricing and valuation issues, particularly with respect to complex securities. Among other factors taken into account by the Board was the Managers' best execution trading policies, including a favorable report by an independent portfolio trading analytical firm that 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 pre-designated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and steps taken by FTI to enhance analytical support to the investment management groups and provide additional oversight of liquidity risk and complex securities. 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 FTI 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 Managers' parent company and its commitment to the mutual fund business as evidenced by its continued introduction of new funds and reassessment of the fund offerings in response to the market environment.

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 Broadridge reports furnished for the agreement renewals of all Funds. The Broadridge 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, 2016, 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. In certain cases, income return was indicated as well. The following summarizes the performance results for each of the Funds and the Board's view of such performance.

Franklin Founding Funds Allocation VIP 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 operation less than 10 years. The Broadridge report showed its income return to be in the highest quintile of such Lipper universe for the one-year period, and on an annualized basis to also be in the highest quintile of such universe for each of the previous three- and five-year periods. The Broadridge report showed the Fund's total return for the one-year period to be in the lowest performing quintile of such performance universe, and on an annualized basis to also be in the lowest performing quintile of such universe for 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, which are not perfectly aligned to the investment style of comparative funds. The Board found the Fund's performance as shown in the Broadridge report to be acceptable in light of the unique investment strategy of the Fund.

Franklin Global Real Estate VIP 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 Broadridge report showed the Fund's total return to be in the highest performing quintile of such universe for the one-year period, and on an annualized basis to also be in the highest performing quintile of such universe for the previous three- and five-year periods, but in the lowest performing quintile of such universe for the previous 10-year period. Noting the marked improvement in performance in recent years, the Board was satisfied with the Fund's comparative performance as shown in the Broadridge report.

Franklin Growth and Income VIP 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 Broadridge report showed the Fund's income return during the one-year period to be in the highest quintile of its Lipper 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 Broadridge 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-, five-, and 10-year periods. The Board found the Fund's comparative performance as shown in the Broadridge report to be satisfactory.

Franklin High Income VIP 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 Broadridge report showed the Fund's income return for the one-year period to be in the second-highest quintile of such performance universe, and on an annualized basis to be in the highest and second-highest quintile of such universe for the previous three- and five-year periods, respectively, and to be in the middle quintile of such universe for the previous 10-year period. The Broadridge report showed the Fund's total return to be in the lowest performing quintile of its performance universe for the one-year period, and on an annualized basis to be in the lowest performing quintile of such universe for the previous three-year period, and in the second-lowest performing quintile of such universe for the previous five- and 10-year periods. The Board found the Fund's comparative performance as shown in the Broadridge report to be acceptable given the Fund's income objective.

Franklin Income VIP 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 Broadridge report showed the Fund's income return to be in the highest quintile of such performance universe for the one-year period and to also be in the highest quintile of such universe for each of the previous three-, five- and 10-year periods on an annualized basis. The Broadridge report showed the Fund's total return to be in the lowest performing quintile of its performance universe for the one-year period, and on an annualized basis to be in the lowest performing quintile of such universe for the previous three- and five-year periods, and the middle performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as shown in the Broadridge report to be acceptable, noting the Fund's income objective.

Franklin Large Cap Growth VIP Fund – The performance universe for this Fund consisted of the Fund and all multi-cap growth funds underlying variable insurance products as selected by Lipper. The Broadridge 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 performing quintile of such universe for the previous three-, five- and 10-year periods. The Board found the Fund's comparative performance as shown in the Broadridge report to be acceptable.

Franklin Mutual Global Discovery VIP Fund – The performance universe for this Fund consisted of the Fund and all global multi-cap value funds underlying variable insurance products as selected by Lipper. The Broadridge report showed the Fund's total return to be in the highest performing quintile of such universe for the one-year period, and on an annualized basis to also be in the highest performing quintile of such universe for the previous three-, five- and 10-year periods. The Board found the Fund's overall comparative performance as set forth in the Broadridge report to be satisfactory.

Franklin Mutual Shares VIP 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 Broadridge report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of the performance universe, and on an annualized basis to be in the lowest performing quintile of such universe for the previous three- and five-year periods, and to be in the second-lowest performing quintile for the previous 10-year period. The Board found the Fund's overall performance as set forth in the Broadridge report to be unacceptable, but acknowledged management's explanation that the Fund is managed conservatively and the Fund's cash holdings detract from relative performance in sharply rising markets. The Board indicated it would continue to monitor the Fund.

Franklin Rising Dividends VIP 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 Broadridge report showed the Fund's comparative total return to be in the highest performing quintile of the performance universe for the one-year period, and on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, the second-highest performing quintile of such universe for the previous five-year period, and the highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as set forth in the Broadridge report to be satisfactory.

Franklin Small Cap Value VIP 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 Broadridge report showed the Fund's total return for the one-year period to be in the highest performing quintile of such performance universe, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three-year period, and in the second-highest 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 Broadridge report to be satisfactory, noting the Fund's improved performance over the past year.

Franklin Small-Mid Cap Growth VIP 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 Broadridge report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of such universe, and on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, and the second-lowest performing quintile of such universe for each of the previous five- and 10-year periods. The Board discussed with management its ongoing attention to the Fund. The Board found the Fund's performance to be acceptable and noted that the three-year annualized total return performance was eight basis points above the median.

Franklin Strategic Income VIP 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 Broadridge report showed the Fund's income return to be in the highest quintile of such Lipper universe for the one-year period, and on an annualized basis to also be in the highest quintile of such universe during each of the previous three-, five- and 10-year periods. The Broadridge report showed the Fund's total return to be in the lowest performing quintile of such universe during the one-year period, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three- and five-year periods, and the second-highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's performance as shown in the Broadridge report to be acceptable, noting its income orientation.

Franklin U.S. Government Securities VIP 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 Broadridge report showed the Fund's income return for the one-year period to be in the highest quintile of such universe, and on an annualized basis to also be in the highest quintile of such universe for each of the previous three-, five- and 10-year periods. The Broadridge report showed the Fund's total return to be in the highest performing quintile of such universe for the one-year period, and on an annualized basis to be in the middle performing quintile of such universe for the previous three- and 10-year periods, and in the second-lowest performing quintile of such universe for the previous five-year period. The Board found the Fund's comparative performance as shown in the Broadridge report to be satisfactory, noting the Fund's income objective and the nature of the Fund's investments, which were primarily in U.S. mortgage backed securities.

Templeton Developing Markets VIP 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 Broadridge report showed the Fund's comparative total return for the one-year period to be in the lowest performing quintile of such performance universe, and on an annualized basis to also be in the lowest performing quintile of such universe for the previous three-year period and in the second-lowest performing quintile of such universe for each of the previous five- and 10-year periods. The Board found the performance of the Fund as set forth in the Broadridge report to be unacceptable and discussed with management measures it was implementing to address the performance, including a more rigorous selling discipline. The Board concluded that continued monitoring is warranted in light of the Fund's underperformance, but did not believe a portfolio management change was needed at this time given management's attention to the Fund.

Templeton Foreign VIP Fund – The performance universe for this Fund consisted of the Fund and all international large-cap value funds underlying variable insurance products as selected by Lipper. The Broadridge report showed the Fund's comparative total return for the one-year period to be in the lowest performing quintile of such performance universe and on an annualized basis to be in the lowest performing quintile of such universe for the previous three-year period, in the second-lowest performing quintile of such universe for the previous five-year period, and in the second-highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative investment performance as set forth in the Broadridge report to be acceptable, noting that performance was in the highest or second-highest quintile in seven of the previous eight years.

Templeton Global Bond VIP 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 Broadridge report showed the Fund's income return for the one-year period to be in the highest quintile of such Lipper universe, and on an annualized basis to also be in the highest quintile of such universe for the previous three-, five- and 10-year periods. The Broadridge report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of its 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 annualized periods. The Board was satisfied with the Fund's comparative performance as set forth in the Broadridge report.

Templeton Growth VIP Fund – The performance universe for this Fund consisted of the Fund and all global large-cap value funds underlying variable insurance products as selected by Lipper. The Broadridge report showed the Fund's 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 also be in the second-lowest performing quintile of such universe for each of the previous three- and five-year periods. (Although the Fund has been in operation for 10 years, Lipper comparative data is not available for this longer period.) The Board found the Fund's comparative performance as set forth in the Broadridge report to be acceptable, noting that the Fund's performance had been in the highest or second-highest quintile in three of the previous five one-year periods. They also observed that the Fund's annualized performance was within 1% of the median for the five- year period and at the median for the 10-year period.

COMPARATIVE EXPENSES. Consideration was given to information contained in the Broadridge 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 Small Cap Value VIP Fund, Franklin Growth and Income VIP Fund, Franklin High Income VIP Fund, Franklin Income VIP Fund and Templeton Global Bond VIP Fund. The Board was satisfied with the comparative contractual investment management fees and expenses of these Funds as shown in their Broadridge reports.

The contractual investment management fee rates and actual total expense ratios of each of Franklin Global Real Estate VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Mutual Global Discovery VIP Fund and Templeton Developing Markets VIP Fund were above the medians of their Lipper expense groups. In the case of contractual management fees, Franklin Mutual Global Discovery VIP Fund exceeds the median by 23.6 basis points, while the other Funds exceed the median by less than 16 basis points. The Board found the comparative contractual investment management fees and expenses of these Funds as shown in their Broadridge reports to be acceptable.

The contractual investment management fee rates of the following Funds were above the median of their Lipper expense groups, while the actual total expense ratios were at the median: Franklin Small-Mid Cap Growth VIP Fund and Templeton Growth VIP Fund. The Board found the comparative expenses of these Funds as shown in the Broadridge reports to be acceptable.

The contractual investment management fee rates of the following Funds were at or above the median of their Lipper expense groups, while the actual total expense ratios were at or below the median: Franklin Founding Funds Allocation VIP Fund and Franklin Mutual Shares VIP Fund. The Board found the comparative expenses of these Funds as shown in their Broadridge reports to be acceptable, noting that a fee waiver was in place for Franklin Founding Funds Allocation VIP Fund.

The contractual investment management fee rate and actual total expense ratio for Franklin Rising Dividends VIP Fund were both below the median of its Lipper expense group. The Board found the comparative expenses of Franklin Rising Dividends VIP Fund as shown in the Broadridge reports to be acceptable.

The contractual investment management fee rates and actual total expense ratios for the following Funds were in the first or second quintiles of their expense groups, meaning they were among the least expensive of their peers: Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund and Templeton Foreign VIP Fund. The Board was satisfied with the comparative expenses of these Funds as shown in their Broadridge reports.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Managers and their 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, 2015, being the most recent fiscal year-end for Franklin Resources, Inc., the Managers' 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 Managers and their 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 Managers' 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 Managers and their affiliates might derive ancillary benefits from Fund operations, including potential benefits resulting from personnel and systems enhancements necessitated by fund growth, increased leverage with the service providers and counterparties, 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 Managers and their 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 a 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 Founding Funds Allocation VIP 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 VIP Fund, their management fees contain breakpoints that extend beyond their existing asset sizes. To the extent economies of scale may be realized by the Managers and their affiliates, the Board believed the schedule of investment management fees provides a sharing of benefits for each Fund and its shareholders. The investment management structure of the Franklin Rising Dividends VIP Fund provides for a fee of 0.750% on the first $500 million of net assets; 0.625% on the next $500 million of net assets; and 0.500% on assets in excess of $1 billion. This Fund had assets of approximately $1.5 billion at December 31, 2015, 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.

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.

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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VIP S 08/16

FRANKLIN TEMPLETON
INVESTMENTS

Semiannual Report
June 30, 2016

Franklin Templeton Variable Insurance Products Trust

Franklin Templeton Variable Insurance Products Trust Semiannual Report

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*Not part of the semiannual report. Retain for your records.

Not FDIC Insured | May Lose Value | No Bank Guarantee

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Important Notes to Performance Information

Performance data is historical and cannot predict or guarantee future results. Principal value and investment return will fluctuate with market conditions, and you may have a gain or loss when you withdraw your money. Inception dates of the funds may have preceded the effective dates of the subaccounts, contracts or their availability in all states.

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

Templeton Foreign VIP Fund

This semiannual report for Templeton Foreign VIP Fund covers the period ended June 30, 2016.

Class 1 Performance Summary as of June 30, 2016

The Fund's Class 1 shares had a -2.34% total return* for the six-month period ended June 30, 2016.

*The Fund has a fee waiver associated with any investment in a Franklin Templeton money fund and/or Franklin Templeton fund, as applicable, contractually guaranteed through at least the Fund's 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 1 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

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of issuers located outside the U.S., including those in 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. In addition, smaller company stocks have historically experienced more price volatility than larger company stocks, especially over the short term. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. 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.

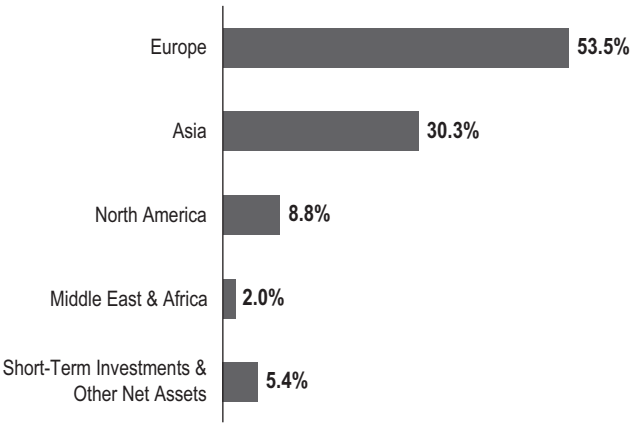
Performance Overview

You can find the Fund's six-month total return in the Performance Summary. In comparison, the Fund's new benchmark, the MSCI All Country World (ACW) ex USA Index, had a -0.67% total return for the same period, while its old benchmark, the MSCI EAFE Index, had a -4.04% total return.[1] We believe the new index better represents the Fund's investable universe and is more in line with the Fund's mandates. Please note, index performance information is provided for reference and we do not attempt to track the index but rather undertake investments on the basis of fundamental research.

Economic and Market Overview

The global economy expanded during the six months under review. An improvement in commodity prices including a rally in crude oil prices, accommodative monetary policy from various global central banks, finalization of the new debt deal for Greece and encouraging Chinese trade data toward period-end boosted market sentiment. However, global equity market volatility increased after the U.S. Federal Reserve's (Fed's) June decision to keep its federal funds target range unchanged, while providing a cautious stance on further interest rate hikes. In addition, global economic concerns and the U.K.'s historic referendum to leave the European Union (EU), also known as the "Brexit", contributed to volatile global stock markets.

Geographic Breakdown
Based on Total Net Assets as of 6/30/16



Oil prices fell at the beginning of the review period, largely due to strong global supply, but recovered in the period's second half amid oilfield outages and continued demand growth. Meanwhile, commodity prices increased for most of the review period as oversupply for a host of commodities shrank and the market appeared to be on the path of rebalancing after hitting a glut-induced bottom earlier in the year. Gold prices continued to rise following the Brexit referendum as some investors turned to safe haven investing. The U.S. dollar generally depreciated against most currencies during the period, which increased returns of many foreign assets in U.S. dollar terms. In this environment, global developed market stocks overall, as measured by the MSCI World Index, rose slightly during the period.[2]

The U.S. economy grew moderately, as measured by gross domestic product (GDP) in 2016's first and second quarters, driven by consumer spending and exports. A decline in private inventory investment and nonresidential fixed investment contributed to the moderation. The Fed maintained its target interest rate during the review period after raising it for the first time in nine years at its December meeting. The Fed kept its target rate unchanged in its June meeting mainly due to a substantial slowdown in job additions toward period-end. The Fed expects economic conditions to evolve in a manner that could warrant only gradual increases in the federal funds rate.

1. Source: Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

2. Please see Index Descriptions following the Fund Summaries.

In Europe, slower U.K. economic growth continued in 2016's first quarter as output slowed in construction, production and agriculture. Immediate effects of the Brexit materialized as U.K. stocks significantly declined and the pound sterling hit a three-decade low amid intensified selling. Credit rating agencies Standard & Poor's and Fitch also downgraded the U.K.'s credit rating. In the eurozone, despite investors' concerns about banking sector weakness, low corporate earnings and post-Brexit political repercussions, some regions benefited due to rising consumer spending resulting from a cheaper euro, low inflation and signs of sustained economic growth. The eurozone's annual inflation rate remained in negative territory for most of the review period; however, it rose marginally above zero in June.

Japan's economy posted mixed results, contracting in 2015's fourth quarter stemming from declining private and household consumption. However, the economy expanded during 2016's first quarter as private consumption increased and business investment decreased less than initially believed. The Bank of Japan (BOJ) took several actions during the review period. In January, to boost lending and support inflation, the BOJ introduced a negative interest rate on excess reserves held at the central bank by financial institutions. In April, the BOJ further reduced its GDP and inflation forecasts for fiscal year 2016, and decided against additional quantitative easing measures. However, after the U.K.'s vote in June to leave the EU, the BOJ hinted at carrying out flexible open market operations to stabilize its financial markets.

In emerging markets, economic growth generally moderated during the review period. Brazil's economy witnessed its longest recession since the 1930s amid political and economic turmoil, while Russia's economy continued to contract. The Bank of Russia reduced its key interest rate in an attempt to revive its economy. China's economic growth slowed marginally in 2016's first quarter compared to the previous quarter, but remained largely in line with the government's target. The People's Bank of China cut its cash reserve requirement ratio for the country's banks and effectively devalued the renminbi against the U.S. dollar to the lowest level in more than five years. Overall, emerging market stocks, as measured by the MSCI Emerging Markets Index, rose for the six-month period.[2]

Investment Strategy

Our investment philosophy is bottom up, value oriented and long term. In choosing investments, we generally 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 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

For the six-month period ended June 30, 2016, the Fund underperformed its benchmark, the MSCI ACW ex USA Index. However, the Fund had several notable contributors to its relative resulted including stock selection in the materials sector, particularly in metals and mining.[3] In metals and mining, precious metals streaming company Silver Wheaton (Canada) and gold, copper and nickel extractor Barrick Gold (Canada) helped the Fund's performance. Shares of Silver Wheaton increased during the period on news of strong earnings in the first quarter of 2016 following record sales and production volumes for the 2015 calendar year. In 2016, operating cash flows and revenues continued to improve relative to prior periods and at period end the company's stock price nearly doubled. Additionally, in May 2016, new management was elected during Silver Wheaton's 2016 Annual and Special Meeting of Shareholders.

An overweighted position in energy and stock selection in the information technology (IT) sectors also aided relative performance.[4] Within both sectors, some of the Fund's largest relative contributors included oil and gas drilling company Precision Drilling (Canada) and multinational electronics company Samsung Electronics (Korea). Other individual contributors included Glencore (Switzerland), Posco Daewoo (South Korea) and Subsea 7 (U.K.). Despite recent difficulties surrounding the volatility of oil prices and demand, Precision's share price increased during the period under review. The company, however, continued to report lesser earnings in both the first and second quarters of 2016, compared to the respective 2015 quarters, which was primarily attributed to contract cancellations and lack of demand for oil drillings in North America. Nonetheless, in 2016 investors began to recognize the long-term value of the organization and potential rebound, which has continued to drive the share price since the beginning of the period. Shares

3. The materials sector comprises chemicals, construction materials, and metals and mining in the SOI.

4. The energy sector comprises energy equipment and services and oil, gas and consumable fuels in the SOI. The information technology sector comprises electronic equipment, instruments and components; Internet software and services; semiconductors and semiconductor equipment; and technology hardware, storage and peripherals in the SOI.

of Samsung Electronics increased after consecutive reported earnings in 2015's fourth quarter and 2016's first quarter. Strong sales of Samsung's new flagship mobile phone models—the Galaxy S7 and the Galaxy S7 Edge—boosted its first quarter's operating performance.

In contrast, stock selection in the financials sector and specifically an overweighting in banks weighed on relative results.[5] Within the financials sector, the Fund's position in Credit Suisse (Switzerland), AXA (France) and Aegon (Netherlands) hindered results. Shares of Credit Suisse, a financial services provider, declined during the period surrounding investor uncertainty stemming partially from the events surrounding the Brexit. The company nonetheless has been combatting these effects by implementing significant cost-savings initiatives. Further, in May 2016, the company announced a change in management, which the company expects to strengthen the international wealth management division's investment capabilities.

An overweighted position in the health care sector and an underweighted position in the consumer staples sector along with stock selection in both sectors impacted relative results.[6] Within health care, positions in pharmaceutical manufacturer Teva Pharmaceutical Industries (Israel), QIAGEN (Netherlands) and MorphoSys (Germany) hurt relative results. Teva's shares declined largely due to a delay in its acquisition of Allergan's generics portfolio amid longer-than-anticipated deliberations with the U.S. Federal Trade Commission and the FDA. Among individual holdings, general goods retailer Marks and Spencer (U.K.), automobile manufacturer Nissan Motor (Japan) and financial services provider Aviva (U.K.) detracted from the Fund's relative returns. Shares of Marks and Spencer declined during the period on continued news of disappointing sales in its clothing retail division. The company restructured its strategic vision in early 2016, focusing on customer retention, sales growth and continued support of its growth food sales division, but these efforts yielded little turnaround by the end of the period.

From a geographic perspective, stock selection in North America and Asia, specifically in Canada, South Korea and Japan, contributed to the Fund's relative performance. Although the Fund's overall position in Europe detracted, some investments, such as those in Spain and Ireland contributed. Conversely, stock selection in the eurozone (including the U.K.), an overweighted allocation in Israel and an underweighted allocation in Brazil hindered returns.

Top 10 Holdings

6/30/16

Company *Sector/Industry, Country*	% of Total Net Assets
Samsung Electronics Co. Ltd. *Technology Hardware, Storage & Peripherals, South Korea*	4.3%
Silver Wheaton Corp. *Metals & Mining, Canada*	2.7%
BP PLC *Oil, Gas & Consumable Fuels, U.K.*	2.4%
Hana Financial Group Inc. *Banks, South Korea*	2.0%
Teva Pharmaceutical Industries Ltd., ADR *Pharmaceuticals, Israel*	1.9%
Royal Dutch Shell PLC *Oil, Gas & Consumable Fuels, U.K.*	1.9%
BNP Paribas SA *Banks, France*	1.9%
Nissan Motor Co. Ltd. *Automobiles, Japan*	1.9%
SoftBank Group Corp. *Wireless Telecommunication Services, Japan*	1.9%
Roche Holding AG *Pharmaceuticals, Switzerland*	1.8%

The dollar value, numbers of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

Thank you for your participation in Templeton Foreign 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, 2016, 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. The financials sector comprises banks, capital markets, diversified financial services and insurance in the SOI.

6. The health care sector comprises health care equipment and supplies, health care providers and services, life sciences tools and services and pharmaceuticals in the SOI. The consumer staples sector comprises beverages and food and staples retailing in the SOI.

Class 1 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 1	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Fund-Level Expenses Incurred During Period* 1/1/16–6/30/16
Actual	$1,000	$ 976.60	$3.83
Hypothetical (5% return before expenses)	$1,000	$1,020.98	$3.92

*Expenses are calculated using the most recent six-month annualized expense ratio, net of expense waivers, for the Fund's Class 1 shares (0.78%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period.

SUPPLEMENT DATED JUNE 27, 2016
TO THE PROSPECTUSES DATED MAY 1, 2016
OF
TEMPLETON FOREIGN VIP FUND
TEMPLETON GROWTH VIP FUND
(Series of Franklin Templeton Variable Insurance Products Trust)

Effective June 30, 2016, the prospectus is amended as follows:

I. The benchmark for the Templeton Foreign VIP Fund has changed from the MSCI EAFE Index to the MSCI ACWI EX USA Index. The "Fund Summary – Performance – Average Annual Total Returns" table on page TF-S4 is revised to add the following:

	1 Year	5 Years	10 Years
MSCI All Country World ex-US Index (index reflects no deduction for fees, expenses or taxes)[1]	-5.25%	1.51%	3.38%

1. Performance figures as of December 31, 2015. The MSCI All Country World ex-US Index is replacing the MSCI EAFE Index as the Fund's benchmark. The investment manager believes the composition of the MSCI All Country World ex-US Index more accurately reflects the Fund's holdings.

II. The benchmark for the Templeton Growth VIP Fund has changed from the MSCI World Index to the MSCI ACWI Index. The "Fund Summary – Performance – Average Annual Total Returns" table on page TG-S3 is revised to add the following:

	1 Year	5 Years	10 Years
MSCI All Country World Index (index reflects no deduction for fees, expenses or taxes)[1]	-1.84%	6.66%	5.31%

1. Performance figures as of December 31, 2015. The MSCI All Country World Index is replacing the MSCI World Index as the Fund's benchmark. The investment manager believes the composition of the MSCI All Country World Index more accurately reflects the Fund's holdings.

Please keep this supplement with your prospectus for future reference.

Financial Highlights

Templeton Foreign VIP Fund

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Class 1						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$13.46	$15.34	$17.56	$14.63	$12.78	$14.54
Income from investment operations[a]:						
Net investment income[b]	0.23	0.31	0.53[c]	0.34	0.38	0.42
Net realized and unrealized gains (losses)	(0.55)	(1.16)	(2.39)	3.00	1.91	(1.90)
Total from investment operations	(0.32)	(0.85)	(1.86)	3.34	2.29	(1.48)
Less distributions from:						
Net investment income	(0.29)	(0.53)	(0.36)	(0.41)	(0.44)	(0.28)
Net realized gains	(0.23)	(0.50)	—	—	—	—
Total distributions	(0.52)	(1.03)	(0.36)	(0.41)	(0.44)	(0.28)
Redemption fees	—	—	—[d]	—[d]	—[d]	—[d]
Net asset value, end of period	$12.62	$13.46	$15.34	$17.56	$14.63	$12.78
Total return[e]	(2.34)%	(6.31)%	(10.89)%	23.27%	18.60%	(10.44)%
Ratios to average net assets[f]						
Expenses before waiver and payments by affiliates	0.80%	0.78%	0.77%	0.78%	0.79%	0.79%
Expenses net of waiver and payments by affiliates	0.78%	0.78%[g]	0.77%[g]	0.78%	0.79%	0.79%[h]
Net investment income	3.63%	2.05%	3.11%[c]	2.16%	2.84%	2.92%
Supplemental data						
Net assets, end of period (000's)	$199,506	$214,172	$248,355	$298,468	$265,924	$254,292
Portfolio turnover rate	9.77%	15.15%	25.71%	23.61%	12.53%	21.09%

[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's 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 $0.16 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding these amounts, the ratio of net investment income to average net assets would have been 2.13%.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

[h]Benefit of expense reduction rounds to less than 0.01%.

Templeton Foreign VIP Fund (continued)

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Class 2						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$13.20	$15.05	$17.24	$14.37	$12.56	$14.29
Income from investment operations[a]:						
Net investment income[b]	0.21	0.27	0.48[c]	0.30	0.34	0.37
Net realized and unrealized gains (losses)	(0.54)	(1.13)	(2.35)	2.94	1.87	(1.86)
Total from investment operations	(0.33)	(0.86)	(1.87)	3.24	2.21	(1.49)
Less distributions from:						
Net investment income	(0.26)	(0.49)	(0.32)	(0.37)	(0.40)	(0.24)
Net realized gains	(0.23)	(0.50)	—	—	—	—
Total distributions	(0.49)	(0.99)	(0.32)	(0.37)	(0.40)	(0.24)
Redemption fees	—	—	—[d]	—[d]	—[d]	—[d]
Net asset value, end of period	$12.38	$13.20	$15.05	$17.24	$14.37	$12.56
Total return[e]	(2.51)%	(6.49)%	(11.13)%	22.97%	18.23%	(10.63)%
Ratios to average net assets[f]						
Expenses before waiver and payments by affiliates	1.05%	1.03%	1.02%	1.03%	1.04%	1.04%
Expenses net of waiver and payments by affiliates	1.03%	1.03%[g]	1.02%[g]	1.03%	1.04%	1.04%[h]
Net investment income	3.38%	1.80%	2.86%[c]	1.91%	2.59%	2.67%
Supplemental data						
Net assets, end of period (000's)	$1,426,801	$1,456,854	$1,645,571	$1,873,586	$1,744,231	$1,679,412
Portfolio turnover rate	9.77%	15.15%	25.71%	23.61%	12.53%	21.09%

[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's 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 $0.16 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.88%.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

[h]Benefit of expense reduction rounds to less than 0.01%.

Templeton Foreign VIP Fund (continued)

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Class 4						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$13.29	$15.16	$17.37	$14.48	$12.66	$14.43
Income from investment operations[a]:						
Net investment income[b]	0.21	0.25	0.46[c]	0.28	0.33	0.36
Net realized and unrealized gains (losses)	(0.55)	(1.14)	(2.36)	2.97	1.89	(1.88)
Total from investment operations	(0.34)	(0.89)	(1.90)	3.25	2.22	(1.52)
Less distributions from:						
Net investment income	(0.24)	(0.48)	(0.31)	(0.36)	(0.40)	(0.25)
Net realized gains	(0.23)	(0.50)	—	—	—	—
Total distributions	(0.47)	(0.98)	(0.31)	(0.36)	(0.40)	(0.25)
Redemption fees	—	—	—[d]	—[d]	—[d]	—[d]
Net asset value, end of period	$12.48	$13.29	$15.16	$17.37	$14.48	$12.66
Total return[e]	(2.52)%	(6.65)%	(11.22)%	22.86%	18.14%	(10.74)%
Ratios to average net assets[f]						
Expenses before waiver and payments by affiliates	1.15%	1.13%	1.12%	1.13%	1.14%	1.14%
Expenses net of waiver and payments by affiliates	1.13%	1.13%[g]	1.12%[g]	1.13%	1.14%	1.14%[h]
Net investment income	3.28%	1.70%	2.76%[c]	1.81%	2.49%	2.57%
Supplemental data						
Net assets, end of period (000's)	$465,647	$472,189	$503,143	$513,098	$416,277	$353,346
Portfolio turnover rate	9.77%	15.15%	25.71%	23.61%	12.53%	21.09%

[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's 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 $0.16 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding these amounts, the ratio of net investment income to average net assets would have been 1.78%.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

[h]Benefit of expense reduction rounds to less than 0.01%.

Statement of Investments, June 30, 2016 (unaudited)

Templeton Foreign VIP Fund

	Country	Shares	Value
Common Stocks 94.6%			
Aerospace & Defense 1.2%			
BAE Systems PLC	United Kingdom	3,520,780	$ 24,599,746
Airlines 0.7%			
Deutsche Lufthansa AG	Germany	1,235,150	14,436,153
Auto Components 3.0%			
Cie Generale des Etablissements Michelin, B	France	308,070	29,136,902
Hyundai Mobis Co. Ltd.	South Korea	121,198	26,495,043
Sumitomo Rubber Industries Ltd.	Japan	485,500	6,407,519
			62,039,464
Automobiles 3.6%			
Hero Motocorp Ltd.	India	199,386	9,387,598
Hyundai Motor Co.	South Korea	102,386	12,035,067
Nissan Motor Co. Ltd.	Japan	4,424,800	39,327,271
Toyota Motor Corp., ADR	Japan	136,317	13,630,337
			74,380,273
Banks 12.7%			
Bangkok Bank PCL, fgn.	Thailand	3,061,900	14,123,798
Barclays PLC	United Kingdom	10,039,930	18,554,718
BNP Paribas SA	France	918,660	40,536,848
Hana Financial Group Inc.	South Korea	2,065,805	41,665,914
HSBC Holdings PLC	United Kingdom	4,928,400	30,109,901
ING Groep NV, IDR	Netherlands	1,388,234	14,143,648
KB Financial Group Inc., ADR	South Korea	1,216,406	34,618,915
Societe Generale SA	France	400,690	12,546,281
Standard Chartered PLC	United Kingdom	2,939,781	22,131,778
UniCredit SpA	Italy	7,093,840	15,511,401
United Overseas Bank Ltd.	Singapore	1,574,400	21,532,055
			265,475,257
Beverages 0.8%			
Suntory Beverage & Food Ltd.	Japan	386,100	17,272,157
Building Products 1.0%			
Compagnie de Saint-Gobain	France	539,170	20,559,809
Capital Markets 1.6%			
Credit Suisse Group AG	Switzerland	1,208,852	12,768,430
GAM Holding AG	Switzerland	654,050	6,935,168
UBS Group AG	Switzerland	1,130,080	14,552,920
			34,256,518
Chemicals 0.8%			
Johnson Matthey PLC	United Kingdom	420,711	15,712,939
Construction & Engineering 1.5%			
[a] Carillion PLC	United Kingdom	3,835,100	11,955,883
Sinopec Engineering Group Co. Ltd.	China	21,447,000	19,184,525
			31,140,408
Construction Materials 1.1%			
CRH PLC	Ireland	829,830	23,947,815
Diversified Financial Services 0.4%			
Deutsche Boerse AG	Germany	109,190	8,912,713

Templeton Foreign VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Diversified Telecommunication Services 3.0%			
China Telecom Corp. Ltd., H	China	53,618,357	$ 23,911,930
Telefonica SA, ADR	Spain	2,390,332	22,660,347
Telenor ASA	Norway	948,934	15,608,363
			62,180,640
Electrical Equipment 1.2%			
ABB Ltd.	Switzerland	1,255,890	24,600,570
Electronic Equipment, Instruments & Components 1.1%			
Kingboard Chemical Holdings Ltd.	Hong Kong	11,646,000	23,086,503
Energy Equipment & Services 7.1%			
Ensign Energy Services Inc.	Canada	2,009,500	11,275,346
Petrofac Ltd.	United Kingdom	2,312,160	23,924,345
Precision Drilling Corp.	Canada	4,296,000	22,775,018
SBM Offshore NV	Netherlands	2,879,260	33,508,326
[b] Subsea 7 SA	United Kingdom	2,173,050	21,118,505
Technip SA	France	315,910	17,116,701
Tenaris SA	Italy	1,320,175	19,063,920
			148,782,161
Food & Staples Retailing 1.8%			
Metro AG	Germany	500,660	15,265,287
[b] Tesco PLC	United Kingdom	9,230,860	21,527,442
			36,792,729
Health Care Equipment & Supplies 0.7%			
Getinge AB, B	Sweden	737,270	15,054,154
Health Care Providers & Services 1.9%			
Shanghai Pharmaceuticals Holding Co. Ltd., H	China	6,579,500	14,484,576
Sinopharm Group Co. Ltd.	China	5,173,200	24,637,620
			39,122,196
Household Durables 0.4%			
Haier Electronics Group Co. Ltd.	China	5,826,000	8,905,949
Industrial Conglomerates 1.2%			
Siemens AG	Germany	238,364	24,290,366
Insurance 6.3%			
Aegon NV	Netherlands	4,546,720	17,814,610
Aviva PLC	United Kingdom	3,272,090	17,185,876
AXA SA	France	1,317,458	26,036,474
China Life Insurance Co. Ltd., H	China	5,057,000	10,833,007
Chubb Ltd.	United States	190,979	24,962,865
Muenchener Rueckversicherungs-Gesellschaft AG	Germany	69,590	11,605,523
NN Group NV	Netherlands	463,600	12,758,833
Swiss Re AG	Switzerland	133,120	11,558,160
			132,755,348
Internet Software & Services 0.7%			
[b] Baidu Inc., ADR	China	85,110	14,055,917
Life Sciences Tools & Services 1.2%			
[b] MorphoSys AG	Germany	195,900	8,117,005
[b] QIAGEN NV	Netherlands	829,071	17,939,832
			26,056,837

Templeton Foreign VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Metals & Mining 5.8%			
Barrick Gold Corp.	Canada	1,328,790	$ 28,369,666
Glencore PLC	Switzerland	10,884,600	22,183,924
HudBay Minerals Inc.	Canada	2,956,000	14,115,409
Silver Wheaton Corp.	Canada	2,430,900	57,212,034
			121,881,033
Multiline Retail 0.6%			
Marks & Spencer Group PLC	United Kingdom	2,982,260	12,673,251
Oil, Gas & Consumable Fuels 9.5%			
BP PLC	United Kingdom	8,425,285	49,222,976
Eni SpA	Italy	1,623,262	26,161,259
Kunlun Energy Co. Ltd.	China	9,276,000	7,651,838
LUKOIL PJSC, ADR	Russia	160,535	6,705,547
PTT Exploration and Production PCL, fgn.	Thailand	4,120,100	9,825,125
Royal Dutch Shell PLC, A	United Kingdom	16,803	458,745
Royal Dutch Shell PLC, B	United Kingdom	1,461,343	40,179,199
Suncor Energy Inc.	Canada	922,000	25,574,243
Total SA, B	France	695,596	33,492,690
			199,271,622
Pharmaceuticals 10.4%			
Bayer AG	Germany	216,810	21,658,343
GlaxoSmithKline PLC	United Kingdom	1,330,855	28,472,848
Merck KGaA	Germany	238,710	24,124,258
Novartis AG	Switzerland	166,850	13,700,469
Roche Holding AG	Switzerland	144,650	37,951,916
Sanofi	France	455,845	37,906,909
Teva Pharmaceutical Industries Ltd., ADR	Israel	809,648	40,668,619
UCB SA	Belgium	164,360	12,259,389
			216,742,751
Semiconductors & Semiconductor Equipment 1.4%			
[a] GCL-Poly Energy Holdings Ltd.	China	141,417,000	18,592,031
Infineon Technologies AG	Germany	764,445	11,009,232
			29,601,263
Specialty Retail 0.5%			
Kingfisher PLC	United Kingdom	2,345,266	10,085,148
Technology Hardware, Storage & Peripherals 6.0%			
CANON Inc.	Japan	533,600	15,048,269
Konica Minolta Inc.	Japan	883,700	6,332,007
Quanta Computer Inc.	Taiwan	7,299,000	13,825,151
Samsung Electronics Co. Ltd.	South Korea	73,014	90,258,818
			125,464,245
Trading Companies & Distributors 2.0%			
ITOCHU Corp.	Japan	1,944,700	23,340,166
Posco Daewoo Corp.	South Korea	869,005	18,846,509
			42,186,675

Templeton Foreign VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Wireless Telecommunication Services 3.4%			
China Mobile Ltd.	China	1,370,500	$ 15,677,342
SoftBank Group Corp.	Japan	691,900	38,783,918
Vodafone Group PLC, ADR	United Kingdom	562,353	17,371,084
			71,832,344
Total Common Stocks (Cost $2,075,756,553)			1,978,154,954
Short Term Investments 4.9%			
Money Market Funds (Cost $96,144,526) 4.6%			
[b,c] Institutional Fiduciary Trust Money Market Portfolio	United States	96,144,526	96,144,526
[d] **Investments from Cash Collateral Received for Loaned Securities (Cost $7,952,392) 0.3%**			
Money Market Funds 0.3%			
[b,c] Institutional Fiduciary Trust Money Market Portfolio	United States	7,952,392	7,952,392
Total Investments (Cost $2,179,853,471) 99.5%			2,082,251,872
Other Assets, less Liabilities 0.5%			9,702,033
Net Assets 100.0%			$2,091,953,905

See Abbreviations on page TF-23.

[a] A portion or all of the security is on loan at June 30, 2016. See Note 1(c).
[b] Non-income producing.
[c] See Note 3(e) regarding investments in affiliated management investment companies.
[d] See Note 1(c) regarding securities on loan.

Financial Statements

Statements of Assets and Liabilities
June 30, 2016 (unaudited)

	Templeton Foreign VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$2,075,756,553
Cost - Non-controlled affiliates (Note 3e)	104,096,918
Total cost of investments	$2,179,853,471
Value - Unaffiliated issuers	$1,978,154,954
Value - Non-controlled affiliates (Note 3e)	104,096,918
Total value of investments (includes securities loaned in the amount $7,113,392)	2,082,251,872
Cash	390,128
Foreign currency, at value (cost and $832,589)	832,971
Receivables:	
Capital shares sold	12,368,417
Dividends	7,050,048
European Union tax reclaims	911,264
Other assets	929
Total assets	2,103,805,629
Liabilities:	
Payables:	
Investment securities purchased	837,392
Capital shares redeemed	477,473
Management fees	1,271,163
Distribution fees	876,960
Payable upon return of securities loaned	7,952,392
Deferred tax	33,155
Accrued expenses and other liabilities	403,189
Total liabilities	11,851,724
Net assets, at value	$2,091,953,905
Net assets consist of:	
Paid-in capital	$2,217,200,126
Undistributed net investment income	35,402,855
Net unrealized appreciation (depreciation)	(97,800,662)
Accumulated net realized gain (loss)	(62,848,414)
Net assets, at value	$2,091,953,905
Class 1:	
Net assets, at value	$ 199,506,011
Shares outstanding	15,809,200
Net asset value and maximum offering price per share	$ 12.62
Class 2:	
Net assets, at value	$1,426,800,919
Shares outstanding	115,215,844
Net asset value and maximum offering price per share	$ 12.38
Class 4:	
Net assets, at value	$ 465,646,975
Shares outstanding	37,304,306
Net asset value and maximum offering price per share	$ 12.48

Statements of Operations
for the six months ended June 30, 2016 (unaudited)

	Templeton Foreign VIP Fund
Investment income:	
Dividends (net of foreign taxes of $4,947,590)	$ 44,477,165
Income from securities loaned (net of fees and rebates)	630,762
Total investment income	45,107,927
Expenses:	
Management fees (Note 3a)	7,750,108
Distribution fees: (Note 3c)	
Class 2	1,740,923
Class 4	792,740
Custodian fees (Note 4)	109,911
Reports to shareholders	176,552
Professional fees	81,601
Trustees' fees and expenses	5,210
Other	27,294
Total expenses	10,684,339
Expenses waived/paid by affiliates (Note 3e)	(179,099)
Net expenses	10,505,240
Net investment income	34,602,687
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	(58,413,743)
Foreign currency transactions	229,870
Net realized gain (loss)	(58,183,873)
Net change in unrealized appreciation (depreciation) on:	
Investments	(31,139,542)
Translation of other assets and liabilities denominated in foreign currencies	(32,859)
Change in deferred taxes on unrealized appreciation	55,339
Net change in unrealized appreciation (depreciation)	(31,117,062)
Net realized and unrealized gain (loss)	(89,300,935)
Net increase (decrease) in net assets resulting from operations	$(54,698,248)

Statements of Changes in Net Assets

	Templeton Foreign VIP Fund	
	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 34,602,687	$ 42,572,642
Net realized gain (loss)	(58,183,873)	36,800,340
Net change in unrealized appreciation (depreciation)	(31,117,062)	(219,790,040)
Net increase (decrease) in net assets resulting from operations	(54,698,248)	(140,417,058)
Distributions to shareholders from:		
Net investment income:		
Class 1	(4,469,747)	(8,346,614)
Class 2	(28,417,976)	(51,791,116)
Class 4	(8,605,853)	(15,312,865)
Net realized gains:		
Class 1	(3,504,221)	(7,826,999)
Class 2	(25,453,391)	(52,898,439)
Class 4	(8,118,929)	(16,028,658)
Total distributions to shareholders	(78,570,117)	(152,204,691)
Capital share transactions: (Note 2)		
Class 1	(1,643,566)	(4,016,954)
Class 2	61,864,384	11,936,472
Class 4	21,786,823	30,848,243
Total capital share transactions	82,007,641	38,767,761
Net increase (decrease) in net assets	(51,260,724)	(253,853,988)
Net assets:		
Beginning of period	2,143,214,629	2,397,068,617
End of period	$2,091,953,905	$2,143,214,629
Undistributed net investment income included in net assets:		
End of period	$ 35,402,855	$ 42,293,744

Notes to Financial Statements (unaudited)

Templeton Foreign VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of nineteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Templeton Foreign 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.

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 as of 4 p.m. Eastern time each day the New York Stock Exchange (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 Committee (VC). The VC 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 4 p.m. Eastern time whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV.

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 VC 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 VC 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 VC 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 4 p.m. Eastern time. 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 VC 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).

Templeton Foreign VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation *(continued)*

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.

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 in 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 to earn additional income. 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 deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. 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. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. 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

Templeton Foreign VIP Fund (continued)

an amount that would be payable if the securities were disposed of on the valuation date. As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2016, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on each tax jurisdiction's statute of limitation.

e. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except for certain dividends from foreign securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

f. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

g. Redemption Fees

Redemptions and exchanges of interests in an insurance company subaccount that invested in Class 3 shares of the Fund were subject to a 1.0% short term trading fee if the interest in the subaccount had been held for less than 60 days. Such fees were retained by the Fund and accounted for as an addition to paid-in capital, allocated to each class of shares based upon the relative proportion of net assets of each class. There were no redemption fees for the period.

h. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

Templeton Foreign VIP Fund (continued)

2. Shares of Beneficial Interest

At June 30, 2016, 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, 2016		Year Ended December 31, 2015	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	187,606	$ 2,408,488	454,466	$ 6,842,816
Shares issued in reinvestment of distributions	633,861	7,973,968	1,057,790	16,173,612
Shares redeemed	(924,389)	(12,026,022)	(1,792,103)	(27,033,382)
Net increase (decrease)	(102,922)	$ (1,643,566)	(279,847)	$ (4,016,954)
Class 2 Shares:				
Shares sold	8,819,370	$ 113,983,326	14,594,828	$ 213,082,680
Shares issued in reinvestment of distributions	4,365,589	53,871,367	6,974,654	104,689,555
Shares redeemed	(8,362,774)	(105,990,309)	(20,492,400)	(305,835,763)
Net increase (decrease)	4,822,185	$ 61,864,384	1,077,082	$ 11,936,472
Class 4 Shares:				
Shares sold	2,906,866	$ 36,677,027	5,690,434	$ 80,692,209
Shares issued on reinvestment of distributions	1,344,436	16,724,782	2,072,852	31,341,523
Shares redeemed	(2,473,404)	(31,614,986)	(5,429,602)	(81,185,489)
Net increase (decrease)	1,777,898	$ 21,786,823	2,333,684	$ 30,848,243

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 Investment Counsel, LLC (TIC)	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 TIC based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.900%	Up to and including $200 million
0.810%	Over $200 million, up to and including $700 million
0.775%	Over $700 million, up to and including $1.2 billion
0.750%	Over $1.2 billion, up to and including $1.3 billion
0.675%	Over $1.3 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

Templeton Foreign VIP Fund (continued)

For the period ended June 30, 2016, the annualized effective investment management fee rate was 0.758% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with TIC, FT Services provides administrative services to the Fund. The fee is paid by TIC 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. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. Prior to January 1, 2014, the waiver was accounted for as a reduction to management fees.

	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 Gain (Loss)	% of Affiliated Fund Shares Outstanding Held at End of Period
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio	71,421,269	685,470,192	(652,794,543)	104,096,918	$104,096,918	$ —	$ —	0.5%

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, 2016, there were no credits earned.

5. Income Taxes

At June 30, 2016, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$2,184,560,139
Unrealized appreciation	$ 267,302,947
Unrealized depreciation	(369,611,214)
Net unrealized appreciation (depreciation)	$ (102,308,267)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of foreign capital gains tax.

Templeton Foreign VIP Fund (continued)

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2016, aggregated $199,100,919 and $194,372,981, respectively.

At June 30, 2016, in connection with securities lending transactions, the Fund loaned equity investments and received $7,952,392 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

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. 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 $2 billion (Global Credit Facility) which matures on February 10, 2017. 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. Effective February 12, 2016, the annual commitment fee is 0.15%. These fees are reflected in other expenses in the Statement of Operations. During the period ended June 30, 2016, the Fund did not use the Global Credit Facility.

9. 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, 2016, in valuing the Fund's assets carried at fair value were valued using Level 1 inputs. For detailed categories, see the accompanying Statement of Investments.

Templeton Foreign 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
IDR	International Depositary Receipt

Tax Information (unaudited)

Templeton Foreign VIP Fund

At December 31, 2015, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code. This written statement will allow shareholders of record on June 14, 2016, 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	$0.0241	$0.3139
Class 2	$0.0241	$0.2779
Class 4	$0.0241	$0.2651

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.

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges.

For Russell Indexes: Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

See www.franklintempletondatasources.com for additional data provider information.

Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Barclays U.S. Government Index: Intermediate Component is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Bloomberg Commodity Index comprises exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

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.

FTSE® EPRA®/NAREIT® Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets.

J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/16, there were 313 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 6/30/16, there were 72 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 6/30/16, there were 55 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 6/30/16, there were 109 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 All Country World Index (ACWI) ex USA Index captures large- and mid-capitalization representation across 22 of 23 developed markets countries (excluding the U.S.) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

MSCI Emerging Markets (EM) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

MSCI Europe, Australasia, Far East (EAFE) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets excluding the U.S. and Canada.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

Russell 1000® Growth Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 2500™ Index is market capitalization weighted and measures performance of the smallest companies in the Russell 3000® Index, which represent a modest amount of the Russell 3000® Index's total market capitalization.

Russell 2500™ Value Index is market capitalization weighted and measures performance of those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 3000® Growth Index is market capitalization weighted and measures performance of those Russell 3000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Growth Index is market capitalization weighted and measures performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represent a modest amount of the Russell 1000® Index's total market capitalization.

Standard & Poor's® 500 Index (S&P 500®) is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

Standard & Poor's®/International Finance Corporation Investable (S&P/IFCI) Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

Shareholder Information

Board Review of Investment Management Agreement

At a meeting held April 12, 2016, the Board of Trustees (Board), including a majority of trustees that are not "interested persons" as such term is defined in section 2(a)(19) of the Investment Company Act of 1940 (hereinafter referred to as "non-interested Trustees" or "independent Trustees"), approved renewal of the investment management agreement and investment sub-advisory agreement, as applicable, 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, risk control, pricing, brokerage commissions and execution, and other services provided by each Investment Manager and investment sub-adviser (Manager(s)) and their affiliates, as well as marketing support payments made to financial intermediaries. Information furnished specifically in connection with the renewal process included reports for each Fund prepared by Broadridge Financial Solutions, Inc. (Broadridge), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Broadridge reports, which utilize data from Lipper, Inc. (Lipper), compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments (FTI) 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 Managers and their 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 FTI organization, as well as a memorandum relating to economies of scale and an analysis concerning transfer agent fees charged by an affiliate of the Managers. The Board also received a report on all marketing support payments made by FTI to financial intermediaries during the past year, as well as a memorandum relating to third-party servicing arrangements in response to a Guidance Update from the U.S. Securities and Exchange Commission (SEC) relating to mutual fund distribution and sub-accounting fees.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. While the investment management agreements and investment sub-advisory agreements, as applicable, 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 and investment sub-advisory agreement, as applicable, 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 each investment management agreement and investment sub-advisory agreement, as applicable, was in the best interests of such 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 Managers and their affiliates to the Funds and their shareholders, except as noted later with respect to investment performance and expenses. The Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies and restrictions for each Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. Favorable consideration was given to management's continual efforts and expenditures in establishing effective business continuity plans and developing strategies to address cybersecurity threats. Additionally, the Board noted the Managers' continued attention to pricing and valuation issues, particularly with respect to complex securities. Among other factors taken into account by the Board was the Managers' best execution trading policies, including a favorable report by an independent portfolio trading analytical firm that 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 pre-designated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and steps taken by FTI to enhance analytical support to the investment management groups and provide additional oversight of liquidity risk and complex securities. 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 FTI 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 Managers' parent company and its commitment to the mutual fund business as evidenced by its continued introduction of new funds and reassessment of the fund offerings in response to the market environment.

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 Broadridge reports furnished for the agreement renewals of all Funds. The Broadridge 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, 2016, 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. In certain cases, income return was indicated as well. The following summarizes the performance results for each of the Funds and the Board's view of such performance.

Franklin Founding Funds Allocation VIP 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 operation less than 10 years. The Broadridge report showed its income return to be in the highest quintile of such Lipper universe for the one-year period, and on an annualized basis to also be in the highest quintile of such universe for each of the previous three- and five-year periods. The Broadridge report showed the Fund's total return for the one-year period to be in the lowest performing quintile of such performance universe, and on an annualized basis to also be in the lowest performing quintile of such universe for 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, which are not perfectly aligned to the investment style of comparative funds. The Board found the Fund's performance as shown in the Broadridge report to be acceptable in light of the unique investment strategy of the Fund.

Franklin Global Real Estate VIP 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 Broadridge report showed the Fund's total return to be in the highest performing quintile of such universe for the one-year period, and on an annualized basis to also be in the highest performing quintile of such universe for the previous three- and five-year periods, but in the lowest performing quintile of such universe for the previous 10-year period. Noting the marked improvement in performance in recent years, the Board was satisfied with the Fund's comparative performance as shown in the Broadridge report.

Franklin Growth and Income VIP 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 Broadridge report showed the Fund's income return during the one-year period to be in the highest quintile of its Lipper 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 Broadridge 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-, five-, and 10-year periods. The Board found the Fund's comparative performance as shown in the Broadridge report to be satisfactory.

Franklin High Income VIP 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 Broadridge report showed the Fund's income return for the one-year period to be in the second-highest quintile of such performance universe, and on an annualized basis to be in the highest and second-highest quintile of such universe for the previous three- and five-year periods, respectively, and to be in the middle quintile of such universe for the previous 10-year period. The Broadridge report showed the Fund's total return to be in the lowest performing quintile of its performance universe for the one-year period, and on an annualized basis to be in the lowest performing quintile of such universe for the previous three-year period, and in the second-lowest performing quintile of such universe for the previous five- and 10-year periods. The Board found the Fund's comparative performance as shown in the Broadridge report to be acceptable given the Fund's income objective.

Franklin Income VIP 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 Broadridge report showed the Fund's income return to be in the highest quintile of such performance universe for the one-year period and to also be in the highest quintile of such universe for each of the previous three-, five- and 10-year periods on an annualized basis. The Broadridge report showed the Fund's total return to be in the lowest performing quintile of its performance universe for the one-year period, and on an annualized basis to be in the lowest performing quintile of such universe for the previous three- and five-year periods, and the middle performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as shown in the Broadridge report to be acceptable, noting the Fund's income objective.

Franklin Large Cap Growth VIP Fund – The performance universe for this Fund consisted of the Fund and all multi-cap growth funds underlying variable insurance products as selected by Lipper. The Broadridge 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 performing quintile of such universe for the previous three-, five- and 10-year periods. The Board found the Fund's comparative performance as shown in the Broadridge report to be acceptable.

Franklin Mutual Global Discovery VIP Fund – The performance universe for this Fund consisted of the Fund and all global multi-cap value funds underlying variable insurance products as selected by Lipper. The Broadridge report showed the Fund's total return to be in the highest performing quintile of such universe for the one-year period, and on an annualized basis to also be in the highest performing quintile of such universe for the previous three-, five- and 10-year periods. The Board found the Fund's overall comparative performance as set forth in the Broadridge report to be satisfactory.

Franklin Mutual Shares VIP 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 Broadridge report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of the performance universe, and on an annualized basis to be in the lowest performing quintile of such universe for the previous three- and five-year periods, and to be in the second-lowest performing quintile for the previous 10-year period. The Board found the Fund's overall performance as set forth in the Broadridge report to be unacceptable, but acknowledged management's explanation that the Fund is managed conservatively and the Fund's cash holdings detract from relative performance in sharply rising markets. The Board indicated it would continue to monitor the Fund.

Franklin Rising Dividends VIP 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 Broadridge report showed the Fund's comparative total return to be in the highest performing quintile of the performance universe for the one-year period, and on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, the second-highest performing quintile of such universe for the previous five-year period, and the highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as set forth in the Broadridge report to be satisfactory.

Franklin Small Cap Value VIP 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 Broadridge report showed the Fund's total return for the one-year period to be in the highest performing quintile of such performance universe, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three-year period, and in the second-highest 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 Broadridge report to be satisfactory, noting the Fund's improved performance over the past year.

Franklin Small-Mid Cap Growth VIP 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 Broadridge report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of such universe, and on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, and the second-lowest performing quintile of such universe for each of the previous five- and 10-year periods. The Board discussed with management its ongoing attention to the Fund. The Board found the Fund's performance to be acceptable and noted that the three-year annualized total return performance was eight basis points above the median.

Franklin Strategic Income VIP 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 Broadridge report showed the Fund's income return to be in the highest quintile of such Lipper universe for the one-year period, and on an annualized basis to also be in the highest quintile of such universe during each of the previous three-, five- and 10-year periods. The Broadridge report showed the Fund's total return to be in the lowest performing quintile of such universe during the one-year period, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three- and five-year periods, and the second-highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's performance as shown in the Broadridge report to be acceptable, noting its income orientation.

Franklin U.S. Government Securities VIP 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 Broadridge report showed the Fund's income return for the one-year period to be in the highest quintile of such universe, and on an annualized basis to also be in the highest quintile of such universe for each of the previous three-, five- and 10-year periods. The Broadridge report showed the Fund's total return to be in the highest performing quintile of such universe for the one-year period, and on an annualized basis to be in the middle performing quintile of such universe for the previous three- and 10-year periods, and in the second-lowest performing quintile of such universe for the previous five-year period. The Board found the Fund's comparative performance as shown in the Broadridge report to be satisfactory, noting the Fund's income objective and the nature of the Fund's investments, which were primarily in U.S. mortgage backed securities.

Templeton Developing Markets VIP 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 Broadridge report showed the Fund's comparative total return for the one-year period to be in the lowest performing quintile of such performance universe, and on an annualized basis to also be in the lowest performing quintile of such universe for the previous three-year period and in the second-lowest performing quintile of such universe for each of the previous five- and 10-year periods. The Board found the performance of the Fund as set forth in the Broadridge report to be unacceptable and discussed with management measures it was implementing to address the performance, including a more rigorous selling discipline. The Board concluded that continued monitoring is warranted in light of the Fund's underperformance, but did not believe a portfolio management change was needed at this time given management's attention to the Fund.

Templeton Foreign VIP Fund – The performance universe for this Fund consisted of the Fund and all international large-cap value funds underlying variable insurance products as selected by Lipper. The Broadridge report showed the Fund's comparative total return for the one-year period to be in the lowest performing quintile of such performance universe and on an annualized basis to be in the lowest performing quintile of such universe for the previous three-year period, in the second-lowest performing quintile of such universe for the previous five-year period, and in the second-highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative investment performance as set forth in the Broadridge report to be acceptable, noting that performance was in the highest or second-highest quintile in seven of the previous eight years.

Templeton Global Bond VIP 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 Broadridge report showed the Fund's income return for the one-year period to be in the highest quintile of such Lipper universe, and on an annualized basis to also be in the highest quintile of such universe for the previous three-, five- and 10-year periods. The Broadridge report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of its 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 annualized periods. The Board was satisfied with the Fund's comparative performance as set forth in the Broadridge report.

Templeton Growth VIP Fund – The performance universe for this Fund consisted of the Fund and all global large-cap value funds underlying variable insurance products as selected by Lipper. The Broadridge report showed the Fund's 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 also be in the second-lowest performing quintile of such universe for each of the previous three- and five-year periods. (Although the Fund has been in operation for 10 years, Lipper comparative data is not available for this longer period.) The Board found the Fund's comparative performance as set forth in the Broadridge report to be acceptable, noting that the Fund's performance had been in the highest or second-highest quintile in three of the previous five one-year periods. They also observed that the Fund's annualized performance was within 1% of the median for the five- year period and at the median for the 10-year period.

COMPARATIVE EXPENSES. Consideration was given to information contained in the Broadridge 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 Small Cap Value VIP Fund, Franklin Growth and Income VIP Fund, Franklin High Income VIP Fund, Franklin Income VIP Fund and Templeton Global Bond VIP Fund. The Board was satisfied with the comparative contractual investment management fees and expenses of these Funds as shown in their Broadridge reports.

The contractual investment management fee rates and actual total expense ratios of each of Franklin Global Real Estate VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Mutual Global Discovery VIP Fund and Templeton Developing Markets VIP Fund were above the medians of their Lipper expense groups. In the case of contractual management fees, Franklin Mutual Global Discovery VIP Fund exceeds the median by 23.6 basis points, while the other Funds exceed the median by less than 16 basis points. The Board found the comparative contractual investment management fees and expenses of these Funds as shown in their Broadridge reports to be acceptable.

The contractual investment management fee rates of the following Funds were above the median of their Lipper expense groups, while the actual total expense ratios were at the median: Franklin Small-Mid Cap Growth VIP Fund and Templeton Growth VIP Fund. The Board found the comparative expenses of these Funds as shown in the Broadridge reports to be acceptable.

The contractual investment management fee rates of the following Funds were at or above the median of their Lipper expense groups, while the actual total expense ratios were at or below the median: Franklin Founding Funds Allocation VIP Fund and Franklin Mutual Shares VIP Fund. The Board found the comparative expenses of these Funds as shown in their Broadridge reports to be acceptable, noting that a fee waiver was in place for Franklin Founding Funds Allocation VIP Fund.

The contractual investment management fee rate and actual total expense ratio for Franklin Rising Dividends VIP Fund were both below the median of its Lipper expense group. The Board found the comparative expenses of Franklin Rising Dividends VIP Fund as shown in the Broadridge reports to be acceptable.

The contractual investment management fee rates and actual total expense ratios for the following Funds were in the first or second quintiles of their expense groups, meaning they were among the least expensive of their peers: Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund and Templeton Foreign VIP Fund. The Board was satisfied with the comparative expenses of these Funds as shown in their Broadridge reports.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Managers and their 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, 2015, being the most recent fiscal year-end for Franklin Resources, Inc., the Managers' 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 Managers and their 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 Managers' 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 Managers and their affiliates might derive ancillary benefits from Fund operations, including potential benefits resulting from personnel and systems enhancements necessitated by fund growth, increased leverage with the service providers and counterparties, 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 Managers and their 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 a 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 Founding Funds Allocation VIP 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 VIP Fund, their management fees contain breakpoints that extend beyond their existing asset sizes. To the extent economies of scale may be realized by the Managers and their affiliates, the Board believed the schedule of investment management fees provides a sharing of benefits for each Fund and its shareholders. The investment management structure of the Franklin Rising Dividends VIP Fund provides for a fee of 0.750% on the first $500 million of net assets; 0.625% on the next $500 million of net assets; and 0.500% on assets in excess of $1 billion. This Fund had assets of approximately $1.5 billion at December 31, 2015, 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.

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.

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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VIP S 08/16

FRANKLIN TEMPLETON
INVESTMENTS

Semiannual Report
June 30, 2016

Franklin Templeton Variable Insurance Products Trust

Franklin Templeton Variable Insurance Products Trust Semiannual Report

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Fund Summary

Templeton Global Bond VIP Fund TGB-1

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Shareholder Information SI-1

Not FDIC Insured | May Lose Value | No Bank Guarantee

CMFG LIFE S 08/16

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.

Templeton Global Bond VIP Fund

This semiannual report for Templeton Global Bond VIP Fund covers the period ended June 30, 2016.

Class 1 Performance Summary as of June 30, 2016

The Fund's Class 1 shares had a -1.69% total return* for the six-month period ended June 30, 2016.

*The Fund has a fee waiver associated with any investment in a Franklin Templeton money fund and/or Franklin Templeton fund, as applicable, contractually guaranteed through at least the Fund's 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 1 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.

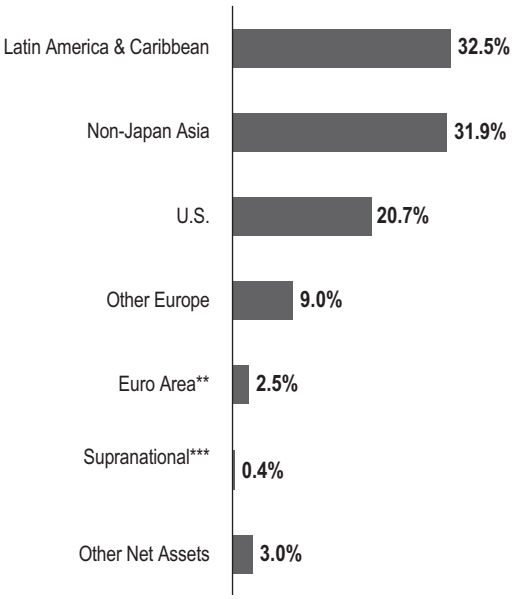
Fund Goal and Main Investments

The Fund seeks high current income, consistent with preservation of capital, with capital appreciation as a secondary consideration. Under normal market conditions, the Fund invests at least 80% of its net assets in bonds, which include debt securities of any maturity, such as bonds, notes, bills and debentures.

Fund Risks

All investments involve risks, including possible loss of principal. Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio that may result in significant volatility and cause the Fund to participate in losses (as well as enable gains) on an amount that exceeds the Fund's initial investment. The Fund may not achieve the anticipated benefits and may realize losses when a counterparty fails to perform as promised. Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. Investments in emerging markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size and lesser liquidity. Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a government entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due. Investments in lower rated bonds include higher risk of default and loss of principal. Changes in interest rates will affect the value of the Fund's portfolio and its share price and yield. Bond prices generally move in the opposite direction of interest rates. As prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. The markets for particular securities or types of securities are or may become relatively illiquid. Reduced liquidity will have an adverse impact on the security's value and on the Fund's ability to sell such securities when necessary to meet the Fund's liquidity needs or in response to a specific market event. The Fund is also non-diversified, which involves the risk of greater price fluctuation than a more diversified portfolio. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Geographic Breakdown*
Based on Total Net Assets as of 6/30/16



*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.
**The Fund's euro area investments were in Slovenia and Portugal.
***The Fund's supranational investment was denominated in the Mexican peso.

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. For comparison, the Fund's benchmarks, the J.P. Morgan (JPM) Global Government Bond Index (GGBI) posted a +10.58% total return and the Citigroup World Government Bond Index, posted a +10.74% total return for the same period.[1]

Economic and Market Overview

Global markets experienced periods of heightened volatility during the six-month period, as declines in oil prices and concerns about economic conditions in China and growth across the globe appeared at times to have negative effects on investor sentiment. Despite the near-term volatility, our medium-term investment convictions remained intact and we held the view that global market fundamentals would eventually re-emerge. During the second half of the period, a number of emerging markets recovered from the extraordinarily low valuation levels of January and February to achieve what we viewed as compelling positive appreciation for the full six-month period.

1. Source: Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

During the first two months of the year, markets appeared to regard emerging economies as being in near-crisis condition, reacting as if conditions were worse than the 2008 global financial crisis or the Asian financial crisis of 1997 and 1998. However, several emerging market economies were in far better shape, in our assessment, with larger foreign reserves and more diversified, growing economies. We were focused on the opportunities in specific emerging market currencies and believed that fears of a systemic crisis across the asset class were exaggerated. Over the final weeks of February, risk appetites returned and several local-currency markets rallied, creating a positive trend for global markets that largely carried into March and April, and through much of the remaining months of the period.

The U.S. Federal Reserve (Fed) passed on raising rates at its January, March, April and June meetings, while indicating that rate hikes would likely be more gradual than previously envisioned. The 10-year U.S. Treasury yield declined from 2.27% at the beginning of the period to 1.78% by the end of March. The result of the Fed's dovishness was an implicit easing of policy, as markets essentially eliminated previously priced-in rate hikes for 2016. Consequently, the U.S. dollar weakened as the Japanese yen and euro notably strengthened. We believed the periods of yen and euro strength would prove temporary as we expected fundamentals to ultimately re-emerge in the currency valuations. Given U.S. labor market strength and underlying inflation pressures, we anticipated that the Fed would ultimately have to make a firmer commitment to rate hikes that would fortify the divergences in monetary policies between the easings of the European Central Bank and the Bank of Japan and the tightening of the Fed.

In May, market expectations for U.S. interest rate hikes increased sharply after hawkish-sounding comments were released in the Fed meeting minutes on May 18. However, those sentiments proved temporary, as the 10-year Treasury yield declined to 1.60% on June 15, the same day that the Fed announced rates would remain unchanged at 0.25%. Yields temporarily surged higher in the weeks after the Fed's meeting due to growing expectations for a rate hike in the second half of 2016. However, the U.K.'s June 23 referendum vote to leave the European Union quickly altered global market sentiments—risk aversion escalated sharply, driving yields significantly lower as investors sought perceived safe havens amid the growing uncertainties surrounding the Brexit. Nonetheless, a number of emerging market currencies rallied in the final weeks of the period, culminating in positive appreciations in a select number of markets such as Brazil, Indonesia and Malaysia.

Investment Strategy

We invest selectively in bonds around the world based upon our assessment of changing market, political and economic conditions. While seeking opportunities, we monitor various factors including changes in interest rates, currency exchange rates and credit risks. We seek to manage the Fund's exposure to various currencies and may utilize currency forward contracts.

What is a currency forward contract?
A currency forward contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency in exchange for another currency at a specific exchange rate on a future date.

Manager's Discussion

Overall, we continued to position our strategies for rising rates by maintaining low portfolio duration and aiming at a negative correlation with U.S. Treasury returns. We also continued to actively seek select duration exposures that we believe can offer positive real yields without taking undue interest-rate risk, favoring countries that we believe have solid underlying fundamentals and prudent fiscal, monetary and financial policies. When investing globally, investment opportunities may take time to materialize, which may require weathering short-term volatility as the longer term investing theses develop. During the period, we shifted out of markets that we were previously contrarian on to reallocate to positions that we believe have fundamentally attractive valuations for the medium term ahead. We also maintained our exposures to several of our strongest investment convictions and added to those types of positions as prices became cheaper during periods of heightened volatility. Despite the persistence of volatility during the period, we remained encouraged by the vast set of what we considered fundamentally attractive valuations across the global bond and currency markets. We were positioned for depreciation of the euro and the Japanese yen, rising U.S. Treasury yields, and currency appreciation in select emerging markets. During the period, we used currency forward contracts to actively manage exposure to currencies. We also used interest rate swaps to tactically manage duration exposures.

What is duration?
Duration is a measure of a bond's price sensitivity to interest rate changes. In general, a portfolio of securities with a lower duration can be expected to be less sensitive to interest rate changes than a portfolio with a higher duration.

What is an interest rate swap?
An interest rate swap is an agreement between two parties to exchange interest rate obligations, generally one based on an interest rate fixed to maturity and the other based on an interest rate that changes in accordance with changes in a designated benchmark (for example, LIBOR, prime, commercial paper or other benchmarks).

During the period, the Fund's negative absolute performance was primarily attributable to currency positions. Interest rate strategies contributed to absolute return while sovereign credit exposures had a largely neutral effect. Among currencies, the Fund's net-negative positions in the Japanese yen and the euro detracted from absolute performance. However, currency positions in Asia ex-Japan and Latin America contributed. The Fund maintained a defensive approach regarding interest rates in developed and emerging markets. Select duration exposures in Latin America and Asia ex-Japan contributed to absolute performance, while negative duration exposure to U.S. Treasuries detracted.

Relative to the JPM GGBI benchmark, the Fund's underperformance was primarily attributable to interest rate strategies followed by currency positions. Sovereign credit exposures had a largely neutral effect on relative return. The Fund maintained a defensive approach regarding interest rates in developed and emerging markets. Select underweighted duration exposures in Europe detracted from relative performance, as did underweighted duration exposures in Japan and the U.S. However, select duration exposures in Latin America and Asia ex-Japan contributed to relative return. Among currencies, the Fund's underweighted positions in the Japanese yen and the euro detracted from relative performance. However, overweighted currency positions in Asia ex-Japan and Latin America contributed to relative return, as did underweighted exposure to the British pound.

Thank you for your participation in Templeton Global Bond VIP Fund. We look forward to serving your future investment needs.

Currency Breakdown*
6/30/16

	% of Total Net Assets
Americas	**139.5%**
U.S. Dollar	103.6%
Mexican Peso	21.3%
Brazilian Real	9.4%
Chilean Peso	3.0%
Peruvian Nuevo Sol	0.1%
Asia Pacific	**2.4%**
Malaysian Ringgit	14.4%
Indonesian Rupiah	9.7%
Indian Rupee	6.8%
Philippine Peso	2.7%
Sri Lankan Rupee	1.2%
Singapore Dollar	0.1%
Japanese Yen	-32.5%
Europe	**-33.0%**
Polish Zloty	3.1%
Euro	-36.1%
Australia & New Zealand	**-8.9%**
Australian Dollar	-8.9%

*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors. The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2016, 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 1 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 1	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Fund-Level Expenses Incurred During Period* 1/1/16–6/30/16
Actual	$1,000	$ 983.10	$2.37
Hypothetical (5% return before expenses)	$1,000	$1,022.48	$2.41

*Expenses are calculated using the most recent six-month annualized expense ratio, net of expense waivers, for the Fund's Class 1 shares (0.48%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period.

Financial Highlights

Templeton Global Bond VIP Fund

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Class 1						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$16.34	$18.56	$19.15	$20.01	$18.61	$19.94
Income from investment operations[a]:						
Net investment income[b]	0.29	0.52	0.58	0.64	0.72	0.87
Net realized and unrealized gains (losses)	(0.57)	(1.22)	(0.16)	(0.30)	1.99	(0.92)
Total from investment operations	(0.28)	(0.70)	0.42	0.34	2.71	(0.05)
Less distributions from:						
Net investment income and net foreign currency gains	—	(1.43)	(1.01)	(0.96)	(1.28)	(1.15)
Net realized gains	(0.01)	(0.09)	—	(0.24)	(0.03)	(0.13)
Total distributions	(0.01)	(1.52)	(1.01)	(1.20)	(1.31)	(1.28)
Redemption fees	—	—	—[c]	—[c]	—[c]	—[c]
Net asset value, end of period	$16.05	$16.34	$18.56	$19.15	$20.01	$18.61
Total return[d]	(1.69)%	(4.10)%	2.12%	1.89%	15.31%	(0.61)%
Ratios to average net assets[e]						
Expenses before waiver and payments by affiliates	0.52%	0.52%	0.51%	0.51%	0.55%	0.56%
Expenses net of waiver and payments by affiliates[f]	0.48%	0.52%[g]	0.51%	0.51%	0.55%	0.56%
Net investment income	3.70%	2.99%	3.08%	3.26%	3.71%	4.40%
Supplemental data						
Net assets, end of period (000's)	$278,297	$292,802	$323,491	$280,963	$307,142	$269,819
Portfolio turnover rate	26.80%	51.58%	39.14%	34.39%	43.26%	34.18%

[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's 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]Amount rounds to less than $0.01 per share.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. 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]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Templeton Global Bond VIP Fund (continued)

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Class 2						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$15.80	$17.99	$18.60	$19.47	$18.15	$19.49
Income from investment operations[a]:						
Net investment income[b]	0.26	0.46	0.52	0.57	0.65	0.79
Net realized and unrealized gains (losses)	(0.56)	(1.17)	(0.17)	(0.27)	1.94	(0.89)
Total from investment operations	(0.30)	(0.71)	0.35	0.30	2.59	(0.10)
Less distributions from:						
Net investment income and net foreign currency gains	—	(1.39)	(0.96)	(0.93)	(1.24)	(1.11)
Net realized gains	(0.01)	(0.09)	—	(0.24)	(0.03)	(0.13)
Total distributions	(0.01)	(1.48)	(0.96)	(1.17)	(1.27)	(1.24)
Redemption fees	—	—	—[c]	—[c]	—[c]	—[c]
Net asset value, end of period	$15.49	$15.80	$17.99	$18.60	$19.47	$18.15
Total return[d]	(1.88)%	(4.30)%	1.83%	1.63%	15.07%	(0.87)%
Ratios to average net assets[e]						
Expenses before waiver and payments by affiliates	0.77%	0.77%	0.76%	0.76%	0.80%	0.81%
Expenses net of waiver and payments by affiliates[f]	0.73%	0.77%[g]	0.76%	0.76%	0.80%	0.81%
Net investment income	3.45%	2.74%	2.83%	3.01%	3.46%	4.15%
Supplemental data						
Net assets, end of period (000's)	$2,845,200	$2,971,667	$3,177,638	$2,826,039	$2,418,229	$1,812,814
Portfolio turnover rate	26.80%	51.58%	39.14%	34.39%	43.26%	34.18%

[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's 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]Amount rounds to less than $0.01 per share.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. 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]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Templeton Global Bond VIP Fund (continued)

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	2014	2013	2012	2011
Class 4						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$16.18	$18.38	$18.97	$19.82	$18.44	$19.78
Income from investment operations[a]:						
Net investment income[b]	0.26	0.46	0.51	0.56	0.64	0.79
Net realized and unrealized gains (losses)	(0.57)	(1.21)	(0.18)	(0.28)	1.98	(0.91)
Total from investment operations	(0.31)	(0.75)	0.33	0.28	2.62	(0.12)
Less distributions from:						
Net investment income and net foreign currency gains	—	(1.36)	(0.92)	(0.89)	(1.21)	(1.09)
Net realized gains	(0.01)	(0.09)	—	(0.24)	(0.03)	(0.13)
Total distributions	(0.01)	(1.45)	(0.92)	(1.13)	(1.24)	(1.22)
Redemption fees	—	—	—[c]	—[c]	—[c]	—[c]
Net asset value, end of period	$15.86	$16.18	$18.38	$18.97	$19.82	$18.44
Total return[d]	(1.89)%	(4.39)%	1.69%	1.54%	14.97%	(0.96)%
Ratios to average net assets[e]						
Expenses before waiver and payments by affiliates	0.87%	0.87%	0.86%	0.86%	0.90%	0.91%
Expenses net of waiver and payments by affiliates[f]	0.83%	0.87%[g]	0.86%	0.86%	0.90%	0.91%
Net investment income	3.35%	2.64%	2.73%	2.91%	3.36%	4.05%
Supplemental data						
Net assets, end of period (000's)	$96,735	$103,045	$111,199	$118,145	$163,241	$151,695
Portfolio turnover rate	26.80%	51.58%	39.14%	34.39%	43.26%	34.18%

[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's 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]Amount rounds to less than $0.01 per share.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. 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]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Statement of Investments, June 30, 2016 (unaudited)

Templeton Global Bond VIP Fund

	Principal Amount*	Value
Foreign Government and Agency Securities 73.1%		
Brazil 9.4%		
Letra Tesouro Nacional, Strip,		
7/01/16	1,190[a] BRL	$ 370,384
10/01/16	4,700[a] BRL	1,414,899
1/01/17	46,660[a] BRL	13,610,764
1/01/18	28,770[a] BRL	7,476,406
1/01/19	38,960[a] BRL	9,069,720
7/01/19	102,840[a] BRL	22,653,959
Nota Do Tesouro Nacional,		
10.00%, 1/01/21	6,620[a] BRL	1,925,248
10.00%, 1/01/23	402,350[a] BRL	114,324,685
10.00%, 1/01/25	48,340[a] BRL	13,540,807
10.00%, 1/01/27	26,400[a] BRL	7,283,180
[b] Index Linked, 6.00%, 8/15/16	14,388[a] BRL	12,942,824
[b] Index Linked, 6.00%, 5/15/17	202[a] BRL	181,350
[b] Index Linked, 6.00%, 8/15/18	15,665[a] BRL	14,023,811
[b] Index Linked, 6.00%, 5/15/19	8,578[a] BRL	7,698,535
[b] Index Linked, 6.00%, 8/15/20	1,090[a] BRL	971,979
[b] Index Linked, 6.00%, 8/15/22	18,770[a] BRL	16,711,621
[b] Index Linked, 6.00%, 5/15/23	5,716[a] BRL	5,077,246
[b] Index Linked, 6.00%, 8/15/24	3,110[a] BRL	2,793,389
[b] Index Linked, 6.00%, 5/15/45	10,825[a] BRL	9,704,744
senior note, 10.00%, 1/01/17	113,220[a] BRL	34,631,210
senior note, 10.00%, 1/01/19	21,390[a] BRL	6,364,291
		302,771,052
Colombia 2.1%		
Government of Colombia, senior bond,		
7.75%, 4/14/21	2,386,000,000 COP	841,625
4.375%, 3/21/23	362,000,000 COP	106,348
9.85%, 6/28/27	576,000,000 COP	232,217
Titulos De Tesoreria B,		
5.00%, 11/21/18	2,882,000,000 COP	950,301
7.75%, 9/18/30	71,450,000,000 COP	24,741,106
senior bond, 11.25%, 10/24/18	5,135,000,000 COP	1,921,086
senior bond, 7.00%, 5/04/22	7,908,000,000 COP	2,699,847
senior bond, 10.00%, 7/24/24	17,731,000,000 COP	7,056,364
senior bond, 7.50%, 8/26/26	47,952,000,000 COP	16,323,369
senior bond, 6.00%, 4/28/28	25,729,000,000 COP	7,737,907
senior note, 7.00%, 9/11/19	4,056,000,000 COP	1,397,178
senior note, B, 11.00%, 7/24/20	9,167,000,000 COP	3,595,649
		67,602,997
India 4.6%		
Government of India,		
senior bond, 7.80%, 5/03/20	270,800,000 INR	4,078,219
senior bond, 8.35%, 5/14/22	212,700,000 INR	3,265,328
senior bond, 9.15%, 11/14/24	2,409,000,000 INR	39,009,150
senior bond, 8.33%, 7/09/26	1,482,000,000 INR	23,004,175
senior bond, 8.15%, 11/24/26	2,159,000,000 INR	33,031,960
senior bond, 8.28%, 9/21/27	217,800,000 INR	3,362,982
senior bond, 8.60%, 6/02/28	747,500,000 INR	11,819,469
senior note, 7.28%, 6/03/19	28,000,000 INR	416,333

Templeton Global Bond VIP Fund (continued)

	Principal Amount*	Value
Foreign Government and Agency Securities (continued)		
India (continued)		
senior note, 7.16%, 5/20/23	133,700,000 INR	$ 1,939,313
senior note, 8.83%, 11/25/23	1,805,900,000 INR	28,516,766
		148,443,695
Indonesia 5.8%		
Government of Indonesia,		
7.875%, 4/15/19	187,065,000,000 IDR	14,420,111
6.125%, 5/15/28	37,000,000 IDR	2,467
8.375%, 3/15/34	81,180,000,000 IDR	6,528,195
FR31, 11.00%, 11/15/20	243,080,000,000 IDR	20,973,404
FR34, 12.80%, 6/15/21	392,506,000,000 IDR	36,465,535
FR35, 12.90%, 6/15/22	71,229,000,000 IDR	6,825,049
FR36, 11.50%, 9/15/19	49,810,000,000 IDR	4,229,845
FR39, 11.75%, 8/15/23	5,491,000,000 IDR	513,775
FR40, 11.00%, 9/15/25	46,856,000,000 IDR	4,379,729
FR43, 10.25%, 7/15/22	147,832,000,000 IDR	12,766,417
FR44, 10.00%, 9/15/24	4,454,000,000 IDR	389,862
FR46, 9.50%, 7/15/23	226,780,000,000 IDR	19,180,916
FR47, 10.00%, 2/15/28	12,000,000 IDR	1,083
FR48, 9.00%, 9/15/18	16,920,000,000 IDR	1,325,427
FR61, 7.00%, 5/15/22	244,849,000,000 IDR	18,249,012
senior bond, 5.625%, 5/15/23	258,951,000,000 IDR	17,790,944
senior bond, 7.00%, 5/15/27	25,000,000 IDR	1,828
senior bond, 9.00%, 3/15/29	20,350,000,000 IDR	1,718,873
senior bond, FR53, 8.25%, 7/15/21	90,288,000,000 IDR	7,117,123
senior bond, FR56, 8.375%, 9/15/26	42,188,000,000 IDR	3,416,549
senior bond, FR70, 8.375%, 3/15/24	136,475,000,000 IDR	10,910,248
senior note, 8.50%, 10/15/16	3,358,000,000 IDR	255,890
		187,462,282
Lithuania 0.4%		
[c] Government of Lithuania, 144A, 7.375%, 2/11/20	10,170,000	12,020,940
Malaysia 4.1%		
Government of Malaysia,		
3.314%, 10/31/17	153,634,000 MYR	38,373,215
senior bond, 3.814%, 2/15/17	63,785,000 MYR	15,948,705
senior bond, 4.24%, 2/07/18	44,360,000 MYR	11,241,942
senior note, 3.394%, 3/15/17	125,470,000 MYR	31,305,037
senior note, 4.012%, 9/15/17	147,790,000 MYR	37,207,119
		134,076,018
Mexico 19.6%		
Government of Mexico,		
7.25%, 12/15/16	18,216,300[d] MXN	100,937,589
7.75%, 12/14/17	33,461,300[d] MXN	191,685,973
senior note, 8.50%, 12/13/18	55,958,000[d] MXN	330,972,871
[e] Mexican Udibonos, Index Linked,		
3.50%, 12/14/17	610,890[f] MXN	3,458,462
4.00%, 6/13/19	419,299[f] MXN	2,428,177
2.50%, 12/10/20	330,219[f] MXN	1,828,220
		631,311,292

Templeton Global Bond VIP Fund (continued)

	Principal Amount*	Value
Foreign Government and Agency Securities (continued)		
Peru 0.1%		
Government of Peru, senior bond, 7.84%, 8/12/20	11,090,000 PEN	$ 3,691,942
Philippines 1.4%		
Government of the Philippines,		
senior bond, 9.125%, 9/04/16	31,840,000 PHP	682,949
senior note, 2.875%, 5/22/17	101,890,000 PHP	2,174,291
senior note, 5.875%, 1/31/18	32,450,000 PHP	718,705
senior note, 5.00%, 8/18/18	64,060,000 PHP	1,417,038
senior note, 3.875%, 11/22/19	764,340,000 PHP	16,708,779
senior note, 3.375%, 8/20/20	731,340,000 PHP	15,834,992
senior note, 5-72, 2.125%, 5/23/18	352,258,000 PHP	7,449,464
		44,986,218
Poland 3.1%		
Government of Poland,		
4.75%, 10/25/16	215,845,000 PLN	55,265,733
5.75%, 9/23/22	48,750,000 PLN	14,760,339
[g] FRN, 1.75%, 1/25/17	59,279,000 PLN	15,053,642
[g] FRN, 1.75%, 1/25/21	60,135,000 PLN	15,040,801
		100,120,515
Portugal 2.4%		
Government of Portugal,		
[c] 144A, 5.125%, 10/15/24	28,820,000	29,000,557
[h] Reg S, 3.875%, 2/15/30	41,530,000 EUR	48,381,443
[h] senior bond, Reg S, 4.95%, 10/25/23	284,900 EUR	365,856
[h] senior bond, Reg S, 5.65%, 2/15/24	712,400 EUR	941,738
		78,689,594
Serbia 1.4%		
[c] Government of Serbia, senior note, 144A,		
5.25%, 11/21/17	4,590,000	4,743,008
4.875%, 2/25/20	6,700,000	6,922,205
7.25%, 9/28/21	29,750,000	34,140,059
		45,805,272
Slovenia 0.1%		
[c] Government of Slovenia, senior note, 144A, 5.50%, 10/26/22	2,027,000	2,306,979
South Korea 13.0%		
Korea Monetary Stabilization Bond, senior note,		
2.46%, 8/02/16	49,449,700,000 KRW	42,943,519
1.56%, 8/09/16	33,975,300,000 KRW	29,483,154
2.22%, 10/02/16	9,647,500,000 KRW	8,389,786
1.61%, 11/09/16	33,034,700,000 KRW	28,695,117
2.07%, 12/02/16	36,552,800,000 KRW	31,821,142
1.57%, 1/09/17	2,940,100,000 KRW	2,554,865
1.96%, 2/02/17	16,503,100,000 KRW	14,378,201
1.70%, 8/02/17	9,221,100,000 KRW	8,038,830
1.56%, 10/02/17	54,756,600,000 KRW	47,689,839
1.49%, 2/02/18	11,176,000,000 KRW	9,733,243
Korea Treasury Bond, senior note,		
5.00%, 9/10/16	2,806,000,000 KRW	2,451,305

Templeton Global Bond VIP Fund (continued)

	Principal Amount*	Value
Foreign Government and Agency Securities (continued)		
South Korea (continued)		
3.00%, 12/10/16	54,968,060,000 KRW	$ 48,052,254
2.00%, 12/10/17	49,196,500,000 KRW	43,141,744
1.75%, 12/10/18	12,303,900,000 KRW	10,806,520
1.50%, 6/10/19	32,658,800,000 KRW	28,548,955
2.75%, 9/10/19	1,850,000,000 KRW	1,679,675
2.00%, 3/10/21	64,648,810,000 KRW	57,923,032
1.375%, 9/10/21	2,884,000,000 KRW	2,513,351
		418,844,532
Sri Lanka 1.2%		
Government of Sri Lanka,		
8.25%, 3/01/17	41,710,000 LKR	283,016
8.00%, 6/15/17	40,210,000 LKR	269,694
10.60%, 7/01/19	1,071,930,000 LKR	7,208,465
10.60%, 9/15/19	704,060,000 LKR	4,712,123
8.00%, 11/01/19	40,210,000 LKR	249,202
9.25%, 5/01/20	153,220,000 LKR	972,179
11.20%, 7/01/22	69,990,000 LKR	464,018
A, 6.40%, 8/01/16	109,200,000 LKR	748,258
A, 5.80%, 1/15/17	112,300,000 LKR	755,579
A, 7.50%, 8/15/18	63,830,000 LKR	408,106
A, 8.00%, 11/15/18	512,300,000 LKR	3,287,617
A, 9.00%, 5/01/21	861,720,000 LKR	5,311,460
A, 11.00%, 8/01/21	575,640,000 LKR	3,813,123
B, 6.40%, 10/01/16	119,100,000 LKR	811,931
B, 8.50%, 7/15/18	146,350,000 LKR	956,991
C, 8.50%, 4/01/18	483,480,000 LKR	3,184,198
D, 8.50%, 6/01/18	633,000,000 LKR	4,150,244
		37,586,204
[i] **Supranational 0.4%**		
Inter-American Development Bank, senior note, 7.50%, 12/05/24	200,000,000 MXN	12,312,321
Ukraine 4.0%		
[c] Government of Ukraine, 144A,		
7.75%, 9/01/19	4,249,000	4,206,510
7.75%, 9/01/20	14,822,000	14,553,722
7.75%, 9/01/21	14,769,000	14,418,605
7.75%, 9/01/22	14,769,000	14,344,760
7.75%, 9/01/23	14,769,000	14,289,377
7.75%, 9/01/24	14,769,000	14,186,880
7.75%, 9/01/25	14,769,000	14,126,770
7.75%, 9/01/26	14,658,000	13,962,111
7.75%, 9/01/27	14,658,000	13,910,442
[j,k] VRI, GDP Linked Securities, 5/31/40	29,978,000	9,855,268
		127,854,445
Total Foreign Government and Agency Securities (Cost $2,455,652,659)		2,355,886,298

Templeton Global Bond VIP Fund (continued)

	Principal Amount*	Value
Quasi-Sovereign and Corporate Bonds 0.1%		
South Korea 0.0%†		
The Export-Import Bank of Korea, senior note, 4.625%, 2/20/17	230,000 EUR	$ 262,687
Ukraine 0.1%		
c,l Ukreximbank, (BIZ Finance PLC), loan participation, senior note, 144A, 9.75%, 1/22/25	2,480,000	2,368,400
Total Quasi-Sovereign and Corporate Bonds (Cost $2,474,227)		2,631,087
Total Investments before Short Term Investments (Cost $2,458,126,886)		2,358,517,385
Short Term Investments 23.8%		
Foreign Government and Agency Securities 3.1%		
Malaysia 0.3%		
m Bank of Negara Monetary Note, 9/15/16	15,520,000 MYR	3,832,081
m Malaysia Treasury Bill, 1/20/17	16,710,000 MYR	4,098,898
		7,930,979
Mexico 1.3%		
m Mexico Treasury Bill, 8/18/16 - 3/30/17	74,675,640[n] MXN	40,110,408
Philippines 1.0%		
m Philippine Treasury Bill, 7/06/16 - 6/07/17	1,587,780,000 PHP	33,529,477
South Korea 0.5%		
Korea Monetary Stabilization Bond, senior note,		
1.57%, 7/09/16	5,579,800,000 KRW	4,840,835
1.52%, 9/09/16	8,119,500,000 KRW	7,047,210
1.53%, 10/08/16	5,289,000,000 KRW	4,591,575
		16,479,620
Total Foreign Government and Agency Securities (Cost $99,521,036)		98,050,484
Total Investments before Money Market Funds and Repurchase Agreements (Cost $2,557,647,922)		2,456,567,869
	Shares	
Money Market Funds (Cost $409,277,955) 12.7%		
United States 12.7%		
j,o Institutional Fiduciary Trust Money Market Portfolio	409,277,955	409,277,955
	Principal Amount*	
Repurchase Agreements (Cost $256,694,916) 8.0%		
United States 8.0%		
p Joint Repurchase Agreement, 0.382%, 7/01/16 (Maturity Value $256,697,640)	256,694,916	256,694,916
BNP Paribas Securities Corp. (Maturity Value $83,254,745)		
Deutsche Bank Securities Inc. (Maturity Value $25,667,197)		
HSBC Securities (USA) Inc. (Maturity Value $141,532,811)		
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $6,242,887)		
Collateralized by U.S. Government Agency Securities, 0.187% - 5.50%, 7/18/16 - 5/06/21; U.S. Government Agency Securities, Strips, 6/01/17; and U.S. Treasury Note, 0.75% - 3.25%, 11/30/16 - 9/30/20 (valued at $261,936,697)		

Templeton Global Bond VIP Fund (continued)

	Value
Total Investments (Cost $3,223,620,793) 97.0%	$ 3,122,540,740
Other Assets, less Liabilities 3.0%	97,691,358
Net Assets 100.0%	$ 3,220,232,098

[†]Rounds to less than 0.1% of net assets.

*The principal amount is stated in U.S. dollars unless otherwise indicated.

[a]Principal amount is stated in 1,000 Brazilian Real Units.

[b]Redemption price at maturity is adjusted for inflation. See Note 1(h).

[c]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2016, the aggregate value of these securities was $219,356,593, representing 6.8% of net assets.

[d]Principal amount is stated in 100 Mexican Peso Units.

[e]Principal amount of security is adjusted for inflation. See Note 1(h).

[f]Principal amount is stated in Unidad de Inversion Units.

[g]The coupon rate shown represents the rate at period end.

[h]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. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2016, the aggregate value of these securities was $49,689,037, representing 1.5% of net assets.

[i]A supranational organization is an entity formed by two or more central governments through international treaties.

[j]Non-income producing.

[k]The principal represents the notional amount. See Note 1(d) regarding value recovery instruments.

[l]See Note 1(f) regarding loan participation notes.

[m]The security is traded on a discount basis with no stated coupon rate.

[n]Principal amount is stated in 10 Mexican Peso Units.

[o]See Note 3(e) regarding investments in affiliated management investment companies.

[p]See Note 1(c) regarding joint repurchase agreement.

Templeton Global Bond VIP Fund (continued)

At June 30, 2016, 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
OTC Forward Exchange Contracts							
Chilean Peso	MSCO	Buy	1,967,876,500	2,822,138	7/05/16	$149,633	$ —
Chilean Peso	MSCO	Sell	1,967,876,500	2,914,293	7/05/16	—	(57,477)
Malaysian Ringgit	JPHQ	Buy	5,661,200	1,476,193	7/05/16	—	(70,731)
Malaysian Ringgit	JPHQ	Sell	5,661,200	1,380,780	7/05/16	—	(24,681)
Euro	BZWS	Buy	16,339,700	18,128,897	7/06/16	11,417	—
Euro	BZWS	Sell	16,339,700	18,109,435	7/06/16	66,567	(97,446)
Chilean Peso	DBAB	Buy	3,166,824,000	4,654,219	7/07/16	127,220	—
Chilean Peso	DBAB	Sell	3,166,824,000	4,772,907	7/07/16	—	(8,532)
Euro	DBAB	Sell	2,285,618	2,467,942	7/07/16	—	(69,643)
Japanese Yen	DBAB	Sell	770,370,000	6,512,224	7/07/16	—	(948,800)
Japanese Yen	JPHQ	Sell	1,415,975,000	11,849,064	7/07/16	—	(1,864,636)
Chilean Peso	DBAB	Buy	1,148,389,500	1,679,055	7/11/16	54,185	—
Chilean Peso	DBAB	Sell	1,148,389,500	1,730,806	7/11/16	—	(2,435)
Chilean Peso	MSCO	Buy	4,089,449,500	6,036,667	7/11/16	135,454	—
Euro	BZWS	Sell	8,485,276	9,677,525	7/11/16	255,423	—
Japanese Yen	BZWS	Sell	1,689,110,000	15,816,599	7/11/16	—	(544,439)
Malaysian Ringgit	HSBC	Buy	4,010,000	1,032,016	7/11/16	—	(36,633)
Chilean Peso	DBAB	Buy	1,148,389,500	1,689,181	7/14/16	43,565	—
Euro	JPHQ	Sell	3,907,000	4,452,788	7/14/16	113,945	—
Euro	DBAB	Sell	19,913,000	22,085,343	7/15/16	175,066	(204,545)
Euro	JPHQ	Sell	29,033,000	31,700,842	7/15/16	—	(542,398)
Japanese Yen	BZWS	Sell	1,089,820,000	9,271,907	7/15/16	—	(1,285,604)
Japanese Yen	JPHQ	Sell	708,450,000	6,021,982	7/15/16	—	(841,050)
Malaysian Ringgit	JPHQ	Buy	1,700,000	383,574	7/15/16	38,367	—
Chilean Peso	DBAB	Buy	1,231,460,000	1,817,519	7/18/16	39,862	—
Chilean Peso	MSCO	Buy	2,285,090,000	3,316,483	7/18/16	130,061	—
Euro	BZWS	Sell	1,161,439	1,306,125	7/18/16	16,119	—
Euro	GSCO	Sell	3,095,000	3,472,466	7/18/16	34,860	—
Euro	HSBC	Sell	6,919,000	7,821,065	7/18/16	136,155	—
Euro	MSCO	Sell	9,679,000	10,685,616	7/18/16	—	(64,817)
Indian Rupee	JPHQ	Buy	82,107,000	1,218,838	7/18/16	—	(6,332)
Euro	BZWS	Sell	30,339,000	33,233,341	7/19/16	—	(465,344)
Japanese Yen	HSBC	Sell	536,380,000	4,567,074	7/19/16	—	(629,693)
Japanese Yen	SCNY	Sell	707,660,000	6,072,094	7/19/16	—	(784,136)
Malaysian Ringgit	JPHQ	Buy	25,688,213	6,142,186	7/19/16	233,009	—
Euro	BZWS	Sell	8,551,980	9,552,391	7/20/16	53,025	—
Euro	HSBC	Sell	12,569,000	14,251,486	7/20/16	290,097	—
Indian Rupee	DBAB	Buy	491,655,000	7,302,787	7/20/16	—	(44,865)
Malaysian Ringgit	DBAB	Buy	11,455,000	2,644,275 EUR	7/20/16	—	(94,423)
Chilean Peso	DBAB	Buy	1,801,070,000	2,612,897	7/21/16	102,838	—
Euro	BZWS	Sell	2,638,000	2,892,343	7/21/16	—	(38,003)
Euro	UBSW	Sell	678,250	773,724	7/21/16	20,309	—
Chilean Peso	BZWS	Buy	3,010,700,000	4,416,135	7/22/16	123,104	—
Euro	BZWS	Sell	2,771,748	3,148,674	7/22/16	69,642	—
Euro	MSCO	Sell	12,182,000	13,316,753	7/22/16	—	(215,776)
Malaysian Ringgit	DBAB	Buy	12,933,000	2,660,126 EUR	7/22/16	254,385	—
Chilean Peso	DBAB	Buy	3,444,155,000	5,060,841	7/25/16	130,440	—
Euro	BZWS	Sell	744,197	836,232	7/25/16	9,438	—
Euro	DBAB	Sell	1,759,000	1,939,720	7/25/16	—	(14,507)
Euro	JPHQ	Sell	28,236,000	30,741,663	7/25/16	—	(628,174)
Indian Rupee	DBAB	Buy	79,271,000	1,179,663	7/25/16	—	(10,468)
Japanese Yen	CITI	Sell	913,412,000	7,426,235	7/25/16	—	(1,425,089)
Japanese Yen	JPHQ	Sell	1,407,000,000	11,437,165	7/25/16	—	(2,197,222)
Malaysian Ringgit	HSBC	Buy	14,613,000	3,376,776	7/25/16	249,278	—

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Chilean Peso	JPHQ	Buy	337,685,000	502,867	7/26/16	$ 6,068	$ —
Malaysian Ringgit	HSBC	Buy	7,209,825	1,664,510	7/26/16	124,484	—
Euro	DBAB	Sell	9,260,000	10,267,408	7/27/16	77,536	(98,639)
Indian Rupee	DBAB	Buy	229,138,000	3,401,440	7/27/16	—	(22,984)
Malaysian Ringgit	DBAB	Buy	16,628,000	3,850,411 EUR	7/27/16	—	(152,228)
Malaysian Ringgit	JPHQ	Buy	9,715,000	2,481,481	7/27/16	—	(70,931)
Chilean Peso	DBAB	Buy	3,155,970,500	4,674,343	7/28/16	81,211	—
Euro	BOFA	Sell	25,428,600	28,887,907	7/28/16	633,888	—
Euro	CITI	Sell	10,044,053	11,332,905	7/28/16	186,148	(13,310)
Euro	GSCO	Sell	11,263,000	12,418,809	7/28/16	—	(95,644)
Chilean Peso	MSCO	Buy	1,967,876,500	2,908,135	7/29/16	56,866	—
Euro	BOFA	Sell	39,711,800	44,736,002	7/29/16	630,289	(20,188)
Euro	BZWS	Sell	30,572,361	33,792,253	7/29/16	—	(178,330)
Euro	CITI	Sell	4,998,400	5,466,595	7/29/16	—	(87,394)
Euro	DBAB	Sell	57,063,000	62,503,957	7/29/16	—	(901,789)
Euro	GSCO	Sell	30,376,000	33,605,273	7/29/16	—	(147,123)
Euro	HSBC	Sell	25,974,891	28,819,142	7/29/16	—	(42,947)
Euro	JPHQ	Sell	11,263,000	12,561,511	7/29/16	46,591	—
Indian Rupee	DBAB	Buy	609,812,988	9,032,794	7/29/16	—	(44,729)
Indian Rupee	HSBC	Buy	679,529,000	10,064,711	7/29/16	—	(49,097)
Indian Rupee	JPHQ	Buy	358,075,000	5,307,960	7/29/16	—	(30,274)
Japanese Yen	BZWS	Sell	1,079,470,000	8,837,430	7/29/16	—	(1,624,360)
Japanese Yen	DBAB	Sell	897,860,782	7,617,123	7/29/16	—	(1,084,583)
Malaysian Ringgit	HSBC	Buy	3,005,000	701,038	7/29/16	44,545	—
Malaysian Ringgit	JPHQ	Buy	17,021,000	4,322,245	7/29/16	—	(99,091)
Malaysian Ringgit	JPHQ	Buy	16,628,000	3,780,122 EUR	7/29/16	—	(74,650)
Chilean Peso	MSCO	Buy	1,941,852,000	2,777,447	8/03/16	147,010	—
Euro	BOFA	Sell	32,701,000	37,465,536	8/03/16	1,123,050	—
Chilean Peso	MSCO	Buy	2,286,905,000	3,437,714	8/04/16	6,087	—
Euro	BZWS	Sell	16,622,598	18,460,333	8/05/16	—	(14,655)
Euro	HSBC	Sell	11,263,000	12,433,226	8/05/16	—	(84,901)
Euro	JPHQ	Sell	5,724,900	6,320,433	8/05/16	—	(42,439)
Indian Rupee	HSBC	Buy	240,033,500	3,570,344	8/05/16	—	(36,719)
Chilean Peso	DBAB	Buy	3,166,824,000	4,762,141	8/08/16	4,993	—
Malaysian Ringgit	DBAB	Buy	143,249,150	32,381,471 EUR	8/08/16	—	(461,907)
Malaysian Ringgit	HSBC	Buy	21,208,085	5,290,119	8/08/16	—	(29,590)
Malaysian Ringgit	JPHQ	Buy	1,100,000	274,794	8/08/16	—	(1,946)
Chilean Peso	DBAB	Buy	760,285,000	1,122,192	8/09/16	22,189	—
Euro	CITI	Sell	6,421,600	7,364,227	8/09/16	225,975	—
Euro	GSCO	Sell	2,990,000	3,420,620	8/09/16	96,935	—
Indian Rupee	DBAB	Buy	457,757,494	6,785,060	8/09/16	—	(50,837)
Indian Rupee	JPHQ	Buy	60,607,000	898,807	8/09/16	—	(7,197)
Euro	CITI	Sell	7,698,954	8,456,146	8/10/16	—	(102,325)
Indian Rupee	DBAB	Buy	39,609,000	586,600	8/10/16	—	(3,998)
Japanese Yen	CITI	Sell	751,731,000	6,085,265	8/10/16	—	(1,203,106)
Malaysian Ringgit	HSBC	Buy	1,320,000	316,965	8/10/16	10,434	—
South Korean Won	HSBC	Buy	21,363,430,000	18,182,416	8/10/16	340,909	—
South Korean Won	HSBC	Sell	21,363,430,000	17,707,680	8/10/16	—	(815,646)
Euro	BOFA	Sell	2,643,000	3,022,648	8/11/16	84,475	—
Euro	DBAB	Sell	4,845,000	5,348,614	8/11/16	—	(37,482)
Euro	JPHQ	Sell	6,343,900	6,981,462	8/11/16	—	(70,933)
Euro	MSCO	Sell	4,572,000	5,225,407	8/11/16	142,801	—
Malaysian Ringgit	HSBC	Buy	2,230,000	535,993	8/11/16	17,096	—
Euro	GSCO	Sell	2,279,000	2,603,062	8/12/16	69,448	—
Euro	SCNY	Sell	629,000	718,708	8/12/16	19,435	—
Malaysian Ringgit	HSBC	Buy	6,100,000	1,427,234	8/12/16	85,656	—

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
South Korean Won	HSBC	Buy	11,980,000,000	1,262,275,045 JPY	8/12/16	$ —	$(1,852,044)
Euro	DBAB	Sell	7,243,000	8,300,116	8/15/16	247,034	—
Euro	MSCO	Sell	1,962,500	2,215,790	8/15/16	33,797	—
Euro	SCNY	Sell	4,346,000	4,971,172	8/15/16	139,100	—
Chilean Peso	MSCO	Buy	2,572,200,000	3,735,785	8/16/16	133,452	—
Euro	JPHQ	Sell	3,942,000	4,456,687	8/16/16	73,640	—
Euro	MSCO	Sell	5,391,000	6,165,687	8/16/16	171,520	—
Indian Rupee	DBAB	Buy	239,338,000	3,544,031	8/16/16	—	(27,251)
Indian Rupee	HSBC	Buy	402,232,000	5,955,666	8/16/16	—	(45,357)
Japanese Yen	JPHQ	Sell	1,518,680,000	13,576,704	8/16/16	—	(1,150,524)
Chilean Peso	DBAB	Buy	2,509,219,500	3,674,090	8/17/16	100,070	—
Euro	MSCO	Sell	1,962,500	2,200,335	8/17/16	18,183	—
Singapore Dollar	BZWS	Buy	4,886,000	3,473,377	8/17/16	152,637	—
Singapore Dollar	BZWS	Sell	4,886,000	3,453,858	8/17/16	—	(172,157)
Singapore Dollar	HSBC	Buy	3,667,000	2,607,181	8/17/16	114,185	—
Chilean Peso	MSCO	Buy	2,572,200,000	3,699,091	8/18/16	169,450	—
Euro	BZWS	Sell	7,066,000	7,910,210	8/18/16	53,065	—
Japanese Yen	DBAB	Sell	838,612,000	6,811,781	8/18/16	—	(1,321,106)
Euro	DBAB	Sell	5,073,398	5,755,922	8/19/16	114,275	—
Euro	UBSW	Sell	3,245,000	3,687,245	8/19/16	78,786	—
Chilean Peso	MSCO	Buy	3,307,630,000	4,732,961	8/22/16	239,863	—
Euro	DBAB	Sell	3,964,000	4,421,366	8/22/16	12,893	—
Euro	JPHQ	Sell	23,160,581	26,068,128	8/22/16	310,611	—
Japanese Yen	HSBC	Sell	1,621,372,000	13,158,351	8/22/16	—	(2,567,865)
Japanese Yen	JPHQ	Sell	1,135,828,000	9,216,653	8/22/16	—	(1,800,114)
Chilean Peso	JPHQ	Buy	931,485,000	1,319,290	8/23/16	81,016	—
Euro	DBAB	Sell	3,887,000	4,368,599	8/23/16	45,602	—
Indian Rupee	JPHQ	Buy	378,455,000	5,551,579	8/23/16	2,729	—
Euro	GSCO	Sell	4,454,000	5,017,609	8/24/16	63,832	—
Japanese Yen	BZWS	Sell	376,247,000	3,069,400	8/24/16	—	(580,186)
Japanese Yen	DBAB	Sell	371,821,000	3,310,962	8/24/16	—	(295,692)
Euro	BOFA	Sell	2,680,925	3,004,237	8/26/16	22,271	—
Euro	JPHQ	Sell	4,730,771	5,297,574	8/26/16	35,586	—
Euro	SCNY	Sell	13,581,483	15,820,526	8/26/16	713,982	—
Japanese Yen	JPHQ	Sell	1,135,833,000	9,641,146	8/26/16	—	(1,377,138)
Euro	DBAB	Sell	9,808,244	10,968,903	8/29/16	58,099	—
Euro	JPHQ	Sell	17,833,294	20,419,019	8/29/16	581,057	—
Japanese Yen	DBAB	Sell	685,950,000	5,766,709	8/29/16	—	(888,096)
Japanese Yen	JPHQ	Sell	751,903,000	6,318,592	8/29/16	—	(976,062)
Malaysian Ringgit	JPHQ	Buy	8,340,000	1,972,564	8/30/16	94,798	—
Chilean Peso	CITI	Buy	3,039,493,000	4,371,170	8/31/16	194,841	—
Chilean Peso	DBAB	Buy	1,359,282,000	1,944,888	8/31/16	97,064	—
Euro	BZWS	Sell	13,673,773	15,143,840	8/31/16	—	(68,240)
Euro	DBAB	Sell	1,058,312	1,196,951	8/31/16	19,578	—
Euro	SCNY	Sell	11,263,000	12,662,653	8/31/16	132,559	—
Japanese Yen	BZWS	Sell	1,576,550,000	14,065,037	8/31/16	—	(1,231,363)
Japanese Yen	JPHQ	Sell	372,662,000	3,118,471	8/31/16	—	(497,264)
Euro	HSBC	Sell	18,537,726	20,481,036	9/01/16	—	(143,020)
Japanese Yen	HSBC	Sell	1,247,125,000	11,075,710	9/01/16	—	(1,024,997)
Chilean Peso	DBAB	Buy	4,798,143,500	6,901,883	9/02/16	304,744	—
Euro	DBAB	Sell	1,732,000	1,894,115	9/02/16	—	(32,890)
Chilean Peso	DBAB	Buy	1,271,380,000	1,818,856	9/06/16	90,032	—
Chilean Peso	MSCO	Buy	1,941,852,000	2,769,524	9/06/16	146,029	—
Euro	DBAB	Sell	13,545,300	14,936,912	9/06/16	45,436	(181,297)
Euro	JPHQ	Sell	20,765,000	23,527,472	9/06/16	420,850	—
Indian Rupee	JPHQ	Buy	139,661,000	2,032,911	9/06/16	12,185	—

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
South Korean Won	GSCO	Sell	44,346,000,000	37,075,495	9/07/16	$ —	$(1,362,823)
Euro	GSCO	Sell	2,033,100	2,315,091	9/08/16	52,542	—
Chilean Peso	JPHQ	Buy	612,933,000	892,721	9/09/16	27,311	—
Euro	CITI	Sell	31,404,613	35,772,995	9/09/16	822,758	—
Euro	HSBC	Sell	3,999,292	4,555,573	9/09/16	104,756	—
Euro	MSCO	Sell	5,225,000	5,955,836	9/09/16	140,927	—
Euro	SCNY	Sell	2,400,751	2,734,600	9/09/16	62,800	—
Japanese Yen	BZWS	Sell	1,712,605,900	15,172,051	9/09/16	—	(1,451,075)
Chilean Peso	DBAB	Buy	1,866,989,500	2,749,009	9/12/16	52,655	—
Chilean Peso	JPHQ	Buy	1,792,000,000	2,617,166	9/13/16	71,728	—
Euro	GSCO	Sell	8,105,300	9,207,621	9/13/16	185,777	—
Australian Dollar	CITI	Sell	28,906,000	20,823,304	9/14/16	—	(677,069)
Indian Rupee	CITI	Buy	69,318,000	1,026,857	9/14/16	—	(13,059)
Indian Rupee	DBAB	Buy	258,123,000	3,822,912	9/14/16	—	(47,778)
Malaysian Ringgit	HSBC	Buy	796,554,000	192,404,348	9/14/16	4,956,588	—
Euro	BOFA	Sell	17,769,000	20,039,345	9/15/16	259,450	—
Euro	CITI	Sell	861,168	972,216	9/15/16	13,590	—
Euro	JPHQ	Sell	541,000	609,623	9/16/16	7,375	—
Japanese Yen	CITI	Sell	286,112,008	2,532,682	9/16/16	—	(245,282)
South Korean Won	CITI	Sell	11,790,000,000	9,730,131	9/19/16	—	(488,078)
South Korean Won	HSBC	Sell	35,487,000,000	29,068,644	9/19/16	—	(1,687,387)
Chilean Peso	DBAB	Buy	1,757,372,000	2,526,412	9/20/16	108,890	—
Chilean Peso	JPHQ	Buy	1,501,938,000	2,172,471	9/20/16	79,789	—
Japanese Yen	BZWS	Sell	981,707,504	8,158,168	9/20/16	—	(1,375,278)
Japanese Yen	CITI	Sell	1,866,452,000	16,830,045	9/23/16	—	(1,297,649)
Japanese Yen	MSCO	Sell	575,230,000	5,189,124	9/23/16	—	(397,729)
Japanese Yen	BZWS	Sell	983,714,840	8,775,137	9/26/16	—	(780,352)
Japanese Yen	DBAB	Sell	725,287,000	6,536,355	9/26/16	—	(508,850)
South Korean Won	HSBC	Sell	35,125,000,000	30,192,977	9/26/16	—	(247,313)
Malaysian Ringgit	HSBC	Buy	20,347,000	5,046,254	9/28/16	—	(7,124)
Philippine Peso	JPHQ	Buy	123,740,000	2,651,382	9/28/16	—	(35,591)
South Korean Won	HSBC	Sell	35,292,000,000	30,115,198	9/28/16	—	(469,245)
Chilean Peso	DBAB	Buy	1,407,243,000	2,044,371	9/30/16	63,992	—
Euro	DBAB	Sell	14,880,000	16,867,968	10/03/16	292,069	—
Australian Dollar	GSCO	Sell	127,700,540	97,063,903	10/06/16	2,152,181	—
Japanese Yen	JPHQ	Sell	1,415,975,000	12,775,637	10/06/16	—	(984,554)
Euro	JPHQ	Sell	6,370,000	7,197,399	10/07/16	100,262	—
Japanese Yen	JPHQ	Sell	1,415,975,000	11,884,369	10/07/16	—	(1,876,403)
Euro	DBAB	Sell	18,880,000	21,406,750	10/11/16	368,218	—
Japanese Yen	HSBC	Sell	2,816,800,000	23,703,454	10/11/16	—	(3,675,479)
Chilean Peso	DBAB	Buy	1,148,389,500	1,717,475	10/12/16	1,100	—
Euro	HSBC	Sell	8,692,000	9,857,684	10/13/16	171,160	—
Japanese Yen	BZWS	Sell	1,426,300,000	12,005,387	10/13/16	—	(1,859,235)
Japanese Yen	DBAB	Sell	1,406,600,000	11,843,058	10/13/16	—	(1,830,066)
Malaysian Ringgit	DBAB	Buy	60,000,000	12,390,550 EUR	10/17/16	1,039,478	—
South Korean Won	HSBC	Sell	60,991,000,000	52,676,081	10/18/16	—	(177,368)
Japanese Yen	JPHQ	Sell	652,895,000	5,559,439	10/19/16	—	(788,759)
Japanese Yen	BZWS	Sell	735,200,000	6,190,767	10/24/16	—	(959,204)
Euro	BZWS	Sell	5,604,306	6,239,134	10/27/16	—	(9,916)
Malaysian Ringgit	JPHQ	Buy	7,468,000	1,900,496	10/31/16	—	(53,055)
South Korean Won	HSBC	Sell	15,755,000,000	13,644,827	11/02/16	—	(7,712)
Euro	DBAB	Sell	224,556	250,110	11/04/16	—	(360)
Euro	DBAB	Sell	15,875,000	17,454,563	11/09/16	—	(256,004)
Japanese Yen	CITI	Sell	341,992,119	2,841,410	11/09/16	—	(486,781)
Euro	CITI	Sell	5,658,426	6,115,910	11/14/16	—	(198,046)
Euro	JPHQ	Sell	8,969,211	9,693,161	11/14/16	—	(315,135)

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Japanese Yen	CITI	Sell	796,524,000	6,545,517	11/14/16	$ —	$(1,207,715)
Japanese Yen	GSCO	Sell	490,555,000	4,525,332	11/14/16	—	(249,649)
Japanese Yen	HSBC	Sell	413,563,000	3,395,845	11/14/16	—	(629,708)
Japanese Yen	JPHQ	Sell	335,950,000	2,756,377	11/14/16	—	(513,704)
Japanese Yen	SCNY	Sell	366,681,000	3,382,728	11/14/16	—	(186,483)
South Korean Won	CITI	Sell	11,823,000,000	10,113,340	11/14/16	—	(131,677)
Australian Dollar	JPHQ	Sell	100,287,000	73,349,912	11/16/16	—	(1,080,926)
Japanese Yen	CITI	Sell	366,680,000	3,022,295	11/16/16	—	(547,208)
Japanese Yen	MSCO	Sell	300,000,000	2,471,475	11/16/16	—	(448,922)
Japanese Yen	SCNY	Sell	340,600,700	3,146,084	11/16/16	—	(169,547)
South Korean Won	CITI	Sell	13,902,000,000	11,881,036	11/16/16	—	(165,456)
Euro	DBAB	Sell	2,768,730	3,008,834	11/17/16	—	(81,026)
South Korean Won	HSBC	Sell	48,866,000,000	41,653,667	11/17/16	—	(690,078)
Euro	DBAB	Sell	2,240,000	2,430,960	11/18/16	—	(68,946)
Japanese Yen	DBAB	Sell	796,770,000	6,561,180	11/18/16	—	(1,195,758)
South Korean Won	HSBC	Sell	26,952,000,000	22,962,300	11/18/16	—	(392,311)
Australian Dollar	CITI	Sell	13,307,000	9,632,937	11/21/16	—	(241,515)
Japanese Yen	CITI	Sell	2,094,073,000	18,183,218	11/21/16	—	(2,206,170)
Malaysian Ringgit	HSBC	Buy	4,326,000	1,067,489	11/21/16	1,916	—
South Korean Won	DBAB	Sell	13,920,000,000	11,832,609	11/23/16	—	(229,318)
Japanese Yen	HSBC	Sell	207,909,000	1,911,631	11/25/16	—	(113,062)
South Korean Won	HSBC	Sell	35,277,000,000	29,594,799	11/25/16	—	(973,230)
Euro	DBAB	Sell	837,570	904,626	11/28/16	—	(30,502)
Japanese Yen	BOFA	Sell	1,085,075,000	9,933,219	11/28/16	—	(634,972)
Japanese Yen	SCNY	Sell	937,086,000	8,597,316	11/28/16	—	(529,521)
Malaysian Ringgit	HSBC	Buy	3,317,000	809,716	11/30/16	10,009	—
Euro	GSCO	Sell	463,000	496,405	12/02/16	—	(20,607)
South Korean Won	HSBC	Sell	42,561,000,000	35,916,456	12/02/16	—	(962,767)
Japanese Yen	HSBC	Sell	2,052,400,000	19,199,252	12/09/16	—	(799,593)
Australian Dollar	JPHQ	Sell	29,260,000	20,823,728	12/12/16	—	(872,818)
Japanese Yen	CITI	Sell	2,595,800,000	24,453,268	12/12/16	—	(843,744)
Australian Dollar	JPHQ	Sell	43,169,000	31,855,053	12/13/16	—	(154,028)
Japanese Yen	DBAB	Sell	595,700,000	5,630,541	12/13/16	—	(175,017)
Japanese Yen	HSBC	Sell	1,798,900,000	16,986,780	12/13/16	—	(544,894)
Japanese Yen	JPHQ	Sell	1,666,680,000	15,731,782	12/13/16	—	(511,306)
Australian Dollar	CITI	Sell	29,097,000	21,477,078	12/14/16	—	(97,105)
Australian Dollar	JPHQ	Sell	14,544,000	10,411,759	12/14/16	—	(371,996)
Euro	MSCO	Sell	1,412,000	1,567,461	12/14/16	—	(10,019)
Malaysian Ringgit	JPHQ	Buy	13,361,013	3,270,350	12/14/16	29,963	—
Euro	JPHQ	Sell	5,095,000	5,670,378	12/15/16	—	(21,964)
South Korean Won	CITI	Sell	8,844,000,000	7,525,528	12/15/16	—	(137,631)
Japanese Yen	HSBC	Sell	1,455,540,000	13,828,045	12/16/16	—	(359,121)
South Korean Won	DBAB	Sell	13,919,000,000	11,838,099	12/20/16	—	(222,335)
Malaysian Ringgit	JPHQ	Buy	5,661,200	1,373,578	1/05/17	23,649	—
Japanese Yen	GSCO	Sell	329,010,000	2,808,307	1/10/17	—	(401,832)
Japanese Yen	JPHQ	Sell	1,415,975,000	12,041,525	1/10/17	—	(1,774,092)
Euro	BZWS	Sell	6,181,000	6,804,230	1/11/17	—	(108,846)
Euro	CITI	Sell	5,040,000	5,555,718	1/13/17	—	(81,662)
Euro	SCNY	Sell	15,572,000	17,132,314	1/13/17	—	(285,400)
Japanese Yen	CITI	Sell	138,680,000	1,190,938	1/17/17	—	(162,533)
Japanese Yen	SCNY	Sell	415,980,000	3,561,503	1/17/17	—	(498,326)
Euro	JPHQ	Sell	27,973,000	30,980,237	1/19/17	—	(315,729)
Japanese Yen	JPHQ	Sell	652,895,000	5,639,417	1/19/17	—	(733,131)
Euro	DBAB	Sell	6,791,000	7,496,824	1/23/17	—	(102,088)
Euro	JPHQ	Sell	300,000	331,089	1/23/17	—	(4,601)
Japanese Yen	DBAB	Sell	858,140,000	7,434,611	1/23/17	—	(942,549)

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Euro	GSCO	Sell	4,711,000	5,169,804	1/27/17	$ —	$ (102,485)
Japanese Yen	GSCO	Sell	944,420,000	8,062,147	1/27/17	—	(1,158,742)
Japanese Yen	JPHQ	Sell	490,100,000	4,183,918	1/27/17	—	(601,196)
Japanese Yen	DBAB	Sell	8,368,505,770	71,452,406	1/30/17	—	(10,263,615)
Japanese Yen	HSBC	Sell	1,162,462,488	9,927,092	1/31/17	—	(1,424,466)
Euro	BZWS	Sell	7,003,000	7,935,274	2/08/17	94,202	—
Japanese Yen	JPHQ	Sell	1,719,500,000	14,857,666	2/08/17	—	(1,938,750)
Japanese Yen	SCNY	Sell	1,720,000,000	14,894,096	2/08/17	—	(1,907,204)
Euro	CITI	Sell	6,572,000	7,450,118	2/09/17	91,335	—
Euro	GSCO	Sell	2,045,000	2,308,396	2/09/17	18,574	—
Japanese Yen	BZWS	Sell	1,720,220,000	14,916,280	2/09/17	—	(1,887,836)
Japanese Yen	CITI	Sell	366,860,000	3,181,787	2/09/17	—	(401,917)
Japanese Yen	JPHQ	Sell	1,723,960,000	14,912,633	2/09/17	—	(1,928,018)
Euro	DBAB	Sell	1,738,000	1,957,544	2/10/17	11,399	—
Euro	HSBC	Sell	1,800,000	2,025,432	2/10/17	9,861	—
Euro	BZWS	Sell	6,341,000	7,266,152	2/13/17	164,905	—
Euro	GSCO	Sell	2,038,000	2,324,074	2/16/17	41,461	—
Euro	SCNY	Sell	657,000	748,606	2/16/17	12,748	—
Japanese Yen	CITI	Sell	2,056,230,000	18,507,416	2/16/17	—	(1,584,627)
Japanese Yen	GSCO	Sell	1,205,250,280	10,779,075	2/16/17	—	(997,788)
Japanese Yen	HSBC	Sell	1,035,240,000	9,188,657	2/16/17	—	(926,985)
Japanese Yen	JPHQ	Sell	1,034,700,000	9,137,311	2/16/17	—	(973,054)
Malaysian Ringgit	HSBC	Buy	4,899,000	1,146,904	2/21/17	59,811	—
Euro	BZWS	Sell	9,798,000	11,006,583	2/22/17	29,971	—
Japanese Yen	BZWS	Sell	343,460,000	3,106,268	2/27/17	—	(251,250)
Japanese Yen	HSBC	Sell	1,131,678,000	10,219,095	2/27/17	—	(843,705)
Euro	BOFA	Sell	2,694,506	3,004,590	2/28/17	—	(14,755)
Euro	DBAB	Sell	1,530,900	1,708,714	2/28/17	—	(6,745)
Euro	DBAB	Sell	2,579,651	2,881,651	3/01/17	—	(9,107)
Japanese Yen	DBAB	Sell	229,660,000	2,063,933	3/01/17	—	(181,303)
Japanese Yen	JPHQ	Sell	848,300,000	7,609,846	3/03/17	—	(684,090)
Japanese Yen	HSBC	Sell	400,800,000	3,569,012	3/06/17	—	(350,128)
Euro	DBAB	Sell	1,536,000	1,702,687	3/07/17	—	(18,963)
Malaysian Ringgit	JPHQ	Buy	14,772,000	3,578,142	3/20/17	56,341	—
Malaysian Ringgit	HSBC	Buy	36,880,000	8,974,328	3/22/17	98,813	—
Japanese Yen	JPHQ	Sell	285,510,329	2,593,756	3/24/17	—	(200,045)
Philippine Peso	JPHQ	Buy	17,950,000	377,061	3/29/17	—	(231)
Japanese Yen	JPHQ	Sell	172,207,000	1,537,617	3/31/17	—	(147,982)
Malaysian Ringgit	HSBC	Buy	7,790,000	1,927,979	3/31/17	—	(12,219)
Malaysian Ringgit	JPHQ	Buy	3,956,000	1,010,447	4/11/17	—	(38,007)
Japanese Yen	CITI	Sell	261,800,000	2,460,526	4/13/17	—	(103,523)
Japanese Yen	BOFA	Sell	700,840,000	6,516,817	4/18/17	—	(348,699)
Japanese Yen	JPHQ	Sell	1,233,160,000	11,517,702	4/20/17	—	(563,571)
Japanese Yen	JPHQ	Sell	917,650,000	8,509,247	4/21/17	—	(481,376)
South Korean Won	HSBC	Sell	46,898,000,000	41,144,010	4/25/17	510,334	—
South Korean Won	HSBC	Sell	13,067,000,000	11,402,766	4/26/17	81,179	—
Indonesian Rupiah	JPHQ	Buy	1,721,000,000,000	122,316,987	5/03/17	1,237,891	—
Japanese Yen	BOFA	Sell	1,105,661,700	10,312,085	5/18/17	—	(533,720)
Japanese Yen	CITI	Sell	1,104,534,000	10,296,525	5/18/17	—	(538,217)
Japanese Yen	BOFA	Sell	1,102,846,375	10,244,741	5/19/17	—	(573,933)
Japanese Yen	HSBC	Sell	1,106,730,400	10,280,821	5/19/17	—	(575,955)
Japanese Yen	BOFA	Sell	1,105,842,500	10,234,033	5/22/17	—	(615,496)
Japanese Yen	JPHQ	Sell	715,709,000	6,644,716	5/22/17	—	(377,175)
Malaysian Ringgit	HSBC	Buy	298,500	72,224	5/23/17	1,025	—
Japanese Yen	CITI	Sell	1,370,500,000	12,982,646	6/08/17	—	(473,748)
Japanese Yen	CITI	Sell	310,702,000	2,980,098	6/16/17	—	(71,660)

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Japanese Yen	JPHQ	Sell	702,800,000	6,738,029	6/16/17	$ —	$ (164,969)
Japanese Yen	DBAB	Sell	1,453,310,000	13,915,662	6/19/17	—	(360,875)
Japanese Yen	CITI	Sell	1,086,780,000	10,588,528	6/20/17	—	(87,896)
Philippine Peso	JPHQ	Buy	251,010,000	5,332,696	6/21/17	—	(82,395)
Japanese Yen	DBAB	Sell	1,455,820,000	14,145,161	6/22/17	—	(157,963)
Total Forward Exchange Contracts						$26,393,217	$(121,021,815)
Net unrealized appreciation (depreciation)							$ (94,628,598)

[a]May be comprised of multiple contracts with the same counterparty, currency and settlement date.

*In U.S. dollars unless otherwise indicated.

See Abbreviations on page TGB-37.

Templeton Global Bond VIP Fund (continued)

At June 30, 2016, the Fund had the following interest rate swap contracts outstanding. See Note 1(d).

Interest Rate Swap Contracts

Description	Counterparty / Exchange	Notional Amount	Expiration Date	Unrealized Appreciation	Unrealized Depreciation
Centrally Cleared Swap Contracts					
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 0.926%	LCH	$183,490,000	10/17/17	$ —	$ (660,008)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 2.775%	CME	13,090,000	10/04/23	—	(1,542,641)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 2.795%	CME	13,090,000	10/04/23	—	(1,561,802)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 2.765%	CME	13,090,000	10/07/23	—	(1,532,664)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 2.731%	LCH	34,000,000	7/07/24	—	(4,349,405)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.914%	LCH	114,670,000	1/22/25	—	(6,871,359)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.970%	LCH	143,340,000	1/23/25	—	(9,263,673)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.973%	LCH	84,590,000	1/27/25	—	(5,486,360)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.937%	LCH	21,150,000	1/29/25	—	(1,304,134)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.942%	LCH	17,910,000	1/30/25	—	(1,108,943)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.817%	LCH	28,210,000	2/03/25	—	(1,438,799)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 3.668%	CME	6,370,000	10/04/43	—	(2,731,909)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 3.687%	CME	6,370,000	10/04/43	—	(2,759,338)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 3.675%	CME	6,370,000	10/07/43	—	(2,740,936)
Total Centrally Cleared Swap Contracts				—	(43,351,971)
OTC Swap Contracts					
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 3.558%	JPHQ	3,240,000	3/04/21	—	(423,880)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 3.523%	DBAB	14,630,000	3/28/21	—	(1,885,719)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 4.347%	CITI	7,460,000	2/25/41	—	(4,120,780)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 4.349%	JPHQ	7,460,000	2/25/41	—	(4,125,040)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 4.320%	JPHQ	5,600,000	2/28/41	—	(3,069,988)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 4.299%	JPHQ	1,870,000	3/01/41	—	(1,013,233)
Total OTC Swap Contracts				—	(14,638,640)
Total Interest Rate Swap Contracts				—	(57,990,611)
Net unrealized appreciation (depreciation)					$(57,990,611)

See Abbreviations on page TGB-37.

Financial Statements

Statement of Assets and Liabilities
June 30, 2016 (unaudited)

	Templeton Global Bond VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$2,557,647,922
Cost - Non-controlled affiliates (Note 3e)	409,277,955
Cost - Repurchase agreements	256,694,916
Total cost of investments	$3,223,620,793
Value - Unaffiliated issuers	$2,456,567,869
Value - Non-controlled affiliates (Note 3e)	409,277,955
Value - Repurchase agreements	256,694,916
Total value of investments	3,122,540,740
Cash	29,974,182
Restricted cash (Note 1e)	1,600,000
Foreign currency, at value (cost $4,964,407)	4,990,093
Receivables:	
Investment securities sold	6,752,572
Capital shares sold	3,131,452
Interest	33,722,605
Due from brokers	135,469,596
Variation margin	841,495
Unrealized appreciation on OTC forward exchange contracts	26,393,217
Other assets	1,549
Total assets	3,365,417,501
Liabilities:	
Payables:	
Capital shares redeemed	1,655,124
Management fees	1,084,565
Distribution fees	1,233,441
Due to Brokers	1,600,000
Unrealized depreciation on OTC forward exchange contracts	121,021,815
Unrealized depreciation on OTC swap contracts	14,638,640
Deferred tax	2,704,577
Accrued expenses and other liabilities	1,247,241
Total liabilities	145,185,403
Net assets, at value	$3,220,232,098
Net assets consist of:	
Paid-in capital	$3,609,495,955
Undistributed net investment income	16,213,348
Net unrealized appreciation (depreciation)	(254,899,959)
Accumulated net realized gain (loss)	(150,577,246)
Net assets, at value	$3,220,232,098

Statement of Assets and Liabilities (continued)
June 30, 2016 (unaudited)

	Templeton Global Bond VIP Fund
Class 1:	
Net assets, at value	$ 278,296,990
Shares outstanding	17,342,308
Net asset value and maximum offering price per share	$ 16.05
Class 2:	
Net assets, at value	$2,845,199,990
Shares outstanding	183,652,651
Net asset value and maximum offering price per share	$ 15.49
Class 4:	
Net assets, at value	$ 96,735,118
Shares outstanding	6,099,715
Net asset value and maximum offering price per share	$ 15.86

Statement of Operations
for the six months ended June 30, 2016 (unaudited)

	Templeton Global Bond VIP Fund
Investment income:	
Interest (net of foreign taxes $2,033,094)	$ 62,874,141
Inflation principal adjustments	4,162,464
Total investment income	67,036,605
Expenses:	
Management fees (Note 3a)	7,336,218
Distribution fees: (Note 3c)	
Class 2	3,537,960
Class 4	171,420
Custodian fees (Note 4)	636,673
Reports to shareholders	213,242
Professional fees	70,147
Trustees' fees and expenses	7,898
Other	82,559
Total expenses	12,056,117
Expense reductions (Note 4)	(16,136)
Expenses waived/paid by affiliates (Note 3e)	(629,909)
Net expenses	11,410,072
Net investment income	55,626,533
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	(80,174,616)
Foreign currency transactions	(65,130,361)
Swap contracts	(5,253,316)
Net realized gain (loss)	(150,558,293)
Net change in unrealized appreciation (depreciation) on:	
Investments	190,576,925
Translation of other assets and liabilities denominated in foreign currencies	(114,540,381)
Swap contracts	(42,663,972)
Change in deferred taxes on unrealized appreciation	(1,318,225)
Net change in unrealized appreciation (depreciation)	32,054,347
Net realized and unrealized gain (loss)	(118,503,946)
Net increase (decrease) in net assets resulting from operations	$ (62,877,413)

Statements of Changes in Net Assets

	Templeton Global Bond VIP Fund	
	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 55,626,533	$ 97,606,372
Net realized gain (loss)	(150,558,293)	69,448,149
Net change in unrealized appreciation (depreciation)	32,054,347	(322,119,799)
Net increase (decrease) in net assets resulting from operations	(62,877,413)	(155,065,278)
Distributions to shareholders from:		
Net investment income and net foreign currency gains:		
Class 1	—	(24,254,176)
Class 2	—	(245,964,961)
Class 4	—	(8,346,133)
Net realized gains:		
Class 1	(230,623)	(1,526,914)
Class 2	(2,445,769)	(15,975,209)
Class 4	(81,295)	(550,981)
Total distributions to shareholders	(2,757,687)	(296,618,374)
Capital share transactions: (Note 2)		
Class 1	(9,159,882)	8,052,024
Class 2	(68,229,811)	193,114,598
Class 4	(4,257,897)	5,703,235
Total capital share transactions	(81,647,590)	206,869,857
Net increase (decrease) in net assets	(147,282,690)	(244,813,795)
Net assets:		
Beginning of period	3,367,514,788	3,612,328,583
End of period	$3,220,232,098	$3,367,514,788
Undistributed net investment income (distributions in excess of net investment income) included in net assets:		
End of period	$ 16,213,348	$ (39,413,185)

Notes to Financial Statements (unaudited)

Templeton Global Bond VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of nineteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Templeton Global Bond 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.

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 as of 4 p.m. Eastern time each day the New York Stock Exchange (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 Committee (VC). The VC 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.

Debt securities generally trade in the over-the-counter (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 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

Investments in open-end mutual funds are valued at the closing NAV. Repurchase agreements are valued at cost, which approximates fair value.

Derivative financial instruments (derivatives) listed on an exchange are valued at the official closing price of the day. Certain 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 VC 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 VC 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 VC 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.

Templeton Global Bond VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

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 in 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, 2016.

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 in 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

Templeton Global Bond VIP Fund (continued)

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 or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. 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 for OTC derivatives, 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. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

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 interest rate swap contracts primarily to manage interest rate risk. An interest rate swap is an agreement between the Fund and a counterparty to exchange cash flows based on the difference between two interest rates, applied to a notional amount. These agreements may be privately negotiated in the over-the-counter market (OTC interest rate swaps) or may be executed on a registered exchange (centrally cleared interest rate swaps). For centrally cleared interest rate 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 in the Statement of Assets and Liabilities. Over the term of the contract, contractually required payments to be paid and to be received are accrued daily and recorded as unrealized depreciation and appreciation until the payments are made, at which time they are realized.

The Fund invests in value recovery instruments (VRI) primarily to gain exposure to growth risk. Periodic payments from VRI are dependent on established benchmarks for underlying variables. VRI has a notional amount, which is used to calculate amounts of payments to holders. Payments are recorded upon receipt as realized gains in the Statement of Operations. The risks of investing in VRI include growth risk, liquidity, and the potential loss of investment.

See Note 9 regarding other derivative information.

e. Restricted Cash

At June 30, 2016, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's counterparty broker 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.

Templeton Global Bond VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

g. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2016, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on each tax jurisdiction's statute of limitation.

h. 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. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as inflation principal adjustments in the Statement of Operations.

i. 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.

j. 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.

Templeton Global Bond VIP Fund (continued)

2. Shares of Beneficial Interest

At June 30, 2016, 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, 2016		Year Ended December 31, 2015	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	1,095,974	$ 17,496,721	3,348,667	$ 58,944,948
Shares issued in reinvestment of distributions	14,671	230,623	1,514,753	25,781,090
Shares redeemed	(1,684,007)	(26,887,226)	(4,380,221)	(76,674,014)
Net increase (decrease)	(573,362)	$ (9,159,882)	483,199	$ 8,052,024
Class 2 Shares:				
Shares sold	6,966,062	$ 107,599,786	15,666,500	$ 268,873,539
Shares issued in reinvestment of distributions	161,118	2,445,769	15,904,078	261,940,170
Shares redeemed	(11,574,219)	(178,275,366)	(20,123,134)	(337,699,111)
Net increase (decrease)	(4,447,039)	$ (68,229,811)	11,447,444	$ 193,114,598
Class 4 Shares:				
Shares sold	376,857	$ 5,953,469	1,068,838	$ 18,598,516
Shares issued in reinvestment of distributions	5,231	81,295	527,080	8,897,114
Shares redeemed	(651,097)	(10,292,661)	(1,276,578)	(21,792,395)
Net increase (decrease)	(269,009)	$ (4,257,897)	319,340	$ 5,703,235

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

For the period ended June 30, 2016, the effective management fee rate was 0.458% of the Fund's average daily net assets.

Templeton Global Bond VIP Fund (continued)

3. Transactions with Affiliates (continued)

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has adopted 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. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate.

	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 Gain (Loss)	% of Affiliated Fund Shares Outstanding Held at End of Period
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio	420,632,565	339,715,815	(351,070,425)	409,277,955	$409,277,955	$ —	$ —	2.1%

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, 2016, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

At June 30, 2016, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$3,242,512,437
Unrealized appreciation	$ 74,103,507
Unrealized depreciation	(194,075,204)
Net unrealized appreciation (depreciation)	$ (119,971,697)

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 inflation related adjustments on foreign securities.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2016, aggregated $819,373,666 and $596,492,510, respectively.

Templeton Global Bond VIP Fund (continued)

7. Credit Risk

At June 30, 2016, the Fund had 19.1% of its portfolio invested in high yield or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. 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.

9. Other Derivative Information

At June 30, 2016, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	**Statement of Assets and Liabilities Location**	**Fair Value**	**Statement of Assets and Liabilities Location**	**Fair Value**
Interest rate contracts	Variation margin	$ —[a]	Variation margin	$ 43,351,971[a]
	Unrealized appreciation on OTC swap contracts	—	Unrealized depreciation on OTC swap contracts	14,638,640
Foreign exchange contracts	Unrealized appreciation on OTC forward exchange contracts	26,393,217	Unrealized depreciation on OTC forward exchange contracts	121,021,815
Value Recovery Instruments	Investments in securities, at value	9,855,268		
Totals		$36,248,485		$179,012,426

[a]This amount reflects the cumulative appreciation (depreciation) of centrally cleared swaps contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at period end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the period ended June 30, 2016, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	**Statement of Operations Locations**	**Net Realized Gain (Loss) for the Period**	**Statement of Operations Locations**	**Net Change in Unrealized Appreciation (Depreciation) for the Period**
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Interest rate contracts	Swap contracts	$ (5,253,316)	Swap contracts	$ (42,663,972)
Foreign exchange contracts	Foreign currency transactions	(59,110,552)[a]	Translation of other assets and liabilities denominated in foreign currencies	(116,352,198)[a]
Value Recovery Instruments	Investments	—	Investments	(2,248,351)
Totals		$(64,363,868)		$(161,264,521)

[a]Forward exchange contracts are included in net realized gain (loss) from foreign currency transactions and net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies in the Statement of Operations.

Templeton Global Bond VIP Fund (continued)

9. Other Derivative Information (continued)

At June 30, 2016, 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	$26,393,217	$121,021,815
Swap Contracts	—	14,638,640
Total	$26,393,217	$135,660,455

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

At June 30, 2016, the Fund's OTC derivative assets, which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, are as follows:

		Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross and Net Amounts of Assets Presented in the Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Received	Cash Collateral Received	Net Amount (Not less than zero)
Counterparty					
BOFA	$ 2,753,423	$ (2,741,763)	$ —	$ 630,000	$ 641,660
BZWS	1,099,515	(1,099,515)	—	—	—
CITI	1,534,647	(1,534,647)	—	—	—
DBAB	4,186,118	(4,186,118)	—	—	—
GSCO	2,715,610	(2,715,610)	—	590,000	590,000
HSBC	7,418,291	(7,418,291)	—	—	—
JPHQ	3,684,761	(3,684,761)	—	—	—
MSCO	1,821,133	(1,194,740)	—	380,000	1,006,393
SCNY	1,080,624	(1,080,624)	—	—	—
UBSW	99,095	—	—	—	99,095
Total	$26,393,217	$(25,656,069)	$ —	$1,600,000	$2,337,148

Templeton Global Bond VIP Fund (continued)

At June 30, 2016, the Fund's OTC derivative liabilities, which may be offset against the Fund's OTC derivative assets and collateral pledged to the counterparty, are as follows:

		Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross and Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged[a]	Net Amount (Not less than zero)
Counterparty					
BOFA	$ 2,741,763	$ (2,741,763)	$ —	$ —	$ —
BZWS	14,983,119	(1,099,515)	—	(13,840,000)	43,604
CITI	19,441,972	(1,534,647)	—	(17,907,325)	—
DBAB	25,578,613	(4,186,118)	—	(21,392,495)	—
GSCO	4,536,693	(2,715,610)	—	—	1,821,083
HSBC	23,228,359	(7,418,291)	—	(13,830,000)	1,980,068
JPHQ	39,594,579	(3,684,761)	—	(35,909,818)	—
MSCO	1,194,740	(1,194,740)	—	—	—
SCNY	4,360,617	(1,080,624)	—	(3,279,993)	—
UBSW	—	—	—	—	—
Total	$135,660,455	$(25,656,069)	$ —	$(106,159,631)	$3,844,755

[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 overcollateralization. Actual collateral received and/or pledged may be more than the amounts disclosed herein.

For the period ended June, 30 2016, the average month end fair value of derivatives represented 5.6% of average month end net assets. The average month end number of open derivative contracts for the period was 402.

See Note 1(d) regarding derivative financial instruments.

See Abbreviations on page TGB-37

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 $2 billion (Global Credit Facility) which matures on February 10, 2017. 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. Effective February 12, 2016, the annual commitment fee is 0.15%. These fees are reflected in other expenses in the Statement of Operations. During the period ended June 30, 2016, the Fund did not use the Global Credit Facility.

Templeton Global Bond VIP Fund (continued)

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, 2016, 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:				
Foreign Government and Agency Securities[a]	$ —	$2,355,886,298	$ —	$2,355,886,298
Quasi-Sovereign and Corporate Bonds[a]	—	2,631,087	—	2,631,087
Short Term Investments	409,277,955	354,745,400	—	764,023,355
Total Investments in Securities	$409,277,955	$2,713,262,785	$ —	$3,122,540,740
Other Financial Instruments				
Forward Exchange Contracts	$ —	$ 26,393,217	$ —	$ 26,393,217
Liabilities:				
Other Financial Instruments				
Forward Exchange Contracts	$ —	$ 121,021,815	$ —	$ 121,021,815
Swap Contracts	—	57,990,611	—	57,990,611
Total Other Financial Instruments	$ —	$ 179,012,426	$ —	$ 179,012,426

[a]For detailed categories, see the accompanying Statement of Investments.

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.

Templeton Global Bond VIP Fund (continued)

Abbreviations

Counterparty/Exchange		Currency		Selected Portfolio	
BOFA	Bank of America Corp.	**BRL**	Brazilian Real	**BBA**	British Bankers Association
BZWS	Barclays Bank PLC	**COP**	Colombian Peso	**FRN**	Floating Rate Note
CITI	Citigroup, Inc.	**EUR**	Euro	**GDP**	Gross Domestic Product
CME	Chicago Mercantile Exchange	**IDR**	Indonesian Rupiah	**LIBOR**	London InterBank Offered Rate
DBAB	Deutsche Bank AG	**INR**	Indian Rupee	**VRI**	Value Recovery Instrument
GSCO	Goldman Sachs Group, Inc.	**JPY**	Japanese Yen		
HSBC	HSBC Bank USA N.A.	**KRW**	South Korean Won		
JPHQ	JP Morgan Chase & Co.	**LKR**	Sri Lankan Rupee		
LCH	London Clearing House	**MXN**	Mexican Peso		
MSCO	Morgan Stanley	**MYR**	Malaysian Ringgit		
SCNY	Standard Chartered Bank	**PEN**	Peruvian Nuevo Sol		
UBSW	UBS AG	**PHP**	Philippine Peso		
		PLN	Polish Zloty		

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges.

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See www.franklintempletondatasources.com for additional data provider information.

Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Barclays U.S. Government Index: Intermediate Component is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Bloomberg Commodity Index comprises exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

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.

FTSE® EPRA®/NAREIT® Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets.

J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/16, there were 313 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 6/30/16, there were 72 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 6/30/16, there were 55 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 6/30/16, there were 109 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 All Country World Index (ACWI) ex USA Index captures large- and mid-capitalization representation across 22 of 23 developed markets countries (excluding the U.S.) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

MSCI Emerging Markets (EM) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

MSCI Europe, Australasia, Far East (EAFE) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets excluding the U.S. and Canada.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

Russell 1000® Growth Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 2500™ Index is market capitalization weighted and measures performance of the smallest companies in the Russell 3000® Index, which represent a modest amount of the Russell 3000® Index's total market capitalization.

Russell 2500™ Value Index is market capitalization weighted and measures performance of those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 3000® Growth Index is market capitalization weighted and measures performance of those Russell 3000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Growth Index is market capitalization weighted and measures performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represent a modest amount of the Russell 1000® Index's total market capitalization.

Standard & Poor's® 500 Index (S&P 500®) is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

Standard & Poor's®/International Finance Corporation Investable (S&P/IFCI) Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

Shareholder Information

Board Review of Investment Management Agreement

At a meeting held April 12, 2016, the Board of Trustees (Board), including a majority of trustees that are not "interested persons" as such term is defined in section 2(a)(19) of the Investment Company Act of 1940 (hereinafter referred to as "non-interested Trustees" or "independent Trustees"), approved renewal of the investment management agreement and investment sub-advisory agreement, as applicable, 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, risk control, pricing, brokerage commissions and execution, and other services provided by each Investment Manager and investment sub-adviser (Manager(s)) and their affiliates, as well as marketing support payments made to financial intermediaries. Information furnished specifically in connection with the renewal process included reports for each Fund prepared by Broadridge Financial Solutions, Inc. (Broadridge), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Broadridge reports, which utilize data from Lipper, Inc. (Lipper), compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments (FTI) 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 Managers and their 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 FTI organization, as well as a memorandum relating to economies of scale and an analysis concerning transfer agent fees charged by an affiliate of the Managers. The Board also received a report on all marketing support payments made by FTI to financial intermediaries during the past year, as well as a memorandum relating to third-party servicing arrangements in response to a Guidance Update from the U.S. Securities and Exchange Commission (SEC) relating to mutual fund distribution and sub-accounting fees.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. While the investment management agreements and investment sub-advisory agreements, as applicable, 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 and investment sub-advisory agreement, as applicable, 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 each investment management agreement and investment sub-advisory agreement, as applicable, was in the best interests of such 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 Managers and their affiliates to the Funds and their shareholders, except as noted later with respect to investment performance and expenses. The Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies and restrictions for each Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. Favorable consideration was given to management's continual efforts and expenditures in establishing effective business continuity plans and developing strategies to address cybersecurity threats. Additionally, the Board noted the Managers' continued attention to pricing and valuation issues, particularly with respect to complex securities. Among other factors taken into account by the Board was the Managers' best execution trading policies, including a favorable report by an independent portfolio trading analytical firm that 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 pre-designated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and steps taken by FTI to enhance analytical support to the investment management groups and provide additional oversight of liquidity risk and complex securities. 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 FTI 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 Managers' parent company and its commitment to the mutual fund business as evidenced by its continued introduction of new funds and reassessment of the fund offerings in response to the market environment.

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 Broadridge reports furnished for the agreement renewals of all Funds. The Broadridge 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, 2016, 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. In certain cases, income return was indicated as well. The following summarizes the performance results for each of the Funds and the Board's view of such performance.

Franklin Founding Funds Allocation VIP 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 operation less than 10 years. The Broadridge report showed its income return to be in the highest quintile of such Lipper universe for the one-year period, and on an annualized basis to also be in the highest quintile of such universe for each of the previous three- and five-year periods. The Broadridge report showed the Fund's total return for the one-year period to be in the lowest performing quintile of such performance universe, and on an annualized basis to also be in the lowest performing quintile of such universe for 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, which are not perfectly aligned to the investment style of comparative funds. The Board found the Fund's performance as shown in the Broadridge report to be acceptable in light of the unique investment strategy of the Fund.

Franklin Global Real Estate VIP 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 Broadridge report showed the Fund's total return to be in the highest performing quintile of such universe for the one-year period, and on an annualized basis to also be in the highest performing quintile of such universe for the previous three- and five-year periods, but in the lowest performing quintile of such universe for the previous 10-year period. Noting the marked improvement in performance in recent years, the Board was satisfied with the Fund's comparative performance as shown in the Broadridge report.

Franklin Growth and Income VIP 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 Broadridge report showed the Fund's income return during the one-year period to be in the highest quintile of its Lipper 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 Broadridge 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-, five-, and 10-year periods. The Board found the Fund's comparative performance as shown in the Broadridge report to be satisfactory.

Franklin High Income VIP 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 Broadridge report showed the Fund's income return for the one-year period to be in the second-highest quintile of such performance universe, and on an annualized basis to be in the highest and second-highest quintile of such universe for the previous three- and five-year periods, respectively, and to be in the middle quintile of such universe for the previous 10-year period. The Broadridge report showed the Fund's total return to be in the lowest performing quintile of its performance universe for the one-year period, and on an annualized basis to be in the lowest performing quintile of such universe for the previous three-year period, and in the second-lowest performing quintile of such universe for the previous five- and 10-year periods. The Board found the Fund's comparative performance as shown in the Broadridge report to be acceptable given the Fund's income objective.

Franklin Income VIP 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 Broadridge report showed the Fund's income return to be in the highest quintile of such performance universe for the one-year period and to also be in the highest quintile of such universe for each of the previous three-, five- and 10-year periods on an annualized basis. The Broadridge report showed the Fund's total return to be in the lowest performing quintile of its performance universe for the one-year period, and on an annualized basis to be in the lowest performing quintile of such universe for the previous three- and five-year periods, and the middle performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as shown in the Broadridge report to be acceptable, noting the Fund's income objective.

Franklin Large Cap Growth VIP Fund – The performance universe for this Fund consisted of the Fund and all multi-cap growth funds underlying variable insurance products as selected by Lipper. The Broadridge 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 performing quintile of such universe for the previous three-, five- and 10-year periods. The Board found the Fund's comparative performance as shown in the Broadridge report to be acceptable.

Franklin Mutual Global Discovery VIP Fund – The performance universe for this Fund consisted of the Fund and all global multi-cap value funds underlying variable insurance products as selected by Lipper. The Broadridge report showed the Fund's total return to be in the highest performing quintile of such universe for the one-year period, and on an annualized basis to also be in the highest performing quintile of such universe for the previous three-, five- and 10-year periods. The Board found the Fund's overall comparative performance as set forth in the Broadridge report to be satisfactory.

Franklin Mutual Shares VIP 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 Broadridge report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of the performance universe, and on an annualized basis to be in the lowest performing quintile of such universe for the previous three- and five-year periods, and to be in the second-lowest performing quintile for the previous 10-year period. The Board found the Fund's overall performance as set forth in the Broadridge report to be unacceptable, but acknowledged management's explanation that the Fund is managed conservatively and the Fund's cash holdings detract from relative performance in sharply rising markets. The Board indicated it would continue to monitor the Fund.

Franklin Rising Dividends VIP 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 Broadridge report showed the Fund's comparative total return to be in the highest performing quintile of the performance universe for the one-year period, and on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, the second-highest performing quintile of such universe for the previous five-year period, and the highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as set forth in the Broadridge report to be satisfactory.

Franklin Small Cap Value VIP 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 Broadridge report showed the Fund's total return for the one-year period to be in the highest performing quintile of such performance universe, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three-year period, and in the second-highest 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 Broadridge report to be satisfactory, noting the Fund's improved performance over the past year.

Franklin Small-Mid Cap Growth VIP 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 Broadridge report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of such universe, and on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, and the second-lowest performing quintile of such universe for each of the previous five- and 10-year periods. The Board discussed with management its ongoing attention to the Fund. The Board found the Fund's performance to be acceptable and noted that the three-year annualized total return performance was eight basis points above the median.

Franklin Strategic Income VIP 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 Broadridge report showed the Fund's income return to be in the highest quintile of such Lipper universe for the one-year period, and on an annualized basis to also be in the highest quintile of such universe during each of the previous three-, five- and 10-year periods. The Broadridge report showed the Fund's total return to be in the lowest performing quintile of such universe during the one-year period, and on an annualized basis to be in the second-lowest performing quintile of such universe for the previous three- and five-year periods, and the second-highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's performance as shown in the Broadridge report to be acceptable, noting its income orientation.

Franklin U.S. Government Securities VIP 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 Broadridge report showed the Fund's income return for the one-year period to be in the highest quintile of such universe, and on an annualized basis to also be in the highest quintile of such universe for each of the previous three-, five- and 10-year periods. The Broadridge report showed the Fund's total return to be in the highest performing quintile of such universe for the one-year period, and on an annualized basis to be in the middle performing quintile of such universe for the previous three- and 10-year periods, and in the second-lowest performing quintile of such universe for the previous five-year period. The Board found the Fund's comparative performance as shown in the Broadridge report to be satisfactory, noting the Fund's income objective and the nature of the Fund's investments, which were primarily in U.S. mortgage backed securities.

Templeton Developing Markets VIP 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 Broadridge report showed the Fund's comparative total return for the one-year period to be in the lowest performing quintile of such performance universe, and on an annualized basis to also be in the lowest performing quintile of such universe for the previous three-year period and in the second-lowest performing quintile of such universe for each of the previous five- and 10-year periods. The Board found the performance of the Fund as set forth in the Broadridge report to be unacceptable and discussed with management measures it was implementing to address the performance, including a more rigorous selling discipline. The Board concluded that continued monitoring is warranted in light of the Fund's underperformance, but did not believe a portfolio management change was needed at this time given management's attention to the Fund.

Templeton Foreign VIP Fund – The performance universe for this Fund consisted of the Fund and all international large-cap value funds underlying variable insurance products as selected by Lipper. The Broadridge report showed the Fund's comparative total return for the one-year period to be in the lowest performing quintile of such performance universe and on an annualized basis to be in the lowest performing quintile of such universe for the previous three-year period, in the second-lowest performing quintile of such universe for the previous five-year period, and in the second-highest performing quintile of such universe for the previous 10-year period. The Board found the Fund's comparative investment performance as set forth in the Broadridge report to be acceptable, noting that performance was in the highest or second-highest quintile in seven of the previous eight years.

Templeton Global Bond VIP 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 Broadridge report showed the Fund's income return for the one-year period to be in the highest quintile of such Lipper universe, and on an annualized basis to also be in the highest quintile of such universe for the previous three-, five- and 10-year periods. The Broadridge report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of its 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 annualized periods. The Board was satisfied with the Fund's comparative performance as set forth in the Broadridge report.

Templeton Growth VIP Fund – The performance universe for this Fund consisted of the Fund and all global large-cap value funds underlying variable insurance products as selected by Lipper. The Broadridge report showed the Fund's 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 also be in the second-lowest performing quintile of such universe for each of the previous three- and five-year periods. (Although the Fund has been in operation for 10 years, Lipper comparative data is not available for this longer period.) The Board found the Fund's comparative performance as set forth in the Broadridge report to be acceptable, noting that the Fund's performance had been in the highest or second-highest quintile in three of the previous five one-year periods. They also observed that the Fund's annualized performance was within 1% of the median for the five- year period and at the median for the 10-year period.

COMPARATIVE EXPENSES. Consideration was given to information contained in the Broadridge 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 Small Cap Value VIP Fund, Franklin Growth and Income VIP Fund, Franklin High Income VIP Fund, Franklin Income VIP Fund and Templeton Global Bond VIP Fund. The Board was satisfied with the comparative contractual investment management fees and expenses of these Funds as shown in their Broadridge reports.

The contractual investment management fee rates and actual total expense ratios of each of Franklin Global Real Estate VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Mutual Global Discovery VIP Fund and Templeton Developing Markets VIP Fund were above the medians of their Lipper expense groups. In the case of contractual management fees, Franklin Mutual Global Discovery VIP Fund exceeds the median by 23.6 basis points, while the other Funds exceed the median by less than 16 basis points. The Board found the comparative contractual investment management fees and expenses of these Funds as shown in their Broadridge reports to be acceptable.

The contractual investment management fee rates of the following Funds were above the median of their Lipper expense groups, while the actual total expense ratios were at the median: Franklin Small-Mid Cap Growth VIP Fund and Templeton Growth VIP Fund. The Board found the comparative expenses of these Funds as shown in the Broadridge reports to be acceptable.

The contractual investment management fee rates of the following Funds were at or above the median of their Lipper expense groups, while the actual total expense ratios were at or below the median: Franklin Founding Funds Allocation VIP Fund and Franklin Mutual Shares VIP Fund. The Board found the comparative expenses of these Funds as shown in their Broadridge reports to be acceptable, noting that a fee waiver was in place for Franklin Founding Funds Allocation VIP Fund.

The contractual investment management fee rate and actual total expense ratio for Franklin Rising Dividends VIP Fund were both below the median of its Lipper expense group. The Board found the comparative expenses of Franklin Rising Dividends VIP Fund as shown in the Broadridge reports to be acceptable.

The contractual investment management fee rates and actual total expense ratios for the following Funds were in the first or second quintiles of their expense groups, meaning they were among the least expensive of their peers: Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund and Templeton Foreign VIP Fund. The Board was satisfied with the comparative expenses of these Funds as shown in their Broadridge reports.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Managers and their 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, 2015, being the most recent fiscal year-end for Franklin Resources, Inc., the Managers' 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 Managers and their 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 Managers' 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 Managers and their affiliates might derive ancillary benefits from Fund operations, including potential benefits resulting from personnel and systems enhancements necessitated by fund growth, increased leverage with the service providers and counterparties, 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 Managers and their 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 a 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 Founding Funds Allocation VIP 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 VIP Fund, their management fees contain breakpoints that extend beyond their existing asset sizes. To the extent economies of scale may be realized by the Managers and their affiliates, the Board believed the schedule of investment management fees provides a sharing of benefits for each Fund and its shareholders. The investment management structure of the Franklin Rising Dividends VIP Fund provides for a fee of 0.750% on the first $500 million of net assets; 0.625% on the next $500 million of net assets; and 0.500% on assets in excess of $1 billion. This Fund had assets of approximately $1.5 billion at December 31, 2015, 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.

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.

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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VIP S 08/16

Goldman Sachs Variable Insurance Trust

Goldman Sachs Core Fixed Income Fund
Goldman Sachs Equity Index Fund
Goldman Sachs Growth Opportunities Fund
Goldman Sachs High Quality Floating Rate Fund

Semi-Annual Report
June 30, 2016

Goldman Sachs Variable Insurance Trust Funds

Market Review

During the six months ended June 30, 2016 (the "Reporting Period"), the broad U.S. equities and fixed income markets recorded positive returns.

Equity Markets

As the Reporting Period began in January 2016, U.S. equities were embroiled in a global rout, triggered by investor concerns about an intensifying economic slowdown in China and exacerbated by an oil price plunge. Following a December 2015 interest rate hike, the January 2016 Federal Reserve ("Fed") statement acknowledged these external risks and tightening financial conditions. U.S. equities stabilized in February 2016, as market sentiment improved on the more dovish tone set by global central banks. (Dovish language tends to suggest lower interest rates.) U.S. equities were also supported by stronger economic data, rallying as fourth quarter U.S. Gross Domestic Product ("GDP") came in above consensus expectations. In March 2016, the Fed kept interest rates on hold and surprised on the dovish side, reducing its forecast to two interest rate hikes in 2016, down from four. Along with receding global economic concerns, we believe this helped to drive a recovery in U.S. equities. Released in March 2016, February 2016 unemployment data came in ahead of market consensus, with unemployment steady at 4.9% in spite of higher participation rates and declining underemployment.

Following the rebound in March 2016, market sentiment appeared to remain sanguine in April 2016, as oil prices rose and China's economic growth concerns abated. U.S. equities fell near the end of the month as investors were disappointed by a lack of additional stimulus from the Bank of Japan and by a weaker than consensus expected first quarter U.S. GDP rate of 0.5%. Hawkish Fed minutes released in May 2016 temporarily revived market expectations for a Fed interest rate hike in June 2016, but weaker than expected May 2016 payroll data subsequently drove such expectations lower. (Hawkish language tends to suggest higher interest rates; opposite of dovish.) The Fed ultimately held interest rates steady in June 2016 and signaled a slower pace of hikes, acknowledging the slowdown in the labor market. Markets were otherwise dominated in June 2016 by the U.K. referendum on membership in the European Union, popularly known as Brexit. U.S. equities sold off in the global risk-off, or heightened risk averse sentiment in June 2016 following the surprise "leave" result. Markets rebounded in the latter days of the month owing to improving risk sentiment as markets digested the Brexit vote outcome and on dovish remarks from Bank of England Governor Carney.

U.S. equities, as represented by the S&P 500® Index, gained 3.84% during the Reporting Period. Telecommunication services and utilities were the best performing sectors in the S&P 500® Index by a wide margin. Energy and consumer staples also posted double-digit gains. The energy sector was the largest positive contributor to S&P 500® Index returns, as measured by weight times performance. The weakest performing sectors in the S&P 500® Index during the Reporting Period were financials and information technology, the only two to post negative absolute returns, followed by consumer discretionary and health care, which were also weak but generated modestly positive returns during the Reporting Period.

Within the U.S. equity market, there was significant disparity in performance not only among sectors but also among the various capitalization and style segments. While all capitalization segments posted positive returns, mid-cap stocks, as measured by the Russell Midcap® Index, performed best, followed by large-cap stocks, as measured by the Russell 1000® Index, and then, small-cap stocks, as measured by the Russell 2000® Index. From a style perspective, value-oriented stocks significantly outpaced growth-oriented stocks across the capitalization spectrum. Value outperformed relative to growth during the Reporting Period primarily due to weaker performance of the growth-oriented health care sector. (All as measured by the Russell Investments indices.)

Fixed Income Markets

When the Reporting Period began, spread (or non-government bond) sectors retreated, selling off significantly from January to mid-February 2016. The selloff was driven by an increase in a number of perceived risks, such as slowing Chinese economic activity, the possibility of persistent oil oversupply and deteriorating corporate bond fundamentals, as the U.S. credit cycle entered its later stage. Some of these risks eased in the second half of the first calendar quarter, as economic news from China improved, U.S. oil production showed signs of slowing, and commodity prices appeared to stabilize. As a result, spread sectors largely retraced their losses by the end of March 2016. Global central banks remained accommodative. The Bank of Japan, in a surprise move at its January 2016 policy meeting, introduced a -0.1% interest rate, reaffirming its commitment to achieving a 2% inflation target. The European Central Bank shifted its focus from currency depreciation to credit creation by leaving the deposit rate unchanged, expanding its asset purchase program to include purchases of non-financial corporate credit and announcing a new

series of easing measures in the form of targeted long-term refinancing operations ("TLTRO II"). (TLTRO II is designed to offer attractive long-term funding conditions to Eurozone banks to further ease private sector credit conditions and to stimulate credit creation.) In the U.S., the Fed left interest rates unchanged and reduced its forecast to two rate hikes in 2016 from four. After a sustained period of appreciation, the U.S. dollar weakened during the first quarter of 2016 due to generally tighter financial conditions, mixed U.S. economic data and the Fed's more dovish commentary.

During the second quarter of 2016, spread sectors rallied on stabilization of commodities prices as well as on declining fears about slowing Chinese economic growth and the potential for a U.S. economic recession. Global interest rates broadly declined amid continued accommodative monetary policy from the world's central banks. In the U.S., minutes from the Fed's April 2016 policy meeting, released in mid-May 2016, suggested Fed policymakers might raise interest rates in June 2016 if U.S. economic growth strengthened, employment data firmed and inflation rose toward the Fed's 2% target. In early June 2016, however, the release of weak May 2016 employment data raised concerns about the health of the U.S. economy, pushing down expectations of a Fed rate hike. Indeed, the Fed did not raise interest rates at its June 2016 policy meeting. In the last week of June 2016, the unexpected "leave" vote in the U.K.'s referendum regarding Brexit renewed investor uncertainty about the path of global economic growth. Spread sectors withstood the Brexit vote relatively well, selling off at first but then recovering most of their losses afterwards. The U.S. dollar strengthened versus most global currencies during the second calendar quarter, though it weakened against the Japanese yen.

For the Reporting Period overall, sovereign emerging markets debt and high yield corporate bonds outperformed U.S Treasuries, followed at some distance by asset-backed securities and investment grade corporate bonds. Commercial mortgage-backed securities, agency securities and mortgage-backed securities generally performed in line with U.S. Treasuries. The U.S. Treasury yield curve, or spectrum of maturities, flattened during the Reporting Period as yields of six months and longer fell. The yield on the bellwether 10-year U.S. Treasury dropped approximately 80 basis points to end the Reporting Period at 1.47%. (A basis point is 1/100th of a percentage point. A flattening yield curve is one wherein the differential in yields between longer-term and shorter-term maturities narrows.)

Looking Ahead

Equity Markets

At the end of the Reporting Period, persistently low economic growth, interest rates and visibility reinforced our expectation for lower than average returns across asset classes for the remainder of 2016. In our view, equities remain relatively attractive in this environment. We believe equities can still generate positive returns for calendar year 2016, driven by earnings growth.

We consider economic and corporate fundamentals to be strongest in the U.S. relative to many other global regions, which we believe should buoy near-term U.S. equity performance. However, valuations increasingly reflect this scenario, which makes stock selection all the more important. We continue to seek what we believe are good investment opportunities with a focus on companies exposed to long-term secular growth trends and/or that are trading at discounts to their intrinsic value.

Overall, we believe many companies could benefit from increasing domestic consumption while being more insulated from currency volatility. We expect the strong U.S. dollar to continue to be a headwind for many globally-exposed companies but believe the consumer remains healthy.

Fixed Income Markets

At the end of the Reporting Period, we expected global economic growth to remain slow. We believed the impact of Brexit would take time to play out, with much of the effects, in our view, coming during 2017. Near term, we expect Brexit to add downside risk to the U.K. and European outlook. In terms of the U.K., we have reduced our forecast for 2016 economic growth from 1.8% to 1.2% and our 2017 forecast down from 2.0% to 0.5%. We also believe there is the potential for the U.K. to experience a recession during the next one to two years. In terms of the European Union, we have revised our 2016 economic growth forecast down from 1.4% to 1.3% and our 2017 forecast down from 1.2% to 0.6%. Our forecasts for the U.S., Japan and China remain unchanged, as we expect Brexit to have limited effects on these economies unless there is broader contagion. We believe the U.S. economy could see some near-term improvement as a number of headwinds fade, including the oil price-driven decline in business investment. That said, we see a growing risk of a U.S. recession in 2017 as tight labor markets put pressure on corporate sector profits. At the end of the Reporting Period, we generally expected inflation to stay low across developed economies.

INVESTMENT OBJECTIVE

The Fund seeks a total return consisting of capital appreciation and income that exceeds the total return of the Barclays U.S. Aggregate Bond Index.

Portfolio Management Discussion and Analysis

Below, the Goldman Sachs Fixed Income Portfolio Management Team discusses the Goldman Sachs Variable Insurance Trust — Goldman Sachs Core Fixed Income Fund's (the "Fund") performance and positioning for the six-month period ended June 30, 2016 (the "Reporting Period").

How did the Fund perform during the Reporting Period?

During the Reporting Period, the Fund's Institutional and Service Shares generated cumulative total returns of 4.95% and 4.82%, respectively. These returns compare to the 5.31% cumulative total return of the Fund's benchmark, the Barclays U.S. Aggregate Bond Index (the "Barclays Index"), during the same time period.

What key factors were responsible for the Fund's performance during the Reporting Period?

During the Reporting Period, the Fund's tactical duration and yield curve positioning detracted from its relative performance. Duration is a measure of the Fund's sensitivity to changes in interest rates. Yield curve indicates a spectrum of maturities. In addition, the Fund's top-down country strategy hurt relative returns. Early in the Reporting Period, the Fund was hampered by its long positions in the European peripheral countries of Italy and Spain. Later in the Reporting Period, a long position in Canada versus a short position in the U.S. detracted from performance. Our top-down currency strategy, especially the Fund's short position in the Japanese yen, also dampened results during the Reporting Period.

On the positive side, the Fund benefited from our top-down cross-sector strategy. In our cross-sector strategy, we invest Fund assets across a variety of fixed income sectors, including some that may not be included in the Barclays Index. Additionally, our bottom-up individual issue selection within the corporate bond sector added to results during the Reporting Period.

Which fixed income market sectors most affected Fund performance during the Reporting Period?

During the Reporting Period, overweight positions relative to the Barclays Index in asset-backed securities ("ABS") and collateralized loan obligations ("CLOs") bolstered Fund performance. This was offset somewhat by the Fund's overweight in U.S. corporate bonds, which underperformed early in the Reporting Period as credit spreads (yield differentials to U.S. Treasuries) widened significantly on concerns about U.S. manufacturing weakness.

In terms of individual issue selection, the Fund benefited from its holdings of long-term corporate bonds. In the government/swaps sector, selection of U.S. Treasury inflation protected securities ("TIPS") was also positive for Fund performance. Offsetting this somewhat was our issue selection among CLOs and external emerging markets debt.

Did the Fund's duration and yield curve positioning strategy help or hurt its results during the Reporting Period?

Tactical management of the Fund's duration and yield curve positioning detracted overall from relative returns during the Reporting Period. In particular, the Fund was hurt by its short duration position relative to the Barclays Index as U.S. interest rates fell.

How did the Fund use derivatives and similar instruments during the Reporting Period?

As market conditions warranted during the Reporting Period, currency transactions were carried out using primarily over-the-counter ("OTC") forward foreign exchange contracts. Currency transactions were used as we sought both to enhance returns and to hedge the Fund's portfolio against currency exchange rate fluctuations. OTC forward foreign exchange contracts detracted from Fund performance during the Reporting Period. In addition, Treasury futures were employed as warranted to facilitate specific duration, yield curve and country strategies. During the Reporting Period, Treasury futures contributed positively to Fund results. Swaptions (options on interest rate swap contracts), which were used to express our interest rate views and to hedge volatility and yield curve risks in the Fund, did not have a meaningful impact on the Fund's performance during the Reporting Period. Interest rate swaps were used to manage exposure to fluctuations in interest rates. They detracted from Fund performance during the Reporting Period. In addition, the Fund employed credit default swaps to implement specific credit-related investment strategies,

including management of the Fund's exposure to credit spreads. Credit default swaps had a negative impact on the Fund's results during the Reporting Period. Overall, we employ derivatives and similar instruments for the efficient management of the Fund's portfolio. Derivatives and similar instruments allow us to manage interest rate, credit and currency risks more effectively by allowing us both to hedge and to apply active investment views with greater versatility and to afford greater risk management precision than we would otherwise be able to implement.

Were there any notable changes in the Fund's weightings during the Reporting Period?

The Fund began the Reporting Period with a long duration position relative to that of the Barclays Index, which we shifted to a neutral position in February 2016 and then to a short position in March 2016. We maintained this short duration positioning through the end of the Reporting Period because we expected U.S. economic growth to continue improving amid positive inflation and wage data.

Also, at the start of the Reporting Period, we maintained the Fund's overweight compared to the Barclays Index in corporate credit. We moved to a small underweight within the sector in June 2016 in anticipation of summer seasonal pressures and due to our view that Brexit volatility would cause credit spreads to drift wider. (Brexit refers to the U.K. "leave" vote on membership in the European Union.)

Were there any changes to the Fund's portfolio management team during the Reporting Period?

There were no changes to the Fund's portfolio management team during the Reporting Period.

How was the Fund positioned relative to the Barclays Index at the end of the Reporting Period?

At the end of the Reporting Period, the Fund was underweight U.S. government securities compared to the Barclays Index on a market-value weighted basis. It was also underweight mortgage pass-through securities. (Pass-through mortgages consist of a pool of residential mortgage loans, where homeowners' monthly payments of principal, interest and prepayments pass from the original bank through a government agency or investment bank to investors.) The Fund was overweight investment grade corporate bonds, ABS, agency commercial mortgage obligations, agency mortgage-backed securities and commercial mortgage-backed securities. It was marginally overweight non-agency mortgage-backed securities and emerging markets debt. The Fund was neutral relative to the Barclays Index in quasi-government bonds and covered bonds at the end of the Reporting Period. (Covered bonds are securities created from either mortgage loans or public sector loans.)

Core Fixed Income Fund

as of June 30, 2016

STANDARDIZED TOTAL RETURNS[1]

For the period ended 6/30/16	One Year	Five Years	Ten Years	Since Inception	Inception Date
Institutional	5.56%	N/A	N/A	2.81%	4/30/13
Service	5.31	4.01%	4.66%	4.34	1/09/06

[1] **The Standardized Total Returns are average annual total returns as of the most recent calendar quarter-end. They assume reinvestment of all distributions at net asset value ("NAV"). Because Institutional and Service Shares do not involve a sales charge, such a charge is not applied to their Standardized Total Returns.**

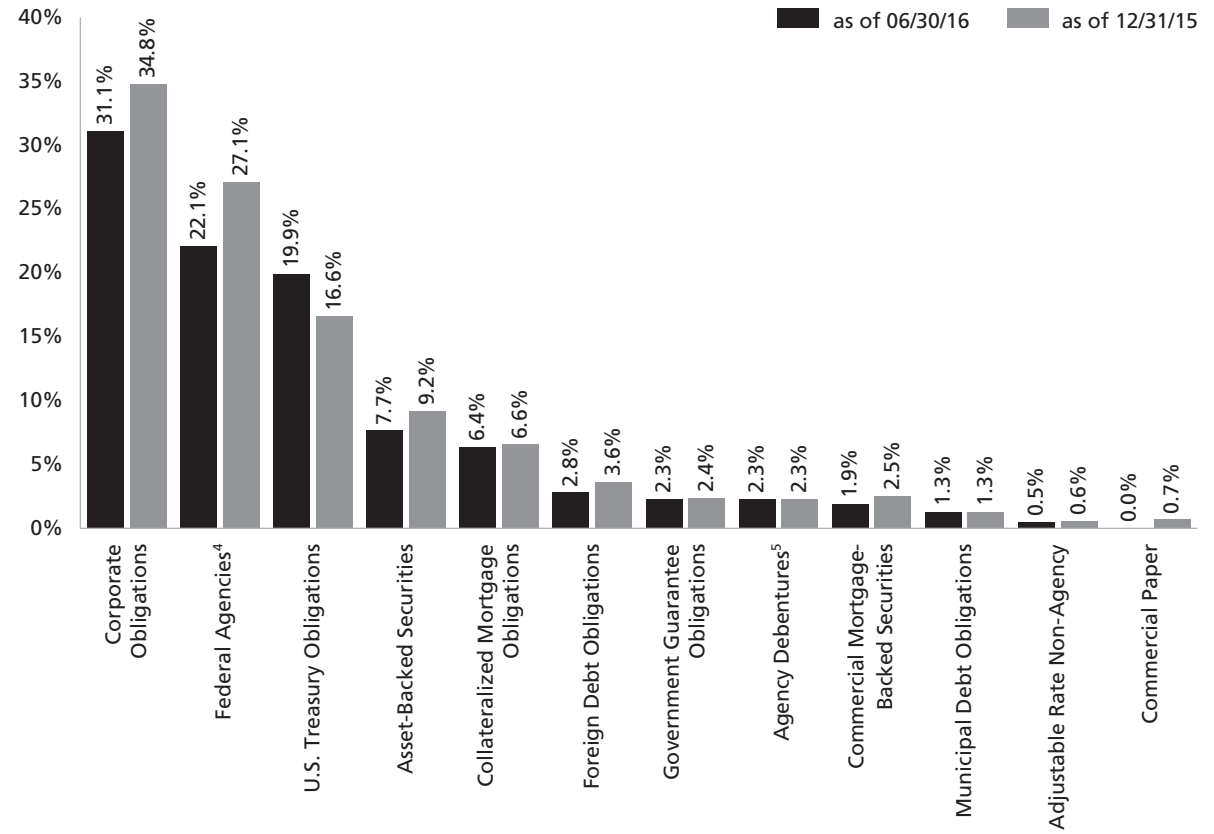
Total return figures in the above chart represent past performance and do not indicate future results, which will vary. The investment return and principal value of an investment will fluctuate and, therefore, an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the total return figures in the above chart. Please visit www.GSAMFUNDS.com to obtain the most recent month-end returns. Performance reflects fee waivers and/or expense limitations in effect during the periods shown. In their absence, performance would be reduced.

EXPENSE RATIOS[2]

	Net Expense Ratio (Current)	Gross Expense Ratio (Before Waivers)
Institutional	0.42%	0.74%
Service	0.67	0.99

[2] The expense ratios of the Fund, both current (net of any fee waivers or expense limitations) and before waivers (gross of any fee waivers or expense limitations) are as set forth above according to the most recent publicly available Prospectus for the Fund and may differ from the expense ratios disclosed in the Financial Highlights in this report. Pursuant to a contractual arrangement, the Fund's waivers and/or expense limitations will remain in place through at least April 29, 2017 and prior to such date the Investment Adviser may not terminate the arrangements without the approval of the Fund's Board of Trustees. If these arrangements are discontinued in the future, the expense ratios may change without shareholder approval.

FUND COMPOSITION[3]



[3] The percentage shown for each investment category reflects the value of investments in that category as a percentage of net assets. Figures in the graph may not sum to 100% due to the exclusion of other assets and liabilities. The graph depicts the Fund's investments but may not represent the Fund's market exposure due to the exclusion of certain derivatives, if any, as listed in the Additional Investment Information section of the Schedule of Investments.

[4] "Federal Agencies" are mortgage-backed securities guaranteed by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corp. ("FHLMC"). GNMA instruments are backed by the full faith and credit of the United States Government.

[5] "Agency Debentures" include agency securities offered by companies such as FNMA and FHLMC, which operate under a government charter. While they are required to report to a government regulator, their assets are not explicitly guaranteed by the government and they otherwise operate like any other publicly traded company.

INVESTMENT OBJECTIVE

The Fund seeks to achieve investment results that correspond to the aggregate price and yield performance of a benchmark index that measures the investment returns of large capitalization stocks.

Portfolio Management Discussion and Analysis

Below, SSgA Funds Management, Inc. ("SSgA"), the Fund's Subadvisor, discusses the Goldman Sachs Variable Insurance Trust — Goldman Sachs Equity Index Fund's (the "Fund") performance and positioning for the six-month period ended June 30, 2016 (the "Reporting Period").

How did the Fund perform during the Reporting Period?

During the Reporting Period, the Fund's Service Shares generated a cumulative total return of 3.59%. This return compares to the 3.84% cumulative total return of the Fund's benchmark, the Standard & Poor's 500® Index (with dividends reinvested) (the "S&P 500® Index"), during the same time period.

During the Reporting Period, which sectors and which industries in the S&P 500® Index were the strongest contributors to the Fund's performance?

Seven of the 10 sectors in the S&P 500® Index advanced during the Reporting Period. In terms of total return, the sectors that made the strongest positive contributions to the S&P 500® Index and to the Fund were telecommunication services, utilities and energy. The largest sector by weighting in the S&P 500® Index at the end of the Reporting Period was information technology at a weighting of 19.77%. The industries with the strongest performance in terms of total return were precious metals; construction materials; casinos/gambling; oil and gas pipelines; and major telecommunications.

On the basis of impact (which takes both total returns and weightings into account), the sectors that made the strongest positive contributions to the S&P 500® Index and to the Fund were consumer staples, energy and utilities. The industries with the strongest performance on the basis of impact were electric utilities, major telecommunications, integrated oil, major pharmaceuticals and industrial conglomerates.

Which sectors and industries in the S&P 500® Index were the weakest contributors to the Fund's performance?

In terms of total return, during the Reporting Period, the weakest performing sectors were financials, information technology and health care. The weakest performing industries in terms of total return were other pharmaceuticals, airlines, real estate development, generic pharmaceuticals and movies/entertainment.

On the basis of impact, the weakest performing sectors were financials, information technology and health care. The weakest performing industries on the basis of impact were biotechnology, major banks, financial conglomerates, generic pharmaceuticals and telecommunications equipment.

Which individual stocks were the top performers, and which were the greatest detractors?

On the basis of impact, the stocks that made the strongest positive contribution during the Reporting Period were Exxon Mobil, Verizon Communications, AT&T, Johnson & Johnson and Chevron. The weakest performers were Apple, Allergan, Bank of America, Citigroup and Wells Fargo.

How did the Fund use derivatives and similar instruments during the Reporting Period?

During the Reporting Period, the Fund did not use derivatives as part of an active management strategy to add value to the Fund's results. However, equity index futures were used to equitize the Fund's cash holdings. In other words, we put the Fund's cash holdings to work by using them as collateral for the purchase of equity index futures. We also used these equity index futures to provide liquidity for daily cash flow requirements. Equity index futures had a neutral impact on the Fund's performance during the Reporting Period.

Were there any changes to the Fund's portfolio management team during the Reporting Period?

There were no changes to the Fund's portfolio management team during the Reporting Period.

What changes were made to the makeup of the S&P 500® Index during the Reporting Period?

Twenty-one stocks were removed from the S&P 500® Index during the Reporting Period. They were Airgas, Baxalta, Broadcom, Cablevision Systems, Cameron International, Chubb, Coca-Cola Enterprises, Consol Energy, Ensco, Fossil Group, GameStop, Ingevity, Keurig Green Mountain, Pepco Holdings, Plum Creek Timber, Precision Castparts, SanDisk, Tenet Healthcare, ADT, Time Warner Cable and Vistana Signature Experiences. There were 22 stocks added to the S&P 500® Index during the Reporting Period. They were Acuity Brands, Alaska Air Group, American Water Works, Centene, Citizens Financial Group, Concho Resources, Digital Realty Trust, Extra Space Storage, Federal Realty Investment Trust, Foot Locker, Fortune Brands Home & Security, Arthur J. Gallagher & Co., Global Payments, Hologic, Ingevity, LKQ, TransDigm Group, UDR, Ulta Salon Cosmetics & Fragrance, Under Armour Class C, Vistana Signature Experiences and Willis Group Holdings.

The source of the data included in the above Portfolio Management Discussion and Analysis with respect to the Goldman Sachs Equity Index Fund is FactSet as of 6/30/16.

Characteristics presented are calculated using the month end market value of holdings, except for beta and standard deviation, if shown, which use month end return values. Averages reflect the market weight of securities in the portfolio. Market data, prices, and dividend estimates for characteristics calculations provided by FactSet Research Systems, Inc. All other portfolio data provided by SSGA. Characteristics are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Past performance is not a guarantee of future results.

Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

SSgA may have or may seek investment management or other business relationships with companies discussed in this material or affiliates of those companies, such as their officers, directors and pension plans.

The views expressed in this material are the views of SSGA's Global Equity Beta Solutions Team through the period ended June 30, 2016 and are subject to change based on market and other conditions. All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

Equity Index Fund

as of June 30, 2016

STANDARDIZED TOTAL RETURNS[1]

For the period ended 6/30/16	One Year	Five Years	Ten Years	Since Inception	Inception Date
Service	3.59%	11.60%	7.08%	6.70%	1/09/06

[1] **The Standardized Total Returns are average annual total returns as of the most recent calendar quarter-end. They assume reinvestment of all distributions at net asset value ("NAV"). Because Service Shares do not involve a sales charge, such a charge is not applied to their Standardized Total Returns.**

Total return figures in the above chart represent past performance and do not indicate future results, which will vary. The investment return and principal value of an investment will fluctuate and, therefore, an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the total return figures in the above chart. Please visit www.GSAMFUNDS.com to obtain the most recent month-end returns. Performance reflects fee waivers and/or expense limitations in effect during the periods shown. In their absence, performance would be reduced.

EXPENSE RATIOS[2]

	Net Expense Ratio (Current)	Gross Expense Ratio (Before Waivers)
Service	0.48%	0.70%

[2] The expense ratios of the Fund, both current (net of any fee waivers or expense limitations) and before waivers (gross of any fee waivers or expense limitations) are as set forth above according to the most recent publicly available Prospectus for the Fund and may differ from the expense ratios disclosed in the Financial Highlights in this report. Pursuant to a contractual arrangement, the Fund's waivers and/or expense limitations will remain in place through at least April 29, 2017 and prior to such date the Investment Adviser may not terminate the arrangements without the approval of the Fund's Board of Trustees. If these arrangements are discontinued in the future, the expense ratios may change without shareholder approval.

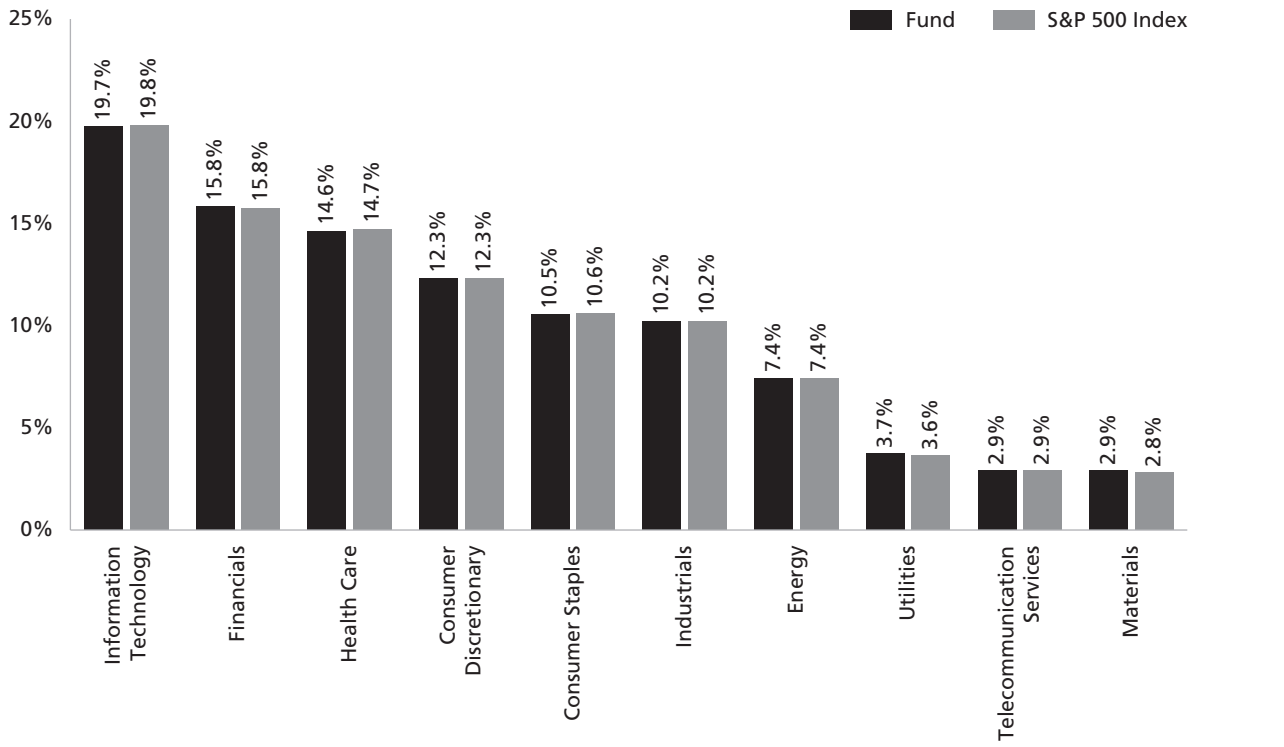
TOP TEN HOLDINGS AS OF 6/30/16[3]

Holding	% of Net Assets	Line of Business
Apple, Inc.	2.9%	Technology Hardware & Equipment
Microsoft Corp.	2.2	Software & Services
Exxon Mobil Corp.	2.1	Energy
Johnson & Johnson	1.8	Pharmaceuticals, Biotechnology & Life Sciences
General Electric Co.	1.6	Capital Goods
Amazon.com, Inc.	1.5	Retailing
Berkshire Hathaway, Inc. Class B	1.5	Diversified Financials
AT&T, Inc.	1.5	Telecommunication Services
Facebook, Inc. Class A	1.4	Software & Services
Verizon Communications, Inc.	1.2	Telecommunication Services

[3] The top 10 holdings may not be representative of the Fund's future investments.

FUND VS. BENCHMARK SECTOR ALLOCATIONS[4]

As of June 30, 2016



[4] The Fund is actively managed and, as such, its composition may differ over time. Consequently, the Fund's overall sector allocations may differ from percentages contained in the graph above. The graph categorizes investments using Global Industry Classification Standard ("GICS"), however, the sector classifications used by the portfolio management team may differ from GICS. The percentage shown for each investment category reflects the value of investments in that category as a percentage of market value. Underlying sector allocations of Exchange Traded Funds and Investment Companies held by the Fund are not reflected in the graph above. The graph depicts the Fund's investments but may not represent the Fund's market exposure due to the exclusion of certain derivatives, if any, as listed in the Additional Investment Information section of the Schedule of Investments.

INVESTMENT OBJECTIVE

The Fund seeks long-term growth of capital.

Portfolio Management Discussion and Analysis

Below, the Goldman Sachs Growth Investment Team discusses the Goldman Sachs Variable Insurance Trust — Goldman Sachs Growth Opportunities Fund's ("Fund") performance and positioning for the six-month period ended June 30, 2016 (the "Reporting Period").

How did the Fund perform during the Reporting Period?

During the Reporting Period, the Fund's Institutional and Service Shares generated cumulative total returns of 2.38% and 2.25%, respectively. These returns compare to the -2.15% cumulative total return of the Fund's benchmark, the Russell Midcap® Growth Index (with dividends reinvested) (the "Russell Index"), during the same time period.

What key factors were responsible for the Fund's performance during the Reporting Period?

The Fund outperformed the Russell Index during the Reporting Period as a result of stock selection.

Which equity market sectors helped and hurt Fund performance?

Our bottom-up approach focuses on security selection, and as a result, we do not make active sector-level investment decisions. That said, on a sector level, stock selection in the consumer staples, financials and health care sectors added to the Fund's relative performance. Stock choices in the information technology, energy and industrials sectors detracted from Fund returns.

Which individual stocks added to the Fund's relative performance during the Reporting Period?

The Fund benefited most relative to the Russell Index from its positions in McCormick, a manufacturer of spices, herbs and flavorings; Ulta Salon, Cosmetics & Fragrances, a beauty products retailer; and Equinix, a data center real estate investment trust ("REIT").

McCormick was the top positive contributor to the Fund's relative results during the Reporting Period. Its share price rose in April 2016 after the company walked away from the acquisition of Premier Foods due to the lack of a price agreement, demonstrating, in our view, management discipline. The stock continued to perform well thereafter with the appreciation of its share price accelerating near the end of the Reporting Period on news of strong fiscal second quarter results. At the end of the Reporting Period, we remained optimistic about strong 2016 performance for the stock, as we believe McCormick continues to meet consumer demand for healthy flavor and high quality products through an expanding product pipeline. The Fund maintained a position in the stock at the end of the Reporting Period.

Ulta Salon, Cosmetics & Fragrance was another notable positive contributor to Fund performance during the Reporting Period. After a challenging start to 2016, its share price picked up momentum in early April 2016 after the company issued strong first quarter 2016 earnings, and the stock was added to the S&P 500® Index. The first quarter 2016 results were driven by better than expected margins, revenues and e-commerce growth. In our view, Ulta Salon, Cosmetics & Fragrance is a strong brand that continues to gain recognition. We believe the company has a potential opportunity to grow market share through higher brand awareness, increasing loyalty to existing stores, expansion of new stores and e-commerce. At the end of the Reporting Period, the Fund continued to hold Ulta Salon, Cosmetics & Fragrance.

Equinix was a leading positive contributor to Fund returns during the Reporting Period. Its stock advanced on first quarter 2016 results that beat market expectations for organic revenue growth and earnings growth. Its share price also benefited from a decline in U.S. Treasury yields, given the attractive yield and growth potential of REITs compared to bonds. At the end of the Reporting Period, we believed Equinix had substantial pipeline opportunities, particularly with enterprise customers willing to pay a higher price. We also thought the continued integration of the company's Telecity Group acquisition and its strategic partnership with Datang Telecom could further increase Equinix's global presence and strengthen its competitive advantage. In our view, Equinix remains an asset with robust upside to its revenues and free cash flows as it balances organic growth, low leverage and a sound capital structure. Accordingly, we maintained the Fund's position in Equinix at the end of the Reporting Period.

Which individual stocks detracted from the Fund's performance during the Reporting Period?

Leading detractors from the Fund's relative performance were LinkedIn, an online professional networking service; Restoration Hardware, a home furnishings retailer; and Sensata Technologies, a leading supplier of sensing, electrical, control and power management solutions.

The Fund's top relative detractor during the Reporting Period was LinkedIn. The company reported solid fourth quarter 2015 results, but its outlook was well below market expectations. Given that the company is a high multiple growth stock in a challenging market environment, its share price fell sharply. At the end of the Reporting Period, we believed there was room for progress in better monetizing LinkedIn's business model, but we had a positive outlook on the company's competitive positioning, offering and long-term growth. As a result, the Fund continued to hold LinkedIn at the end of the Reporting Period.

Restoration Hardware was a key detractor from the Fund's relative performance during the Reporting Period. The company experienced headwinds in an increasingly challenging retail environment, especially relative to the high-end consumer. Restoration Hardware also saw a sequential gross margin decline in markets, such as South America, where currency has been a factor. In early June 2016, the company released first quarter 2016 earnings that were generally in line with market expectations, but the stock fell on news of lower gross margins, a slightly downward adjustment in earnings per share, increased inventory guidance and higher capital expenditures. In our view, its fiscal year 2016 results may be impacted by cost control efforts, including product delays, investments and timing issues. Given the higher costs suggested by its management's guidance and what we see as lower and rather volatile consumer demand for the company's products, we decided to exit the Fund's position in Restoration Hardware during the Reporting Period and reallocate the proceeds to what we consider better risk/reward opportunities.

Another relative detractor from the Fund's returns was Sensata Technologies. Although the company released earnings in line with expectations for both the fourth quarter of 2015 and first quarter of 2016, the market reacted negatively. Its stock also fell following the announcement that the company's South Korean subsidiary would be investigated for violations of a law related to subcontractors. At the end of the Reporting Period, we believed Sensata Technologies was a strong growth company that was undervalued. In our opinion, the company continues to drive margin expansion through the successful integration of acquisitions, especially in sensing technology for autonomous driving. At the end of the Reporting Period, we maintained the Fund's position in its stock.

Did the Fund make any significant purchases or sales during the Reporting Period?

Among the purchases initiated during the Reporting Period, we established a Fund position in off-price retailer Ross Stores. Off-price retailers seek to take advantage of excess inventory from full-price retailers by purchasing goods at a significant discount to their original price. We believe Ross Stores is well positioned within its industry and is attractively valued for a high quality company that has delivered consistent sales and earnings growth over time. In our view, Ross Stores has also provided strong free cash flow and demonstrated a track record of returning capital to shareholders.

We added a Fund position in Sherwin-Williams, which manufactures and distributes paint and coating brands globally. We believe Sherwin-Williams is a strong business franchise with attractive market positioning and a focus on innovative products. In our view, Sherwin-Williams has a solid business model supported by a high quality management team.

In addition to the sale of Restoration Hardware, already mentioned, among notable sales during the Reporting Period was the Fund's position in LKQ, an American auto parts company. We believe its sales were vulnerable to cyclicality and weather sensitivity. Further, there were longer term concerns, in our view, related to collision avoidance technology, which could have negative implications for LKQ. Therefore, we decided to exit the Fund's position in the stock in favor of what we considered to be more attractive risk/return opportunities.

Were there any notable changes in the Fund's weightings during the Reporting Period?

During the Reporting Period, we reduced the size of the Fund's underweight position relative to the Russell Index in the financials sector. We increased the Fund's overweight in telecommunication services and its underweight in consumer discretionary. In addition, we shifted the Fund from a neutral position compared to the Russell Index in consumer staples to an overweight position. We moved from neutral positions in energy and information technology to underweight positions relative to the Russell Index. Also, we shifted the Fund from overweight positions in health care and industrials to neutral positions compared to the Russell Index. In addition, during the Reporting Period, we moved the Fund from an underweight position relative to the Russell Index in the materials sector to a neutral position.

How did the Fund use derivatives and similar instruments during the Reporting Period?

The Fund did not use derivatives or similar instruments within its investment process during the Reporting Period.

Were there any changes to the Fund's portfolio management team during the Reporting Period?

There were no changes to the Fund's portfolio management team during the Reporting Period.

How was the Fund positioned relative to the Russell Index at the end of the Reporting Period?

As mentioned, the Fund's sector positioning relative to the Russell Index is the result of our stock selection, as we take a pure bottom-up, research-intensive approach to investing. From that perspective, then, at the end of the Reporting Period, the Fund's portfolio was broadly diversified with overweight positions compared to the Russell Index in the telecommunication services and consumer staples sectors. The Fund had smaller weightings than the Russell Index in the consumer discretionary, financials and information technology sectors at the end of the Reporting Period. It was relatively neutral compared to the Russell Index at the end of the Reporting Period in the energy, health care, industrials, materials and utilities sectors.

Growth Opportunities Fund

as of June 30, 2016

STANDARDIZED TOTAL RETURNS[1]

For the period ended 6/30/16	One Year	Five Years	Ten Years	Since Inception	Inception Date
Institutional	-4.77%	N/A	N/A	8.45%	4/30/13
Service	-4.80	9.39%	8.89%	7.98	1/09/06

[1] **The Standardized Total Returns are average annual total returns as of the most recent calendar quarter-end. They assume reinvestment of all distributions at net asset value ("NAV"). Because Institutional and Service Shares do not involve a sales charge, such a charge is not applied to their Standardized Total Returns.**

Total return figures in the above chart represent past performance and do not indicate future results, which will vary. The investment return and principal value of an investment will fluctuate and, therefore, an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the total return figures in the above chart. Please visit www.GSAMFUNDS.com to obtain the most recent month-end returns. Performance reflects fee waivers and/or expense limitations in effect during the periods shown. In their absence, performance would be reduced.

EXPENSE RATIOS[2]

	Net Expense Ratio (Current)	Gross Expense Ratio (Before Waivers)
Institutional	0.89%	1.14%
Service	1.05	1.40

[2] The expense ratios of the Fund, both current (net of any fee waivers or expense limitations) and before waivers (gross of any fee waivers or expense limitations) are as set forth above according to the most recent publicly available Prospectus for the Fund and may differ from the expense ratios disclosed in the Financial Highlights in this report. Pursuant to a contractual arrangement, the Fund's waivers and/or expense limitations will remain in place through at least April 29, 2017 and prior to such date the Investment Adviser may not terminate the arrangements without the approval of the Fund's Board of Trustees. If these arrangements are discontinued in the future, the expense ratios may change without shareholder approval.

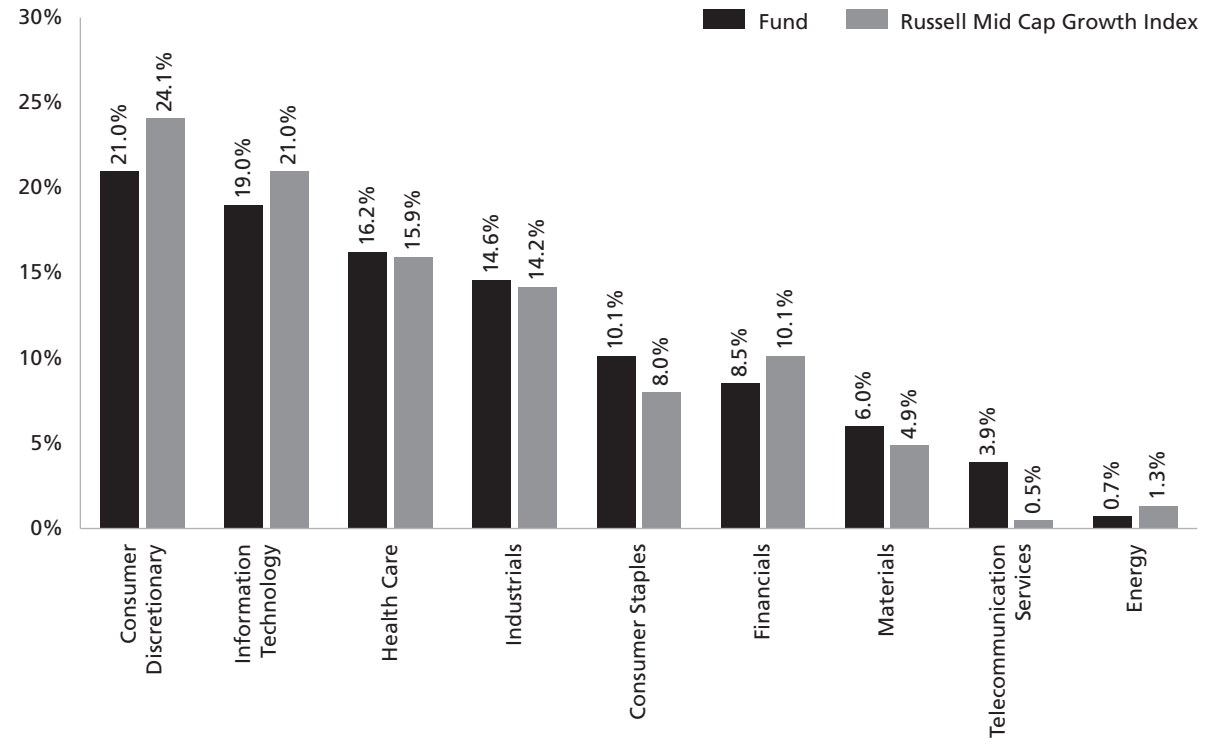
TOP TEN HOLDINGS AS OF 6/30/16[3]

Holding	% of Net Assets	Line of Business
Amphenol Corp. Class A	2.6%	Technology Hardware & Equipment
McCormick & Co., Inc.	2.5	Food, Beverage & Tobacco
Equinix, Inc.	2.5	Real Estate Investment Trust
SBA Communications Corp. Class A	2.4	Telecommunication Services
Ross Stores, Inc.	2.4	Retailing
Panera Bread Co. Class A	2.4	Consumer Services
Ulta Salon, Cosmetics & Fragrance, Inc.	2.3	Retailing
Tractor Supply Co.	2.3	Retailing
Fidelity National Information Services, Inc.	2.3	Software & Services
Intuit, Inc.	2.3	Software & Services

[3] The top 10 holdings may not be representative of the Fund's future investments.

FUND vs. BENCHMARK SECTOR ALLOCATIONS[4]

As of June 30, 2016



[4] The Fund is actively managed and, as such, its composition may differ over time. Consequently, the Fund's overall sector allocations may differ from percentages contained in the graph above. The graph categorizes investments using Global Industry Classification Standard ("GICS"), however, the sector classifications used by the portfolio management team may differ from GICS. The percentage shown for each investment category reflects the value of investments in that category as a percentage of market value. Underlying sector allocations of Exchange Traded Funds and Investment Companies held by the Fund are not reflected in the graph above. The graph depicts the Fund's investments but may not represent the Fund's market exposure due to the exclusion of certain derivatives, if any, as listed in the Additional Investment Information section of the Schedule of Investments.

Were there any changes to the Fund's portfolio management team during the Reporting Period?

On February 11, 2016, co-portfolio manager James McCarthy announced his intention to retire from the firm and, as of that date, he no longer had portfolio management responsibilities for the Fund. Effective February 11, 2016, joining Dave Fishman, portfolio manager and head of the Fund's global liquidity management strategy, were John Olivo, head of the Fund's short duration strategy, and Matthew Kaiser. By design, the portfolio management team is organized into a series of specialist teams which focus on generating and implementing investment ideas within their area of expertise. Both top-down and bottom-up decisions are made by these small strategy teams, rather than by one portfolio manager or committee. Ultimate accountability for the portfolio resides with the portfolio managers, who set the long-term risk budget and oversee the portfolio construction process.

How was the Fund positioned relative to the BofA Index at the end of the Reporting Period?

At the end of the Reporting Period, the Fund had very little exposure to U.S. government securities, which represent 100% of the BofA Index. The Fund had positions in ABS, U.S. and non-U.S. residential mortgage-backed securities, agency adjustable-rate mortgage-backed securities, agency collateralized mortgage obligations, mortgage pass-through securities and commercial mortgage-backed securities, none of which are represented in the BofA Index. Pass-through mortgages consist of a pool of residential mortgage loans, where homeowners' monthly payments of principal, interest and prepayments pass from the original bank through a government agency or investment bank to investors.

High Quality Floating Rate Fund

as of June 30, 2016

STANDARDIZED TOTAL RETURNS[1]

For the period ended 6/30/16	One Year	Five Years	Ten Years	Since Inception	Inception Date
Institutional	-0.04%	N/A	N/A	0.25%	4/30/13
Service	-0.29	1.44%	3.53%	3.32	1/09/06
Advisor	-0.40	N/A	N/A	-0.31	10/15/14

[1] **The Standardized Total Returns are average annual total returns as of the most recent calendar quarter-end. They assume reinvestment of all distributions at net asset value ("NAV"). Because Institutional, Service and Advisor Shares do not involve a sales charge, such a charge is not applied to their Standardized Total Returns.**

Total return figures in the above chart represent past performance and do not indicate future results, which will vary. The investment return and principal value of an investment will fluctuate and, therefore, an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the total return figures in the above chart. Please visit www.GSAMFUNDS.com to obtain the most recent month-end returns. Performance reflects fee waivers and/or expense limitations in effect during the periods shown. In their absence, performance would be reduced.

EXPENSE RATIOS[2]

	Net Expense Ratio (Current)	Gross Expense Ratio (Before Waivers)
Institutional	0.39%	0.82%
Service	0.65	1.06
Advisor	0.79	1.26

[2] The expense ratios of the Fund, both current (net of any fee waivers or expense limitations) and before waivers (gross of any fee waivers or expense limitations) are as set forth above according to the most recent publicly available Prospectus for the Fund and may differ from the expense ratios disclosed in the Financial Highlights in this report. Pursuant to a contractual arrangement, the Fund's waivers and/or expense limitations will remain in place through at least April 29, 2017 and prior to such date the Investment Adviser may not terminate the arrangements without the approval of the Fund's Board of Trustees. If these arrangements are discontinued in the future, the expense ratios may change without shareholder approval.

INVESTMENT OBJECTIVE

The Fund seeks to provide a high level of current income, consistent with low volatility of principal.

Portfolio Management Discussion and Analysis

Below, the Goldman Sachs Fixed Income Portfolio Management Team discusses the Goldman Sachs Variable Insurance Trust — Goldman Sachs High Quality Floating Rate Fund's (the "Fund") performance and positioning for the six-month period ended June 30, 2016 (the "Reporting Period").

How did the Fund perform during the Reporting Period?

During the Reporting Period, the Fund's Advisor, Institutional and Service Shares generated cumulative total returns of 0.12%, 0.30% and 0.18%, respectively. These returns compare to the 0.15% cumulative total return of the Fund's benchmark, the Bank of America Merrill Lynch Three-Month U.S. Treasury Bill Index (the "BofA Index"), during the Reporting Period.

We note that the Fund's benchmark being the BofA Index is a means of emphasizing that the Fund has an unconstrained strategy. That said, this Fund employs a benchmark agnostic strategy and thus comparisons to a benchmark index are not particularly relevant.

What key factors had the greatest impact on the Fund's performance during the Reporting Period?

During the Reporting Period, our top-down cross-sector strategy added positively to relative performance. In our cross-sector strategy, we invest Fund assets based on a discipline of valuing each fixed income sector in the context of all investment opportunities within the Fund's universe.

Conversely, the Fund's tactical duration and U.S. yield curve positioning detracted from results. Duration is a measure of the Fund's sensitivity to changes in interest rates. Yield curve indicates a spectrum of maturities.

Which fixed income market sectors helped or hurt Fund performance during the Reporting Period?

Within our cross-sector strategy, the Fund benefited from its overweight in asset-backed securities ("ABS") and mortgage-backed securities.

Individual issue selection had a neutral impact on relative performance during the Reporting Period. Selection among government securities added positively to results, while selection among ABS and mortgage-backed securities detracted.

Did the Fund's duration and yield curve positioning strategy help or hurt its results during the Reporting Period?

Tactical management of the Fund's duration and yield curve positioning detracted overall from relative returns during the Reporting Period. More specifically, the Fund's limited exposure to the three-month, five-year and 20-year segments of the U.S. Treasury yield curve hurt performance.

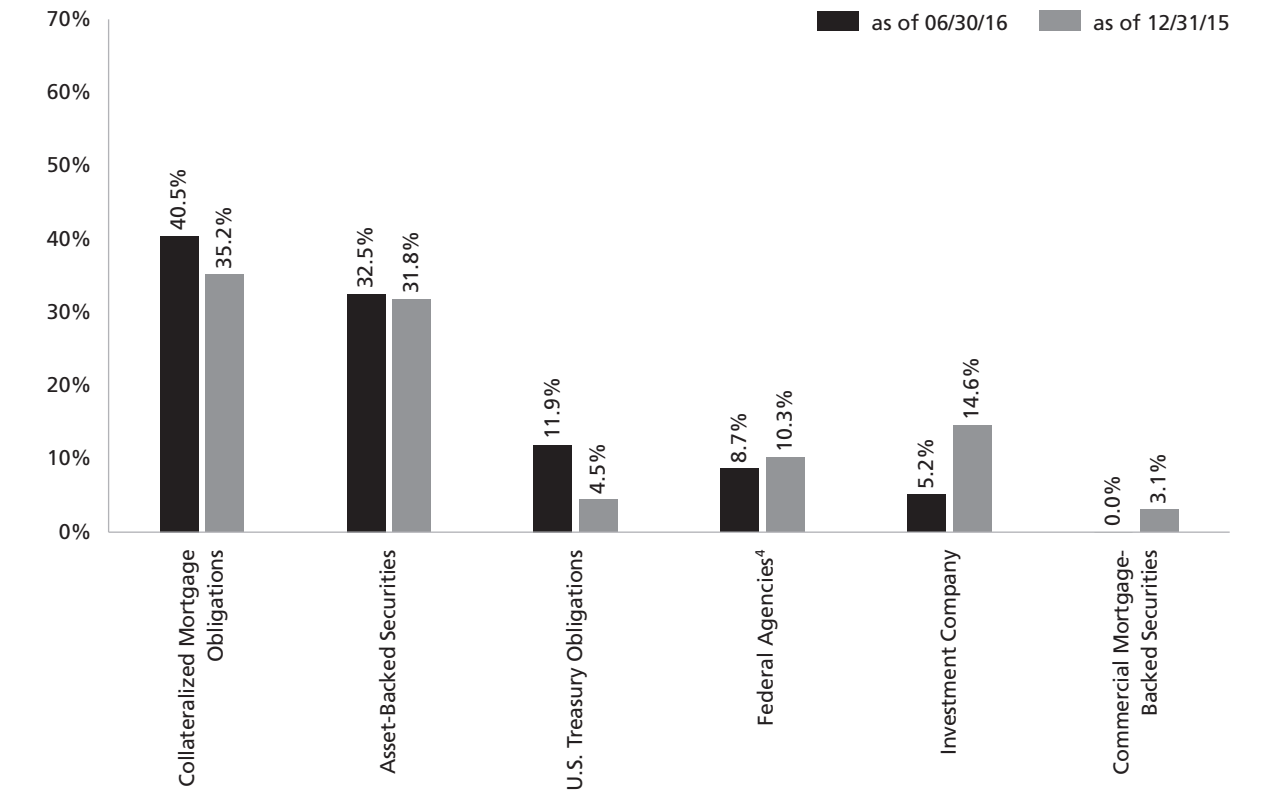
Were there any notable changes in the Fund's weightings during the Reporting Period?

We slightly increased the Fund's short duration position relative to the BofA Index during the Reporting Period. We increased the Fund's position in the longer-term segments of the U.S. Treasury yield curve and decreased its position in the shorter-term segments. In addition, we increased the Fund's exposure to government securities and residential mortgage-backed securities.

How did the Fund use derivatives and similar instruments during the Reporting Period?

As market conditions warranted, the Fund used U.S. Treasury futures to manage the duration and term structure of the Fund. (Term structure, most often depicted as a yield curve, refers to the term structure of interest rates, which is the relationship between the yield to maturity and the time to maturity for pure discount bonds.) Treasury futures detracted from Fund performance during the Reporting Period.

FUND COMPOSITION[3]



[3] The percentage shown for each investment category reflects the value of investments in that category as a percentage of net assets. Figures in the above graph may not sum to 100% due to the exclusion of other assets and liabilities. Underlying sector allocations of Investment Companies held by the Fund are not reflected in the graph above. The graph depicts the Fund's investments but may not represent the Fund's market exposure due to the exclusion of certain derivatives, if any, as listed in the Additional Investment Information section of the Schedule of Investments.

[4] "Federal Agencies" are mortgage-backed securities guaranteed by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corp. ("FHLMC"). GNMA instruments are backed by the full faith and credit of the United States Government.

Index Definitions

Barclays U.S. Aggregate Bond Index is a broad based index that follows the U.S. dollar denominated investment grade fixed rate taxable bond market. It includes U.S. Treasuries, agency and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities.

The S&P 500® Index is a U.S. stock market index based on the market capitalizations of 500 large companies having common stock listed on the New York Stock Exchange or NASDAQ. The S&P 500® Index components and their weightings are determined by S&P Dow Jones Indices.

Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap® Index is a subset of the Russell 1000® Index. The Russell Midcap® Index includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® Index represents approximately 31% of the total market capitalization of the Russell 1000® Index companies. The Russell Midcap® Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment. The Russell Midcap® Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity set.

Russell Midcap® Growth Index is an unmanaged index that measures the performance of those companies in the Russell Midcap® Index with higher price-to-book ratios and higher forecasted growth values. Its figures do not reflect any deduction for fees, expenses or taxes.

Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe. The Russell 1000® Index is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000® Index represents approximately 92% of the U.S. market. The Russell 1000® Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected.

Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. The Russell 2000® Index includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

Bank of America Merrill Lynch Three-Month U.S. Treasury Bill Index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income. It is composed of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding U.S. Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date. While the index will often hold the U.S. Treasury Bill issued at the most recent three-month auction, it is also possible for a seasoned six-month U.S. Treasury Bill to be selected.

Schedule of Investments

June 30, 2016 (Unaudited)

Principal Amount	Interest Rate	Maturity Date	Value
Corporate Obligations – 31.1%			
Automobiles & Components – 0.5%			
Ford Motor Credit Co. LLC			
$ 475,000	5.875%	08/02/21	$ 547,065
Banks – 8.4%			
American Express Co.[a]			
75,000	3.625	12/05/24	77,072
250,000	6.800[b]	09/01/66	249,375
Banco Bilbao Vizcaya Argentaria SA			
300,000	3.000	10/20/20	307,126
Bank of America Corp.			
100,000	5.700	01/24/22	115,596
225,000	4.125	01/22/24	242,881
275,000	4.000	04/01/24	293,993
BNP Paribas SA			
275,000	2.375	05/21/20	279,406
Compass Bank[a]			
375,000	2.750	09/29/19	370,339
Credit Suisse Group Funding Guernsey Ltd.[c]			
400,000	3.125	12/10/20	399,338
Credit Suisse New York			
325,000	2.300	05/28/19	329,534
Discover Financial Services[a]			
225,000	3.750	03/04/25	225,899
HSBC Holdings PLC			
225,000	3.400	03/08/21	231,734
ING Bank NV[a][b]			
325,000	4.125	11/21/23	329,518
Intesa Sanpaolo SpA			
350,000	2.375	01/13/17	351,309
350,000	3.875	01/16/18	358,880
JPMorgan Chase & Co.			
450,000	4.400	07/22/20	489,418
275,000	2.700[a]	05/18/23	275,891
JPMorgan Chase & Co. Series Z[a][b]			
250,000	5.300	12/29/49	249,375
KBC Bank NV[a][b]			
200,000	8.000	01/25/23	212,000
KeyCorp			
400,000	2.900	09/15/20	412,892
Lloyds Bank PLC			
175,000	2.300	11/27/18	175,849
Macquarie Bank Ltd.[c]			
150,000	6.625	04/07/21	173,403
Mizuho Bank Ltd.[c]			
200,000	2.550	03/17/17	201,758
Morgan Stanley			
650,000	3.700	10/23/24	683,509
Morgan Stanley Series F			
100,000	3.875	04/29/24	106,461
PNC Preferred Funding Trust II[a][b][c]			
200,000	1.875	03/29/49	176,000
Regions Bank			
250,000	7.500	05/15/18	273,719
Royal Bank of Scotland Group PLC			
100,000	5.125	05/28/24	97,359

Principal Amount	Interest Rate	Maturity Date	Value
Corporate Obligations – (continued)			
Banks – (continued)			
Royal Bank of Scotland PLC[a][b]			
$ 100,000	9.500%	03/16/22	$ 104,133
Santander Bank NA[a]			
250,000	2.000	01/12/18	249,282
Santander UK PLC[c]			
500,000	5.000	11/07/23	513,250
Synchrony Financial[a]			
350,000	2.600	01/15/19	353,286
The Bank of Tokyo-Mitsubishi UFJ Ltd.[c]			
300,000	2.150	09/14/18	303,172
UBS Group Funding Jersey Ltd.[c]			
350,000	3.000	04/15/21	356,983
			9,569,740
Consumer Services[a] – 0.3%			
Marriott International, Inc.			
125,000	2.875	03/01/21	128,852
250,000	2.300	01/15/22	251,726
			380,578
Diversified Financials – 0.3%			
General Motors Financial Co., Inc.			
125,000	3.250	05/15/18	127,591
175,000	3.500	07/10/19	181,080
			308,671
Diversified Manufacturing[a] – 0.1%			
Roper Technologies, Inc.			
125,000	3.000	12/15/20	129,704
Electric – 1.3%			
Emera US Finance LP[a][c]			
125,000	2.700	06/15/21	126,112
Florida Power & Light Co.[a]			
193,000	4.125	02/01/42	217,711
Pacific Gas & Electric Co.[a]			
100,000	3.500	06/15/25	108,480
Progress Energy, Inc.			
350,000	7.000	10/30/31	472,134
Puget Sound Energy, Inc. Series A[a][b]			
150,000	6.974	06/01/67	127,313
Southern California Edison Co.[a]			
175,000	4.050	03/15/42	191,488
The Southern Co.[a]			
225,000	2.350	07/01/21	229,250
			1,472,488
Energy – 1.6%			
Anadarko Petroleum Corp.			
35,000	3.450[a]	07/15/24	34,171
100,000	6.450	09/15/36	113,945
Apache Corp.[a]			
50,000	2.625	01/15/23	48,765
150,000	4.250	01/15/44	143,768

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

Principal Amount	Interest Rate	Maturity Date	Value
Corporate Obligations – (continued)			
Energy – (continued)			
ConocoPhillips Co.[a]			
$ 150,000	3.350%	11/15/24	$ 154,368
50,000	4.950	03/15/26	56,548
100,000	4.150	11/15/34	99,808
Devon Energy Corp.[a]			
25,000	4.000	07/15/21	25,250
75,000	5.600	07/15/41	71,932
80,000	4.750	05/15/42	71,111
Dolphin Energy Ltd.[c]			
50,880	5.888	06/15/19	54,314
Energy Transfer Partners LP[a]			
75,000	4.750	01/15/26	77,249
Kinder Morgan Energy Partners LP[a]			
50,000	5.400	09/01/44	49,179
Kinder Morgan, Inc.[a]			
175,000	3.050	12/01/19	176,354
Occidental Petroleum Corp.[a]			
200,000	3.400	04/15/26	210,080
Petroleos Mexicanos			
30,000	5.500[c]	02/04/19	31,575
60,000	6.375[c]	02/04/21	65,238
50,000	6.875[c]	08/04/26	55,615
20,000	5.500	06/27/44	18,000
70,000	5.625	01/23/46	63,805
Pioneer Natural Resources Co.[a]			
125,000	3.450	01/15/21	128,883
Valero Energy Corp.			
100,000	3.650	03/15/25	100,038
			1,849,996
Food & Beverage – 2.4%			
Anheuser-Busch InBev Finance, Inc.[a]			
675,000	2.650	02/01/21	699,547
525,000	3.650	02/01/26	562,579
75,000	4.900	02/01/46	87,757
Kraft Heinz Foods Co.[a][c]			
100,000	2.800	07/02/20	103,693
175,000	3.950	07/15/25	190,198
225,000	4.375	06/01/46	237,695
Molson Coors Brewing Co.[a]			
50,000	2.100	07/15/21	50,246
75,000	3.000	07/15/26	75,036
Pernod-Ricard SA[c]			
375,000	4.450	01/15/22	413,176
Suntory Holdings Ltd.[c]			
275,000	2.550	09/29/19	280,252
			2,700,179
Food & Staples Retailing[a] – 1.1%			
CVS Health Corp.			
125,000	2.800	07/20/20	129,744
125,000	4.125	05/15/21	136,760
225,000	3.500	07/20/22	241,134
89,000	3.875	07/20/25	98,141
375,000	2.875	06/01/26	382,981

Principal Amount	Interest Rate	Maturity Date	Value
Corporate Obligations – (continued)			
Food & Staples Retailing[a] – (continued)			
Walgreens Boots Alliance, Inc.			
$ 125,000	2.600%	06/01/21	$ 127,137
125,000	3.450	06/01/26	128,060
			1,243,957
Health Care Equipment & Services – 0.9%			
Aetna, Inc.[a]			
100,000	2.400	06/15/21	102,387
75,000	2.800	06/15/23	76,789
Becton Dickinson and Co.			
200,000	2.675	12/15/19	205,260
Cigna Corp.[a]			
150,000	3.250	04/15/25	152,870
Medtronic, Inc.			
75,000	2.500	03/15/20	77,514
150,000	3.150	03/15/22	159,381
Stryker Corp.[a]			
50,000	2.625	03/15/21	51,720
125,000	3.375	11/01/25	131,300
UnitedHealth Group, Inc.			
100,000	4.625	07/15/35	116,070
			1,073,291
Healthcare – 0.1%			
Dentsply Sirona, Inc.			
125,000	2.750	08/15/16	125,227
Life Insurance – 0.5%			
American International Group, Inc.[a]			
50,000	3.750	07/10/25	50,960
25,000	4.500	07/16/44	24,282
Reliance Standard Life Global Funding II[c]			
225,000	2.500	01/15/20	228,338
The Northwestern Mutual Life Insurance Co.[c]			
200,000	6.063	03/30/40	255,827
			559,407
Materials – 0.1%			
Ecolab, Inc.			
100,000	5.500	12/08/41	123,528
Media – 0.8%			
21st Century Fox America, Inc.[a]			
75,000	3.700	09/15/24	80,926
CCO Safari II LLC[a][c]			
25,000	3.579	07/23/20	26,127
200,000	4.908	07/23/25	218,275
Comcast Corp.[a]			
400,000	3.375	08/15/25	430,526
Time Warner Cable, Inc.			
50,000	5.000	02/01/20	54,374
25,000	7.300	07/01/38	31,279
25,000	5.875[a]	11/15/40	27,236
Time Warner, Inc.[a]			
25,000	3.875	01/15/26	26,943
			895,686

Principal Amount	Interest Rate	Maturity Date	Value
Corporate Obligations – (continued)			
Metals and Mining – 0.3%			
Glencore Finance Canada Ltd.[c]			
$ 350,000	2.700%	10/25/17	$ 348,688
Glencore Funding LLC[c]			
50,000	2.500	01/15/19	48,062
			396,750
Noncaptive-Financial – 0.3%			
Capital One Financial Corp.[a]			
200,000	4.200	10/29/25	204,455
International Lease Finance Corp.[c]			
150,000	7.125	09/01/18	164,250
			368,705
Pharmaceuticals, Biotechnology & Life Sciences – 2.1%			
AbbVie, Inc.[a]			
225,000	2.500	05/14/20	229,371
75,000	2.300	05/14/21	75,526
25,000	3.200	05/14/26	25,302
Actavis Funding SCS			
225,000	2.350	03/12/18	227,541
50,000	3.450[a]	03/15/22	51,618
160,000	3.800[a]	03/15/25	166,528
125,000	4.850[a]	06/15/44	131,550
Bayer US Finance LLC[c]			
400,000	3.000	10/08/21	417,703
EMD Finance LLC[a][c]			
375,000	2.950	03/19/22	384,207
Forest Laboratories LLC[a][c]			
325,000	4.375	02/01/19	342,791
100,000	5.000	12/15/21	111,913
Thermo Fisher Scientific, Inc.[a]			
175,000	3.000	04/15/23	178,195
100,000	3.650	12/15/25	104,832
			2,447,077
Pipelines[a] – 0.9%			
Columbia Pipeline Group, Inc.			
100,000	3.300	06/01/20	103,500
Enbridge, Inc.			
50,000	3.500	06/10/24	47,675
EnLink Midstream Partners LP			
175,000	4.150	06/01/25	161,311
Enterprise Products Operating LLC			
25,000	3.350	03/15/23	25,592
Enterprise Products Operating LLC Series A[b]			
450,000	8.375	08/01/66	396,473
Sunoco Logistics Partners Operations LP			
50,000	4.250	04/01/24	50,177
Western Gas Partners LP			
100,000	3.950	06/01/25	94,167
Williams Partners LP			
175,000	3.900	01/15/25	159,906
			1,038,801

Principal Amount	Interest Rate	Maturity Date	Value
Corporate Obligations – (continued)			
Property/Casualty Insurance[a][b] – 0.1%			
The Chubb Corp.			
$ 125,000	6.375%	04/15/37	$ 108,750
Real Estate Development[a] – 0.1%			
MDC Holdings, Inc.			
150,000	5.500	01/15/24	149,162
Real Estate Investment Trusts – 2.5%			
American Campus Communities Operating Partnership LP[a]			
275,000	4.125	07/01/24	291,488
Brixmor Operating Partnership LP[a]			
75,000	3.850	02/01/25	74,925
Camden Property Trust			
325,000	5.700	05/15/17	336,171
CubeSmart LP[a]			
125,000	4.000	11/15/25	132,915
DDR Corp.			
375,000	7.500	04/01/17	390,920
HCP, Inc.			
275,000	6.000	01/30/17	282,200
25,000	2.625[a]	02/01/20	25,191
Healthcare Realty Trust, Inc.			
350,000	5.750	01/15/21	390,320
Healthcare Trust of America Holdings LP[a]			
100,000	3.375	07/15/21	102,306
National Retail Properties, Inc.[a]			
125,000	4.000	11/15/25	132,407
Select Income REIT[a]			
50,000	2.850	02/01/18	50,372
75,000	3.600	02/01/20	76,197
Ventas Realty LP[a]			
125,000	3.500	02/01/25	128,054
Welltower, Inc.			
375,000	2.250	03/15/18	378,501
			2,791,967
Retailing[a] – 0.2%			
The Priceline Group, Inc.			
200,000	3.600	06/01/26	206,365
Software & Services[a] – 0.4%			
Fidelity National Information Services, Inc.			
250,000	3.625	10/15/20	264,285
Fiserv, Inc.			
150,000	2.700	06/01/20	155,007
			419,292
Technology – 0.4%			
Amphenol Corp.[a]			
125,000	3.125	09/15/21	129,557
Cisco Systems, Inc.			
100,000	2.200	02/28/21	102,751
Intel Corp.[a]			
200,000	3.700	07/29/25	223,709
			456,017

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

Principal Amount	Interest Rate	Maturity Date	Value
Corporate Obligations – (continued)			
Technology Hardware & Equipment[a][c] – 0.1%			
Hewlett Packard Enterprise Co.			
$ 125,000	4.900%	10/15/25	$ 130,050
Tobacco – 1.6%			
BAT International Finance PLC[c]			
400,000	3.950	06/15/25	445,155
Imperial Brands Finance PLC[c]			
400,000	2.050	02/11/18	403,469
Philip Morris International, Inc.[a]			
125,000	2.750	02/25/26	128,510
Reynolds American, Inc.[a]			
775,000	4.450	06/12/25	864,606
			1,841,740
Transportation[c] – 0.5%			
ERAC USA Finance LLC			
350,000	2.350	10/15/19	356,608
Penske Truck Leasing Co. LP / PTL Finance Corp.[a]			
200,000	3.375	02/01/22	203,958
			560,566
Wireless Telecommunications – 2.8%			
American Tower Corp.			
75,000	3.300[a]	02/15/21	78,074
125,000	4.700	03/15/22	137,890
AT&T, Inc.			
250,000	3.800	03/15/22	266,284
50,000	4.450[a]	04/01/24	54,681
100,000	3.400[a]	05/15/25	101,994
Verizon Communications, Inc.			
607,000	2.625	02/21/20	627,487
850,000	4.500	09/15/20	943,812
800,000	5.150	09/15/23	931,268
			3,141,490
Wirelines Telecommunications – 0.4%			
Telefonica Emisiones SAU			
175,000	3.192	04/27/18	179,848
225,000	5.462	02/16/21	256,412
			436,260
TOTAL CORPORATE OBLIGATIONS (Cost $34,168,627)			$ 35,472,509
Mortgage-Backed Obligations – 30.9%			
Adjustable Rate Non-Agency[a][b] – 0.5%			
Countrywide Alternative Loan Trust Series 2005-38, Class A1			
$ 132,902	1.937%	09/25/35	$ 116,965
Lehman XS Trust Series 2005-7N, Class 1A1A			
235,566	0.723	12/25/35	207,027
Master Adjustable Rate Mortgages Trust Series 2006-OA2, Class 4A1A			
289,373	1.287	12/25/46	215,364
			539,356

Principal Amount	Interest Rate	Maturity Date	Value
Mortgage-Backed Obligations – (continued)			
Collateralized Mortgage Obligations – 6.4%			
Agency Multi-Family – 4.6%			
FHLMC Multifamily Structured Pass-Through Certificates Series K031, Class A2[b]			
$ 300,000	3.300%	04/25/23	$ 329,071
FHLMC Multifamily Structured Pass-Through Certificates Series K714, Class A2[b]			
300,000	3.034	10/25/20	319,457
FNMA			
356,918	2.800	03/01/18	362,008
1,016,998	3.740	05/01/18	1,046,212
320,000	3.840	05/01/18	329,708
800,000	4.506	06/01/19	837,009
161,766	3.416	10/01/20	173,850
168,595	3.619	12/01/20	181,967
864,980	3.762	12/01/20	937,853
358,478	4.380	06/01/21	398,672
FNMA ACES Series 2012-M8, Class A2			
100,000	2.349	05/25/22	103,200
FNMA ACES Series 2012-M8, Class ASQ2			
71,530	1.520	12/25/19	71,842
GNMA			
119,456	3.950	07/15/25	130,178
			5,221,027
Regular Floater[a][b] – 1.4%			
Aire Valley Mortgages PLC Series 2006-1A, Class 1A[c]			
62,184	0.867	09/20/66	59,437
Aire Valley Mortgages PLC Series 2006-1X, Class 2A1			
EUR 176,765	0.036	09/20/66	189,279
Connecticut Avenue Securities Series 2014-C03, Class 1M1			
$ 28,671	1.653	07/25/24	28,667
FNMA REMIC Series 2016-33, Class PF			
1,088,752	0.953	06/25/46	1,084,122
Leek Finance Number Eighteen PLC Series 18X, Class A2B			
165,776	0.904	09/21/38	176,654
Leek Finance Number Eighteen PLC Series 18X, Class A2C			
EUR 41,444	0.000	09/21/38	49,030
			1,587,189
Sequential Fixed Rate – 0.4%			
FNMA REMIC Series 2012-111, Class B			
$ 26,359	7.000	10/25/42	30,516
FNMA REMIC Series 2012-153, Class B			
66,993	7.000	07/25/42	79,092
National Credit Union Administration Guaranteed Notes Series A4			
300,000	3.000	06/12/19	317,685
			427,293
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS			$ 7,235,509

Principal Amount	Interest Rate	Maturity Date	Value
Mortgage-Backed Obligations – (continued)			
Commercial Mortgage-Backed Securities – 1.9%			
Sequential Fixed Rate[b] – 1.9%			
Banc of America Commercial Mortgage Trust Series 2007-4, Class A1A			
$ 312,171	5.774%	02/10/51	$ 322,407
FREMF Mortgage Trust Series 2014-K40, Class C[a][c][d]			
100,000	4.208	11/25/47	91,961
FREMF Mortgage Trust Series 2014-K41, Class B[a][c]			
100,000	3.961	11/25/47	98,436
GS Mortgage Securities Trust Series 2007-GG10, Class A1A[d]			
599,350	5.988	08/10/45	616,870
GS Mortgage Securities Trust Series 2007-GG10, Class A4[d]			
261,675	5.988	08/10/45	268,109
JP Morgan Chase Commercial Mortgage Securities Trust Series 2006-CB15, Class A1A			
112,699	5.811	06/12/43	112,614
JP Morgan Chase Commercial Mortgage Securities Trust Series 2007-CB19, Class A1A[d]			
250,832	5.887	02/12/49	257,263
Wachovia Bank Commercial Mortgage Trust Series 2007-C34, Class A1A			
453,260	5.608	05/15/46	461,894
TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES			$ 2,229,554
Federal Agencies – 22.1%			
Adjustable Rate FHLMC[b] – 0.5%			
$ 536,023	2.500%	09/01/35	$ 567,207
Adjustable Rate FNMA[b] – 1.0%			
249,476	2.604	05/01/33	258,766
449,603	2.833	05/01/35	475,907
356,884	2.889	09/01/35	380,135
			1,114,808
FHLMC – 4.3%			
41,521	5.500	02/01/18	42,786
4,201	5.500	04/01/18	4,323
1,909	4.500	09/01/18	1,967
5,609	5.500	09/01/18	5,839
44	9.500	08/01/19	44
21	9.500	08/01/20	23
38,932	6.500	10/01/20	44,854
8,991	4.500	07/01/24	9,721
47,743	4.500	11/01/24	51,794
11,009	4.500	12/01/24	11,920
10,218	6.000	03/01/29	11,605
159	6.000	04/01/29	180
12,115	7.500	12/01/29	13,770
126,142	7.000	05/01/32	150,000
199	6.000	08/01/32	231
74,389	7.000	12/01/32	88,570
4,622	5.000	10/01/33	5,126
6,519	5.000	07/01/35	7,226
8,766	5.000	12/01/35	9,981
72,338	5.500	01/01/37	80,790

Principal Amount	Interest Rate	Maturity Date	Value
Mortgage-Backed Obligations – (continued)			
FHLMC – (continued)			
$ 2,163	5.000%	03/01/38	$ 2,387
128,724	7.000	02/01/39	151,994
4,267	5.000	06/01/41	4,734
1,731,105	3.500	04/01/43	1,835,783
990,325	3.500	04/01/46	1,055,161
1,196,446	3.500	05/01/46	1,274,776
			4,865,585
FNMA – 7.4%			
582	6.500	09/01/16	583
1,253	6.500	11/01/16	1,257
130	7.500	04/01/17	131
48,634	5.500	02/01/18	50,183
49,633	5.000	05/01/18	51,109
5,052	6.500	08/01/18	5,820
32,600	7.000	08/01/18	33,778
1,010	5.000	06/01/23	1,066
97,329	5.500	09/01/23	106,301
26,532	5.500	10/01/23	29,107
1,246	6.000	12/01/23	1,423
6,393	4.500	07/01/24	6,932
120,551	4.500	11/01/24	130,834
50,145	4.500	12/01/24	54,467
65	7.000	07/01/25	76
13,679	9.000	11/01/25	16,198
39,698	7.000	08/01/26	46,160
668	7.000	08/01/27	791
5,198	7.000	09/01/27	5,782
141	7.000	01/01/28	166
3,210	6.000	01/01/29	3,665
76,620	6.000	02/01/29	88,451
70,677	6.000	06/01/29	81,598
24,167	8.000	10/01/29	29,625
6,520	7.000	12/01/29	7,805
1,327	8.500	04/01/30	1,653
2,471	8.000	05/01/30	2,886
263	8.500	06/01/30	295
7,471	7.000	05/01/32	9,015
59,415	7.000	06/01/32	70,637
75,269	7.000	08/01/32	89,717
12,137	8.000	08/01/32	13,373
3,242	5.000	08/01/33	3,636
837	5.500	09/01/33	952
1,026	5.500	02/01/34	1,166
198	5.500	04/01/34	226
7,572	5.500	12/01/34	8,618
31,384	5.000	04/01/35	35,735
59,222	6.000	04/01/35	68,504
1,347	5.500	09/01/35	1,540
122,082	6.000	10/01/35	139,764
298,110	6.000	09/01/36	341,288
91	5.500	02/01/37	104
201	5.500	04/01/37	228
62	5.500	05/01/37	71

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

Principal Amount	Interest Rate	Maturity Date	Value
Mortgage-Backed Obligations – (continued)			
FNMA – (continued)			
$ 194,312	5.500%	08/01/37	$ 218,869
250	5.500	03/01/38	284
222	5.500	06/01/38	253
212	5.500	07/01/38	241
195	5.500	08/01/38	222
200	5.500	09/01/38	227
2,618	5.500	10/01/38	2,974
61	5.500	12/01/38	70
139,732	5.000	01/01/39	159,089
82,969	7.000	03/01/39	97,996
277,031	6.000	05/01/39	316,411
20,508	4.500	08/01/39	22,917
60,926	3.000	01/01/43	63,886
244,678	3.000	03/01/43	256,568
340,539	3.000	04/01/43	357,087
256,507	3.000	05/01/43	268,972
930,269	3.500	07/01/43	982,477
901,408	3.500	05/01/46	961,091
1,000,000	3.000	TBA-30yr[e]	1,035,742
2,000,000	4.000	TBA-30yr[e]	2,144,375
			8,432,467
GNMA – 8.9%			
2,278	7.000	10/15/25	2,335
7,883	7.000	11/15/25	8,650
1,337	7.000	02/15/26	1,384
6,603	7.000	04/15/26	7,518
3,391	7.000	03/15/27	4,031
57,361	7.000	11/15/27	66,994
502	7.000	01/15/28	570
19,569	7.000	02/15/28	21,834
2,967	7.000	03/15/28	3,441
1,073	7.000	04/15/28	1,285
342	7.000	05/15/28	402
4,754	7.000	06/15/28	5,667
10,124	7.000	07/15/28	12,045
14,188	7.000	09/15/28	17,030
2,389	7.000	11/15/28	2,863
3,145	7.500	11/15/30	3,157
185,919	6.000	08/20/34	219,490
200,826	5.000	06/15/40	225,221
2,777,187	4.000	08/20/45	2,969,095
1,185,153	4.000	03/20/46	1,271,864
1,994,674	4.000	05/20/46	2,144,353
3,000,000	4.000	TBA-30yr[e]	3,207,187
			10,196,416
TOTAL FEDERAL AGENCIES			$ 25,176,483
TOTAL MORTGAGE-BACKED OBLIGATIONS (Cost $34,596,453)			$ 35,180,902

Principal Amount	Interest Rate	Maturity Date	Value
Agency Debentures – 2.3%			
FHLB			
$ 600,000	2.125%	06/09/23	$ 626,411
100,000	3.375	12/08/23	111,886
FNMA			
400,000	6.250	05/15/29	582,273
Tennessee Valley Authority			
500,000	3.875	02/15/21	560,236
500,000	5.375	04/01/56	693,585
TOTAL AGENCY DEBENTURES (Cost $2,268,830)			$ 2,574,391
Asset-Backed Securities[b] – 7.7%			
Collateralized Loan Obligations – 3.6%			
Aberdeen Loan Funding Ltd. Series 2008-1A, Class A[a][c]			
$ 220,219	1.287%	11/01/18	$ 219,008
Acis CLO Ltd. Series 2013-1A, Class ACOM[a][c]			
1,500,000	1.860	04/18/24	1,444,500
Acis CLO Ltd. Series 2013-2A, Class A[a][c]			
102,856	1.130	10/14/22	101,607
Acis CLO Ltd. Series 2013-2A, Class ACOM[a][c]			
722,844	1.328	10/14/22	713,158
Black Diamond CLO Ltd. Series 2006-1A, Class AD[a][c]			
155,855	0.888	04/29/19	154,158
Ocean Trails CLO I Series 2006-1X, Class A1[a]			
518,650	0.881	10/12/20	514,617
OFSI Fund V Ltd. Series 2013-5A, Class ACOM[a][c]			
950,000	0.000	04/17/25	922,070
Red River CLO Ltd. Series 1A, Class A[a][c]			
953	0.907	07/27/18	952
			4,070,070
Home Equity[a] – 1.9%			
GMAC Mortgage Corp. Loan Trust Series 2007-HE3, Class 1A1			
45,922	7.000	09/25/37	45,567
GMAC Mortgage Corp. Loan Trust Series 2007-HE3, Class 2A1			
92,334	6.708	09/25/37	92,136
Sound Point CLO VI Ltd. Series 2014-2A, Class ACOM[c]			
900,000	0.000	10/20/26	883,620
Sound Point CLO VIII Ltd. Series 2015-1A, Class A[c]			
900,000	2.158	04/15/27	891,095
Sound Point CLO VIII Ltd. Series 2015-1A, Class B[c]			
250,000	2.678	04/15/27	241,505
			2,153,923
Student Loans – 2.2%			
Access Group, Inc. Series 2005-2, Class A3[a]			
225,989	0.834	11/22/24	223,920
Chase Education Loan Trust Series 2007-A, Class A3			
71,332	0.694	12/28/23	70,042
Edsouth Indenture No. 10 LLC Series 2015-2, Class A[a][c]			
476,298	1.446	12/25/56	472,723
Nelnet Student Loan Trust Series 2006-2, Class A5[a]			
448,873	0.738	01/25/30	441,974

Principal Amount	Interest Rate	Maturity Date	Value
Asset-Backed Securities[b] – (continued)			
Student Loans – (continued)			
Northstar Education Finance, Inc. Series 2004-2, Class A3			
$ 47,665	0.804%	07/30/18	$ 47,503
Scholar Funding Trust Series 2010-A, Class A[a][c]			
172,718	1.384	10/28/41	169,260
SLC Student Loan Trust Series 2006-1, Class A5[a]			
500,000	0.763	03/15/27	479,708
SLM Student Loan Trust Series 2005-3, Class A5[a]			
228,893	0.728	10/25/24	225,497
SLM Student Loan Trust Series 2006-2, Class A5[a]			
356,243	0.748	07/25/25	354,146
			2,484,773
TOTAL ASSET-BACKED SECURITIES (Cost $8,694,190)			$ 8,708,766
Foreign Debt Obligations – 2.8%			
Sovereign – 2.6%			
Chile Government International Bond			
$ 468,000	3.125%	01/21/26	$ 487,305
Colombia Government International Bond[a]			
240,000	4.000	02/26/24	250,800
Indonesia Government International Bond[c]			
230,000	4.750	01/08/26	250,987
Italy Buoni Poliennali Del Tesoro			
EUR 232,357	2.350	09/15/19	280,111
60,268	2.350[c]	09/15/24	76,821
Mexico Government International Bond			
$ 470,000	3.600	01/30/25	491,738
160,000	4.750	03/08/44	171,760
200,000	4.600	01/23/46	210,500
10,000	5.750	10/12/10	11,000
Peruvian Government International Bond			
110,000	6.550	03/14/37	147,950
Spain Government Inflation Linked Bond[c]			
EUR 270,235	0.550	11/30/19	309,436
Turkey Government International Bond			
$ 260,000	4.250	04/14/26	264,225
			2,952,633
Supranational – 0.2%			
Inter-American Development Bank			
200,000	1.000	02/27/18	199,461
TOTAL FOREIGN DEBT OBLIGATIONS (Cost $3,038,032)			$ 3,152,094
Municipal Debt Obligations – 1.3%			
California – 0.3%			
California State Various Purpose GO Bonds Series 2010			
$ 140,000	7.950%	03/01/36	$ 169,643
105,000	7.625	03/01/40	165,979
			335,622

Principal Amount	Interest Rate	Maturity Date	Value
Municipal Debt Obligations – (continued)			
Illinois – 0.2%			
Illinois State GO Bonds for Build America Bonds Series 2010-5			
$ 250,000	7.350%	07/01/35	$ 277,665
New York – 0.5%			
Rensselaer Polytechnic Institute Taxable Bonds Series 2010			
475,000	5.600	09/01/20	543,025
Ohio – 0.3%			
American Municipal Power, Inc. RB Build America Bond Series 2010 E RMKT			
250,000	6.270	02/15/50	327,458
TOTAL MUNICIPAL DEBT OBLIGATIONS (Cost $1,224,911)			$ 1,483,770
Government Guarantee Obligations – 2.3%			
Hashemite Kingdom of Jordan Government AID Bond[f]			
$ 700,000	2.503%	10/30/20	$ 735,773
Israel Government AID Bond[f]			
400,000	5.500	09/18/23	503,697
200,000	5.500	12/04/23	252,991
100,000	5.500	04/26/24	127,157
KFW[g]			
1,000,000	1.125	08/06/18	1,006,543
TOTAL GOVERNMENT GUARANTEE OBLIGATIONS (Cost $2,549,344)			$ 2,626,161
U.S. Treasury Obligations – 19.9%			
United States Treasury Bonds			
$ 2,800,000	3.625%[h]	08/15/43	$ 3,605,812
960,000	3.750	11/15/43	1,264,291
790,000	3.625	02/15/44	1,016,667
1,300,000	3.375	05/15/44	1,599,247
100,000	3.000	11/15/44	114,769
200,000	2.875	08/15/45	224,064
50,000	2.500	05/15/46	52,028
United States Treasury Inflation-Protected Securities			
1,449,056	0.125	04/15/18	1,471,241
612,654	0.125	04/15/19	625,771
103,656	0.125	01/15/23	105,130
257,030	0.375	07/15/23	265,985
420,422	0.625	01/15/24	440,460
151,146	0.125	07/15/24	152,775
201,786	0.375	07/15/25	207,872
30,208	0.625	01/15/26	31,827
390,040	2.500	01/15/29	494,680
110,697	2.125	02/15/40	144,771
195,056	1.375	02/15/44	225,410
United States Treasury Notes			
470,000	0.875	11/30/17	472,040
1,200,000	1.000	12/31/17	1,207,704
200,000	0.750	01/31/18	200,566

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

Principal Amount	Interest Rate	Maturity Date	Value
U.S. Treasury Obligations – (continued)			
United States Treasury Notes – (continued)			
$ 420,000	0.750%	02/28/18	$ 421,205
3,400,000	1.625	06/30/20	3,496,662
2,200,000	1.625	07/31/20	2,262,458
290,000	1.750	09/30/22	299,190
540,000	1.875	10/31/22	561,103
100,000	2.250	11/15/25	106,648
United States Treasury Principal-Only STRIPS[(i)]			
1,900,000	0.000	11/15/27	1,581,370
TOTAL U.S. TREASURY OBLIGATIONS (Cost $20,531,530)			$ 22,651,746
TOTAL INVESTMENTS – 98.3% (Cost $107,071,917)			$111,850,339
OTHER ASSETS IN EXCESS OF LIABILITIES – 1.7%			1,889,065
NET ASSETS – 100.0%			$113,739,404

The percentage shown for each investment category reflects the value of investments in that category as a percentage of net assets.

(a) Securities with "Call" features. Maturity dates disclosed are the final maturity dates.

(b) Variable rate security. Interest rate or distribution rate disclosed is that which is in effect on June 30, 2016.

(c) Exempt from registration under Rule 144A of the Securities Act of 1933. Under procedures approved by the Board of Trustees, such securities may be deemed liquid by the Investment Adviser and may be resold, normally to qualified institutional buyers in transactions exempt from registration. Total market value of Rule 144A securities amounts to $14,867,927, which represents approximately 13.1% of net assets as of June 30, 2016.

(d) Interest is based on the weighted net interest rate of the collateral.

(e) TBA (To Be Announced) Securities are purchased on a forward commitment basis with an approximate principal amount and no defined maturity date. The actual principal and maturity date will be determined upon settlement when the specific mortgage pools are assigned. Total market value of TBA securities (excluding forward sales contracts, if any) amounts to $6,387,304 which represents approximately 5.6% of net assets as of June 30, 2016.

(f) Guaranteed by the United States Government. Total market value of these securities amounts to 1,619,618, which represents 1.4% of net assets as of June 30, 2016.

(g) Guaranteed by a foreign government until maturity. Total market value of these securities amounts to 1,006,543, which represents 0.9% of net assets as of June 30, 2016.

(h) All or a portion of security is segregated as collateral for initial margin requirements on futures transactions.

(i) Issued with a zero coupon. Income is recognized through the accretion of discount.

Investment Abbreviations:

BA	—Banker Acceptance Rate
BBR	—Bank Bill Reference Rate
EURIBOR	—Euro Interbank Offered Rate
FHLB	—Federal Home Loan Bank
FHLMC	—Federal Home Loan Mortgage Corp.
FNMA	—Federal National Mortgage Association
GNMA	—Government National Mortgage Association
GO	—General Obligation
LIBOR	—London Interbank Offered Rate
RB	—Revenue Bond
REMIC	—Real Estate Mortgage Investment Conduit
RMKT	—Remarketed
STIBOR	—Stockholm Interbank Offered Rate
STRIPS	—Separate Trading of Registered Interest and Principal of Securities

Currency Abbreviations:

AUD	—Australian Dollar
CAD	—Canadian Dollar
CHF	—Swiss Franc
EUR	—Euro
GBP	—British Pound
JPY	—Japanese Yen
NOK	—Norwegian Krone
NZD	—New Zealand Dollar
SEK	—Swedish Krona
SGD	—Singapore Dollar
TWD	—Taiwan Dollar
USD	—United States Dollar

ADDITIONAL INVESTMENT INFORMATION

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS — At June 30, 2016, the Fund had the following forward foreign currency exchange contracts:

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS WITH UNREALIZED GAIN

Counterparty	Currency Purchased		Currency Sold		Settlement Date	Current Value	Unrealized Gain
Bank of America, N.A.	CHF	27,480	EUR	25,273	09/21/16	$ 28,270	$ 142
	EUR	25,273	CHF	27,301	09/21/16	28,128	41

ADDITIONAL INVESTMENT INFORMATION (continued)

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS WITH UNREALIZED GAIN (continued)

Counterparty	Currency Purchased		Currency Sold		Settlement Date	Current Value	Unrealized Gain
Bank of America, N.A. (continued)	SEK	373,775	GBP	32,024	09/21/16	$ 44,332	$ 1,667
	USD	408,832	GBP	278,283	07/20/16	370,507	38,325
	USD	84,416	SEK	684,927	07/29/16	81,040	3,376
BNP Paribas SA	GBP	132,000	USD	175,792	09/21/16	175,861	69
	TWD	4,136,077	USD	127,558	07/07/16	128,316	758
	USD	87,040	EUR	77,000	09/21/16	85,701	1,339
	USD	692,900	GBP	506,000	09/21/16	674,132	18,768
	USD	35,700	NOK	298,077	09/21/16	35,613	87
	USD	41,575	SEK	341,672	09/21/16	40,525	1,050
Citibank, N.A.	AUD	116,000	USD	85,946	09/21/16	86,262	316
	CHF	249,677	EUR	227,623	09/21/16	256,863	3,519
	GBP	196,280	USD	259,104	09/21/16	261,499	2,395
	JPY	20,602,007	USD	197,726	09/21/16	200,052	2,326
	NOK	1,475,533	EUR	157,000	09/21/16	176,288	1,547
	NOK	319,341	USD	38,068	09/21/16	38,153	85
	NZD	121,000	USD	85,273	09/21/16	86,046	773
	USD	191,334	EUR	168,575	09/21/16	187,622	3,712
	USD	210,832	GBP	143,994	09/21/16	191,840	18,992
	USD	64,520	TWD	2,070,119	08/18/16	64,383	137
Credit Suisse International	CAD	52,355	USD	39,856	07/15/16	40,526	670
JPMorgan Chase Bank, N.A.	AUD	53,935	USD	39,841	08/04/16	40,179	338
	CHF	84,112	EUR	76,000	09/21/16	86,533	1,945
	JPY	4,487,570	USD	41,372	09/21/16	43,576	2,204
	NZD	160,799	USD	114,057	09/21/16	114,347	290
	USD	167,869	GBP	123,107	09/21/16	164,012	3,857
Morgan Stanley Co., Inc.	JPY	8,934,918	USD	86,000	09/21/16	86,761	761
	USD	85,445	GBP	62,000	09/21/16	82,601	2,844
Standard Chartered Bank	CAD	337,627	USD	259,000	09/21/16	261,372	2,372
	USD	87,337	GBP	63,000	09/21/16	83,934	3,403
State Street Bank	CAD	225,581	USD	173,000	09/21/16	174,633	1,633
	USD	172,475	GBP	121,000	09/21/16	161,205	11,270
Westpac Banking Corp.	AUD	873,687	USD	630,788	09/21/16	649,714	18,926
	EUR	177,741	GBP	143,827	09/21/16	197,825	6,208
	JPY	19,492,706	USD	186,754	08/10/16	188,979	2,225
	USD	1,255,110	EUR	1,106,589	07/13/16	1,228,373	26,737
TOTAL							$185,107

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

ADDITIONAL INVESTMENT INFORMATION (continued)

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS WITH UNREALIZED LOSS

Counterparty	Currency Purchased	Currency Sold	Settlement Date	Current Value	Unrealized Loss
Bank of America, N.A.	EUR 153,000	CHF 165,981	09/21/16	$170,289	$ (469)
	JPY 17,533,465	USD 172,000	09/21/16	170,255	(1,745)
	SEK 1,596,422	EUR 171,367	09/21/16	189,347	(1,384)
	USD 86,000	JPY 9,222,210	09/21/16	89,551	(3,551)
	USD 45,777	SGD 62,426	09/21/16	46,303	(526)
BNP Paribas SA	CHF 167,544	EUR 156,000	09/21/16	172,366	(1,261)
	EUR 76,000	CHF 82,673	09/21/16	84,588	(464)
	GBP 151,420	USD 221,668	09/21/16	201,733	(19,935)
	NOK 404,626	USD 48,500	09/21/16	48,343	(157)
	SEK 6,519,263	EUR 705,902	09/21/16	773,232	(12,436)
	SEK 288,976	USD 34,796	09/21/16	34,275	(521)
	USD 13,895	AUD 18,834	09/21/16	14,005	(110)
	USD 87,000	CAD 112,709	09/21/16	87,253	(253)
	USD 320,704	NZD 453,982	09/21/16	322,836	(2,132)
	USD 127,519	TWD 4,136,077	08/25/16	128,659	(1,140)
Citibank, N.A.	AUD 116,765	NZD 122,904	09/21/16	86,832	(567)
	EUR 76,000	CHF 83,361	09/21/16	84,588	(1,172)
	EUR 78,000	SEK 733,184	09/21/16	86,814	(147)
	EUR 37,271	USD 42,125	07/13/16	41,373	(752)
	EUR 261,524	USD 296,786	09/21/16	291,075	(5,711)
	GBP 93,486	USD 135,016	09/21/16	124,549	(10,467)
	SEK 2,740,384	EUR 296,119	09/21/16	325,029	(4,550)
	SEK 343,914	USD 41,731	09/21/16	40,790	(941)
	USD 430,848	CAD 563,873	09/21/16	436,519	(5,671)
	USD 172,110	GBP 130,280	09/21/16	173,569	(1,459)
	USD 75,953	NZD 107,293	09/21/16	76,299	(346)
	USD 45,303	SGD 62,426	09/21/16	46,302	(999)
JPMorgan Chase Bank, N.A.	GBP 63,000	USD 86,399	09/21/16	83,933	(2,466)
	USD 87,000	JPY 9,009,850	09/21/16	87,489	(489)
	USD 41,538	NZD 59,173	09/21/16	42,079	(541)
	USD 64,041	TWD 2,065,958	07/07/16	64,094	(53)
Morgan Stanley Co., Inc.	SEK 595,778	USD 72,815	09/21/16	70,664	(2,151)
	USD 600,807	CAD 786,105	09/21/16	608,560	(7,753)
	USD 257,691	EUR 233,000	09/21/16	259,329	(1,638)
	USD 34,272	NZD 50,617	09/21/16	35,995	(1,723)
Standard Chartered Bank	CAD 110,794	USD 86,000	09/21/16	85,771	(229)
	EUR 225,000	USD 257,546	09/21/16	250,424	(7,122)
	USD 252,053	AUD 340,864	09/21/16	253,482	(1,429)
	USD 615,646	CAD 804,684	09/21/16	622,942	(7,296)
	USD 513,854	NZD 754,251	09/21/16	536,365	(22,511)
	USD 64,031	TWD 2,070,119	07/07/16	64,223	(192)

ADDITIONAL INVESTMENT INFORMATION (continued)

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS WITH UNREALIZED LOSS (continued)

Counterparty	Currency Purchased		Currency Sold		Settlement Date	Current Value	Unrealized Loss
State Street Bank	AUD	119,000	NZD	126,551	09/21/16	$ 88,494	$ (1,499)
	CAD	190,716	USD	148,726	09/21/16	147,642	(1,084)
	EUR	76,000	CHF	83,019	09/21/16	84,588	(821)
	EUR	8,070	SEK	75,781	09/21/16	8,982	(6)
	EUR	87,521	USD	98,006	09/21/16	97,411	(595)
	GBP	299,534	USD	439,786	07/20/16	398,800	(40,986)
	GBP	181,711	USD	251,413	09/21/16	242,089	(9,324)
	JPY	8,765,636	USD	86,000	09/21/16	85,117	(883)
	NOK	599,313	USD	72,629	09/21/16	71,602	(1,027)
	SEK	4,871,099	EUR	526,234	09/21/16	577,747	(7,949)
	USD	209,808	JPY	22,715,604	09/21/16	220,576	(10,768)
	USD	69,227	NZD	98,613	09/21/16	70,126	(899)
	USD	45,898	SGD	62,452	09/21/16	46,321	(423)
Westpac Banking Corp.	AUD	368,889	NZD	388,632	09/21/16	274,324	(2,041)
	EUR	287,693	USD	326,306	07/13/16	319,355	(6,951)
	USD	251,910	AUD	343,245	09/21/16	255,252	(3,342)
	USD	99,556	JPY	10,391,269	08/10/16	100,742	(1,186)
TOTAL							$(224,243)

FORWARD SALES CONTRACTS — At June 30, 2016, the Fund had the following forward sales contracts:

Description	Interest Rate	Maturity Date[(a)]	Settlement Date	Principal Amount	Value
FHLMC (Proceeds Received: $1,047,344)	3.500%	TBA-30yr	07/15/45	$(1,000,000)	$(1,054,219)

(a) TBA (To Be Announced) Securities are sold on a forward commitment basis with an approximate principal amount and no defined maturity date. The actual principal and maturity date will be determined upon settlement when the specific mortgage pools are assigned.

FUTURES CONTRACTS — At June 30, 2016, the Fund had the following futures contracts:

Type	Number of Contracts Long (Short)	Expiration Date	Current Value	Unrealized Gain (Loss)
U.S. Long Bonds	8	September 2016	$1,378,750	$ 79,918
2 Year U.S. Treasury Notes	26	September 2016	5,702,531	38,238
5 Year U.S. Treasury Notes	38	September 2016	4,642,234	30,417
10 Year Australian Government Bonds	3	September 2016	304,733	3,217
10 Year U.S. Treasury Notes	1	September 2016	132,984	(96)
TOTAL				$151,694

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

ADDITIONAL INVESTMENT INFORMATION (continued)

SWAP CONTRACTS — At June 30, 2016, the Fund had the following swap contracts:

CENTRALLY CLEARED CREDIT DEFAULT SWAP CONTRACT

					Market Value	
Referenced Obligation	Notional Amount (000's)	Rates Received (Paid)	Termination Date	Credit Spread on June 30, 2016	Upfront Payments Made (Received)	Unrealized Gain (Loss)
Protection Purchased:						
CDX North America Investment Grade Index	$750	(1.000)%	06/20/21	0.783%	$(5,002)	$(2,947)

CENTRALLY CLEARED INTEREST RATE SWAP CONTRACTS

		Rates Exchanged		Market Value	
Notional Amount (000's)	Termination Date	Payments Received	Payments Made	Upfront Payments Made (Received)	Unrealized Gain (Loss)
SEK 9,470	06/15/18	0.050%	3 Month STIBOR	$ 9,115	$ 1,938
EUR 3,850[(a)]	09/21/18	3 Month EURIBOR	0.375%	740	648
4,710[(a)]	09/21/18	3 Month EURIBOR	0.400	3,817	485
GBP 1,440[(a)]	09/21/18	0.400	3 Month LIBOR	10	1,195
1,660[(a)]	09/21/18	0.464	3 Month LIBOR	1,522	4,176
CAD 6,190[(a)]	09/21/21	1.500	3 Month BA	94,050	40,761
EUR 1,100[(a)]	09/21/21	6 Month EURIBOR	0.500	(33,250)	(1,228)
GBP 350[(a)]	09/21/21	1.750	6 Month LIBOR	25,066	393
SEK 1,890[(a)]	09/21/21	3 Month STIBOR	0.250	242	(2,465)
$ 4,520[(a)]	09/21/21	3 Month LIBOR	2.000	(172,690)	(45,117)
EUR 1,800[(a)]	05/25/25	0.863	6 Month EURIBOR	5,336	13,118
1,210[(a)]	06/16/26	1.000	6 Month EURIBOR	2,251	3,650
AUD 930[(a)]	09/21/26	2.500	6 Month BBR	6,159	13,153
EUR 1,710[(a)]	09/21/26	1.000	6 Month EURIBOR	80,731	23,555
SEK 3,590[(a)]	09/21/26	3 Month STIBOR	1.000	2,531	(10,977)
$ 1,110[(a)]	09/21/26	3 Month LIBOR	2.250	(72,491)	(17,060)
JPY 49,710[(a)]	03/30/36	6 Month LIBOR	0.900	(5,090)	(22,296)
127,440[(a)]	09/21/36	6 Month LIBOR	0.500	(36,764)	(48,352)
GBP 350[(a)]	06/15/46	6 Month LIBOR	1.600	(2,014)	(18,037)
30[(a)]	09/21/46	6 Month LIBOR	2.250	(7,577)	(3,311)
$ 230[(a)]	09/21/46	2.750	3 Month LIBOR	37,754	13,045
TOTAL				$ (60,552)	$(52,726)

(a) Represents forward starting interest rate swaps whose effective dates of commencement of accruals and cash flows occur subsequent to June 30, 2016.

Schedule of Investments

June 30, 2016 (Unaudited)

Shares	Description	Value
Common Stocks – 99.5%		
Automobiles & Components – 0.9%		
1,939	BorgWarner, Inc.	$ 57,239
2,404	Delphi Automotive PLC	150,491
35,104	Ford Motor Co.	441,257
12,538	General Motors Co.	354,825
1,628	Harley-Davidson, Inc.	73,748
5,806	Johnson Controls, Inc.	256,974
2,362	The Goodyear Tire & Rubber Co.	60,609
		1,395,143
Banks – 5.2%		
91,889	Bank of America Corp.	1,219,367
7,100	BB&T Corp.	252,831
26,182	Citigroup, Inc.	1,109,855
4,626	Citizens Financial Group, Inc.	92,428
1,626	Comerica, Inc.	66,877
7,036	Fifth Third Bancorp	123,763
7,198	Huntington Bancshares, Inc.	64,350
32,653	JPMorgan Chase & Co.	2,029,057
7,309	KeyCorp	80,765
1,425	M&T Bank Corp.	168,478
2,938	People's United Financial, Inc.	43,071
11,502	Regions Financial Corp.	97,882
4,565	SunTrust Banks, Inc.	187,530
4,430	The PNC Financial Services Group, Inc.	360,558
14,578	U.S. Bancorp	587,931
41,303	Wells Fargo & Co.	1,954,871
1,886	Zions Bancorporation	47,395
		8,487,009
Capital Goods – 7.4%		
5,424	3M Co.	949,851
395	Acuity Brands, Inc.	97,944
908	Allegion PLC	63,042
2,057	AMETEK, Inc.	95,095
5,214	Caterpillar, Inc.	395,273
1,395	Cummins, Inc.	156,854
5,349	Danaher Corp.	540,249
2,637	Deere & Co.	213,702
1,405	Dover Corp.	97,395
4,068	Eaton Corp. PLC	242,982
5,735	Emerson Electric Co.	299,138
2,645	Fastenal Co.	117,411
1,146	Flowserve Corp.	51,765
1,224	Fluor Corp.	60,319
1,370	Fortune Brands Home & Security, Inc.	79,419
2,551	General Dynamics Corp.	355,201
82,132	General Electric Co.	2,585,515
6,793	Honeywell International, Inc.	790,162
2,869	Illinois Tool Works, Inc.	298,835
2,295	Ingersoll-Rand PLC	146,146
1,109	Jacobs Engineering Group, Inc.*	55,239
689	L-3 Communications Holdings, Inc.	101,069
2,341	Lockheed Martin Corp.	580,966

Shares	Description	Value
Common Stocks – (continued)		
Capital Goods – (continued)		
3,036	Masco Corp.	$ 93,934
1,615	Northrop Grumman Corp.	358,982
3,155	PACCAR, Inc.	163,650
1,193	Parker-Hannifin Corp.	128,904
1,574	Pentair PLC	91,748
1,424	Quanta Services, Inc.*	32,923
2,634	Raytheon Co.	358,092
1,175	Rockwell Automation, Inc.	134,913
1,178	Rockwell Collins, Inc.	100,295
901	Roper Technologies, Inc.	153,675
513	Snap-on, Inc.	80,962
1,363	Stanley Black & Decker, Inc.	151,593
2,399	Textron, Inc.	87,707
5,329	The Boeing Co.	692,077
481	TransDigm Group, Inc.*	126,835
828	United Rentals, Inc.*	55,559
6,983	United Technologies Corp.	716,107
506	W.W. Grainger, Inc.	114,988
1,547	Xylem, Inc.	69,074
		12,085,590
Commercial & Professional Services – 0.7%		
816	Cintas Corp.	80,074
1,054	Equifax, Inc.	135,334
3,238	Nielsen Holdings PLC	168,279
1,596	Pitney Bowes, Inc.	28,409
2,108	Republic Services, Inc.	108,162
1,137	Robert Half International, Inc.	43,388
790	Stericycle, Inc.*	82,255
341	The Dun & Bradstreet Corp.	41,547
3,794	Tyco International PLC	161,624
1,389	Verisk Analytics, Inc.*	112,620
3,749	Waste Management, Inc.	248,446
		1,210,138
Consumer Durables & Apparel – 1.4%		
2,452	Coach, Inc.	99,894
3,005	D.R. Horton, Inc.	94,597
1,050	Garmin Ltd.	44,541
3,283	Hanesbrands, Inc.	82,502
676	Harman International Industries, Inc.	48,550
1,011	Hasbro, Inc.	84,914
1,204	Leggett & Platt, Inc.	61,536
1,593	Lennar Corp. Class A	73,437
3,016	Mattel, Inc.	94,371
1,528	Michael Kors Holdings Ltd.*	75,605
585	Mohawk Industries, Inc.*	111,010
4,148	Newell Brands, Inc.	201,468
11,859	NIKE, Inc. Class B	654,617
2,750	PulteGroup, Inc.	53,598
737	PVH Corp.	69,448
549	Ralph Lauren Corp.	49,201
1,605	Under Armour, Inc. Class A*	64,409
1,616	Under Armour, Inc. Class C*	58,837

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

Shares	Description	Value
Common Stocks – (continued)		
Consumer Durables & Apparel – (continued)		
2,945	VF Corp.	$ 181,088
699	Whirlpool Corp.	116,481
		2,320,104
Consumer Services – 1.7%		
3,870	Carnival Corp.	171,054
255	Chipotle Mexican Grill, Inc.*	102,704
1,000	Darden Restaurants, Inc.	63,340
2,181	H&R Block, Inc.	50,163
1,666	Marriott International, Inc. Class A	110,722
7,829	McDonald's Corp.	942,142
1,515	Royal Caribbean Cruises Ltd.	101,732
13,087	Starbucks Corp.	747,530
1,512	Starwood Hotels & Resorts Worldwide, Inc.	111,812
985	Wyndham Worldwide Corp.	70,162
716	Wynn Resorts Ltd.	64,898
3,633	Yum! Brands, Inc.	301,248
		2,837,507
Diversified Financials – 4.6%		
502	Affiliated Managers Group, Inc.*	70,667
7,188	American Express Co.	436,743
1,456	Ameriprise Financial, Inc.	130,822
16,753	Berkshire Hathaway, Inc. Class B*	2,425,667
1,116	BlackRock, Inc.	382,263
4,553	Capital One Financial Corp.	289,161
3,064	CME Group, Inc.	298,434
3,753	Discover Financial Services	201,123
2,444	E*TRADE Financial Corp.*	57,410
3,395	Franklin Resources, Inc.	113,291
1,039	Intercontinental Exchange, Inc.	265,942
3,701	Invesco Ltd.	94,524
979	Legg Mason, Inc.	28,871
2,947	Leucadia National Corp.	51,071
1,510	Moody's Corp.	141,502
13,412	Morgan Stanley	348,444
993	Nasdaq, Inc.	64,217
3,037	Navient Corp.	36,292
1,893	Northern Trust Corp.	125,430
2,392	S&P Global, Inc.	256,566
3,602	State Street Corp.	194,220
7,479	Synchrony Financial*	189,069
2,221	T. Rowe Price Group, Inc.	162,066
9,599	The Bank of New York Mellon Corp.	372,921
10,832	The Charles Schwab Corp.	274,158
3,446	The Goldman Sachs Group, Inc.[(a)]	512,007
		7,522,881
Energy – 7.4%		
4,577	Anadarko Petroleum Corp.	243,725
3,395	Apache Corp.	189,000
3,950	Baker Hughes, Inc.	178,264
3,946	Cabot Oil & Gas Corp.	101,570

Shares	Description	Value
Common Stocks – (continued)		
Energy – (continued)		
5,166	Chesapeake Energy Corp.*	$ 22,111
16,853	Chevron Corp.	1,766,700
867	Cimarex Energy Co.	103,450
3,590	Columbia Pipeline Group, Inc.	91,509
1,139	Concho Resources, Inc.*	135,849
11,134	ConocoPhillips	485,442
4,511	Devon Energy Corp.	163,524
511	Diamond Offshore Drilling, Inc.	12,433
4,907	EOG Resources, Inc.	409,342
1,437	EQT Corp.	111,267
37,045	Exxon Mobil Corp.	3,472,598
2,016	FMC Technologies, Inc.*	53,767
7,714	Halliburton Co.	349,367
979	Helmerich & Payne, Inc.	65,720
2,310	Hess Corp.	138,831
16,435	Kinder Morgan, Inc.	307,663
7,610	Marathon Oil Corp.	114,226
4,746	Marathon Petroleum Corp.	180,158
1,464	Murphy Oil Corp.	46,482
3,419	National Oilwell Varco, Inc.	115,049
1,766	Newfield Exploration Co.*	78,022
3,761	Noble Energy, Inc.	134,907
6,848	Occidental Petroleum Corp.	517,435
1,828	ONEOK, Inc.	86,739
4,147	Phillips 66	329,023
1,468	Pioneer Natural Resources Co.	221,976
1,521	Range Resources Corp.	65,616
12,449	Schlumberger Ltd.	984,467
3,328	Southwestern Energy Co.*	41,866
5,940	Spectra Energy Corp.	217,582
1,055	Tesoro Corp.	79,041
6,061	The Williams Companies, Inc.	131,099
3,110	Transocean Ltd.	36,978
4,170	Valero Energy Corp.	212,670
		11,995,468
Food & Staples Retailing – 2.3%		
3,896	Costco Wholesale Corp.	611,828
9,577	CVS Health Corp.	916,902
4,760	Sysco Corp.	241,523
8,459	The Kroger Co.	311,207
7,742	Walgreens Boots Alliance, Inc.	644,676
13,619	Wal-Mart Stores, Inc.	994,459
2,901	Whole Foods Market, Inc.	92,890
		3,813,485
Food, Beverage & Tobacco – 6.0%		
17,454	Altria Group, Inc.	1,203,628
5,189	Archer-Daniels-Midland Co.	222,556
930	Brown-Forman Corp. Class B	92,777
1,622	Campbell Soup Co.	107,912
3,952	ConAgra Foods, Inc.	188,945
1,579	Constellation Brands, Inc. Class A	261,167
1,693	Dr. Pepper Snapple Group, Inc.	163,594

Shares	Description	Value
Common Stocks – (continued)		
Food, Beverage & Tobacco – (continued)		
5,294	General Mills, Inc.	$ 377,568
2,352	Hormel Foods Corp.	86,083
2,263	Kellogg Co.	184,774
1,042	McCormick & Co., Inc.	111,150
1,693	Mead Johnson Nutrition Co.	153,640
1,484	Molson Coors Brewing Co. Class B	150,077
13,857	Mondelez International, Inc. Class A	630,632
1,261	Monster Beverage Corp.*	202,655
12,890	PepsiCo, Inc.	1,365,567
13,861	Philip Morris International, Inc.	1,409,941
7,407	Reynolds American, Inc.	399,459
34,823	The Coca-Cola Co.	1,578,526
1,232	The Hershey Co.	139,820
1,075	The J.M. Smucker Co.	163,841
5,315	The Kraft Heinz Co.	470,271
2,616	Tyson Foods, Inc. Class A	174,723
		9,839,306
Health Care Equipment & Services – 5.3%		
13,207	Abbott Laboratories	519,167
3,109	Aetna, Inc.	379,702
1,683	AmerisourceBergen Corp.	133,495
2,337	Anthem, Inc.	306,942
4,818	Baxter International, Inc.	217,870
1,884	Becton, Dickinson and Co.	319,507
11,961	Boston Scientific Corp.*	279,529
672	C. R. Bard, Inc.	158,027
2,878	Cardinal Health, Inc.	224,513
1,556	Centene Corp.*	111,052
2,704	Cerner Corp.*	158,454
2,277	Cigna Corp.	291,433
1,426	DaVita HealthCare Partners, Inc.*	110,258
2,123	Denstply Sirona, Inc.	131,711
1,925	Edwards Lifesciences Corp.*	191,980
5,638	Express Scripts Holding Co.*	427,360
2,661	HCA Holdings, Inc.*	204,924
732	Henry Schein, Inc.*	129,418
2,261	Hologic, Inc.*	78,231
1,328	Humana, Inc.	238,881
335	Intuitive Surgical, Inc.*	221,572
931	Laboratory Corp. of America Holdings*	121,281
1,998	McKesson Corp.	372,927
12,557	Medtronic PLC	1,089,571
779	Patterson Companies, Inc.	37,306
1,287	Quest Diagnostics, Inc.	104,775
2,523	St. Jude Medical, Inc.	196,794
2,834	Stryker Corp.	339,598
8,473	UnitedHealth Group, Inc.	1,196,388
827	Universal Health Services, Inc. Class B	110,901
840	Varian Medical Systems, Inc.*	69,073
1,592	Zimmer Biomet Holdings, Inc.	191,645
		8,664,285

Shares	Description	Value
Common Stocks – (continued)		
Household & Personal Products – 2.1%		
1,151	Church & Dwight Co., Inc.	$ 118,426
8,007	Colgate-Palmolive Co.	586,112
3,215	Kimberly-Clark Corp.	441,998
1,141	The Clorox Co.	157,903
1,973	The Estee Lauder Companies, Inc. Class A	179,583
23,782	The Procter & Gamble Co.	2,013,622
		3,497,644
Insurance – 2.7%		
3,724	Aflac, Inc.	268,724
9,986	American International Group, Inc.	528,160
2,398	Aon PLC	261,934
1,588	Arthur J. Gallagher & Co.	75,589
552	Assurant, Inc.	47,643
4,118	Chubb Ltd.	538,264
1,311	Cincinnati Financial Corp.	98,181
2,149	Lincoln National Corp.	83,317
2,394	Loews Corp.	98,369
4,642	Marsh & McLennan Companies, Inc.	317,791
9,803	MetLife, Inc.	390,453
2,428	Principal Financial Group, Inc.	99,815
3,960	Prudential Financial, Inc.	282,506
3,350	The Allstate Corp.	234,332
3,581	The Hartford Financial Services Group, Inc.	158,925
5,283	The Progressive Corp.	176,980
2,630	The Travelers Companies, Inc.	313,075
990	Torchmark Corp.	61,202
2,076	Unum Group	65,996
1,235	Willis Towers Watson PLC	153,523
2,664	XL Group PLC	88,738
		4,343,517
Materials – 2.9%		
1,757	Air Products & Chemicals, Inc.	249,564
1,002	Albemarle Corp.	79,469
11,842	Alcoa, Inc.	109,775
832	Avery Dennison Corp.	62,192
1,238	Ball Corp.	89,495
2,053	CF Industries Holdings, Inc.	49,477
7,798	E.I. du Pont de Nemours & Co.	505,311
1,292	Eastman Chemical Co.	87,727
2,340	Ecolab, Inc.	277,524
1,149	FMC Corp.	53,210
10,104	Freeport-McMoRan, Inc.	112,559
707	International Flavors & Fragrances, Inc.	89,132
3,647	International Paper Co.	154,560
3,074	LyondellBasell Industries NV Class A	228,767
570	Martin Marietta Materials, Inc.	109,440
3,878	Monsanto Co.	401,024
4,774	Newmont Mining Corp.	186,759
2,878	Nucor Corp.	142,202

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

Shares	Description	Value
Common Stocks – (continued)		
Materials – (continued)		
1,570	Owens-Illinois, Inc.*	$ 28,276
2,395	PPG Industries, Inc.	249,439
2,574	Praxair, Inc.	289,292
1,755	Sealed Air Corp.	80,677
10,016	The Dow Chemical Co.	497,895
3,030	The Mosaic Co.	79,325
710	The Sherwin-Williams Co.	208,506
1,176	Vulcan Materials Co.	141,543
2,329	WestRock Co.	90,528
		4,653,668
Media – 2.7%		
3,668	CBS Corp. Class B	199,686
21,633	Comcast Corp. Class A	1,410,255
1,393	Discovery Communications, Inc. Class A*	35,145
2,095	Discovery Communications, Inc. Class C*	49,966
3,602	News Corp. Class A	40,883
1,017	News Corp. Class B	11,868
2,165	Omnicom Group, Inc.	176,426
820	Scripps Networks Interactive, Inc. Class A	51,061
2,048	TEGNA, Inc.	47,452
3,557	The Interpublic Group of Companies, Inc.	82,167
13,355	The Walt Disney Co.	1,306,386
7,070	Time Warner, Inc.	519,928
9,712	Twenty-First Century Fox, Inc. Class A	262,710
3,835	Twenty-First Century Fox, Inc. Class B	104,504
3,091	Viacom, Inc. Class B	128,184
		4,426,621
Pharmaceuticals, Biotechnology & Life Sciences – 9.3%		
14,423	AbbVie, Inc.	892,928
2,884	Agilent Technologies, Inc.	127,934
1,980	Alexion Pharmaceuticals, Inc.*	231,185
3,527	Allergan PLC*	815,054
6,692	Amgen, Inc.	1,018,188
1,949	Biogen, Inc.*	471,307
14,873	Bristol-Myers Squibb Co.	1,093,909
6,919	Celgene Corp.*	682,421
8,691	Eli Lilly & Co.	684,416
1,928	Endo International PLC*	30,058
11,878	Gilead Sciences, Inc.	990,863
1,325	Illumina, Inc.*	186,003
24,570	Johnson & Johnson	2,980,341
972	Mallinckrodt PLC*	59,078
24,704	Merck & Co., Inc.	1,423,197
3,693	Mylan NV*	159,685
950	PerkinElmer, Inc.	49,799
1,253	Perrigo Co. PLC	113,610
54,222	Pfizer, Inc.	1,909,157
707	Regeneron Pharmaceuticals, Inc.*	246,906

Shares	Description	Value
Common Stocks – (continued)		
Pharmaceuticals, Biotechnology & Life Sciences – (continued)		
3,498	Thermo Fisher Scientific, Inc.	$ 516,864
2,228	Vertex Pharmaceuticals, Inc.*	191,653
724	Waters Corp.*	101,831
4,119	Zoetis, Inc.	195,488
		15,171,875
Real Estate – 3.3%		
3,795	American Tower Corp. (REIT)	431,150
1,402	Apartment Investment & Management Co. Class A (REIT)	61,912
1,235	AvalonBay Communities, Inc. (REIT)	222,782
1,377	Boston Properties, Inc. (REIT)	181,626
2,716	CBRE Group, Inc. Class A*	71,920
2,994	Crown Castle International Corp. (REIT)	303,681
1,314	Digital Realty Trust, Inc. (REIT)	143,213
617	Equinix, Inc. (REIT)	239,229
3,311	Equity Residential (REIT)	228,062
591	Essex Property Trust, Inc. (REIT)	134,801
1,151	Extra Space Storage, Inc. (REIT)	106,514
645	Federal Realty Investment Trust (REIT)	106,780
5,262	General Growth Properties, Inc. (REIT)	156,913
4,116	HCP, Inc. (REIT)	145,624
6,529	Host Hotels & Resorts, Inc. (REIT)	105,835
1,685	Iron Mountain, Inc. (REIT)	67,114
3,688	Kimco Realty Corp. (REIT)	115,729
4,664	Prologis, Inc. (REIT)	228,723
1,317	Public Storage (REIT)	336,612
2,269	Realty Income Corp. (REIT)	157,378
2,775	Simon Property Group, Inc. (REIT)	601,898
888	SL Green Realty Corp. (REIT)	94,545
1,132	The Macerich Co. (REIT)	96,661
2,406	UDR, Inc. (REIT)	88,830
2,988	Ventas, Inc. (REIT)	217,586
1,602	Vornado Realty Trust (REIT)	160,392
3,164	Welltower, Inc. (REIT)	241,002
6,629	Weyerhaeuser Co. (REIT)	197,345
		5,243,857
Retailing – 5.5%		
645	Advance Auto Parts, Inc.	104,251
3,452	Amazon.com, Inc.*	2,470,320
696	AutoNation, Inc.*	32,698
271	AutoZone, Inc.*	215,131
1,471	Bed Bath & Beyond, Inc.	63,577
2,511	Best Buy Co., Inc.	76,837
1,795	CarMax, Inc.*	88,009
2,510	Dollar General Corp.	235,940
2,081	Dollar Tree, Inc.*	196,113
1,069	Expedia, Inc.	113,635
1,254	Foot Locker, Inc.	68,794
1,334	Genuine Parts Co.	135,067
1,730	Kohl's Corp.	65,602

Shares	Description	Value
Common Stocks – (continued)		
Retailing – (continued)		
2,245	L Brands, Inc.	$ 150,707
2,751	LKQ Corp.*	87,207
7,955	Lowe's Companies, Inc.	629,797
2,799	Macy's, Inc.	94,074
3,850	Netflix, Inc.*	352,198
1,218	Nordstrom, Inc.	46,345
874	O'Reilly Automotive, Inc.*	236,941
3,624	Ross Stores, Inc.	205,445
734	Signet Jewelers Ltd.	60,489
5,583	Staples, Inc.	48,125
5,290	Target Corp.	369,348
2,030	The Gap, Inc.	43,077
11,103	The Home Depot, Inc.	1,417,742
445	The Priceline Group, Inc.*	555,542
5,878	The TJX Companies, Inc.	453,958
1,026	Tiffany & Co.	62,217
1,191	Tractor Supply Co.	108,595
984	TripAdvisor, Inc.*	63,271
548	Ulta Salon, Cosmetics & Fragrance, Inc.*	133,515
679	Urban Outfitters, Inc.*	18,673
		9,003,240
Semiconductors & Semiconductor Equipment – 2.8%		
2,702	Analog Devices, Inc.	153,041
9,661	Applied Materials, Inc.	231,574
3,316	Broadcom Ltd.	515,306
668	First Solar, Inc.*	32,385
42,259	Intel Corp.	1,386,095
1,416	KLA-Tencor Corp.	103,722
1,418	Lam Research Corp.	119,197
2,169	Linear Technology Corp.	100,924
1,811	Microchip Technology, Inc.	91,926
9,294	Micron Technology, Inc.*	127,885
4,608	NVIDIA Corp.	216,622
1,119	Qorvo, Inc.*	61,836
13,121	QUALCOMM, Inc.	702,892
1,702	Skyworks Solutions, Inc.	107,703
8,958	Texas Instruments, Inc.	561,219
2,343	Xilinx, Inc.	108,083
		4,620,410
Software & Services – 11.9%		
5,550	Accenture PLC Class A	628,760
4,488	Activision Blizzard, Inc.	177,859
4,485	Adobe Systems, Inc.*	429,618
1,569	Akamai Technologies, Inc.*	87,754
532	Alliance Data Systems Corp.*	104,229
2,623	Alphabet, Inc. Class A*	1,845,359
2,634	Alphabet, Inc. Class C*	1,822,991
2,033	Autodesk, Inc.*	110,067
4,093	Automatic Data Processing, Inc.	376,024
2,659	CA, Inc.	87,295
1,412	Citrix Systems, Inc.*	113,087

Shares	Description	Value
Common Stocks – (continued)		
Software & Services – (continued)		
5,411	Cognizant Technology Solutions Corp. Class A*	$ 309,726
1,321	CSRA, Inc.	30,951
9,339	eBay, Inc.*	218,626
2,664	Electronic Arts, Inc.*	201,825
20,647	Facebook, Inc. Class A*	2,359,539
2,469	Fidelity National Information Services, Inc.	181,916
2,022	Fiserv, Inc.*	219,852
1,352	Global Payments, Inc.	96,506
7,880	International Business Machines Corp.	1,196,026
2,279	Intuit, Inc.	254,359
8,676	MasterCard, Inc. Class A	764,009
70,226	Microsoft Corp.	3,593,464
27,835	Oracle Corp.	1,139,287
2,881	Paychex, Inc.	171,420
9,895	PayPal Holdings, Inc.*	361,266
1,621	Red Hat, Inc.*	117,685
5,615	salesforce.com, Inc.*	445,887
5,432	Symantec Corp.	111,573
1,169	Teradata Corp.*	29,307
4,548	The Western Union Co.	87,231
1,482	Total System Services, Inc.	78,709
852	VeriSign, Inc.*	73,664
17,043	Visa, Inc. Class A	1,264,079
8,761	Xerox Corp.	83,142
7,730	Yahoo!, Inc.*	290,339
		19,463,431
Technology Hardware & Equipment – 4.9%		
2,784	Amphenol Corp. Class A	159,607
48,944	Apple, Inc.	4,679,046
44,883	Cisco Systems, Inc.	1,287,693
9,519	Corning, Inc.	194,949
17,362	EMC Corp.	471,726
616	F5 Networks, Inc.*	70,126
1,314	FLIR Systems, Inc.	40,668
1,069	Harris Corp.	89,197
14,729	Hewlett Packard Enterprise Co.	269,099
15,110	HP, Inc.	189,631
3,102	Juniper Networks, Inc.	69,764
1,452	Motorola Solutions, Inc.	95,788
2,493	NetApp, Inc.	61,303
2,672	Seagate Technology PLC	65,090
3,165	TE Connectivity Ltd.	180,753
2,508	Western Digital Corp.	118,528
		8,042,968
Telecommunication Services – 2.9%		
54,997	AT&T, Inc.	2,376,420
4,915	CenturyLink, Inc.	142,584
10,443	Frontier Communications Corp.	51,589
2,557	Level 3 Communications, Inc.*	131,660

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

Shares	Description	Value
Common Stocks – (continued)		
Telecommunication Services – (continued)		
36,355	Verizon Communications, Inc.	$ 2,030,063
		4,732,316
Transportation – 2.0%		
1,121	Alaska Air Group, Inc.	65,343
5,103	American Airlines Group, Inc.	144,466
1,254	C.H. Robinson Worldwide, Inc.	93,109
8,678	CSX Corp.	226,322
6,835	Delta Air Lines, Inc.	248,999
1,648	Expeditors International of Washington, Inc.	80,818
2,222	FedEx Corp.	337,255
810	J.B. Hunt Transport Services, Inc.	65,553
960	Kansas City Southern	86,486
2,616	Norfolk Southern Corp.	222,700
527	Ryder System, Inc.	32,221
5,793	Southwest Airlines Co.	227,144
7,482	Union Pacific Corp.	652,805
2,969	United Continental Holdings, Inc.*	121,848
6,193	United Parcel Service, Inc. Class B	667,110
		3,272,179
Utilities – 3.6%		
5,945	AES Corp.	74,194
1,111	AGL Resources, Inc.	73,293
2,026	Alliant Energy Corp.	80,432
2,123	Ameren Corp.	113,750
4,437	American Electric Power Co., Inc.	310,989
1,568	American Water Works Co., Inc.	132,512
3,794	CenterPoint Energy, Inc.	91,056
2,425	CMS Energy Corp.	111,210
2,647	Consolidated Edison, Inc.	212,925
5,311	Dominion Resources, Inc.	413,886
1,618	DTE Energy Co.	160,376
6,169	Duke Energy Corp.	529,239
2,934	Edison International	227,884
1,625	Entergy Corp.	132,194
2,798	Eversource Energy	167,600
8,190	Exelon Corp.	297,788
3,809	FirstEnergy Corp.	132,972
4,128	NextEra Energy, Inc.	538,291
2,848	NiSource, Inc.	75,529
2,677	NRG Energy, Inc.	40,128
4,438	PG&E Corp.	283,677

Shares	Description	Value
Common Stocks – (continued)		
Utilities – (continued)		
1,006	Pinnacle West Capital Corp.	$ 81,546
6,005	PPL Corp.	226,689
4,561	Public Service Enterprise Group, Inc.	212,588
1,246	SCANA Corp.	94,272
2,114	Sempra Energy	241,038
2,104	TECO Energy, Inc.	58,155
8,158	The Southern Co.	437,514
2,852	WEC Energy Group, Inc.	186,236
4,554	Xcel Energy, Inc.	203,928
		5,941,891
TOTAL COMMON STOCKS (Cost $77,834,462)		$162,584,533

Principal Amount	Interest Rate	Maturity Date	Value
U.S. Treasury Obligation – 0.1%[b][c]			
United States Treasury Bill			
$100,000	0.000%	09/08/16	$ 99,959
(Cost $99,904)			
TOTAL INVESTMENTS – 99.6% (Cost $77,934,366)			$162,684,492
OTHER ASSETS IN EXCESS OF LIABILITIES – 0.4%			693,648
NET ASSETS – 100.0%			$163,378,140

The percentage shown for each investment category reflects the value of investments in that category as a percentage of net assets.

* Non-income producing security.

(a) Represents an affiliated issuer.

(b) Issued with a zero coupon. Income is recognized through the accretion of discount.

(c) All or a portion of security is segregated as collateral for initial margin requirements on futures transactions.

Investment Abbreviation:
REIT—Real Estate Investment Trust

ADDITIONAL INVESTMENT INFORMATION

FUTURES CONTRACTS — At June 30, 2016, the Fund had the following futures contracts:

Type	Number of Contracts Long (Short)	Expiration Date	Current Value	Unrealized Gain (Loss)
S&P 500 E-Mini Index	10	September 2016	$1,045,100	$12,075

Schedule of Investments

June 30, 2016 (Unaudited)

Shares	Description	Value
Common Stocks – 96.5%		
Automobiles & Components – 0.3%		
17,180	BorgWarner, Inc.	$ 507,154
Banks – 2.1%		
40,080	Eagle Bancorp, Inc.*	1,928,249
24,283	First Republic Bank	1,699,567
		3,627,816
Capital Goods – 13.3%		
64,189	AMETEK, Inc.	2,967,457
40,877	Fortune Brands Home & Security, Inc.	2,369,640
21,373	Graco, Inc.	1,688,253
14,001	Hubbell, Inc.	1,476,685
14,367	Roper Technologies, Inc.	2,450,436
70,859	Sensata Technologies Holding NV*	2,472,271
32,044	The Middleby Corp.*	3,693,071
9,030	W.W. Grainger, Inc.	2,052,067
75,052	Xylem, Inc.	3,351,072
		22,520,952
Consumer Durables & Apparel – 4.3%		
114,449	Kate Spade & Co.*	2,358,794
54,175	Newell Brands, Inc.	2,631,279
11,243	PVH Corp.	1,059,428
29,475	Under Armour, Inc. Class A*	1,182,832
		7,232,333
Consumer Services – 4.0%		
6,653	Chipotle Mexican Grill, Inc.*	2,679,562
19,022	Panera Bread Co. Class A*	4,031,523
		6,711,085
Diversified Financials – 3.6%		
20,122	Affiliated Managers Group, Inc.*	2,832,574
12,654	Intercontinental Exchange, Inc.	3,238,918
		6,071,492
Energy – 0.7%		
4,610	Concho Resources, Inc.*	549,835
10,959	Dril-Quip, Inc.*	640,334
		1,190,169
Food & Staples Retailing – 1.3%		
67,868	Whole Foods Market, Inc.	2,173,133
Food, Beverage & Tobacco – 8.5%		
89,333	Blue Buffalo Pet Products, Inc.*	2,085,032
8,689	Brown-Forman Corp. Class B	866,815
39,720	McCormick & Co., Inc.	4,236,933
25,384	Mead Johnson Nutrition Co.	2,303,598
11,155	Monster Beverage Corp.*	1,792,720
30,588	TreeHouse Foods, Inc.*	3,139,858
		14,424,956

Shares	Description	Value
Common Stocks – (continued)		
Health Care Equipment & Services – 8.1%		
10,288	Adeptus Health, Inc. Class A*	$ 531,478
14,355	C. R. Bard, Inc.	3,375,722
21,153	Cardinal Health, Inc.	1,650,145
39,619	Cerner Corp.*	2,321,673
7,272	DexCom, Inc.*	576,888
20,312	Henry Schein, Inc.*	3,591,162
9,783	Teleflex, Inc.	1,734,624
		13,781,692
Materials – 5.7%		
25,207	Ashland, Inc.	2,893,007
34,149	Axalta Coating Systems Ltd.*	905,973
46,822	RPM International, Inc.	2,338,759
12,306	The Sherwin-Williams Co.	3,613,903
		9,751,642
Pharmaceuticals, Biotechnology & Life Sciences – 7.5%		
53,974	Agilent Technologies, Inc.	2,394,287
3,603	Alexion Pharmaceuticals, Inc.*	420,686
24,283	Alkermes PLC*	1,049,511
23,954	Cepheid, Inc.*	736,586
11,592	Medivation, Inc.*	698,998
8,708	Mettler-Toledo International, Inc.*	3,177,723
13,160	Vertex Pharmaceuticals, Inc.*	1,132,023
64,478	Zoetis, Inc.	3,060,126
		12,669,940
Real Estate Investment Trust – 2.5%		
10,877	Equinix, Inc.	4,217,339
Retailing – 11.7%		
13,748	Advance Auto Parts, Inc.	2,222,089
25,953	Expedia, Inc.	2,758,804
26,598	Five Below, Inc.*	1,234,413
6,021	O'Reilly Automotive, Inc.*	1,632,293
72,984	Ross Stores, Inc.	4,137,463
42,989	Tractor Supply Co.	3,919,737
16,138	Ulta Salon, Cosmetics & Fragrance, Inc.*	3,931,863
		19,836,662
Semiconductors & Semiconductor Equipment – 0.9%		
27,793	Qorvo, Inc.*	1,535,841
Software & Services – 14.7%		
80,054	Black Knight Financial Services, Inc. Class A*	3,010,030
40,548	Electronic Arts, Inc.*	3,071,916
52,420	Fidelity National Information Services, Inc.	3,862,306
18,541	FleetCor Technologies, Inc.*	2,653,773
22,180	Global Payments, Inc.	1,583,208
34,452	Intuit, Inc.	3,845,188
4,527	LinkedIn Corp. Class A*	856,735

Shares	Description	Value
Common Stocks – (continued)		
Software & Services – (continued)		
46,997	Match Group, Inc.*	$ 708,480
22,594	Mobileye NV*	1,042,487
76,374	Sabre Corp.	2,046,059
15,702	ServiceNow, Inc.*	1,042,613
20,464	Splunk, Inc.*	1,108,740
		24,831,535
Technology Hardware & Equipment – 2.7%		
75,943	Amphenol Corp. Class A	4,353,812
25,213	Pure Storage, Inc. Class A*	274,822
		4,628,634
Telecommunication Services – 3.8%		
44,026	Level 3 Communications, Inc.*	2,266,899
38,410	SBA Communications Corp. Class A*	4,145,975
		6,412,874
Transportation – 0.8%		
14,655	Kansas City Southern	1,320,269
TOTAL INVESTMENTS – 96.5% (Cost $129,917,386)		$163,445,518
OTHER ASSETS IN EXCESS OF LIABILITIES – 3.5%		5,913,097
NET ASSETS – 100.0%		$169,358,615

The percentage shown for each investment category reflects the value of investments in that category as a percentage of net assets.

* Non-income producing security.

Schedule of Investments

June 30, 2016 (Unaudited)

Principal Amount	Interest Rate	Maturity Date	Value
Mortgage-Backed Obligations – 49.2%			
Collateralized Mortgage Obligations – 40.5%			
Agency Multi-Family[a] – 6.8%			
FHLMC Multifamily Structured Pass-Through Certificates Series KF02, Class A1			
$ 617,347	0.833%	07/25/20	$ 617,161
FHLMC Multifamily Structured Pass-Through Certificates Series KF03, Class A			
373,228	0.786	01/25/21	373,154
FHLMC Multifamily Structured Pass-Through Certificates Series KS02, Class A			
1,454,286	0.833	08/25/23	1,442,357
FNMA			
178,459	2.800	03/01/18	181,004
462,272	3.740	05/01/18	475,551
110,000	3.840	05/01/18	113,337
400,000	4.506	06/01/19	418,505
80,883	3.416	10/01/20	86,925
84,298	3.619	12/01/20	90,983
345,992	3.762	12/01/20	375,141
179,239	4.380	06/01/21	199,336
FNMA ACES Series 2013-M11, Class FA			
201,771	0.783	01/25/18	201,296
FNMA ACES Series 2014-M5, Class FA			
26,965	0.812	01/25/17	26,952
GNMA			
59,728	3.950	07/15/25	65,089
			4,666,791
Regular Floater[a] – 33.7%			
Aire Valley Mortgages PLC Series 2006-1A, Class 1A[b][c]			
1,450,969	0.867	09/20/66	1,386,863
FHLMC REMIC Series 3049, Class FP			
301,053	0.792	10/15/35	299,410
FHLMC REMIC Series 3208, Class FB[c]			
189,842	0.842	08/15/36	189,752
FHLMC REMIC Series 3208, Class FD[c]			
282,865	0.842	08/15/36	282,730
FHLMC REMIC Series 3208, Class FG[c]			
1,139,054	0.842	08/15/36	1,138,511
FHLMC REMIC Series 3307, Class FT			
1,737,770	0.682	07/15/34	1,735,877
FHLMC REMIC Series 3311, Class KF			
2,864,185	0.782	05/15/37	2,858,180
FHLMC REMIC Series 3371, Class FA[c]			
715,797	1.042	09/15/37	720,816
FHLMC REMIC Series 4174, Class FB			
1,417,995	0.742	05/15/39	1,411,777
FHLMC REMIC Series 4320, Class FD			
662,900	0.842	07/15/39	661,186
FHLMC REMIC Series 4477, Class FG			
1,459,862	0.739	10/15/40	1,443,390
FNMA REMIC Series 2006-82, Class F			
567,758	1.023	09/25/36	570,332
FNMA REMIC Series 2006-96, Class FA			
941,527	0.753	10/25/36	940,976

Principal Amount	Interest Rate	Maturity Date	Value
Mortgage-Backed Obligations – (continued)			
Regular Floater[a] – (continued)			
FNMA REMIC Series 2007-33, Class HF			
$ 168,297	0.803%	04/25/37	$ 167,691
FNMA REMIC Series 2007-36, Class F			
267,998	0.683	04/25/37	266,382
FNMA REMIC Series 2007-85, Class FC			
710,694	0.993	09/25/37	715,513
FNMA REMIC Series 2008-8, Class FB			
965,995	1.273	02/25/38	974,605
FNMA REMIC Series 2011-63, Class FG			
719,448	0.903	07/25/41	720,750
FNMA REMIC Series 2012-35, Class QF			
1,792,209	0.853	04/25/42	1,793,600
FNMA REMIC Series 2016-1, Class FT			
1,792,552	0.803	02/25/46	1,776,834
GNMA Series 2005-48, Class AF			
901,060	0.648	06/20/35	893,515
Leek Finance Number Eighteen PLC Series 18X, Class A2B[c]			
124,332	0.904	09/21/38	132,490
National Credit Union Administration Guaranteed Notes Trust Series 2011-R1, Class 1A[c]			
2,197,231	0.915	01/08/20	2,201,179
			23,282,359
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS			$27,949,150
Commercial Mortgage-Backed Security – 0.0%			
Regular Floater[a][c] – 0.0%			
Banc of America Commercial Mortgage Trust Series 2006-3, Class A4			
$ 27,388	5.889%	07/10/44	$ 27,357
Federal Agencies[a] – 8.7%			
Adjustable Rate FHLMC – 4.8%			
290,277	2.904	05/01/35	305,514
134,006	2.500	09/01/35	141,802
273,976	2.917	12/01/36	288,721
978,533	3.305	04/01/37	1,042,284
791,512	2.573	01/01/38	830,133
663,362	2.741	01/01/38	701,130
			3,309,584
Adjustable Rate FNMA – 3.3%			
83,159	2.604	05/01/33	86,255
224,802	2.833	05/01/35	237,954
528,859	2.556	06/01/35	557,532
781,854	2.383	11/01/35	817,584
115,235	2.580	12/01/35	121,190
439,134	2.846	03/01/37	464,970
			2,285,485

Principal Amount	Interest Rate	Maturity Date	Value
Mortgage-Backed Obligations – (continued)			
Adjustable Rate GNMA – 0.6%			
$ 381,012	1.750%	04/20/33	$ 394,162
TOTAL FEDERAL AGENCIES			$ 5,989,231
TOTAL MORTGAGE-BACKED OBLIGATIONS (Cost $33,983,566)			$33,965,738
Asset-Backed Securities – 32.5%			
Automobile[a][b][c] – 0.8%			
Chesapeake Funding II LLC Series 2016-2A, Class A2			
$ 550,000	1.448%	06/15/28	$ 549,945
Collateralized Loan Obligations[a] – 8.9%			
Acis CLO Ltd. Series 2013-2A, Class A[b][c]			
634,277	1.130	10/14/22	626,578
ARES XI CLO Ltd. Series 2007-11A, Class A1A[b][c]			
540,736	0.716	10/11/21	528,635
Black Diamond CLO Ltd. Series 2006-1A, Class AD[b]			
280,539	0.888	04/29/19	277,484
Brentwood CLO Corp. Series 2006-1A, Class A1A[b][c]			
445,835	0.907	02/01/22	442,133
Brentwood CLO Corp. Series 2006-1A, Class A1B[b][c]			
175,149	0.907	02/01/22	172,854
Callidus Debt Partners CLO Fund VI Ltd. Series 6A, Class A1T[b][c]			
291,042	0.898	10/23/21	286,392
Halcyon Loan Advisors Funding Ltd. Series 2014-1A, Class A1[b][c]			
350,000	2.163	04/18/26	343,217
OFSI Fund V Ltd. Series 2013-5A, Class A1LA[b][c]			
300,000	1.563	04/17/25	293,267
OFSI Fund VI Ltd. Series 2014-6A, Class A1[b][c]			
350,000	1.658	03/20/25	341,361
OZLM Funding III Ltd. Series 2013-3A, Class A1[b][c]			
500,000	1.965	01/22/25	497,350
Parallel Ltd. Series 2015-1A, Class A[b][c]			
300,000	2.084	07/20/27	294,034
Sound Point CLO XI Ltd. Series 2016-1A, Class A[b][c]			
700,000	2.175	07/20/28	695,855
Westbrook CLO Ltd. Series 2006-1X, Class A1[c]			
51,402	0.887	12/20/20	51,197
Westchester CLO Ltd. Series 2007-1X, Class A1A[c]			
896,255	0.862	08/01/22	886,293
Z Capital Credit Partners CLO Ltd. Series 2015-1A, Class A1[b][c]			
400,000	1.963	07/16/27	390,354
			6,127,004
Credit Card[a] – 3.3%			
Bank of America Credit Card Trust Series 2014-A1, Class A			
1,000,000	0.822	06/15/21	1,001,268
Capital One Multi-Asset Execution Trust Series 2016-A1, Class A1[c]			
300,000	0.900	02/15/22	300,259

Principal Amount	Interest Rate	Maturity Date	Value
Asset-Backed Securities – (continued)			
Credit Card[a] – (continued)			
Evergreen Credit Card Trust Series 2016-1, Class A[b][c]			
$ 500,000	1.162%	04/15/20	$ 500,906
Trillium Credit Card Trust II Series 2016-1A, Class A[b][c]			
500,000	1.185	05/26/21	500,000
			2,302,433
Student Loans[a] – 19.5%			
Academic Loan Funding Trust Series 2013-1A, Class A[b][c]			
613,147	1.253	12/26/44	597,088
Access Group, Inc. Series 2006-1, Class A2			
104,623	0.772	08/25/23	104,146
Access Group, Inc. Series 2015-1, Class A[b][c]			
124,701	1.153	07/25/56	121,907
Access to Loans for Learning Student Loan Corp. Series 2013-I, Class A			
569,848	1.246	02/25/41	547,703
Brazos Higher Education Authority, Inc. Series 2005-1, Class 1A3[c]			
44,843	0.750	09/26/22	44,738
Brazos Higher Education Authority, Inc. Series 2005-2, Class A10[c]			
110,689	0.760	12/26/19	110,530
Education Loan Asset-Backed Trust I Series 2013-1, Class A1[b]			
416,958	1.253	06/25/26	412,930
Educational Funding of the South, Inc. Series 2011-1, Class A2[c]			
750,333	1.288	04/25/35	735,930
Educational Services of America, Inc. Series 2010-1, Class A1[b][c]			
1,021,607	1.488	07/25/23	1,011,996
Educational Services of America, Inc. Series 2014-1, Class A[b][c]			
355,097	1.153	02/25/39	344,572
EFS Volunteer No. 3 LLC Series 2012-1, Class A2[b][c]			
1,520,947	1.446	02/25/25	1,523,593
GCO Education Loan Funding Trust Series 2006-1, Class A8L			
569,206	0.792	05/25/25	555,526
Goal Capital Funding Trust Series 2006-1, Class A3			
11,161	0.782	11/25/26	11,145
Goal Capital Funding Trust Series 2007-1, Class A3			
110,031	0.730	09/25/28	109,014
Higher Education Funding I Series 2005-1, Class A4			
85,704	0.802	02/25/30	84,956
Kentucky Higher Education Student Loan Corp. Series 2015-1, Class A1[c]			
872,735	1.207	12/01/31	848,569
Montana Higher Education Student Assistance Corp. Series 2012-1, Class A2[c]			
984,829	1.448	05/20/30	975,276
Navient Student Loan Trust Series 2016-2, Class A1[b][c]			
558,373	1.203	06/25/65	558,388
Nelnet Student Loan Trust Series 2005-4, Class A3[c]			
107,084	0.776	06/22/26	106,522
Nelnet Student Loan Trust Series 2006-2, Class A5[c]			
583,535	0.738	01/25/30	574,566

Schedule of Investments (continued)

June 30, 2016 (Unaudited)

Principal Amount	Interest Rate	Maturity Date	Value
Asset-Backed Securities – (continued)			
Student Loans[a] – (continued)			
Nelnet Student Loan Trust Series 2013-5A, Class A[b][c]			
$ 118,928	1.076%	01/25/37	$ 116,120
Panhandle-Plains Higher Education Authority, Inc. Series 2011-1, Class A2[c]			
621,045	1.575	07/01/24	621,970
Scholar Funding Trust Series 2010-A, Class A[b][c]			
307,055	1.384	10/28/41	300,906
Scholar Funding Trust Series 2011-A, Class A[b][c]			
300,507	1.534	10/28/43	289,865
SLM Student Loan Trust Series 2003-12, Class A5[b][c]			
144,246	0.933	09/15/22	143,798
SLM Student Loan Trust Series 2003-14, Class A5			
53,279	0.868	01/25/23	53,027
SLM Student Loan Trust Series 2005-9, Class A6			
650,000	1.188	10/26/26	647,716
SLM Student Loan Trust Series 2006-2, Class A5[c]			
498,740	0.748	07/25/25	495,805
SLM Student Loan Trust Series 2006-4, Class A5[c]			
412,319	0.738	10/27/25	411,328
SLM Student Loan Trust Series 2006-9, Class A4[c]			
10,615	0.708	10/25/22	10,606
SLM Student Loan Trust Series 2008-5, Class A4[c]			
191,808	2.338	07/25/23	191,867
SLM Student Loan Trust Series 2013-3, Class A2[c]			
57,181	0.753	05/26/20	56,978
SLM Student Loan Trust Series 2014-1, Class A2[c]			
85,634	0.833	07/26/21	85,310
Utah State Board of Regents Series 2015-1, Class A[c]			
588,726	1.053	02/25/43	574,961
Wachovia Student Loan Trust Series 2005-1, Class A5[c]			
59,364	0.768	01/26/26	58,654
			13,438,006
TOTAL ASSET-BACKED SECURITIES (Cost $22,545,184)			$22,417,388
U.S. Treasury Obligations – 11.9%			
United States Treasury Bond			
$ 800,000	3.750%	11/15/43	$ 1,053,576
United States Treasury Floating Rate Notes[a]			
1,500,000	0.410	07/31/16	1,500,075
300,000	0.508	10/31/17	300,276
1,400,000	0.612	01/31/18	1,402,856
United States Treasury Inflation-Protected Securities			
310,512	0.125	04/15/18	315,266
561,600	0.125	04/15/19	573,623
2,962,901	0.125	04/15/20	3,030,485
TOTAL U.S. TREASURY OBLIGATIONS (Cost $8,054,159)			$ 8,176,157

Principal Amount	Interest Rate	Maturity Date	Value
Investment Company[a][d] – 5.2%			
Goldman Sachs Financial Square Government Fund – FST Institutional Shares			
$3,623,179	0.299%		$ 3,623,179
(Cost $3,623,179)			
TOTAL INVESTMENTS – 98.8% (Cost $68,206,088)			$68,182,462
OTHER ASSETS IN EXCESS OF LIABILITIES – 1.2%			836,197
NET ASSETS – 100.0%			$69,018,659

The percentage shown for each investment category reflects the value of investments in that category as a percentage of net assets.

(a) Variable rate security. Interest rate or distribution rate disclosed is that which is in effect on June 30, 2016.

(b) Exempt from registration under Rule 144A of the Securities Act of 1933. Under procedures approved by the Board of Trustees, such securities may be deemed liquid by the Investment Adviser and may be resold, normally to qualified institutional buyers in transactions exempt from registration. Total market value of Rule 144A securities amounts to $13,548,391, which represents approximately 19.6% of net assets as of June 30, 2016.

(c) Securities with "Call" features with resetting interest rates. Maturity dates disclosed are the final maturity dates.

(d) Represents an affiliated issuer.

Investment Abbreviations:

FHLMC—Federal Home Loan Mortgage Corp.
FNMA —Federal National Mortgage Association
GNMA —Government National Mortgage Association
REMIC —Real Estate Mortgage Investment Conduit

ADDITIONAL INVESTMENT INFORMATION

FUTURES CONTRACTS — At June 30, 2016, the Fund had the following futures contracts:

Type	Number of Contracts Long (Short)	Expiration Date	Current Value	Unrealized Gain (Loss)
U.S. Long Bonds	(5)	September 2016	$ (861,719)	$ (47,101)
U.S. Ultra Long Treasury Bonds	(2)	September 2016	(372,750)	(23,574)
2 Year U.S. Treasury Notes	(10)	September 2016	(2,193,281)	(14,333)
5 Year U.S. Treasury Notes	(28)	September 2016	(3,420,594)	(61,050)
TOTAL				$(146,058)

Statements of Assets and Liabilities

June 30, 2016 (Unaudited)

	Core Fixed Income Fund	Equity Index Fund	Growth Opportunities Fund	High Quality Floating Rate Fund
Assets:				
Investments in unaffiliated issuers, at value (cost $107,071,917, $77,551,727, $129,917,386 and $64,582,909)	$111,850,339	$162,172,485	$163,445,518	$64,559,283
Investments in affiliated issuers, at value (cost $0, $382,639, $0 and $3,623,179)	—	512,007	—	3,623,179
Cash	5,326,406	970,238	5,973,347	705,969
Foreign currencies, at value (cost $14,317, $0, $0 and $0)	14,362	—	—	—
Receivables:				
Investments sold on an extended-settlement basis	7,370,079	—	—	111,283
Investments sold	1,074,609	—	1,751,640	—
Interest and dividends	683,357	183,608	60,611	75,931
Collateral on certain derivative contracts[a]	330,960	—	—	346,000
Fund shares sold	81,389	990	10,807	3,325
Reimbursement from investment adviser	23,590	22,518	17,552	13,979
Unrealized gain on forward foreign currency exchange contracts	185,107	—	—	—
Variation margin on certain derivative contracts	42,912	12,264	—	1,493
Total assets	126,983,110	163,874,110	171,259,475	69,440,442
Liabilities:				
Unrealized loss on forward foreign currency exchange contracts	224,243	—	—	—
Payables:				
Investments purchased on an extended-settlement basis	11,744,709	—	—	—
Forward sale contracts, at value (proceeds received $1,047,344, $0, $0, $0)	1,054,219	—	—	—
Management fees	36,826	28,015	119,891	17,190
Fund shares redeemed	34,622	194,475	77,283	13,382
Distribution and Service fees and Transfer Agency fees	24,850	36,020	24,801	15,537
Investments purchased	—	159,908	1,596,023	300,422
Accrued expenses	124,237	77,552	82,862	75,252
Total liabilities	13,243,706	495,970	1,900,860	421,783
Net Assets:				
Paid-in capital	114,966,847	80,953,839	139,994,330	70,144,484
Undistributed (distributions in excess of) net investment income (loss)	(29,882)	2,426,685	(218,780)	(11,768)
Accumulated net realized loss	(6,028,160)	(4,764,585)	(3,945,067)	(944,373)
Net unrealized gain (loss)	4,830,599	84,762,201	33,528,132	(169,684)
NET ASSETS	$113,739,404	$163,378,140	$169,358,615	$69,018,659
Net Assets:				
Institutional	$ 27,306	$ —	$ 32,354	$ 25,205
Service	113,712,098	163,378,140	169,326,261	67,346,764
Advisor	—	—	—	1,646,690
Total Net Assets	$113,739,404	$163,378,140	$169,358,615	$69,018,659
Shares of beneficial interest outstanding $0.001 par value (unlimited shares authorized):				
Institutional	2,510	—	4,709	2,428
Service	10,452,804	11,338,155	24,803,997	6,502,640
Advisor	—	—	—	158,758
Net asset value, offering and redemption price per share:				
Institutional	$10.88	$ —	$6.87	$10.38
Service	10.88	14.41	6.83	10.36
Advisor	—	—	—	10.37

Segregated for initial margin and/or collateral on futures transactions and swap transactions as follows:

	Forwards	Futures	Swaps
Core Fixed Income	$110,000	$ —	$220,960
High Quality Floating Rate	—	346,000	—

Statements of Operations

For the Six Months Ended June 30, 2016 (Unaudited)

	Core Fixed Income Fund	Equity Index Fund	Growth Opportunities Fund	High Quality Floating Rate Fund
Investment income:				
Interest	$1,500,929	$ —	$ —	$ 398,852
Dividends	—	1,814,456	605,741	—
Dividends — affiliated issuers	1,091	4,679	—	5,264
Total investment income	1,502,020	1,819,135	605,741	404,116
Expenses:				
Management fees	216,342	240,651	799,611	138,209
Distribution and Service fees[a]	135,180	200,543	199,865	87,860
Professional fees	57,745	42,453	39,922	53,273
Custody, accounting and administrative services	36,336	27,316	26,718	20,448
Printing and mailing costs	32,321	41,152	23,480	19,925
Trustee fees	11,612	12,849	12,753	12,551
Transfer Agency fees[a]	10,815	16,042	15,991	6,909
Other	7,339	16,080	6,954	4,075
Total expenses	507,690	597,086	1,125,294	343,250
Less — expense reductions	(145,260)	(209,028)	(283,859)	(119,279)
Net expenses	362,430	388,058	841,435	223,971
NET INVESTMENT INCOME (LOSS)	1,139,590	1,431,077	(235,694)	180,145
Realized and unrealized gain (loss):				
Net realized gain (loss) from:				
Investments — unaffiliated issuers (including commissions recaptured of, $0, $0, $3,606 and $0)	133,778	4,965,735	(3,960,020)	48,661
Investments — affiliated issuer	—	7,261	—	—
Futures contracts	42,284	23,384	—	(97,689)
Swap contracts	(79,900)	—	—	—
Forward foreign currency exchange contracts	(168,072)	—	—	—
Foreign currency transactions	13,991	—	—	—
Net change in unrealized gain (loss) on:				
Investments — unaffiliated issuers	3,897,792	(815,334)	7,706,944	125,856
Investments — affiliated issuers	—	(123,245)	—	—
Futures contracts	191,079	12,969	—	(157,313)
Swap contracts	(74,330)	—	—	—
Forward foreign currency exchange contracts	(13,269)	—	—	—
Foreign currency translation	1,775	—	—	—
Net realized and unrealized gain (loss)	3,945,128	4,070,770	3,746,924	(80,485)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$5,084,718	$5,501,847	$ 3,511,230	$ 99,660

(a) Class specific Distribution and Service, and Transfer Agency fees were as follows:

	Distribution and Service Fees		Transfer Agency Fees		
Fund	Service	Advisor	Institutional	Service	Advisor
Core Fixed Income	$135,180	N/A	$ 2	$10,813	N/A
Equity Index	200,543	N/A	N/A	16,042	N/A
Growth Opportunities	199,865	N/A	3	15,988	N/A
High Quality Floating Rate	83,831	$4,029	2	6,706	$201

Statements of Changes in Net Assets

	Core Fixed Income Fund		Equity Index Fund	
	For the Six Months Ended June 30, 2016 (Unaudited)	For the Fiscal Year Ended December 31, 2015	For the Six Months Ended June 30, 2016 (Unaudited)	For the Fiscal Year Ended December 31, 2015
From operations:				
Net investment income (loss)	$ 1,139,590	$ 2,333,850	$ 1,431,077	$ 3,882,193
Net realized gain (loss)	(57,919)	824,785	4,996,380	9,868,912
Net change in unrealized gain (loss)	4,003,047	(2,799,901)	(925,610)	(11,884,918)
Net increase (decrease) in net assets resulting from operations	5,084,718	358,734	5,501,847	1,866,187
Distributions to shareholders:				
From net investment income				
Institutional Shares	(418)	(693)	—	—
Service Shares	(1,589,499)	(2,475,317)	—	(3,127,567)
Advisor Shares	—	—	—	—
From net realized gains				
Institutional Shares	—	—	—	—
Service Shares	—	—	—	(9,730,333)
Total distributions to shareholders	(1,589,917)	(2,476,010)	—	(12,857,900)
From share transactions:				
Proceeds from sales of shares	12,414,404	17,192,161	1,597,360	3,490,618
Reinvestment of distributions	1,589,917	2,476,010	—	12,857,900
Cost of shares redeemed	(8,709,813)	(19,689,934)	(13,016,144)	(26,070,660)
Net increase (decrease) in net assets resulting from share transactions	5,294,508	(21,763)	(11,418,784)	(9,722,142)
TOTAL INCREASE (DECREASE)	8,789,309	(2,139,039)	(5,916,937)	(20,713,855)
Net assets:				
Beginning of period	104,950,095	107,089,134	169,295,077	190,008,932
End of period	$113,739,404	$104,950,095	$163,378,140	$169,295,077
Undistributed (distributions in excess of) net investment income (loss)	$ (29,882)	$ 420,445	$ 2,426,685	$ 995,608

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

Growth Opportunities Fund		High Quality Floating Rate Fund	
For the Six Months Ended June 30, 2016 (Unaudited)	For the Fiscal Year Ended December 31, 2015	For the Six Months Ended June 30, 2016 (Unaudited)	For the Fiscal Year Ended December 31, 2015
$ (235,694)	$ (682,142)	$ 180,145	$ 202,867
(3,960,020)	13,086,912	(49,028)	(91,487)
7,706,944	(22,032,924)	(31,457)	(424,808)
3,511,230	(9,628,154)	99,660	(313,428)
—	—	(123)	(176)
—	—	(246,030)	(316,783)
—	—	(7,201)	(3,093)
—	(2,613)	—	—
—	(14,040,255)	—	—
—	(14,042,868)	(253,354)	(320,052)
8,543,546	9,813,897	5,562,817	8,890,822
—	14,042,868	253,354	320,052
(11,381,276)	(33,053,396)	(7,609,111)	(12,538,797)
(2,837,730)	(9,196,631)	(1,792,940)	(3,327,923)
673,500	(32,867,653)	(1,946,634)	(3,961,403)
168,685,115	201,552,768	70,965,293	74,926,696
$169,358,615	$168,685,115	$69,018,659	$ 70,965,293
$ (218,780)	$ 16,914	$ (11,768)	$ 61,441

Financial Highlights

Selected Data for a Share Outstanding Throughout Each Period

	Net asset value, beginning of period	Income (loss) from investment operations: Net investment income[a]	Income (loss) from investment operations: Net realized and unrealized gain (loss)	Income (loss) from investment operations: Total from investment operations	Distributions to shareholders from net investment income	Net asset value, end of period	Total return[b]	Net assets, end of period (in 000s)	Ratio of net expenses to average net assets	Ratio of total expenses to average net assets	Ratio of net investment income to average net assets	Portfolio turnover rate[c]
FOR THE SIX MONTHS ENDED JUNE 30, (UNAUDITED)												
2016 - Institutional	$10.53	$0.13	$ 0.39	$ 0.52	$(0.17)	$10.88	4.95%	$ 27	0.41%[d]	0.68%[d]	2.37%[d]	170%
2016 - Service	10.53	0.11	0.40	0.51	(0.16)	10.88	4.82	113,712	0.67[d]	0.94[d]	2.11[d]	170
FOR THE FISCAL YEARS ENDED DECEMBER 31,												
2015 - Institutional	10.75	0.27	(0.20)	0.07	(0.29)	10.53	0.60	26	0.42	0.74	2.53	376
2015 - Service	10.76	0.24	(0.21)	0.03	(0.26)	10.53	0.27	104,924	0.67	0.99	2.27	376
2014 - Institutional	10.48	0.25	0.34	0.59	(0.32)	10.75	5.68	26	0.44	0.65	2.31	353
2014 - Service	10.47	0.22	0.36	0.58	(0.29)	10.76	5.61	107,063	0.68	0.91	2.06	353
2013 - Institutional (Commenced April 30, 2013)	10.91	0.15	(0.38)	(0.23)	(0.20)	10.48	(2.13)	24	0.43[d]	0.69[d]	2.10[d]	557
2013 - Service	10.88	0.20	(0.35)	(0.15)	(0.26)	10.47	(1.35)	116,530	0.67	0.89	1.88	557
2012 - Service	10.43	0.17	0.52	0.69	(0.24)	10.88	6.70	135,436	0.67	0.83	1.57	727
2011 - Service	10.00	0.23	0.46	0.69	(0.26)	10.43	6.96	148,114	0.67	0.83	2.22	644

(a) Calculated based on the average shares outstanding methodology.
(b) Assumes investment at the net asset value at the beginning of the period, reinvestment of all distributions, and a complete redemption of the investment at the net asset value at the end of the period. Total returns for periods less than one full year are not annualized.
(c) The Fund's portfolio turnover rate is calculated in accordance with regulatory requirements, without regard to transactions involving short term investments and certain derivatives. If such transactions were included, the Fund's portfolio turnover rate may be higher.
(d) Annualized.

Financial Highlights

Selected Data for a Share Outstanding Throughout Each Period

		Income (loss) from investment operations			Distributions to shareholders									
	Net asset value, beginning of period	Net investment income[a]	Net realized and unrealized gain (loss)	Total from investment operations	From net investment income	From net realized gains	Total distributions	Net asset value, end of period	Total return[b]	Net assets, end of period (in 000s)	Ratio of net expenses to average net assets	Ratio of total expenses to average net assets	Ratio of net investment income to average net assets	Portfolio turnover rate[c]
FOR THE SIX MONTHS ENDED JUNE 30, (UNAUDITED)														
2016	$13.91	$0.12	$ 0.38	$0.50	$ —	$ —	$ —	$14.41	3.59%	$163,378	0.48%[d]	0.74%[d]	1.78%[d]	2%
FOR THE FISCAL YEARS ENDED DECEMBER 31,														
2015	14.91	0.32	(0.18)	0.14	(0.28)	(0.86)	(1.14)	13.91	0.94	169,295	0.48	0.70	2.15	4
2014	13.68	0.22	1.58	1.80	(0.25)	(0.32)	(0.57)	14.91	13.22	190,009	0.49	0.71	1.55	2
2013	10.54	0.20	3.15	3.35	(0.21)	—	(0.21)	13.68	31.83	193,899	0.49	0.73	1.61	3
2012	9.29	0.19	1.26	1.45	(0.20)	—	(0.20)	10.54	15.50	167,811	0.48	0.72	1.82	3
2011	9.29	0.15	0.01	0.16	(0.16)	—	(0.16)	9.29	1.75	169,711	0.48	0.70	1.59	3

(a) Calculated based on the average shares outstanding methodology.
(b) Assumes investment at the net asset value at the beginning of the period, reinvestment of all distributions, and a complete redemption of the investment at the net asset value at the end of the period. Total returns for periods less than one full year are not annualized.
(c) The Fund's portfolio turnover rate is calculated in accordance with regulatory requirements, without regard to transactions involving short term investments and certain derivatives. If such transactions were included, the Fund's portfolio turnover rate may be higher.
(d) Annualized.

Financial Highlights

Selected Data for a Share Outstanding Throughout Each Period

	Net asset value, beginning of period	Income (loss) from investment operations: Net investment loss[a]	Income (loss) from investment operations: Net realized and unrealized gain (loss)	Income (loss) from investment operations: Total from investment operations	Distributions to shareholders from net realized gains	Net asset value, end of period	Total return[b]	Net assets, end of period (in 000s)	Ratio of net expenses to average net assets	Ratio of total expenses to average net assets	Ratio of net investment loss to average net assets	Portfolio turnover rate[c]
FOR THE SIX MONTHS ENDED JUNE 30, (UNAUDITED)												
2016 - Institutional	$6.71	$ —[d]	$ 0.16	$ 0.16	$ —	$6.87	2.38%	$ 32	0.90%[e]	1.14%[e]	(0.14)%[e]	32%
2016 - Service	6.68	(0.01)	0.16	0.15	—	6.83	2.25	169,326	1.05[e]	1.41[e]	(0.29)[e]	32
FOR THE FISCAL YEARS ENDED DECEMBER 31,												
2015 - Institutional	7.72	(0.01)	(0.39)	(0.40)	(0.61)	6.71	(5.20)	32	0.93	1.14	(0.19)	57
2015 - Service	7.69	(0.03)	(0.37)	(0.40)	(0.61)	6.68	(5.20)	168,653	1.09	1.40	(0.36)	57
2014 - Institutional	8.59	(0.02)	0.94	0.92	(1.79)	7.72	11.32	33	1.01	1.15	(0.24)	62
2014 - Service	8.58	(0.03)	0.93	0.90	(1.79)	7.69	11.10	201,519	1.17	1.39	(0.39)	62
2013 - Institutional (Commenced April 30, 2013)	7.66	(0.02)	1.52	1.50	(0.57)	8.59	19.73	30	1.00[e]	1.16[e]	(0.27)[e]	42
2013 - Service	6.93	(0.04)	2.26	2.22	(0.57)	8.58	32.20	201,872	1.16	1.39	(0.47)	42
2012 - Service	6.34	(0.02)[f]	1.25	1.23	(0.64)	6.93	19.37	171,870	1.15	1.39	(0.26)[f]	46
2011 - Service	6.72	(0.03)	(0.24)	(0.27)	(0.11)	6.34	(3.97)	159,324	1.17	1.41	(0.46)	53

(a) Calculated based on the average shares outstanding methodology.
(b) Assumes investment at the net asset value at the beginning of the period, reinvestment of all distributions, and a complete redemption of the investment at the net asset value at the end of the period. Total returns for periods less than one full year are not annualized.
(c) The Fund's portfolio turnover rate is calculated in accordance with regulatory requirements, without regard to transactions involving short term investments. If such transactions were included, the Fund's portfolio turnover rate may be higher.
(d) Amount is less than $0.005 per share.
(e) Annualized.
(f) Reflects income recognized from special dividends which amounted to $0.01 per share and 0.18% of average net assets.

Financial Highlights

Selected Data for a Share Outstanding Throughout Each Period

	Net asset value, beginning of period	Income (loss) from investment operations: Net investment income[a]	Income (loss) from investment operations: Net realized and unrealized gain (loss)	Income (loss) from investment operations: Total from investment operations	Distributions to shareholders: From net investment income	Distributions to shareholders: From net realized gains	Distributions to shareholders: Total distributions	Net asset value, end of period	Total return[b]	Net assets, end of period (in 000s)	Ratio of net expenses to average net assets	Ratio of total expenses to average net assets	Ratio of net investment income to average net assets	Portfolio turnover rate[c]
FOR THE SIX MONTHS ENDED JUNE 30, (UNAUDITED)														
2016 - Institutional	$10.40	$0.04	$(0.01)	$ 0.03	$(0.05)	$ —	$(0.05)	$10.38	0.30%	$ 25	0.39%[d]	0.72%[d]	0.78%[d]	26%
2016 - Service	10.38	0.03	(0.01)	0.02	(0.04)	—	(0.04)	10.36	0.18	67,347	0.64[d]	0.99[d]	0.53[d]	26
2016 - Advisor	10.40	0.02	(0.02)	—[e]	(0.03)	—	(0.03)	10.37	0.12	1,647	0.80[d]	1.14[d]	0.38[d]	26
FOR THE FISCAL YEARS ENDED DECEMBER 31,														
2015 - Institutional	10.49	0.06	(0.08)	(0.02)	(0.07)	—	(0.07)	10.40	(0.16)	25	0.38	0.81	0.54	14
2015 - Service	10.47	0.03	(0.07)	(0.04)	(0.05)	—	(0.05)	10.38	(0.42)	69,625	0.64	1.05	0.28	14
2015 - Advisor	10.49	0.01	(0.06)	(0.05)	(0.04)	—	(0.04)	10.40	(0.57)	1,315	0.78	1.25	0.12	14
2014 - Institutional	10.51	0.05	(0.03)	0.02	(0.04)	—	(0.04)	10.49	0.17	25	0.40	0.70	0.51	17
2014 - Service	10.51	0.03	(0.04)	(0.01)	(0.03)	—	(0.03)	10.47	(0.09)	74,892	0.66	0.96	0.25	17
2014 - Advisor (Commenced October 15, 2014)	10.51	—[e]	(0.02)	(0.02)	—	—	—	10.49	(0.10)*	10	0.77[d]	1.13[d]	0.15[d]	17
2013 - Institutional (Commenced April 30, 2013)	10.56	0.02	0.03	0.05	(0.04)	(0.06)	(0.10)[f]	10.51	0.50	25	0.40[d]	0.86[d]	0.25[d]	467
2013 - Service	10.58	0.01	0.03	0.04	(0.05)	(0.06)	(0.11)[f]	10.51	0.40	78,142	0.70	1.10	0.08	467
2012 - Service	10.70	0.04	0.25	0.29	(0.08)	(0.33)	(0.41)	10.58	2.78	68,893	0.79	1.06	0.36	1,045
2011 - Service	10.56	0.09	0.57	0.66	(0.10)	(0.42)	(0.52)	10.70	6.35	67,327	0.81	1.13	0.81	960

(a) Calculated based on the average shares outstanding methodology.
(b) Assumes investment at the net asset value at the beginning of the period, reinvestment of all distributions, and a complete redemption of the investment at the net asset value at the end of the period. Total returns for periods less than one full year are not annualized.
(c) The Fund's portfolio turnover rate is calculated in accordance with regulatory requirements, without regard to transactions involving short term investments and certain derivatives. If such transactions were included, the Fund's portfolio turnover rate may be higher.
(d) Annualized.
(e) Amount is less than $0.005 per share.
(f) Included a distribution from capital of less than $0.01 per share.
* Represents cumulative total returns.

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

Notes to Financial Statements

June 30, 2016 (Unaudited)

1. ORGANIZATION

Goldman Sachs Variable Insurance Trust (the "Trust" or "VIT") is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The following table lists those series of the Trust that are included in this report (collectively, the "Funds" or individually a "Fund"), along with their corresponding share classes and respective diversification status under the Act:

Fund	Share Classes Offered	Diversified/ Non-diversified
High Quality Floating Rate	Institutional, Service and Advisor	Diversified
Core Fixed Income and Growth Opportunities	Institutional and Service	Diversified
Equity Index	Service	Diversified

Goldman Sachs Asset Management, L.P. ("GSAM"), an affiliate of Goldman, Sachs & Co. ("Goldman Sachs"), serves as investment adviser to the Funds pursuant to management agreements (the "Agreements") with the Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and require management to make estimates and assumptions that may affect the reported amounts and disclosures. Actual results may differ from those estimates and assumptions.

A. Investment Valuation — The Funds' valuation policy is to value investments at fair value.

B. Investment Income and Investments — Investment income includes interest income, dividend income, net of any foreign withholding taxes, less any amounts reclaimable, and securities lending income. Interest income is accrued daily and adjusted for amortization of premiums and accretion of discounts. Dividend income is recognized on ex-dividend date or, for certain foreign securities, as soon as such information is obtained subsequent to the ex-dividend date. Investment transactions are reflected on trade date. Realized gains and losses are calculated using identified cost. Investment transactions are recorded on the following business day for daily net asset value ("NAV") calculations. Any foreign capital gains tax is accrued daily based upon net unrealized gains, and is payable upon sale of such investments. Distributions received from the Funds' investments in United States ("U.S.") real estate investment trusts ("REITs") may be characterized as ordinary income, net capital gain or a return of capital. A return of capital is recorded by the Funds as a reduction to the cost basis of the REIT.

For derivative contracts, realized gains and losses are recorded upon settlement of the contract. Upfront payments, if any, are made or received upon entering into a swap agreement and are reflected in the Statements of Assets and Liabilities. Upfront payments are recognized over the contract's term/event as realized gains or losses, with the exception of forward starting interest rate swaps whose realized gains or losses are recognized from the effective start date. For securities with paydown provisions, principal payments received are treated as a proportionate reduction to the cost basis of the securities, and excess or shortfall amounts are recorded as income. For treasury inflation protected securities ("TIPS"), adjustments to principal due to inflation/deflation are reflected as increases/decreases to interest income with a corresponding adjustment to cost.

C. Class Allocations and Expenses — Investment income, realized and unrealized gain (loss), and non-class specific expenses of each Fund are allocated daily based upon the proportion of net assets of each class. Non-class specific expenses directly incurred by a Fund are charged to that Fund, while such expenses incurred by the Trust are allocated across the applicable Funds on a straight-line and/or pro-rata basis depending upon the nature of the expenses. Class specific expenses, where applicable, are borne by the respective share classes and include Distribution and Service and Transfer Agency fees.

D. Federal Taxes and Distributions to Shareholders — It is each Fund's policy to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to regulated investment companies (mutual funds) and to distribute each year substantially all of its investment company taxable income and capital gains to its shareholders. Accordingly,

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

the Funds are not required to make any provisions for the payment of federal income tax. Distributions to shareholders are recorded on the ex-dividend date. Income and capital gains distributions, if any, are declared and paid according to the following schedule:

Fund	Income Distributions Declared/Paid	Capital Gains Distributions Declared/Paid
Core Fixed Income and High Quality Floating Rate	Quarterly	Annually
Equity Index and Growth Opportunities	Annually	Annually

Net capital losses are carried forward to future fiscal years and may be used to the extent allowed by the Code to offset any future capital gains. Utilization of capital loss carryforwards will reduce the requirement of future capital gains distributions.

Under the Regulated Investment Company Modernization Act of 2010, the Funds are permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules, which may differ from GAAP. The source of each Fund's distributions may be shown in the accompanying financial statements as either from net investment income, net realized gain or capital. Certain components of the Funds' net assets on the Statements of Assets and Liabilities reflect permanent GAAP/tax differences based on the appropriate tax character.

E. Foreign Currency Translation — The accounting records and reporting currency of the Funds are maintained in U.S. dollars. Assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the current exchange rates at the close of each business day. The effect of changes in foreign currency exchange rates on investments is included within net realized and unrealized gain (loss) on investments. Changes in the value of other assets and liabilities as a result of fluctuations in foreign exchange rates are included in the Statements of Operations within net change in unrealized gain (loss) on foreign currency translations. Transactions denominated in foreign currencies are translated into U.S. dollars on the date the transaction occurred, the effects of which are included within net realized gain (loss) on foreign currency transactions.

F. Commission Recapture — GSAM, on behalf of certain Funds, may direct portfolio trades, subject to seeking best execution, to various brokers who have agreed to rebate a portion of the commissions generated. Such rebates are made directly to a Fund as cash payments and are included in net realized gain (loss) from investments on the Statements of Operations.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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 to valuation techniques used to measure fair value. The 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). The levels used for classifying investments are not necessarily an indication of the risk associated with investing in these investments. The three levels of the fair value hierarchy are described below:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active or financial instruments for which significant inputs are observable (including, but not limited to, quoted prices for similar investments, interest rates, foreign exchange rates, volatility and credit spreads), either directly or indirectly;

Notes to Financial Statements (continued)

June 30, 2016 (Unaudited)

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Level 3 — Prices or valuations that require significant unobservable inputs (including GSAM's assumptions in determining fair value measurement).

Changes in valuation techniques may result in transfers into or out of an assigned level within the hierarchy. In accordance with the Funds' policy, transfers between different levels of the fair value hierarchy resulting from such changes are deemed to have occurred as of the beginning of the reporting period.

The Board of Trustees ("Trustees") has approved Valuation Procedures that govern the valuation of the portfolio investments held by the Funds, including investments for which market quotations are not readily available. The Trustees have delegated to GSAM day-to-day responsibility for implementing and maintaining internal controls and procedures related to the valuation of the Funds' portfolio investments. To assess the continuing appropriateness of pricing sources and methodologies, GSAM regularly performs price verification procedures and issues challenges as necessary to third party pricing vendors or brokers, and any differences are reviewed in accordance with the Valuation Procedures.

A. Level 1 and Level 2 Fair Value Investments — The valuation techniques and significant inputs used in determining the fair values for investments classified as Level 1 and Level 2 are as follows:

Equity Securities — Equity securities traded on a U.S. securities exchange or the NASDAQ system, or those located on certain foreign exchanges, including but not limited to the Americas, are valued daily at their last sale price or official closing price on the principal exchange or system on which they are traded. If there is no sale or official closing price or such price is believed by GSAM to not represent fair value, equity securities are valued at the last bid price for long positions and at the last ask price for short positions. To the extent these investments are actively traded, they are classified as Level 1 of the fair value hierarchy, otherwise they are generally classified as Level 2.

Unlisted equity securities for which market quotations are available are valued at the last sale price on the valuation date, or if no sale occurs, at the last bid price. These investments are generally classified as Level 2 of the fair value hierarchy.

Money Market Funds — Investments in the Goldman Sachs Financial Square Government Fund ("Underlying Fund") are valued at the NAV of the FST Institutional Share class on the day of valuation. These investments are generally classified as Level 1 of the fair value hierarchy. For information regarding an Underlying Fund's accounting policies and investment holdings, please see the Underlying Fund's shareholder report.

Debt Securities — Debt securities for which market quotations are readily available are valued daily on the basis of quotations supplied by dealers or an independent pricing service approved by the Trustees. The pricing services may use valuation models or matrix pricing, which consider: (i) yield or price with respect to bonds that are considered comparable in characteristics such as rating, interest rate and maturity date or (ii) quotations from securities dealers to determine current value. Short-term debt obligations that mature in sixty days or less and that do not exhibit signs of credit deterioration are valued at amortized cost, which approximates fair value. With the exception of treasury securities of G8 countries (not held in money market funds), which are generally classified as Level 1, these investments are generally classified as Level 2 of the fair value hierarchy.

i. Mortgage-Backed and Asset-Backed Securities — Mortgage-backed securities represent direct or indirect participations in, or are collateralized by and payable from, mortgage loans secured by residential and/or commercial real estate property. Asset-backed securities include securities whose principal and interest payments are collateralized by pools of other assets or receivables. The value of certain mortgage-backed and asset-backed securities (including adjustable rate mortgage loans) may be particularly sensitive to changes in prevailing interest rates. The value of these securities may also fluctuate in response to the market's perception of the creditworthiness of the issuers.

Asset-backed securities may present credit risks that are not presented by mortgage-backed securities because they generally do not have the benefit of a security interest in collateral that is comparable to mortgage assets. Some asset-backed securities may only have a subordinated claim on collateral.

Stripped mortgage-backed securities are usually structured with two different classes: one that receives substantially all interest payments (interest-only, or "IO" and/or high coupon rate with relatively low principal amount, or "IOette"), and the

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

other that receives substantially all principal payments (principal-only, or "PO") from a pool of mortgage loans. Little to no principal will be received at the maturity of an IO; as a result, periodic adjustments are recorded to reduce the cost of the security until maturity. These adjustments are included in interest income.

ii. Mortgage Dollar Rolls — Mortgage dollar rolls are transactions whereby a Fund sells mortgage-backed-securities and simultaneously contracts with the same counterparty to repurchase similar securities on a specified future date. During the settlement period, a Fund will not be entitled to accrue interest and receive principal payments on the securities sold. The Funds account for mortgage dollar roll transactions as purchases and sales and realize gains and losses on these transactions.

iii. Treasury Inflation Protected Securities — TIPS are treasury securities in which the principal amount is adjusted daily to keep pace with inflation, as measured by the U.S. Consumer Pricing Index for Urban Consumers. The repayment of the original bond principal upon maturity is guaranteed by the full faith and credit of the U.S. Government.

iv. When-Issued Securities and Forward Commitments — When-issued securities, including TBA ("To Be Announced") securities, are securities that are authorized but not yet issued in the market and purchased in order to secure what is considered to be an advantageous price or yield to a Fund. A forward commitment involves entering into a contract to purchase or sell securities, typically on an extended settlement basis, for a fixed price at a future date. The purchase of securities on a when-issued or forward commitment basis involves a risk of loss if the value of the security to be purchased declines before the settlement date. Conversely, the sale of securities on a forward commitment basis involves the risk that the value of the securities sold may increase before the settlement date. Although a Fund will generally purchase securities on a when-issued or forward commitment basis with the intention of acquiring the securities for its portfolio, the Fund may dispose of when-issued securities or forward commitments prior to settlement, which may result in a realized gain or loss.

Derivative Contracts — A derivative is an instrument whose value is derived from underlying assets, indices, reference rates or a combination of these factors. The Funds enter into derivative transactions to hedge against changes in interest rates, securities prices, and/or currency exchange rates, to increase total return, or to gain access to certain markets or attain exposure to other underliers.

Exchange-traded derivatives, including futures and options contracts, are valued at the last sale or settlement price and typically fall within Level 1 of the fair value hierarchy. Over-the-counter ("OTC") and centrally cleared derivatives are valued using market transactions and other market evidence, including market-based inputs to models, calibration to market-clearing transactions, broker or dealer quotations, or other alternative pricing sources. Where models are used, the selection of a particular model to value OTC and centrally cleared derivatives depends upon the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, voluntary and involuntary prepayment rates, loss severity rates and correlations of such inputs. For OTC and centrally cleared derivatives that trade in liquid markets, model inputs can generally be verified and model selection does not involve significant management judgment. OTC and centrally cleared derivatives are classified within Level 2 of the fair value hierarchy when significant inputs are corroborated by market evidence.

i. Forward Contracts — A forward contract is a contract between two parties to buy or sell an asset at a specified price on a future date. A forward contract settlement can occur on a cash or delivery basis. Forward contracts are marked-to-market daily using independent vendor prices, and the change in value, if any, is recorded as an unrealized gain or loss. Cash and certain investments may be used to collateralize forward contracts.

A *forward foreign currency contract* is a forward contract in which a Fund agrees to receive or deliver a fixed quantity of one currency for another, at a pre-determined price at a future date. All forward foreign currency exchange contracts are marked-to-market daily at the applicable forward rate. Non-deliverable forward foreign currency exchange contracts are settled with the counterparty in cash without the delivery of foreign currency.

ii. Futures Contracts — Futures contracts are contracts to buy or sell a standardized quantity of a specified commodity or security and are valued based on exchanged settlement prices or independent market quotes. Futures contracts are valued at the

Notes to Financial Statements (continued)

June 30, 2016 (Unaudited)

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

last settlement price, or in the absence of a sale, the last bid price for long positions and at the last ask price for short positions, at the end of each day on the board of trade or exchange upon which they are traded. Upon entering into a futures contract, a Fund deposits cash or securities in an account on behalf of the broker in an amount sufficient to meet the initial margin requirement. Subsequent payments are made or received by a Fund equal to the daily change in the contract value and are recorded as variation margin receivable or payable with a corresponding offset to unrealized gains or losses.

iii. Swap Contracts — Bilateral swap contracts are agreements in which a Fund and a counterparty agree to exchange periodic payments on a specified notional amount or make a net payment upon termination. Bilateral swap transactions are privately negotiated in the OTC market and payments are settled through direct payments between a Fund and the counterparty. By contrast, certain swap transactions are subject to mandatory central clearing. These swaps are executed through a derivatives clearing member ("DCM"), acting in an agency capacity, and submitted to a central counterparty ("CCP") ("centrally cleared swaps"), in which case all payments are settled with the CCP through the DCM. Swaps are marked-to-market daily using pricing vendor quotations, counterparty or clearinghouse prices or model prices, and the change in value, if any, is recorded as an unrealized gain or loss. Upon entering into a swap contract, a Fund is required to satisfy an initial margin requirement by delivering cash or securities to the counterparty (or in some cases, segregated in a triparty account on behalf of the counterparty), which can be adjusted by any mark-to-market gains or losses pursuant to bilateral or centrally cleared arrangements. For centrally cleared swaps the daily change in valuation, if any, is recorded as a receivable or payable for variation margin.

An *interest rate swap* is an agreement that obligates two parties to exchange a series of cash flows at specified intervals, based upon or calculated by reference to changes in interest rates on a specified notional principal amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

A *credit default swap* is an agreement that involves one party (the buyer of protection) making a stream of payments to another party (the seller of protection) in exchange for the right to receive protection on a reference security or obligation, including a group of assets or exposure to the performance of an index. A Fund's investment in credit default swaps may involve greater risks than if the Fund had invested in the referenced obligation directly. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. If a Fund buys protection through a credit default swap and no credit event occurs, its payments are limited to the periodic payments previously made to the counterparty. Upon the occurrence of a specified credit event, a Fund, as a buyer of credit protection, is entitled to receive an amount equal to the notional amount of the swap and deliver to the seller the defaulted reference obligation in a physically settled trade. A Fund may also receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap reduced by the recovery value of the reference obligation in a cash settled trade.

As a seller of protection, a Fund generally receives a payment stream throughout the term of the swap, provided that there is no credit event. In addition, if a Fund sells protection through a credit default swap, a Fund could suffer a loss because the value of the referenced obligation and the premium payments received may be less than the notional amount of the swap paid to the buyer of protection. Upon the occurrence of a specified credit event, a Fund, as a seller of credit protection, may be required to take possession of the defaulted reference obligation and pay the buyer an amount equal to the notional amount of the swap in a physically settled trade. A Fund may also pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap reduced by the recovery value of the reference obligation in cash settled trade. Recovery values are at times established through the credit event auction process in which market participants are ensured that a transparent price has been set for the defaulted security or obligation. In addition, a Fund is entitled to a return of any assets, which have been pledged as collateral to the counterparty upon settlement.

The maximum potential amount of future payments (undiscounted) that a Fund as seller of protection could be required to make under a credit default swap would be an amount equal to the notional amount of the agreement. These potential amounts would be partially offset by any recovery values of the respective referenced obligations or net amounts received from a settlement of a credit default swap for the same reference security or obligation where a Fund bought credit protection.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Short Term Investments — Short-term investments having a maturity of 60 days or less are generally valued at amortized cost which approximates fair market value. These investments are classified as Level 2 of the fair value hierarchy.

B. Level 3 Fair Value Investments — To the extent that significant inputs to valuation models and other alternative pricing sources are unobservable, or if quotations are not readily available, or if GSAM believes that such quotations do not accurately reflect fair value, the fair value of the Funds' investments may be determined under Valuation Procedures approved by the Trustees. GSAM, consistent with its procedures and applicable regulatory guidance, may make an adjustment to the most recent valuation prices of either domestic or foreign securities in light of significant events to reflect what it believes to be the fair value of the securities at the time of determining a Fund's NAV. Significant events which could affect a large number of securities in a particular market may include, but are not limited to: significant fluctuations in U.S. or foreign markets; market dislocations; market disruptions; or unscheduled market closings. Significant events which could also affect a single issuer may include, but are not limited to: corporate actions such as reorganizations, mergers and buy-outs; ratings downgrades; and bankruptcies.

C. Fair Value Hierarchy — The following is a summary of the Funds' investments and derivatives classified in the fair value hierarchy as of June 30, 2016:

CORE FIXED INCOME

Investment Type	Level 1	Level 2	Level 3
Assets			
Fixed Income			
Corporate Obligations	$ —	$35,472,509	$—
Mortgage-Backed Obligations	—	35,180,902	—
U.S. Treasury Obligations and/or Other U.S. Government Agencies	22,651,746	—	—
Agency Debentures	—	2,574,391	—
Asset-Backed Securities	—	8,708,766	—
Foreign Debt Obligations	356,932	2,795,162	—
Municipal Debt Obligations	—	1,483,770	—
Government Guarantee Obligations	—	2,626,161	—
Total	$23,008,678	$88,841,661	$—
Liabilities			
Fixed Income			
Mortgage-Backed Obligations — Forward Sales Contracts	$ —	$ (1,054,219)	$—
Derivative Type			
Assets[a]			
Forward Foreign Currency Exchange Contracts	$ —	$ 185,107	$—
Futures Contracts	151,790	—	—
Interest Rate Swap Contracts	—	116,117	—
Total	$ 151,790	$ 301,224	$—
Liabilities[a]			
Forward Foreign Currency Exchange Contracts	$ —	$ (224,243)	$—
Futures Contracts	(96)	—	—
Credit Default Swap Contract	—	(2,947)	—
Interest Rate Swap Contracts	—	(168,843)	—
Total	$ (96)	$ (396,033)	$—

Notes to Financial Statements (continued)

June 30, 2016 (Unaudited)

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

EQUITY INDEX

Investment Type	Level 1	Level 2	Level 3
Assets			
Common Stock and/or Other Equity Investments[b]			
North America	$162,584,533	$ —	$—
U.S. Treasury Obligations and/or Other U.S. Government Agencies	99,959	—	—
Total	$162,684,492	$ —	$—

Derivative Type			
Assets[a]			
Futures Contracts	$ 12,075	$ —	$—

GROWTH OPPORTUNITIES

Investment Type	Level 1	Level 2	Level 3
Assets			
Common Stock and/or Other Equity Investments[b]			
North America	$163,445,518	$ —	$—

HIGH QUALITY FLOATING RATE

Investment Type	Level 1	Level 2	Level 3
Assets			
Fixed Income			
U.S. Treasury Obligations and/or Other U.S. Government Agencies	$ 8,176,157	$ —	$—
Mortgage-Backed Obligations	—	33,965,738	—
Asset-Backed Securities	—	22,417,388	—
Investment Company	3,623,179	—	—
Total	$ 11,799,336	$56,383,126	$—

Derivative Type			
Liabilities[a]			
Futures Contracts	$ (146,058)	$ —	$—

(a) Amount shown represents unrealized gain (loss) at period end.
(b) Amounts are disclosed by continent to highlight the impact of time zone differences between local market close and the calculation of NAV. Security valuations are based on the principal exchange or system on which they are traded, which may differ from country of domicile noted in table.

For further information regarding security characteristics, see the Schedules of Investments.

4. INVESTMENTS IN DERIVATIVES

The following tables set forth, by certain risk types, the gross value of derivative contracts as of June 30, 2016. These instruments were used as part of the Funds' investment strategies and to obtain and/or manage exposure related to the risks below. The values in the tables below exclude the effects of cash collateral received or posted pursuant to these derivative contracts, and therefore are not representative of the Funds' net exposure.

4. INVESTMENTS IN DERIVATIVES (continued)

Core Fixed Income

Risk	Statements of Assets and Liabilities	Assets	Statements of Assets and Liabilities	Liabilities
Interest Rate	Variation margin on certain derivative contracts	$267,907[(a)]	Variation margin on certain derivative contracts	$(168,939)[(a)]
Credit	Variation margin on certain derivative contracts	—	Variation margin on certain derivative contracts	(2,947)
Currency	Receivables for unrealized gain on forward foreign currency exchange contracts	185,107	Payable for unrealized loss on forward foreign currency exchange contracts	(224,243)
Total		$453,014		$(396,129)

Fund	Risk	Statements of Assets and Liabilities	Assets[(a)]	Statements of Assets and Liabilities	Liabilities[(a)]
Equity Index	Equity	Variation margin on certain derivative contracts	$ 12,075	Variation margin on certain derivative contracts	$ —
High Quality Floating Rate	Interest Rate	Variation margin on certain derivative contracts	—	Variation margin on certain derivative contracts	(146,058)

(a) Includes unrealized gain (loss) on futures contracts and swap contracts described in the Additional Investment Information sections of the Schedules of Investments. Only current day's variation margin is reported within the Statements of Assets and Liabilities.

The following table sets forth, by certain risk types, the Fund's gains (losses) related to these derivatives and their indicative volumes for the six months ended June 30, 2016. These gains (losses) should be considered in the context that these derivative contracts may have been executed to create investment opportunities and/or economically hedge certain investments, and accordingly, certain gains (losses) on such derivative contracts may offset certain (losses) gains attributable to investments. These gains (losses) are included in "Net realized gain (loss)" or "Net change in unrealized gain (loss)" on the Statements of Operations:

Core Fixed Income

Risk	Statements of Operations	Net Realized Gain (Loss)	Net Change in Unrealized Gain (Loss)	Average Number of Contracts[(a)]
Interest Rate	Net realized gain (loss) from investments, futures contracts and swap contracts/Net change in unrealized gain (loss) on futures contracts and swap contracts	$ 10,668	$119,696	130
Credit	Net realized gain (loss) from swap contracts/Net change in unrealized gain (loss) on swap contracts	(53,001)	$ (2,947)	1
Currency	Net realized gain (loss) from forward foreign currency exchange contracts/Net change in unrealized gain (loss) on forward foreign currency exchange contracts	(168,072)	(13,269)	184
Total		$(210,405)	$103,480	315

(a) Average number of contracts is based on the average of month end balances for the six months ended June 30, 2016.

Notes to Financial Statements (continued)

June 30, 2016 (Unaudited)

4. INVESTMENTS IN DERIVATIVES (continued)

The following table represents gains (losses) which are included in "Net realized gain (loss) from future transactions" and "Net change in unrealized gain (loss) on futures" in the Statements of Operations:

Fund	Risk	Net Realized Gain (Loss)	Net Change in Unrealized Gain (Loss)	Average Number of Contracts[a]
Equity Index	Equity	$ 23,384	$ 12,969	10
High Quality Floating Rate	Interest Rate	(97,689)	(157,313)	50

(a) Average number of contracts is based on the average of month end balances for the period ended June 30, 2016.

5. AGREEMENTS AND AFFILIATED TRANSACTIONS

A. Management Agreements — Under the Agreements, GSAM manages the Funds, subject to the general supervision of the Trustees.

As compensation for the services rendered pursuant to the Agreements, the assumption of the expenses related thereto and administration of the Funds' business affairs, including providing facilities, GSAM is entitled to a management fee, accrued daily and paid monthly, equal to an annual percentage rate of each Fund's average daily net assets.

For the six months ended June 30, 2016, contractual and effective net management fees with GSAM were at the following rates:

	Contractual Management Rate						
Fund	First $1 billion	Next $1 billion	Next $3 billion	Next $3 billion	Over $8 billion	Effective Rate	Effective Net Management Rate^
Core Fixed Income	0.40%	0.36%	0.34%	0.33%	0.32%	0.40%	0.40%
Growth Opportunities	1.00	1.00	0.90	0.86	0.84	1.00	0.87*
High Quality Floating Rate	0.40	0.36	0.34	0.33	0.32	0.40	0.30*

^ Effective Net Management Rate includes the impact of management fee waivers of affiliated underlying funds, if any.

* GSAM agreed to waive a portion of its management fee in order to achieve net management rates, as defined in the Funds' most recent prospectuses. These waivers will be effective through at least April 29, 2017 and prior to such date GSAM may not terminate the arrangements without approval of the Trustees.

The Core Fixed Income and High Quality Floating Rate Funds invest in FST Institutional Shares of the Goldman Sachs Financial Square Government Fund, which is an affiliated Underlying Fund. GSAM has agreed to waive a portion of its management fee payable by the Funds in an amount equal to the management fee it earns as an investment adviser to any of the affiliated Underlying Funds in which the Funds invest. For the six months ended June 30, 2016, GSAM waived $662 and $3,428 of the Core Fixed Income and High Quality Floating Rate Funds' management fees, respectively.

The Agreement for the Equity Index Fund provides for a contractual management fee at an annual rate equal to 0.30% of the Fund's average daily net assets. For the six months ended June 30, 2016, GSAM agreed to waive a portion of its management fee in order to achieve the following effective annual rates which will remain in effect through April 29, 2017 and prior to such date GSAM may not terminate the arrangement without the approval of the Trustees:

	Management Rate		
Fund	$0-$400 million	Over $400 million	Effective Rate
Equity Index	0.21%	0.20%	0.21%

5. AGREEMENTS AND AFFILIATED TRANSACTIONS (continued)

As authorized by the Agreement, GSAM has entered into a Sub-advisory Agreement with SSgA Funds Management, Inc. ("SSgA") which serves as the sub-adviser to the Equity Index Fund and provides the day-to-day advice regarding the Fund's portfolio transactions. As compensation for its services, SSgA is entitled to a fee, accrued daily and paid monthly by GSAM, at the following annual rates of the Fund's average daily net assets: 0.03% on the first $50 million, 0.02% on the next $200 million, 0.01% on the next $750 million and 0.008% over $1 billion. The effective Sub-advisory fee was 0.02% for the six months ended June 30, 2016.

B. Distribution and Service Plans — The Trust, on behalf of each Fund, has adopted Distribution and Service Plans (the "Plans"). Under the Plans, Goldman Sachs, which serves as distributor (the "Distributor"), is entitled to a fee accrued daily and paid monthly, for distribution services and personal and account maintenance services, which may then be paid by Goldman Sachs to authorized dealers, equal to, on an annual basis, 0.25% and 0.40% of the Fund's average daily net assets attributable to Service and Advisor Shares, respectively. For the six months ended June 30, 2016 for the Growth Opportunities Fund, Goldman Sachs agreed to waive distribution and services fees so as not to exceed an annual rate of 0.16% of average daily net assets of the Fund. This distribution and service fee waiver will remain in place through at least April 29, 2017, and prior to such date Goldman Sachs may not terminate the arrangement without the approval of the Trustees.

C. Transfer Agency Agreement — Goldman Sachs also serves as the transfer agent of the Funds for a fee pursuant to the Transfer Agency Agreement. The fees charged for such transfer agency services are accrued daily and paid monthly at an annual rate of 0.02% of the average daily net assets for Institutional, Service and Advisor Shares.

D. Other Expense Agreements and Affiliated Transactions — GSAM has agreed to limit certain "Other Expenses" of the Funds (excluding acquired fund fees and expenses, transfer agency fees and expenses, taxes, interest, brokerage fees, shareholder meeting, litigation, indemnification and extraordinary expenses) to the extent such expenses exceed, on an annual basis, a percentage rate of the average daily net assets of each Fund. Such Other Expense reimbursements, if any, are accrued daily and paid monthly. In addition, the Funds are not obligated to reimburse GSAM for prior fiscal year expense reimbursements, if any. The Other Expense limitations as an annual percentage rate of average daily net assets for Core Fixed Income, Equity Index, Growth Opportunities and High Quality Floating Rate Funds are 0.004%, 0.004%, 0.004% and 0.074%, respectively. These Other Expense limitations will remain in place through at least April 29, 2017, and prior to such date GSAM may not terminate the arrangements without the approval of the Trustees. In addition, the Funds have entered into certain offset arrangements with the custodian and the transfer agent, which may result in a reduction of the Funds' expenses and are received irrespective of the application of the "Other Expense" limitations described above.

For the six months ended June 30, 2016, these expense reductions, including any fee waivers and Other Expense reimbursements, were as follows:

Fund	Management Fee Waiver	Distribution and Service Fee Waiver	Custody Fee Credits	Other Expense Reimbursement	Total Expense Reductions
Core Fixed Income	$ 662	$ —	$1,409	$143,189	$145,260
Equity Index	72,195	—	195	136,638	209,028
Growth Opportunities	103,949	71,951	1,330	106,629	283,859
High Quality Floating Rate	34,525	—	50	84,704	119,279

E. Line of Credit Facility — As of June 30, 2016, the Funds participated in a $1,100,000,000 committed, unsecured revolving line of credit facility (the "facility") together with other funds of the Trust and registered investment companies having management agreements with GSAM or its affiliates ("Other Borrowers"). This facility is to be used for temporary or emergency purposes, or to allow for an orderly liquidation of securities to meet redemption requests. The interest rate on borrowings is based

Notes to Financial Statements (continued)

June 30, 2016 (Unaudited)

5. AGREEMENTS AND AFFILIATED TRANSACTIONS (continued)

on the federal funds rate. The facility also requires a fee to be paid by the Funds based on the amount of the commitment that has not been utilized. For the six months ended June 30, 2016, the Funds did not have any borrowings under the facility.

F. Other Transactions with Affiliates — The following table provides information about the investment in shares of issuers of which a Fund is an affiliate as of and for the six months ended June 30, 2016:

Fund	Name of Affiliated Issuer	Market Value 12/31/2015	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 6/30/2016	Dividend Income
Equity Index	The Goldman Sachs Group, Inc.	$669,374	$—	$(41,383)	$7,261	$(123,245)	$512,007	$4,679

The following table provides information about the Funds' investment in the Goldman Sachs Financial Square Government Fund as of and for the six months ended June 30, 2016:

Fund	Market Value 12/31/2015	Purchases at Cost	Proceeds from Sales	Market Value 6/30/2016	Dividend Income
Core Fixed Income	$ —	$16,291,827	$(16,291,827)	$ —	$1,091
High Quality Floating Rate	10,347,519	14,296,533	(21,020,873)	3,623,179	5,264

As of June 30, 2016, the Goldman Sachs Group, Inc. was the beneficial owner of approximately 100% of the Institutional Shares of the Core Fixed Income, Growth Opportunities and High Quality Floating Rate Funds.

6. PORTFOLIO SECURITIES TRANSACTIONS

The cost of purchases and proceeds from sales and maturities of long-term securities for the six months ended June 30, 2016, were as follows:

Fund	Purchases of U.S. Government and Agency Obligations	Purchases (Excluding U.S. Government and Agency Obligations)	Sales and Maturities of U.S. Government and Agency Obligations	Sales and Maturities (Excluding U.S. Government and Agency Obligations)
Core Fixed Income	$186,112,616	$10,791,463	$198,791,261	$14,997,272
Equity Index	—	2,797,748	—	12,449,766
Growth Opportunities	—	50,932,764	—	55,661,965
High Quality Floating Rate	15,975,906	5,633,469	9,000,182	7,211,192

7. TAX INFORMATION

As of the Funds' most recent fiscal year end, December 31, 2015, the Funds' capital loss carryforwards and certain timing differences, on a tax-basis were as follows:

	Core Fixed Income	Equity Index	Growth Opportunities	High Quality Floating Rate
Capital loss carryforwards:[1]				
Expiring 2017	$ (264,763)	$ —	$ —	$ —
Expiring 2018	(4,488,774)	—	—	—
Perpetual short-term	—	—	—	(275,908)
Perpetual long-term	—	—	—	(595,824)
Total capital loss carryforwards	$(4,753,537)	$ —	$ —	$(871,732)
Timing differences (Qualified late year loss and straddle loss deferrals and certain REIT dividends)	(1,266,922)	4,012	(336,485)	(12,359)

(1) Expiration occurs on December 31 of the year indicated.

As of June 30, 2016, the Funds' aggregate security unrealized gains and losses based on cost for U.S. federal income tax purposes were as follows:

	Core Fixed Income	Equity Index	Growth Opportunities	High Quality Floating Rate
Tax cost	$107,078,933	$ 88,503,256	$130,621,115	$68,207,960
Gross unrealized gain	5,331,700	88,164,150	36,517,182	370,675
Gross unrealized loss	(560,294)	(13,982,914)	(3,692,779)	(396,173)
Net unrealized security gain (loss)	$ 4,771,406	$ 74,181,236	$ 32,824,403	$ (25,498)

The difference between GAAP-basis and tax-basis unrealized gains (losses) is attributable primarily to wash sales, net mark to market gains (losses) on regulated futures and foreign currency contracts, and differences in the tax treatment of underlying fund investments, foreign currency transactions, real estate investment trust investments and inflation-protected securities.

GSAM has reviewed the Funds' tax positions for all open tax years (the current and prior three years, as applicable) and has concluded that no provision for income tax is required in the Funds' financial statements. Such open tax years remain subject to examination and adjustment by tax authorities.

8. OTHER RISKS

The Funds' risks include, but are not limited to, the following:

Derivatives Risk — Loss may result from the Funds' investments in derivative instruments. These instruments may be illiquid, difficult to price and leveraged so that small changes in the value of the underlying instruments may produce disproportionate losses to the Funds. Derivatives are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can also result from a lack of correlation between changes in the value of derivative instruments and the portfolio assets (if any) being hedged.

Interest Rate Risk — When interest rates increase, fixed income securities or instruments held by the Funds will generally decline in value. Long-term fixed income securities or instruments will normally have more price volatility because of this risk than short-term fixed income securities or instruments. The risks associated with increasing rates are heightened given that interest rates

Notes to Financial Statements (continued)

June 30, 2016 (Unaudited)

8. OTHER RISKS (continued)

are near historic lows, but may be expected to increase in the future with unpredictable effects on the markets and the Fund's investments.

Investments in Other Investment Companies — As a shareholder of another investment company, including an exchange traded fund ("ETF"), a Fund will indirectly bear its proportionate share of any net management fees and other expenses paid by such other investment companies, in addition to the fees and expenses regularly borne by the Fund. ETFs are subject to risks that do not apply to conventional mutual funds, including but not limited to the following: (i) the market price of the ETF's shares may trade at a premium or a discount to their NAV; and (ii) an active trading market for an ETF's shares may not develop or be maintained.

Large Shareholder Transactions Risk — A Fund may experience adverse effects when certain large shareholders, such as other funds, participating insurance companies, accounts and Goldman Sachs affiliates, purchase or redeem large amounts of shares of a Fund. Such large shareholder redemptions may cause a Fund to sell portfolio securities at times when it would not otherwise do so, which may negatively impact a Fund's NAV and liquidity. These transactions may also accelerate the realization of taxable income to shareholders if such sales of investments resulted in gains, and may also increase transaction costs. In addition, a large redemption could result in a Fund's current expenses being allocated over a smaller asset base, leading to an increase in the Fund's expense ratio. Similarly, large Fund share purchases may adversely affect a Fund's performance to the extent that the Fund is delayed in investing new cash and is required to maintain a larger cash position than it ordinarily would.

Liquidity Risk — A Fund may make investments that are illiquid or that may become less liquid in response to market developments or adverse investor perceptions. Illiquid investments may be more difficult to value. Liquidity risk may also refer to the risk that a Fund will not be able to pay redemption proceeds within the allowable time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. To meet redemption requests, a Fund may be forced to sell investments at an unfavorable time and/or under unfavorable conditions. Liquidity risk may be the result of, among other things, the reduced number and capacity of traditional market participants to make a market in fixed income securities or the lack of an active market. The potential for liquidity risk may be magnified by a rising interest rate environment or other circumstances where investor redemptions from fixed income mutual funds may be higher than normal, potentially causing increased supply in the market due to selling activity.

Market and Credit Risks — In the normal course of business, a fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk). Additionally, a Fund may also be exposed to credit risk in the event that an issuer or guarantor fails to perform or that an institution or entity with which the Fund has unsettled or open transactions defaults.

Short Position Risk — A Fund may enter into a short position through a futures contract, an option or swap agreement or through short sales of any instrument that a Fund may purchase for investment. Taking short positions involves leverage of a Fund's assets and presents various risks. If the value of the underlying instrument or market in which a Fund has taken a short position increases, then the Fund will incur a loss equal to the increase in value from the time that the short position was entered into plus any related interest payments or other fees. Taking short positions involves the risk that losses may be disproportionate, may exceed the amount invested, and may be unlimited.

9. INDEMNIFICATIONS

Under the Trust's organizational documents, its Trustees, officers, employees and agents are indemnified, to the extent permitted by the Act and state law, against certain liabilities that may arise out of performance of their duties to the Funds. Additionally, in the course of business, the Funds enter into contracts that contain a variety of indemnification clauses. The Funds' maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, GSAM believes the risk of loss under these arrangements to be remote.

10. SUBSEQUENT EVENTS

Subsequent events after the Statements of Assets and Liabilities date have been evaluated through the date the financial statements were issued. GSAM has concluded that there is no impact requiring adjustment or disclosure in the financial statements.

11. SUMMARY OF SHARE TRANSACTIONS

Share activity is as follows:

	Core Fixed Income Fund			
	For the Six Months Ended June 30, 2016 (Unaudited)		For the Fiscal Year Ended December 31, 2015	
	Shares	Dollars	Shares	Dollars
Institutional Shares				
Reinvestment of distributions	39	$ 418	65	$ 693
	39	418	65	693
Service Shares				
Shares sold	1,157,775	12,414,404	1,613,636	17,192,161
Reinvestment of distributions	147,647	1,589,499	232,121	2,475,317
Shares redeemed	(813,088)	(8,709,813)	(1,839,915)	(19,689,934)
	492,334	5,294,090	5,842	(22,456)
NET INCREASE (DECREASE)	492,373	$ 5,294,508	5,907	$ (21,763)

	Equity Index Fund			
	For the Six Months Ended June 30, 2016 (Unaudited)		For the Fiscal Year Ended December 31, 2015	
	Shares	Dollars	Shares	Dollars
Service Shares				
Shares sold	117,862	$ 1,597,360	231,558	$ 3,490,618
Reinvestment of distributions	—	—	925,695	12,857,900
Shares redeemed	(948,705)	(13,016,144)	(1,733,704)	(26,070,660)
NET DECREASE	(830,843)	$(11,418,784)	(576,451)	$ (9,722,142)

Notes to Financial Statements (continued)

June 30, 2016 (Unaudited)

11. SUMMARY OF SHARE TRANSACTIONS (continued)

	Growth Opportunities Fund			
	For the Six Months Ended June 30, 2016 (Unaudited)		For the Fiscal Year Ended December 31, 2015	
	Shares	Dollars	Shares	Dollars
Institutional Shares				
Reinvestment of distributions	—	$ —	392	$ 2,613
	—	—	392	2,613
Service Shares				
Shares sold	1,293,817	8,543,546	1,275,515	9,813,897
Reinvestment of distributions	—	—	2,117,685	14,040,255
Shares redeemed	(1,750,095)	(11,381,276)	(4,322,894)	(33,053,396)
	(456,278)	(2,837,730)	(929,694)	(9,199,244)
NET DECREASE	(456,278)	$ (2,837,730)	(929,302)	$ (9,196,631)

	High Quality Floating Rate Fund			
	For the Six Months Ended June 30, 2016 (Unaudited)		For the Fiscal Year Ended December 31, 2015	
	Shares	Dollars	Shares	Dollars
Institutional Shares				
Reinvestment of distributions	12	$ 123	17	$ 176
	12	123	17	176
Service Shares				
Shares sold	296,923	3,076,646	591,898	6,176,818
Reinvestment of distributions	23,783	246,030	30,398	316,783
Shares redeemed	(526,108)	(5,451,526)	(1,067,471)	(11,135,815)
	(205,402)	(2,128,850)	(445,175)	(4,642,214)
Advisor Shares				
Shares sold	239,700	2,486,171	259,411	2,714,004
Reinvestment of distributions	695	7,201	296	3,093
Shares redeemed	(208,166)	(2,157,585)	(134,130)	(1,402,982)
	32,229	335,787	125,577	1,314,115
NET DECREASE	(173,161)	$(1,792,940)	(319,581)	$ (3,327,923)

Fund Expenses — Six Month Period Ended June 30, 2016 (Unaudited)

As a shareholder of Institutional, Service or Advisor Shares of the Fund, you incur ongoing costs, including management fees, distribution and service (12b-1) fees (with respect to Service and Advisor Shares) and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Institutional Shares, Service Shares and Advisor Shares of the Funds 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 from January 1, 2016 through June 30, 2016, which represents a period of 182 days of a 366 day year.

Actual Expenses — The first line under each share class in the table below 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" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes — The second line under each share class in the table below provides information about hypothetical account values and hypothetical expenses based on the Funds' actual net expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Funds' 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 Funds and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only. As a shareholder of the Fund you do not incur any transaction costs, such as sales charges, redemption fees, or exchange fees, but shareholders of other funds may incur such costs. The second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds whose shareholders may incur transaction costs.

	Core Fixed Income Fund			Equity Index Fund			Growth Opportunities Fund			High Quality Floating Rate Fund		
Share Class	Beginning Account Value 01/01/16	Ending Account Value 06/30/16	Expenses Paid for the 6 Months Ended 06/30/16*	Beginning Account Value 01/01/16	Ending Account Value 06/30/16	Expenses Paid for the 6 Months Ended 06/30/16*	Beginning Account Value 01/01/16	Ending Account Value 06/30/16	Expenses Paid for the 6 Months Ended 06/30/16*	Beginning Account Value 01/01/16	Ending Account Value 06/30/16	Expenses Paid for the 6 Months Ended 06/30/16*
Institutional												
Actual	$1,000	$1,049.50	$2.09	N/A	N/A	N/A	$1,000	$1,023.80	$4.53	$1,000	$1,003.00	$1.94
Hypothetical 5% return	1,000	1,022.82+	2.06	N/A	N/A	N/A	1,000	1,020.39+	4.52	1,000	1,022.92+	1.96
Service												
Actual	1,000	1,048.20	3.41	$1,000	$1,035.90	$2.43	1,000	1,022.50	5.28	1,000	1,001.80	3.19
Hypothetical 5% return	1,000	1,021.53+	3.37	1,000	1,022.48+	2.41	1,000	1,019.64+	5.27	1,000	1,021.68+	3.22
Advisor												
Actual	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,000	1,001.20	3.98
Hypothetical 5% return	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,000	1,020.89+	4.02

* Expenses are calculated using each Fund's annualized net expense ratio for each class, which represents the ongoing expenses as a percentage of net assets for the six months ended June 30, 2016. Expenses are calculated by multiplying the annualized net expense ratio by the average account value for the period; then multiplying the result by the number of days in the most recent fiscal half year; and then dividing that result by the number of days in the fiscal year. The annualized net expense ratios for the period were as follows:

Fund	Institutional	Service	Advisor
Core Fixed Income	0.41%	0.67%	N/A
Equity Index	N/A	0.48	N/A
Growth Opportunities	0.90	1.05	N/A
High Quality Floating Rate	0.39	0.64	0.80%

\+ Hypothetical expenses are based on each Fund's actual annualized net expense ratios and an assumed rate of return of 5% per year before expenses.

Statement Regarding Basis for Approval of Management Agreements (Unaudited)

Background

The Goldman Sachs Core Fixed Income, Goldman Sachs Equity Index, Goldman Sachs Growth Opportunities and Goldman Sachs High Quality Floating Rate Funds (the "Funds") are investment portfolios of Goldman Sachs Variable Insurance Trust (the "Trust"). The Board of Trustees oversees the management of the Trust and reviews the investment performance and expenses of the Funds at regularly scheduled meetings held throughout the year. In addition, the Board of Trustees determines annually whether to approve the continuance of the Trust's investment management agreements (the "Management Agreements") with Goldman Sachs Asset Management, L.P. (the "Investment Adviser") on behalf of the Funds and the sub-advisory agreement (the "Sub-Advisory Agreement," and together with the Management Agreements, the "Agreements") between the Investment Adviser and SSgA Funds Management, Inc. (the "Sub-Adviser") on behalf of the Equity Index Fund.

The Agreements were most recently approved for continuation until June 30, 2017 by the Board of Trustees, including those Trustees who are not parties to the Agreements or "interested persons" (as defined in the Investment Company Act of 1940, as amended) of any party thereto (the "Independent Trustees"), at a meeting held on June 15-16, 2016 (the "Annual Meeting").

The review process undertaken by the Trustees spans the course of the year and culminates with the Annual Meeting. To assist the Trustees in their deliberations, the Trustees have established a Contract Review Committee (the "Committee"), comprised of the Independent Trustees. The Committee held three meetings over the course of the year since the Agreements were last approved. At those Committee meetings, regularly scheduled Board or other committee meetings, and/or the Annual Meeting, matters relevant to the renewal of the Agreements were considered by the Board, or the Independent Trustees, as applicable. With respect to each Fund, such matters included:

(a) the nature and quality of the advisory, administrative, and other services provided to the Fund by the Investment Adviser and its affiliates, including information about:
  (i) the structure, staff, and capabilities of the Investment Adviser and its portfolio management teams;
  (ii) the groups within the Investment Adviser and its affiliates that support the portfolio management teams or provide other types of necessary services, including fund services groups (*e.g.*, accounting and financial reporting, tax, shareholder services, and operations); controls and risk management groups (*e.g.*, legal, compliance, valuation oversight, credit risk management, internal audit, compliance testing, market risk analysis, finance, and central funding); sales and distribution support groups, and others (*e.g.*, information technology and training);
  (iii) trends in employee headcount;
  (iv) the Investment Adviser's financial resources and ability to hire and retain talented personnel and strengthen its operations; and
  (v) the parent company's support of the Investment Adviser and its mutual fund business, as expressed by the firm's senior management;

(b) information on the investment performance of the Fund, including comparisons to the performance of similar mutual funds, as provided by a third-party mutual fund data provider engaged as part of the contract review process (the "Outside Data Provider"), and benchmark performance indices, and (in the case of the Core Fixed Income, Growth Opportunities and High Quality Floating Rate Funds) a composite of accounts with comparable investment strategies managed by the Investment Adviser; and general investment outlooks in the markets in which the Fund invests;

(c) information provided by the Investment Adviser indicating the Investment Adviser's views on whether the Fund's peer group and/or benchmark index had high, medium, or low relevance given the Fund's particular investment strategy;

(d) the terms of the Agreements and other agreements with affiliated service providers entered into by the Trust on behalf of the Fund;

(e) fee and expense information for the Fund, including:
  (i) the relative management fee and expense level of the Fund as compared to those of comparable funds managed by other advisers, as provided by the Outside Data Provider;
  (ii) the Fund's expense trends over time; and
  (iii) to the extent the Investment Adviser manages other types of accounts (such as bank collective trusts, private wealth management accounts, institutional separate accounts, sub-advised mutual funds, and non-U.S. funds) having investment objectives and policies similar to those of the Fund, comparative information on the advisory fees charged and services provided to those accounts by the Investment Adviser;

(f) with respect to the extensive investment performance and expense comparison data provided by the Outside Data Provider, its processes in producing that data for the Fund;

(g) the undertaking of the Investment Adviser and its affiliates to waive certain fees (with respect to the Equity Index, Growth Opportunities and High Quality Floating Rate Funds) and to limit certain expenses of the Fund that exceed a

Statement Regarding Basis for Approval of Management Agreements (Unaudited) (continued)

specified level; the undertaking of Goldman, Sachs & Co. ("Goldman Sachs"), the Fund's affiliated distributor, to waive a portion of the distribution and service fees payable by the Growth Opportunities Fund's Service Shares, and a summary of contractual fee reductions made by the Investment Adviser and/or its affiliates over the past several years with respect to the Fund;

(h) information relating to the profitability of the Management Agreements and the transfer agency and distribution and service arrangements of the Fund and the Trust as a whole to the Investment Adviser and its affiliates;

(i) whether the Fund's existing management fee schedule adequately addressed any economies of scale;

(j) a summary of the "fall-out" benefits derived by the Investment Adviser and its affiliates from their relationships with the Fund, including the fees received by the Investment Adviser's affiliates from the Fund for transfer agency, portfolio trading, distribution and other services;

(k) a summary of potential benefits derived by the Fund as a result of its relationships with the Investment Adviser;

(l) information regarding commissions paid by the Equity Index and Growth Opportunities Funds (the "Equity Funds") and broker oversight, an update on the Investment Adviser's soft dollars practices (with respect to the Growth Opportunities Fund), other information regarding portfolio trading, and how the Investment Adviser carries out its duty to seek best execution;

(m) the manner in which portfolio manager compensation is determined; and the number and types of accounts managed by the portfolio managers;

(n) the nature and quality of the services provided to the Fund by its unaffiliated service providers (including the Sub-Adviser for the Equity Index Fund), and the Investment Adviser's general oversight and evaluation (including reports on due diligence) of those service providers as part of the administration services provided under the Management Agreements; and

(o) the Investment Adviser's processes and policies addressing various types of potential conflicts of interest; its approach to risk management; the annual review of the effectiveness of the Fund's compliance program; and periodic compliance reports.

The Trustees also received an overview of the Funds' distribution arrangements. They received information regarding the Funds' assets, share purchase and redemption activity, and payment of distribution and service fees. Information was also provided to the Trustees relating to revenue sharing payments made by and services provided by the Investment Adviser and its affiliates to intermediaries that promote the sale, distribution, and/or servicing of Fund shares. The Independent Trustees also discussed the broad range of other investment choices that are available to Fund investors, including the availability of comparable funds managed by other advisers.

The presentations made at the Board and Committee meetings and at the Annual Meeting encompassed the Funds and other mutual funds for which the Board of Trustees has responsibility. In evaluating the Management Agreements at the Annual Meeting, the Trustees relied upon their knowledge, resulting from their meetings and other interactions throughout the year, of the Investment Adviser and its affiliates, their services, and the Funds. In conjunction with these meetings, the Trustees received written materials and oral presentations on the topics covered, and the Investment Adviser addressed the questions and concerns of the Trustees, including concerns regarding the investment performance of certain of the funds they oversee. The Independent Trustees were advised by their independent legal counsel regarding their responsibilities and other regulatory requirements related to the approval and continuation of mutual fund investment management agreements under applicable law. In addition, the Investment Adviser and its affiliates provided the Independent Trustees with a written response to a formal request for information sent on behalf of the Independent Trustees by their independent legal counsel. During the course of their deliberations, the Independent Trustees met in executive sessions with their independent legal counsel, without representatives of the Investment Adviser or its affiliates present.

Nature, Extent, and Quality of the Services Provided Under the Management Agreements

As part of their review, the Trustees considered the nature, extent, and quality of the services provided to the Funds by the Investment Adviser. In this regard, the Trustees considered both the investment advisory services and non-advisory services (including, with respect to the Equity Index Fund, the Investment Adviser's oversight of the Sub-Adviser) that are provided by the Investment Adviser and its affiliates. The Trustees noted the transition in the leadership and changes in personnel of various of the Investment Adviser's portfolio management teams that had occurred in recent periods, and the ongoing recruitment efforts aimed at bringing high quality investment talent to the Investment Adviser. They also noted the Investment Adviser's commitment to maintaining high quality systems and expending substantial resources to respond to ongoing changes to the regulatory and control environment in which the Funds and their service providers operate, as well as the efforts of the Investment Adviser and its

Statement Regarding Basis for Approval of Management Agreements (Unaudited) (continued)

affiliates to combat cyber security risks. The Trustees concluded that the Investment Adviser continued to commit substantial financial and operational resources to the Funds and expressed confidence that the Investment Adviser would continue to do so in the future. The Trustees also recognized that the Investment Adviser had made significant commitments to address regulatory compliance requirements applicable to the Funds and the Investment Adviser and its affiliates.

Investment Performance

The Trustees also considered the investment performance of the Funds. In this regard, they compared the investment performance of each Fund to its peers using rankings and ratings compiled by the Outside Data Provider as of December 31, 2015, and updated performance information prepared by the Investment Adviser using the peer group identified by the Outside Data Provider as of March 31, 2016. The information on each Fund's investment performance was provided for the one-, three-, five- and ten-year periods ending on the applicable dates, to the extent that each Fund has been in existence for those periods. The Trustees also reviewed each Fund's investment performance relative to its performance benchmark. As part of this review, they considered the investment performance trends of the Funds over time, and reviewed the investment performance of each Fund in light of its investment objective and policies and market conditions. The Trustees also received information comparing the Core Fixed Income, Growth Opportunities and High Quality Floating Rate Funds' performance to that of composites of accounts with comparable investment strategies managed by the Investment Adviser.

In addition, the Trustees considered materials prepared and presentations made by the Investment Adviser's senior management and portfolio management personnel in which Fund performance was assessed. The Trustees also considered the Investment Adviser's periodic reports with respect to the Funds' risk profiles, and how the Investment Adviser's approach to risk monitoring and management influences portfolio management.

The Trustees observed that the Core Fixed Income Fund's Institutional Shares had placed in the top half of the Fund's peer group and had underperformed the Fund's benchmark index for the one-year period ended March 31, 2016. The Trustees also observed that the Equity Index Fund's Service Shares had placed in the top half of the Fund's peer group and had underperformed the Fund's benchmark index by an amount approximately equal to Fund fees and expenses for the one-, three-, five-, and ten-year periods ended March 31, 2016. The Trustees noted that the Growth Opportunities Fund's Institutional Shares had placed in the third quartile of the Fund's peer group and had underperformed the Fund's benchmark index for the one-year period ended March 31, 2016. They also noted that the High Quality Floating Rate Fund had placed in the fourth quartile of the Fund's peer group and had underperformed the Fund's benchmark index for the one-year period ended March 31, 2016.

Costs of Services Provided and Competitive Information

The Trustees considered the contractual terms of the Agreements and the fee rates payable by each Fund under its respective Management Agreement and, with respect to the Equity Index Fund, payable by the Investment Adviser under the Sub-Advisory Agreement. In this regard, the Trustees considered information on the services rendered by the Investment Adviser to the Funds, which included both advisory and administrative services that were directed to the needs and operations of the Funds as registered mutual funds.

In particular, the Trustees reviewed analyses prepared by the Outside Data Provider regarding the expense rankings of the Funds. The analyses provided a comparison of each Fund's management fees and breakpoints (as applicable) to those of a relevant peer group and category universe; an expense analysis which compared each Fund's overall net and gross expenses to a peer group and a category universe; and a five-year history (or, in the case of Funds that commenced investment operations within a shorter period, since the year in which it commenced operations) comparing each Fund's net expenses to the peer and category medians. The analyses also compared each Fund's transfer agency, custody and distribution fees, other expenses and fee waivers/reimbursements to those of the peer group and category medians. The Trustees concluded that the comparisons provided by the Outside Data Provider were useful in evaluating the reasonableness of the management fees and total expenses paid by the Funds.

In addition, the Trustees considered the Investment Adviser's undertaking to waive a portion of its management fees (with respect to the Equity Index, Growth Opportunities, and High Quality Floating Rate Funds) and to limit certain expenses of the Funds that exceed specified levels as well as the undertaking of Goldman Sachs to waive a portion of the distribution and service fees payable by the Growth Opportunities Fund's Service Shares. The Trustees also noted that certain changes were being made to existing fee waiver or expense limitation arrangements of the Growth Opportunities and High Quality Floating Rate Funds that would have the effect of decreasing total Fund expenses, with such changes taking effect in connection with the Funds' next annual registration statement update. They also considered, to the extent that the Investment Adviser manages other types of accounts having investment objectives and policies similar to those of the Funds, comparative fee information for services provided by the Investment Adviser to those accounts, and information that indicated that services provided to the Funds differed in various

Statement Regarding Basis for Approval of Management Agreements (Unaudited) (continued)

significant respects from the services provided to other types of accounts which, in many cases, operated under less stringent legal and regulatory structures, required fewer services from the Investment Adviser to a smaller number of client contact points, and were less time-intensive.

In addition, the Trustees noted that shareholders are able to redeem their Fund shares at any time if shareholders believe that the Fund fees and expenses are too high or if they are dissatisfied with the performance of a Fund.

Profitability

The Trustees reviewed the Investment Adviser's revenues and pre-tax profit margins with respect to the Trust and each of the Funds. In this regard the Trustees noted that they had received, among other things, profitability analyses and summaries, revenue and expense schedules by Fund and by function (*i.e.*, investment management, transfer agency and distribution and service), and information on the Investment Adviser's expense allocation methodology. They observed that the profitability and expense figures are substantially similar to those used by the Investment Adviser for many internal purposes, including compensation decisions among various business groups, and are thus subject to a vigorous internal debate about how certain revenue and expenses should be allocated. The Trustees also noted that the internal audit group within the Goldman Sachs organization had audited the expense allocation methodology and was satisfied with the reasonableness, consistency, and accuracy of the Investment Adviser's expense allocation methodology and profitability analysis calculations. Profitability data for the Trust and each Fund were provided for 2015 and 2014, and the Trustees considered this information in relation to the Investment Adviser's overall profitability. The Trustees considered the Investment Adviser's revenues and pre-tax profit margins both in absolute terms and in comparison to information on the reported pre-tax profit margins earned by certain other asset management firms.

Economies of Scale

The Trustees considered the information that had been provided regarding the Investment Adviser's profitability. The Trustees also considered the breakpoints in the fee rate payable under the Management Agreement for each of the Core Fixed Income, Growth Opportunities and High Quality Floating Rate Funds at the following annual percentage rates of the average daily net assets of the Funds:

	Core Fixed Income Fund	High Quality Floating Rate Fund
First $1 billion	0.40%	0.40%
Next $1 billion	0.36	0.36
Next $3 billion	0.34	0.34
Next $3 billion	0.33	0.33
Over $8 billion	0.32	0.32

	Growth Opportunities Fund
First $2 billion	1.00%
Next $3 billion	0.90
Next $3 billion	0.86
Over $8 billion	0.84

The Trustees noted that the breakpoints were designed to share potential economies of scale, if any, with the Funds and their shareholders as assets under management reach those asset levels. The Trustees considered the amounts of assets in the Funds; the Funds' recent share purchase and redemption activity; the information provided by the Investment Adviser relating to the costs of the services provided by the Investment Adviser and its affiliates and their realized profits; information comparing fee rates charged by the Investment Adviser with fee rates charged to other funds in the peer groups; and the Investment Adviser's undertaking to waive a portion of its management fees (with respect to the Equity Index, Growth Opportunities and High Quality Floating Rate Funds) and to limit certain expenses of the Funds that exceed specified levels. Upon reviewing these matters at the Annual Meeting, the Trustees concluded that the fee breakpoints represented a means of assuring that benefits of scalability, if any, would be passed along to shareholders at the specified asset levels.

Statement Regarding Basis for Approval of Management Agreements (Unaudited) (continued)

With respect to the Equity Index Fund, the Trustees noted that, while its Management Agreement did not have breakpoints, the Investment Adviser had agreed to waive a portion of its management fee in order to achieve the following effective annual rates: 0.21% on the first $400 million of average daily net assets and 0.20% of average daily net assets in excess of $400 million. The Trustees noted that, in addition to the Investment Adviser's management fee waiver mentioned above, the Fund's total expenses were further reduced by the Investment Adviser's undertaking to limit certain expenses of the Fund that exceed a specified level.

Other Benefits to the Investment Adviser and Its Affiliates

The Trustees also considered the other benefits derived by the Investment Adviser and its affiliates from their relationships with the Funds as stated above, including: (a) transfer agency fees received by Goldman Sachs; (b) brokerage and futures commissions earned by Goldman Sachs for executing securities transactions on behalf of the Equity Funds and futures transactions on behalf of the Funds; (c) research received by the Investment Adviser from broker-dealers in exchange for executing certain transactions on behalf of the Growth Opportunities Fund; (d) trading efficiencies resulting from aggregation of orders of the Funds with those for other funds or accounts managed by the Investment Adviser; (e) the Investment Adviser's ability to leverage the infrastructure designed to service the Funds on behalf of its other clients; (f) the Investment Adviser's ability to cross-market other products and services to Fund shareholders; (g) Goldman Sachs' retention of certain fees as Fund Distributor; (h) the Investment Adviser's ability to negotiate better pricing with custodians on behalf of its other clients, as a result of the relationship with the Funds; and (i) the possibility that the working relationship between the Investment Adviser and the Funds' third-party service providers may cause those service providers to be more likely to do business with other areas of Goldman Sachs. In the course of considering the foregoing, the Independent Trustees requested and received further information quantifying certain of these fall-out benefits.

Other Benefits to the Funds and Their Shareholders

The Trustees also noted that the Funds receive certain potential benefits as a result of their relationship with the Investment Adviser, including: (a) trading efficiencies resulting from aggregation of orders of the Funds with those of other funds or accounts managed by the Investment Adviser; (b) enhanced servicing from vendors because of the volume of business generated by the Investment Adviser and its affiliates; (c) enhanced servicing from broker-dealers because of the volume of business generated by the Investment Adviser and its affiliates; (d) the Investment Adviser's ability to negotiate favorable terms with derivatives counterparties on behalf of the Funds as a result of the size and reputation of the Goldman Sachs organization; (e) the Investment Adviser's knowledge and experience gained from managing other accounts and products; (f) the Investment Adviser's ability to hire and retain qualified personnel to provide services to the Funds because of the reputation of the Goldman Sachs organization; (g) the Funds' access, through the Investment Adviser, to certain firmwide resources (*e.g.*, proprietary risk management systems and databases), subject to certain restrictions; and (h) the Funds' access to certain affiliated distribution channels. In addition, the Trustees noted the competitive nature of the mutual fund marketplace, and considered that many of the Funds' shareholders invested in the Funds in part because of the Funds' relationship with the Investment Adviser and that those shareholders have a general expectation that the relationship will continue.

Conclusion

In connection with their consideration of the Agreements, the Trustees gave weight to each of the factors described above, but did not identify any particular factor as controlling their decision. After deliberation and consideration of all of the information provided, including the factors described above, the Trustees concluded, in the exercise of their business judgment, that the management fees paid by each of the Funds were reasonable in light of the services provided to it by the Investment Adviser, the Investment Adviser's costs and each Fund's current and reasonably foreseeable asset levels. The Trustees unanimously concluded that the Investment Adviser's continued management likely would benefit each Fund and its shareholders and that the Management Agreements should be approved and continued with respect to each Fund until June 30, 2017.

Sub-Advisory Agreement for the Equity Index Fund

Nature, Extent, and Quality of the Services Provided Under the Sub-Advisory Agreement and Investment Performance

In evaluating the Sub-Advisory Agreement, the Trustees relied upon materials furnished and presentations made by the Investment Adviser and the Sub-Adviser. In evaluating the nature, extent, and quality of services provided by the Sub-Adviser, the Trustees considered information on the services provided to the Equity Index Fund by the Sub-Adviser, including information about the Sub-Adviser's (a) personnel and organizational structure; (b) experience in index investing and track record in tracking

Statement Regarding Basis for Approval of Management Agreements (Unaudited) (continued)

the performance of the Fund's benchmark in line with the investment objective of the Fund; (c) policies and procedures in place to address potential conflicts of interest; and (d) compliance program and code of ethics. The Trustees noted that the Fund had commenced operations in January 2006, and reviewed the Fund's operations and investment performance since its inception. The Trustees reviewed the services provided to the Fund under the Sub-Advisory Agreement. They noted that the Fund's Service Shares had placed in the top half of the Fund's peer group and had underperformed the Fund's benchmark index by an amount approximately equal to Fund fees and expenses for the one-, three-, five-, and ten-year periods ended March 31, 2016.

Costs of Services Provided.

The Trustees reviewed the terms of the Sub-Advisory Agreement, including the fee schedule for the Sub-Adviser. They considered the breakpoints in the sub-advisory fee rate payable under the Sub-Advisory Agreement at the following annual percentage rates of the average daily net assets of the Fund:

Average Daily Net Assets	Sub-Advisory Fee Annual Rate
First $50 Million	0.030%
Next $200 Million	0.020%
Next $750 Million	0.010%
Over $1 Billion	0.008%

Statement Regarding Basis for Approval of Management Agreements (Unaudited) (continued)

The Trustees noted that the Sub-Adviser's compensation is paid by the Investment Adviser, not by the Fund, and that the retention of the Sub-Adviser does not increase the fees incurred by the Fund for advisory services. They noted that the Investment Adviser believes that the relationship between the management fees paid by the Fund and the sub-advisory fees paid by the Investment Adviser is appropriate given the level of services the Investment Adviser provides to the Fund and the significant differences in cost drivers and risks associated with the respective services offered by the Investment Adviser and the Sub-Adviser, as well as the management fee waivers and expense limitations that substantially reduce the fees retained by the Investment Adviser.

Conclusion

After deliberation and consideration of the information provided, the Trustees concluded that the sub-advisory fee to be paid by the Investment Adviser to the Sub-Adviser with respect to the Equity Index Fund is reasonable in light of the services to be provided by the Sub-Adviser and the Fund's reasonably foreseeable asset levels, and that the Sub-Advisory Agreement with respect to the Equity Index Fund should be approved and continued until June 30, 2017.

TRUSTEES
Ashok N. Bakhru, *Chairman*
Kathryn A. Cassidy
Diana M. Daniels
Herbert J. Markley
James A. McNamara
Jessica Palmer
Alan A. Shuch
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Gregory G. Weaver

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James A. McNamara, *President*
Scott M. McHugh, *Principal Financial Officer, Senior Vice President and Treasurer*
Caroline L. Kraus, *Secretary*

GOLDMAN, SACHS & CO.
Distributor and Transfer Agent

GOLDMAN SACHS ASSET MANAGEMENT, L.P.
Investment Adviser
200 West Street, New York, New York 10282

Visit our web site at www.GSAMFUNDS.com to obtain the most recent month-end returns.

The reports concerning the Funds included in this shareholder report may contain certain forward-looking statements about the factors that may affect the performance of the Funds in the future. These statements are based on Fund management's predictions and expectations concerning certain future events and their expected impact on the Funds, such as performance of the economy as a whole and of specific industry sectors, changes in the levels of interest rates, the impact of developing world events, and other factors that may influence the future performance of the Funds. Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict. Actual events may cause adjustments in portfolio management strategies from those currently expected to be employed.

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities and information regarding how the Funds voted proxies relating to portfolio securities for the 12-month period ended June 30 is available (i) without charge, upon request by calling 1-800-621-2550; and (ii) on the Securities and Exchange Commission ("SEC") web site at *http://www.sec.gov.*

The Funds file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Form N-Qs are available on the SEC's web site at http://www.sec.gov within 60 days after the Funds' first and third fiscal quarters. The Funds' Form N-Qs may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. and information on the operation of the Public Reference Room may also be obtained by calling 1-800-SEC-0330. Form N-Qs may be obtained upon request and without charge by calling 1-800-621-2550.

The website links provided are for your convenience only and are not an endorsement or recommendation by GSAM of any of these websites or the products or services offered. GSAM is not responsible for the accuracy and validity of the content of these websites.

Fund holdings and allocations shown are as of June 30, 2016 and may not be representative of future investments. Fund holdings should not be relied on in making investment decisions and should not be construed as research or investment advice regarding particular securities. Current and future holdings are subject to risk.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. The index composition may not reflect the manner in which a portfolio is constructed. While an adviser seeks to design a portfolio which reflects appropriate risk and return features, portfolio characteristics may deviate from those of the benchmark.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by Goldman Sachs. Neither MSCI, S&P nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The portfolio risk management process includes an effort to monitor and manage risk, but does not imply low risk.

Shares of the Goldman Sachs VIT Funds are offered to separate accounts of participating life insurance companies for the purpose of funding variable annuity contracts and variable life insurance policies. Shares of the Fund are not offered directly to the general public. The variable annuity contracts and variable life insurance policies are described in the separate prospectuses issued by participating insurance companies. You should refer to those prospectuses for information about surrender charges, mortality and expense risk fees and other charges that may be assessed by participating insurance companies under the variable annuity contracts or variable life insurance policies. Such fees or charges, if any, may affect the return you may realize with respect to your investments. Ask your representative for more complete information. Please consider a fund's objectives, risks and charges and expenses, and read the prospectus carefully before investing. The prospectus contains this and other information about the Fund.

This material is not authorized for distribution to prospective investors unless preceded or accompanied by a current Prospectus or summary prospectus, if applicable. Investors should consider a Fund's objective, risks, and charges and expenses, and read the summary prospectus, if available, and/or the Prospectus carefully before investing or sending money. The summary prospectus, if available, and the Prospectus contain this and other information about a Fund and may be obtained from your Authorized Institution or from Goldman, Sachs & Co. by calling 1-800-621-2550.

This report is prepared for the general information of contract owners and is not an offer of shares of the Goldman Sachs Variable Insurance Trust Funds.

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VITMLTISAR-16/58888-TMPL-08/2016/19.3K

Invesco

Semiannual Report to Shareholders **June 30, 2016**

Invesco V.I. Global Real Estate 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.
VIGRE-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/15 to 6/30/16, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	6.72%
Series II Shares	6.60
MSCI World Index▼ (Broad Market Index)	0.66
Custom Invesco Global Real Estate Index■ (Style-Specific Index)	8.35
Lipper VUF Real Estate Funds Classification Average◆ (Peer Group)	11.31

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

The **MSCI World Index℠** is an unmanaged index considered representative of stocks of developed countries. The index is computed using the net return, which withholds applicable taxes for non-resident investors.

The **Custom Invesco Global Real Estate Index** is composed of the FTSE EPRA/NAREIT Developed Index (net) through June 30, 2014; and the FTSE EPRA/NAREIT Global Index (net) since July 1, 2014.

The **Lipper VUF Real Estate Funds Classification Average** represents an average of all of the variable insurance underlying funds in the Lipper Real Estate Funds classification.

The **FTSE EPRA/NAREIT Developed Index** is an unmanaged index considered representative of listed real estate companies and REITs worldwide.

The **FTSE EPRA/NAREIT Global Index** is a free float, market capitalization-weighted real estate index designed to represent publicly-traded equity REITs and listed property companies in 38 countries worldwide, covering both the developed and emerging markets.

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 6/30/16

Series I Shares	
Inception (3/31/98)	8.24%
10 Years	4.14
5 Years	7.01
1 Year	7.26
Series II Shares	
Inception (4/30/04)	8.38%
10 Years	3.88
5 Years	6.74
1 Year	6.97

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 1.11% and 1.36%, 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. Global Real Estate 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.

Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information.

Schedule of Investments

June 30, 2016
(Unaudited)

	Shares	Value
Real Estate Investment Trusts, Common Stocks & Other Equity Interests–98.56%		
Australia–5.61%		
DEXUS Property Group	454,536	$ 3,069,829
Goodman Group	485,162	2,586,388
Mirvac Group	1,894,228	2,865,911
Scentre Group	797,893	2,934,849
Vicinity Centres	2,205,018	5,486,901
Westfield Corp.	803,503	6,402,215
		23,346,093
Brazil–0.46%		
BR Malls Participacoes S.A.[(a)]	74,760	299,049
Iguatemi Empresa de Shopping Centers S.A.	109,400	959,344
Multiplan Empreendimentos Imobiliarios S.A.	35,400	664,053
		1,922,446
Canada–2.68%		
Allied Properties REIT	65,900	1,972,843
Canadian Apartment Properties REIT	38,413	985,856
Canadian REIT	27,851	1,041,139
Chartwell Retirement Residences	111,048	1,355,386
First Capital Realty, Inc.	88,455	1,517,095
H&R REIT	128,700	2,242,202
Smart REIT	68,800	2,034,101
		11,148,622
China–3.77%		
China Jinmao Holdings Group Ltd.	3,406,000	961,238
China Overseas Land & Investment Ltd.	1,226,000	3,912,348
China Resources Land Ltd.	1,124,444	2,636,066
China Vanke Co., Ltd.–Class H	364,000	720,486
CIFI Holdings (Group) Co. Ltd.	1,494,000	368,067
Dalian Wanda Commercial Properties Co. Ltd.–Class H,–REGS[(b)]	188,200	1,158,410
Global Logistic Properties Ltd.	950,700	1,283,073
Greentown China Holdings Ltd.[(a)]	285,000	200,185
Guangzhou R&F Properties Co. Ltd.–Class H	376,400	477,406
KWG Property Holding Ltd.	652,500	381,417
Longfor Properties Co. Ltd.	1,316,000	1,712,990
Shenzhen Investment Ltd.	1,929,700	773,971
Shimao Property Holdings Ltd.	698,500	884,683
Shui On Land Ltd.	894,500	227,316
		15,697,656
France–2.94%		
ICADE	28,163	2,002,258
Klepierre	93,289	4,161,191
Unibail-Rodamco S.E.	23,094	6,049,384
		12,212,833
Germany–2.91%		
Deutsche Euroshop AG	21,931	$ 1,002,520
LEG Immobilien AG	38,176	3,567,414
Vonovia SE	206,214	7,524,483
		12,094,417
Hong Kong–6.48%		
Cheung Kong Property Holdings Ltd.	832,300	5,238,742
Hang Lung Properties Ltd.	212,000	430,393
Henderson Land Development Co. Ltd.	311,600	1,765,596
Hongkong Land Holdings Ltd.	379,300	2,318,341
Link REIT	611,500	4,183,129
Sino Land Co. Ltd.	739,200	1,219,207
Sun Hung Kai Properties Ltd.	647,000	7,794,667
Swire Properties Ltd.	1,023,000	2,722,391
Wharf Holdings Ltd. (The)	210,000	1,284,691
		26,957,157
Indonesia–0.48%		
PT Bumi Serpong Damai Tbk	5,037,300	808,983
PT Ciputra Development Tbk	445,500	49,055
PT Pakuwon Jati Tbk	15,478,500	725,052
PT Summarecon Agung Tbk	3,121,300	430,500
		2,013,590
Ireland–0.38%		
Green REIT PLC	1,031,709	1,595,704
Japan–10.23%		
Activia Properties, Inc.	322	1,699,514
Advance Residence Investment Corp.	589	1,574,578
Daiwa House REIT Investment Corp.	172	1,006,130
GLP J-REIT[(b)]	213	268,948
GLP J-REIT	1,095	1,382,618
Hulic Reit, Inc.	833	1,515,059
Japan Excellent, Inc.	326	445,104
Japan Hotel REIT Investment Corp.	2,473	2,079,022
Japan Logistics Fund Inc.	354	822,818
Japan Real Estate Investment Corp.	848	5,219,740
Japan Retail Fund Investment Corp.	698	1,776,599
Kenedix Office Investment Corp.	199	1,181,415
Mitsubishi Estate Co. Ltd.	337,000	6,162,326
Mitsui Fudosan Co., Ltd.	386,000	8,812,442
Nomura Real Estate Master Fund, Inc.	1,652	2,611,664
ORIX JREIT Inc.	316	542,606
Sumitomo Realty & Development Co., Ltd.	114,000	3,076,667
United Urban Investment Corp.	1,339	2,405,357
		42,582,607
Malaysia–0.39%		
IGB REIT	1,377,100	550,327
IOI Properties Group Berhad	471,200	274,854

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

	Shares	Value
Malaysia–(continued)		
KLCCP Stapled Group	239,900	$ 447,181
Mah Sing Group Berhad	497,800	181,975
SP Setia Berhad Group	252,500	181,756
		1,636,093
Malta–0.00%		
BGP Holdings PLC (Acquired 08/06/2009; Cost $0)[a][b]	3,053,090	0
Mexico–0.57%		
Fibra Uno Administracion S.A. de C.V.	786,600	1,674,372
Macquarie Mexico Real Estate Management S.A. de C.V.	545,900	715,406
		2,389,778
Netherlands–0.62%		
Wereldhave N.V.	56,744	2,574,571
Philippines–0.83%		
Ayala Land, Inc.	1,232,400	1,016,782
Megaworld Corp.	4,960,100	491,994
Robinsons Land Corp.	1,165,000	728,704
SM Prime Holdings Inc.	2,088,800	1,216,418
		3,453,898
Singapore–2.38%		
Ascendas India Trust	858,800	631,142
Ascendas REIT	1,299,900	2,401,443
CapitaLand Ltd.	1,070,300	2,458,675
CapitaLand Mall Trust	677,200	1,075,300
CapitaLand Retail China Trust	639,200	711,751
City Developments Ltd.	82,600	503,269
Mapletree Greater China Commercial Trust-REGS[b]	286,000	214,884
Mapletree Industrial Trust	1,504,000	1,923,914
		9,920,378
South Africa–1.04%		
Growthpoint Properties Ltd.	975,466	1,712,455
Hyprop Investments Ltd.	141,498	1,251,716
Resilient REIT Ltd.	79,893	717,442
SA Corporate Real Estate Fund Nominees Proprietary Ltd.	1,796,108	628,547
		4,310,160
Spain–0.85%		
Inmobiliaria Colonial S.A.	1,899,325	1,376,102
Merlin Properties Socimi, S.A.	206,220	2,180,298
		3,556,400
Sweden–0.88%		
Fabege AB	67,654	1,144,569
Wihlborgs Fastigheter AB	124,246	2,528,695
		3,673,264
Switzerland–0.82%		
Swiss Prime Site AG	37,828	3,421,769
Thailand–0.33%		
Central Pattana PCL	539,000	$ 919,705
Land and Houses PCL	1,088,800	275,910
Land and Houses PCL–NVDR	609,000	157,353
		1,352,968
United Arab Emirates–0.32%		
Emaar Malls Group PJSC	539,955	414,570
Emaar Properties PJSC	527,200	896,287
		1,310,857
United Kingdom–4.07%		
Derwent London PLC	54,996	1,938,073
Great Portland Estates PLC	241,658	2,024,907
Hammerson PLC	204,963	1,497,476
Kennedy Wilson Europe Real Estate PLC	140,567	1,807,211
Land Securities Group PLC	345,177	4,885,570
LondonMetric Property PLC	367,408	736,276
Segro PLC	306,362	1,719,999
UNITE Group PLC (The)	278,312	2,306,920
		16,916,432
United States–49.52%		
Acadia Realty Trust	43,587	1,548,210
American Campus Communities, Inc.	67,534	3,570,523
American Homes 4 Rent–Class A	141,600	2,899,968
Apartment Investment & Management Co.–Class A	62,736	2,770,422
Apple Hospitality REIT, Inc.	11,052	207,888
AvalonBay Communities, Inc.	65,154	11,753,130
Boston Properties, Inc.	60,875	8,029,412
Brandywine Realty Trust	125,032	2,100,538
Brixmor Property Group, Inc.	173,416	4,588,587
Brookdale Senior Living Inc.[a]	155,988	2,408,455
Care Capital Properties, Inc.	106,024	2,778,889
Cousins Properties, Inc.	225,761	2,347,914
CubeSmart	50,548	1,560,922
CyrusOne Inc.	21,854	1,216,394
DCT Industrial Trust Inc.	34,542	1,659,398
DDR Corp.	10,856	196,928
DiamondRock Hospitality Co.	293,191	2,647,515
Digital Realty Trust, Inc.	7,704	839,659
Empire State Realty Trust Inc.–Class A	63,254	1,201,193
EPR Properties	38,348	3,093,917
Equinix, Inc.	4,999	1,938,262
Equity Lifestyle Properties, Inc.	33,100	2,649,655
Equity Residential	81,657	5,624,534
Essex Property Trust, Inc.	26,558	6,057,614
Extra Space Storage Inc.	51,638	4,778,580
Federal Realty Investment Trust	22,698	3,757,654
First Industrial Realty Trust, Inc.	82,830	2,304,331
General Growth Properties, Inc.	212,592	6,339,493
HCP, Inc.	224,912	7,957,387
Healthcare Realty Trust, Inc.	153,138	5,358,299

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

	Shares	Value
United States–(continued)		
Hilton Worldwide Holdings Inc.	104,542	$ 2,355,331
Host Hotels & Resorts Inc.	187,528	3,039,829
Hudson Pacific Properties Inc.	167,962	4,901,131
InfraREIT Inc.	54,669	958,894
Liberty Property Trust	84,423	3,353,282
LTC Properties, Inc.	19,010	983,387
National Health Investors, Inc.	17,034	1,279,083
National Retail Properties, Inc.	33,372	1,726,000
Paramount Group, Inc.	86,816	1,383,847
Post Properties, Inc.	34,994	2,136,384
Prologis, Inc.	159,077	7,801,136
Public Storage	33,936	8,673,702
QTS Realty Trust, Inc.–Class A	44,758	2,505,553
Realty Income Corp.	56,604	3,926,053
Retail Opportunity Investments Corp.	190,192	4,121,461
Rexford Industrial Realty, Inc.	68,182	1,437,958
RLJ Lodging Trust	2,385	51,158
Simon Property Group, Inc.	94,750	20,551,275
SL Green Realty Corp.	54,804	5,834,982
Sunstone Hotel Investors, Inc.	189,445	2,286,601
Ventas, Inc.	14,626	$ 1,065,065
Vornado Realty Trust	111,041	11,117,425
Washington REIT	28,699	902,871
Weingarten Realty Investors	109,740	4,479,587
Welltower Inc.	65,487	4,988,145
		206,045,811
Total Real Estate Investment Trusts, Common Stocks & Other Equity Interests (Cost $352,054,887)		410,133,504
Money Market Funds–0.28%		
Liquid Assets Portfolio–Institutional Class, 0.44%[(c)]	584,320	584,320
Premier Portfolio–Institutional Class, 0.40%[(c)]	584,320	584,320
Total Money Market Funds (Cost $1,168,640)		1,168,640
TOTAL INVESTMENTS–98.84% (Cost $353,223,527)		411,302,144
OTHER ASSETS LESS LIABILITIES–1.16%		4,809,609
NET ASSETS–100.00%		$416,111,753

Investment Abbreviations:

NVDR – Non-Voting Depositary Receipt
REGS – Regulation S
REIT – Real Estate Investment Trust

Notes to Schedule of Investments:

(a) Non-income producing security.
(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, 2016 was $1,642,242, which represented less than 1% of the Fund's Net Assets.
(c) The money market fund and the Fund are affiliated by having the same investment adviser. The rate shown is the 7-day SEC standardized yield as of June 30, 2016.

Portfolio Composition

By country, based on Net Assets as of June 30, 2016

United States	49.5%
Japan	10.2
Hong Kong	6.5
Australia	5.6
United Kingdom	4.1
China	3.8
France	2.9
Germany	2.9
Canada	2.7
Singapore	2.4
Countries each less than 2.0% of portfolio	8.0
Money Market Funds Plus Other Assets Less Liabilities	1.4

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

Statement of Assets and Liabilities

June 30, 2016
(Unaudited)

Assets:	
Investments, at value (Cost $352,054,887)	$410,133,504
Investments in affiliated money market funds, at value and cost	1,168,640
Total investments, at value (Cost $353,223,527)	411,302,144
Foreign currencies, at value (Cost $1,481,144)	1,480,658
Receivable for:	
Investments sold	6,082,094
Fund shares sold	209,289
Dividends	1,622,718
Investment for trustee deferred compensation and retirement plans	59,245
Other assets	1,655
Total assets	420,757,803
Liabilities:	
Payable for:	
Investments purchased	2,551,045
Fund shares reacquired	1,269,948
Accrued foreign taxes	28,337
Accrued fees to affiliates	655,372
Accrued trustees' and officers' fees and benefits	758
Accrued other operating expenses	72,655
Trustee deferred compensation and retirement plans	67,935
Total liabilities	4,646,050
Net assets applicable to shares outstanding	$416,111,753
Net assets consist of:	
Shares of beneficial interest	$348,052,090
Undistributed net investment income	3,810,791
Undistributed net realized gain	6,175,192
Net unrealized appreciation	58,073,680
	$416,111,753
Net Assets:	
Series I	$178,270,206
Series II	$237,841,547
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	10,211,255
Series II	14,024,281
Series I:	
Net asset value per share	$ 17.46
Series II:	
Net asset value per share	$ 16.96

Statement of Operations

For the six months ended June 30, 2016
(Unaudited)

Investment income:	
Dividends (net of foreign withholding taxes of $358,688)	$ 7,402,093
Dividends from affiliated money market funds	9,253
Total investment income	7,411,346
Expenses:	
Advisory fees	1,543,020
Administrative services fees	561,418
Custodian fees	102,238
Distribution fees – Series II	267,684
Transfer agent fees	18,818
Trustees' and officers' fees and benefits	12,035
Reports to shareholders	2,014
Professional services fees	27,756
Other	8,117
Total expenses	2,543,100
Less: Fees waived	(3,429)
Net expenses	2,539,671
Net investment income	4,871,675
Realized and unrealized gain from:	
Net realized gain from:	
Investment securities	2,656,353
Foreign currencies	91,889
	2,748,242
Change in net unrealized appreciation of:	
Investment securities	19,257,459
Foreign currencies	4,863
	19,262,322
Net realized and unrealized gain	22,010,564
Net increase in net assets resulting from operations	$26,882,239

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, 2016 and the year ended December 31, 2015
(Unaudited)

	June 30, 2016	December 31, 2015
Operations:		
Net investment income	$ 4,871,675	$ 7,103,762
Net realized gain	2,748,242	21,831,384
Change in net unrealized appreciation (depreciation)	19,262,322	(36,941,614)
Net increase (decrease) in net assets resulting from operations	26,882,239	(8,006,468)
Distributions to shareholders from net investment income:		
Series I	–	(7,476,164)
Series II	–	(7,026,530)
Total distributions from net investment income	–	(14,502,694)
Share transactions-net:		
Series I	(43,146,737)	9,891,161
Series II	15,580,028	19,285,906
Net increase (decrease) in net assets resulting from share transactions	(27,566,709)	29,177,067
Net increase (decrease) in net assets	(684,470)	6,667,905
Net assets:		
Beginning of period	416,796,223	410,128,318
End of period (includes undistributed net investment income of $3,810,791 and $(1,060,884), respectively)	$416,111,753	$416,796,223

Notes to Financial Statements

June 30, 2016
(Unaudited)

NOTE 1—Significant Accounting Policies

Invesco V.I. Global Real Estate 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 through growth of capital and current income.

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 asked 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 asked prices. For purposes of determining net asset value ("NAV") 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/asked 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 Fund 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 the Statement of Changes in Net Assets, or the net investment income per share and the 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.

The Fund recharacterizes distributions received from REIT investments based on information provided by the REIT into the following categories: ordinary income, long-term and short-term capital gains, and return of capital. If information is not available on a timely basis from the REIT, the recharacterization will be based on available information which may include the previous year's allocation. If new or additional information becomes available from the REIT at a later date, a recharacterization will be made in the following year. The Fund records as dividend income the amount recharacterized as ordinary income and as realized gain the amount recharacterized as capital gain in the Statement of Operations, and the amount recharacterized as return of capital as a reduction to the cost of investments in the Statement of Assets and Liabilities. These recharacterizations are reflected in the accompanying financial statements.

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

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

E. Federal Income Taxes – The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

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

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

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

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

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

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

The Fund may invest in foreign securities, which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests and are shown in the Statement of Operations.

J. Forward Foreign Currency Contracts – The Fund may engage in foreign currency transactions either on a spot (i.e. for prompt delivery and settlement) basis, or through forward foreign currency contracts, to manage or minimize currency or exchange rate risk.

The Fund may also enter into forward foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security, or the Fund may also enter into forward foreign currency contracts that do not provide for physical settlement of the two currencies, but instead are settled by a single cash payment calculated as the difference between the agreed upon exchange rate and the spot rate at settlement based upon an agreed upon notional amount (non-deliverable forwards). The Fund will set aside liquid assets in an amount equal to daily mark-to-market obligation for forward foreign currency contracts.

A forward foreign currency contract is an obligation between two parties ("Counterparties") to purchase or sell a specific currency for an agreed-upon price at a future date. The use of forward foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with forward foreign currency contracts include failure of the Counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

K. Other Risks – The Fund's investments are concentrated in a comparatively narrow segment of the economy. Consequently, the Fund may tend to be more volatile than other mutual funds, and the value of the Fund's investments may tend to rise and fall more rapidly.

Because the Fund concentrates its assets in the real estate industry, an investment in the Fund will be closely linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

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

For the six months ended June 30, 2016, the effective advisory fees incurred by the Fund was 0.75%.

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco 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 Affiliated Sub-Adviser(s).

The Adviser has contractually agreed, through at least June 30, 2017, 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 2.00% and Series II shares to 2.25% of average daily net assets (the "expense limits"). 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, 2017. During its term, the fee waiver agreement cannot be terminated or amended to increase the expense limits without approval of the Board of Trustees. The Adviser did not waive fees and/or reimburse expenses during the period under these expense limits.

Further, the Adviser has contractually agreed, through at least June 30, 2018, 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, 2016, the Adviser waived advisory fees of $3,429.

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, 2016, Invesco was paid $50,059 for accounting and fund administrative services and reimbursed $511,359 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, 2016, 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, 2016, 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, 2016. 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, 2016, there were transfers from Level 1 to Level 2 of $14,875,681and from Level 2 to Level 1 of $7,139,307, due to foreign fair value adjustments.

	Level 1	Level 2	Level 3	Total
Australia	$ –	$ 23,346,093	$–	$ 23,346,093
Brazil	1,922,446	–	–	1,922,446
Canada	11,148,622	–	–	11,148,622
China	–	15,697,656	–	15,697,656
France	–	12,212,833	–	12,212,833
Germany	–	12,094,417	–	12,094,417
Hong Kong	–	26,957,157	–	26,957,157
Indonesia	49,055	1,964,535	–	2,013,590
Ireland	–	1,595,704	–	1,595,704
Japan	4,245,210	38,337,397	–	42,582,607
Malaysia	1,006,937	629,156	–	1,636,093
Malta	–	–	0	0
Mexico	2,389,778	–	–	2,389,778
Netherlands	–	2,574,571	–	2,574,571
Philippines	728,704	2,725,194	–	3,453,898
Singapore	1,342,893	8,577,485	–	9,920,378
South Africa	628,547	3,681,613	–	4,310,160
Spain	–	3,556,400	–	3,556,400
Sweden	2,528,695	1,144,569	–	3,673,264
Switzerland	–	3,421,769	–	3,421,769
Taiwan	–	1,352,968	–	1,352,968
United Arab Emirates	414,570	896,287	–	1,310,857
United Kingdom	–	16,916,432	–	16,916,432
United States	207,214,451	–	–	207,214,451
Total Investments	$233,619,908	$177,682,236	$0	$411,302,144

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 eight tax years. Capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Capital loss carryforwards with no expiration date will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforwards in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund did not have a capital loss carryforward as of December 31, 2015.

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, 2016 was $167,452,141 and $190,435,009, 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	$ 58,752,602
Aggregate unrealized (depreciation) of investment securities	(11,385,084)
Net unrealized appreciation of investment securities	$ 47,367,518

Cost of investments for tax purposes is $363,934,626.

NOTE 8—Share Information

Summary of Share Activity

	Six months ended June 30, 2016[a]		Year ended December 31, 2015	
	Shares	Amount	Shares	Amount
Sold:				
Series I	787,198	$ 12,815,817	3,027,072	$ 52,252,851
Series II	1,615,536	26,154,837	2,517,858	42,781,073
Issued as reinvestment of dividends:				
Series I	–	–	478,321	7,476,164
Series II	–	–	461,968	7,026,530
Reacquired:				
Series I	(3,341,216)	(55,962,554)	(2,911,646)	(49,837,854)
Series II	(665,652)	(10,574,809)	(1,836,058)	(30,521,697)
Net increase (decrease) in share activity	(1,604,134)	$(27,566,709)	1,737,515	$ 29,177,067

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 59% 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 06/30/16	$16.36	$0.20	$ 0.90	$ 1.10	$ –	$17.46	6.72%	$178,270	1.10%[d]	1.10%[d]	2.48%[d]	41%
Year ended 12/31/15	17.24	0.31	(0.59)	(0.28)	(0.60)	16.36	(1.48)	208,796	1.11	1.11	1.79	72
Year ended 12/31/14	15.29	0.33	1.89	2.22	(0.27)	17.24	14.62	209,829	1.10	1.10	1.99	44
Year ended 12/31/13	15.47	0.22	0.21	0.43	(0.61)	15.29	2.71	189,835	1.10	1.10	1.41	49
Year ended 12/31/12	12.14	0.27	3.14	3.41	(0.08)	15.47	28.12	176,933	1.14	1.14	1.94	51
Year ended 12/31/11	13.58	0.24	(1.16)	(0.92)	(0.52)	12.14	(6.51)	134,254	1.14	1.14	1.77	47
Series II												
Six months ended 06/30/16	15.91	0.18	0.87	1.05	–	16.96	6.60	237,842	1.35[d]	1.35[d]	2.23[d]	41
Year ended 12/31/15	16.79	0.26	(0.58)	(0.32)	(0.56)	15.91	(1.74)	208,000	1.36	1.36	1.54	72
Year ended 12/31/14	14.90	0.28	1.84	2.12	(0.23)	16.79	14.34	200,299	1.35	1.35	1.74	44
Year ended 12/31/13	15.11	0.18	0.20	0.38	(0.59)	14.90	2.44	170,145	1.35	1.35	1.16	49
Year ended 12/31/12	11.87	0.23	3.07	3.30	(0.06)	15.11	27.85	124,219	1.39	1.39	1.69	51
Year ended 12/31/11	13.31	0.20	(1.13)	(0.93)	(0.51)	11.87	(6.73)	62,349	1.39	1.39	1.52	47

[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 based on average daily net assets (000's omitted) of $200,667 and $215,284 for Series I and Series II shares, respectively.

NOTE 10—Subsequent Event

Effective July 1, 2016, Invesco agreed to reduce any reimbursement made by the Fund to Invesco for administration services fees paid by Invesco to those insurance companies that have agreed to provide services to the participants of separate accounts to an amount not to exceed 0.15% of average daily net assets.

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, 2016 through June 30, 2016.

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 (01/01/16)	Ending Account Value (06/30/16)[1]	Expenses Paid During Period[2,3]	Ending Account Value (06/30/16)	Expenses Paid During Period[2,4]	Annualized Expense Ratio[2]
Series I	$1,000.00	$1,067.20	$5.65	$1,019.39	$5.52	1.10%
Series II	1,000.00	1,066.00	6.93	1,018.15	6.77	1.35

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2016 through June 30, 2016, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 182/366 to reflect the most recent fiscal half year. Effective July 1, 2016, Invesco has agreed to limit administrative services fees reimbursed by the Fund. The annualized ratios restated as if this administrative services fee limitation had been in effect throughout the entire most recent fiscal half year are 1.00% and 1.25%, for Series I and Series II shares, respectively.

[3] The actual expenses paid restated as if the changes discussed above had been in effect throughout the entire most recent fiscal half year are $5.14 and $6.42 for Series I and Series II shares, respectively.

[4] The hypothetical expenses paid restated as if the changes discussed above had been in effect throughout the entire most recent fiscal half year are $5.02 and $6.27 for Series I and Series II shares, respectively.

Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of Invesco V.I. Global Real Estate Fund's (the Fund) investment advisory agreements. During contract renewal meetings held on June 7-8, 2016, 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 investment advisory agreement) 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 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, 2016.

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 is 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, which meet throughout the year to review the performance of funds advised by Invesco Advisers (the Invesco Funds). 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 Board had the benefit of reports from the Sub-Committees and Investments Committee throughout the year in considering approval of the continuance of each Invesco Fund's investment advisory agreement and sub-advisory contracts for another year.

During the contract renewal process, the Board receives comparative performance and fee data regarding the Invesco Funds prepared by Invesco Advisers and Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board also receives an independent written evaluation from the Senior Officer, an officer of the Invesco Funds who reports directly to the independent Trustees. 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 is a summary of 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 8, 2016, and does 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. 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, trading operations, internal audit, valuation 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 Board noted that 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 may 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 as well as the sub-advisory contracts for the Fund, as Invesco Asset Management Limited currently manages certain 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 Broadridge performance universe and against the Lipper Variable Underlying Fund Global Real Estate Funds Index. The Board noted that performance of Series I shares of the Fund was in the fourth quintile of its performance universe for the one and three year periods and the third quintile for the five year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that performance of Series I shares of the Fund was below the performance of the Index for the one, 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

Broadridge 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" for funds in the expense group may include both advisory and certain administrative services fees, but that Broadridge does not provide information on a fund by fund basis as to what is included. The Board noted that Invesco Advisers does not separately charge the Invesco Funds for the administrative services included in the term as defined by Broadridge. The Board also reviewed the methodology used by Broadridge 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 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 with investment strategies comparable to those of the Fund, based on asset balances as of December 31, 2015. The Board noted that the Fund's rate was above the rate of one such mutual fund. The Board also noted how the Fund's rate compared to off-shore funds advised by Invesco Advisers and to the effective sub-adviser fee rate of other funds sub-advised by Invesco Advisers.

The Board also considered the fees charged by Invesco Advisers and the Affiliated Sub-Advisers to other client accounts with investment strategies comparable to those of 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 types of 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.

The Board also considered the services 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 noted that Invesco Advisers retains overall responsibility for, and provides services to, sub-advised Invesco Funds, including oversight of the Affiliated Sub-Advisers as well as the additional services described herein other than day-to-day portfolio management. 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. 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 Invesco Funds and the profitability of Invesco Advisers and its affiliates in providing these services. The Board received information from Invesco Advisers and a report from an independent consultant engaged by the Senior Officer about the methodology used to prepare the profitability information. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its affiliates 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. 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 providing transfer agency and distribution services to the Fund. The Board considered comparative information regarding fees charged for these services, including information provided by Broadridge 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; and that the services are required for the operation of the Fund.

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 certain 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 cash collateral from any securities lending arrangements in the affiliated money market funds is 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, and consistent with best execution obligations.

Invesco

Semiannual Report to Shareholders **June 30, 2016**

Invesco V.I. Small Cap Equity 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.
VISCE-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/15 to 6/30/16, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	1.08%
Series II Shares	0.94
S&P 500 Index▼ (Broad Market Index)	3.84
Russell 2000 Index▼ (Style-Specific Index)	2.22
Lipper VUF Small-Cap Core Funds Index■ (Peer Group Index)	3.78

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 2000® Index** is an unmanaged index considered representative of small-cap stocks. The Russell 2000 Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

The **Lipper VUF Small-Cap Core Funds Index** is an unmanaged index considered representative of small-cap core 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 6/30/16

Series I Shares	
Inception (8/29/03)	8.07%
10 Years	6.22
5 Years	6.58
1 Year	-9.66
Series II Shares	
Inception (8/29/03)	7.82%
10 Years	5.96
5 Years	6.31
1 Year	-9.91

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 1.04% and 1.29%, 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. Small Cap Equity 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.

Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information.

Schedule of Investments[a]

June 30, 2016
(Unaudited)

	Shares	Value
Common Stocks & Other Equity Interests–97.36%		
Air Freight & Logistics–0.93%		
Forward Air Corp.	61,087	$ 2,720,204
Alternative Carriers–1.06%		
Iridium Communications Inc.[(b)(c)]	347,357	3,084,530
Apparel, Accessories & Luxury Goods–0.96%		
Columbia Sportswear Co.	48,450	2,787,813
Application Software–3.79%		
Blackbaud, Inc.	51,281	3,481,980
Bottomline Technologies (de), Inc.[(c)]	35,316	760,354
MicroStrategy Inc.–Class A[(c)]	14,458	2,530,439
SS&C Technologies Holdings, Inc.	86,904	2,440,264
Verint Systems Inc.[(c)]	55,034	1,823,276
		11,036,313
Asset Management & Custody Banks–1.12%		
Janus Capital Group Inc.	235,241	3,274,555
Auto Parts & Equipment–0.91%		
Visteon Corp.	40,150	2,642,272
Biotechnology–0.59%		
Retrophin, Inc.[(c)]	96,916	1,726,074
Broadcasting–0.93%		
Nexstar Broadcasting Group, Inc.–Class A[(b)]	56,725	2,698,976
Building Products–2.33%		
Apogee Enterprises, Inc.	87,469	4,054,188
Trex Co., Inc.[(c)]	61,199	2,749,059
		6,803,247
Casinos & Gaming–1.06%		
Boyd Gaming Corp.[(c)]	167,429	3,080,694
Construction & Engineering–2.36%		
Dycom Industries, Inc.[(c)]	53,630	4,813,829
Primoris Services Corp.	108,991	2,063,199
		6,877,028
Construction Materials–0.99%		
Eagle Materials Inc.	37,331	2,880,087
Data Processing & Outsourced Services–3.06%		
DST Systems, Inc.	22,251	2,590,684
Genpact Ltd.[(c)]	107,161	2,876,201
Jack Henry & Associates, Inc.	39,742	3,468,285
		8,935,170
Diversified Support Services–0.97%		
Mobile Mini, Inc.	81,248	2,814,431
Electrical Components & Equipment–2.13%		
EnerSys	58,612	$ 3,485,656
Generac Holdings, Inc.[(c)]	78,278	2,736,599
		6,222,255
Electronic Components–0.82%		
Belden Inc.	39,617	2,391,678
Electronic Equipment & Instruments–1.03%		
Coherent, Inc.[(c)]	32,777	3,008,273
Environmental & Facilities Services–2.01%		
ABM Industries Inc.	28,488	1,039,242
Team, Inc.[(c)]	69,472	1,724,990
Waste Connections, Inc. (Canada)	43,161	3,109,750
		5,873,982
Gas Utilities–1.36%		
UGI Corp.	87,387	3,954,262
Health Care Equipment–3.89%		
Analogic Corp.	38,638	3,069,403
Globus Medical, Inc.–Class A[(c)]	128,989	3,073,808
Hill-Rom Holdings, Inc.	69,011	3,481,605
Wright Medical Group N.V.[(c)]	98,291	1,707,314
		11,332,130
Health Care Facilities–1.08%		
Community Health Systems Inc.[(c)]	37,992	457,804
LifePoint Health, Inc.[(c)]	41,239	2,695,793
		3,153,597
Health Care Services–0.75%		
Team Health Holdings, Inc.[(c)]	54,047	2,198,092
Health Care Technology–1.85%		
HMS Holdings Corp.[(c)]	141,496	2,491,744
Press Ganey Holdings, Inc.[(c)]	73,608	2,896,475
		5,388,219
Home Entertainment Software–1.18%		
Take-Two Interactive Software, Inc.[(c)]	90,795	3,442,946
Home Furnishings–1.02%		
La-Z-Boy Inc.	106,825	2,971,872
Homebuilding–0.39%		
Beazer Homes USA, Inc.[(c)]	148,158	1,148,225
Household Appliances–1.35%		
Helen of Troy Ltd.[(c)]	38,194	3,927,871
Industrial Machinery–2.29%		
Albany International Corp.–Class A	86,647	3,459,815
Watts Water Technologies, Inc.–Class A	55,250	3,218,865
		6,678,680

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

	Shares	Value
Investment Banking & Brokerage–1.25%		
E*TRADE Financial Corp.[(c)]	154,987	$ 3,640,645
IT Consulting & Other Services–0.68%		
Luxoft Holding, Inc.[(c)]	38,024	1,978,008
Leisure Facilities–1.06%		
Vail Resorts, Inc.	22,436	3,101,328
Life & Health Insurance–1.03%		
CNO Financial Group, Inc.	171,444	2,993,412
Life Sciences Tools & Services–2.28%		
Bio-Techne Corp.	33,733	3,804,070
Cambrex Corp.[(c)]	55,026	2,846,495
		6,650,565
Multi-Line Insurance–1.61%		
American Financial Group, Inc.	42,073	3,110,457
Horace Mann Educators Corp.	47,179	1,594,178
		4,704,635
Office Services & Supplies–0.80%		
Pitney Bowes Inc.	131,315	2,337,407
Oil & Gas Drilling–0.66%		
Precision Drilling Corp. (Canada)	365,033	1,934,675
Oil & Gas Equipment & Services–2.19%		
Forum Energy Technologies Inc.[(c)]	154,406	2,672,768
Superior Energy Services, Inc.	201,852	3,716,095
		6,388,863
Oil & Gas Exploration & Production–3.60%		
Energen Corp.	74,374	3,585,571
Newfield Exploration Co.[(c)]	79,970	3,533,075
RSP Permian Inc.[(c)]	96,641	3,371,804
		10,490,450
Oil & Gas Storage & Transportation–0.06%		
Scorpio Tankers Inc. (Monaco)	43,846	184,153
Packaged Foods & Meats–2.41%		
Pinnacle Foods Inc.	85,838	3,973,441
TreeHouse Foods, Inc.[(c)]	29,873	3,066,463
		7,039,904
Paper Packaging–1.48%		
Graphic Packaging Holding Co.	344,208	4,316,368
Pharmaceuticals–1.52%		
Impax Laboratories, Inc.[(c)]	78,674	2,267,385
Phibro Animal Health Corp.–Class A	86,568	1,615,359
Supernus Pharmaceuticals Inc.[(c)]	27,061	551,232
		4,433,976
Property & Casualty Insurance–1.11%		
Hanover Insurance Group Inc. (The)	38,387	3,248,308
Real Estate Services–1.43%		
Jones Lang LaSalle Inc.	19,252	$ 1,876,107
Kennedy-Wilson Holdings Inc.	121,604	2,305,612
		4,181,719
Regional Banks–10.85%		
Bank of the Ozarks, Inc.	72,919	2,735,921
BankUnited, Inc.	83,775	2,573,568
East West Bancorp, Inc.	86,908	2,970,515
Glacier Bancorp, Inc.	104,148	2,768,254
Great Western Bancorp, Inc.	95,751	3,019,987
IBERIABANK Corp.	46,589	2,782,761
Pinnacle Financial Partners, Inc.	57,763	2,821,723
PrivateBancorp, Inc.	70,349	3,097,466
Synovus Financial Corp.	93,959	2,723,871
Webster Financial Corp.	83,134	2,822,399
Western Alliance Bancorp[(c)]	101,409	3,311,004
		31,627,469
Restaurants–4.08%		
Cracker Barrel Old Country Store, Inc.[(b)]	18,948	3,249,014
Panera Bread Co.–Class A[(c)]	13,468	2,854,408
Papa John's International, Inc.	49,474	3,364,232
Sonic Corp.	89,401	2,418,297
		11,885,951
Semiconductor Equipment–2.20%		
Entegris Inc.[(c)]	232,103	3,358,531
Tessera Technologies Inc.	99,335	3,043,624
		6,402,155
Semiconductors–2.97%		
Intersil Corp.–Class A	211,741	2,866,973
MA-COM Technology Solutions Holdings Inc.[(c)]	82,689	2,727,083
Microsemi Corp.[(c)]	94,156	3,077,018
		8,671,074
Specialized REIT's–2.19%		
CubeSmart	123,818	3,823,500
Geo Group Inc. (The)	74,948	2,561,722
		6,385,222
Specialty Chemicals–3.37%		
Minerals Technologies Inc.	53,792	3,055,385
PolyOne Corp.	84,265	2,969,499
Sensient Technologies Corp.	53,669	3,812,646
		9,837,530
Specialty Stores–2.97%		
GNC Holdings, Inc.–Class A	85,486	2,076,455
Michaels Cos., Inc. (The)[(c)]	138,021	3,925,317
Sally Beauty Holdings, Inc.[(c)]	89,930	2,644,841
		8,646,613

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

	Shares	Value
Technology Distributors–1.07%		
Tech Data Corp.[(c)]	43,302	$ 3,111,249
Technology Hardware, Storage & Peripherals–0.72%		
Cray, Inc.[(c)]	70,488	2,109,001
Trucking–1.56%		
Celadon Group, Inc.	128,020	1,045,923
Heartland Express, Inc.[(b)]	14,432	250,973
Old Dominion Freight Line, Inc.[(c)]	53,686	3,237,802
		4,534,698
Total Common Stocks & Other Equity Interests (Cost $249,430,638)		283,888,854
Money Market Funds–1.52%		
Liquid Assets Portfolio–Institutional Class, 0.44%[(d)]	2,205,311	2,205,311
Premier Portfolio–Institutional Class, 0.40%[(d)]	2,205,311	2,205,311
Total Money Market Funds (Cost $4,410,622)		4,410,622
TOTAL INVESTMENTS (excluding investments purchased with cash collateral from securities on loan)–98.88% (Cost $253,841,260)		288,299,476

	Shares	Value
Investments Purchased with Cash Collateral from Securities on Loan		
Money Market Funds–2.50%		
Liquid Assets Portfolio–Institutional Class, 0.44% (Cost $7,290,209)[(d)(e)]	7,290,209	$ 7,290,209
TOTAL INVESTMENTS–101.38% (Cost $261,131,469)		295,589,685
OTHER ASSETS LESS LIABILITIES–(1.38)%		(4,010,103)
NET ASSETS–100.00%		$291,579,582

Investment Abbreviations:

REIT – Real Estate Investment Trust

Notes to Schedule of Investments:

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

(b) All or a portion of this security was out on loan at June 30, 2016.

(c) Non-income producing security.

(d) The money market fund and the Fund are affiliated by having the same investment adviser. The rate shown is the 7-day SEC standardized yield as of June 30, 2016.

(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.

Portfolio Composition

By sector, based on Net Assets
as of June 30, 2016

Financials	20.6%
Information Technology	17.5
Industrials	15.4
Consumer Discretionary	14.7
Health Care	12.0
Energy	6.5
Materials	5.8
Consumer Staples	2.4
Utilities	1.4
Telecommunication Services	1.1
Money Market Funds Plus Other Assets Less Liabilities	2.6

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

Statement of Assets and Liabilities

June 30, 2016
(Unaudited)

Assets:	
Investments, at value (Cost $249,430,638)*	$283,888,854
Investments in affiliated money market funds, at value and cost	11,700,831
Total investments, at value (Cost $261,131,469)	295,589,685
Receivable for:	
Investments sold	4,537,891
Fund shares sold	85,459
Dividends	186,197
Investment for trustee deferred compensation and retirement plans	68,652
Other assets	894
Total assets	300,468,778
Liabilities:	
Payable for:	
Investments purchased	537,067
Fund shares reacquired	533,153
Collateral upon return of securities loaned	7,290,209
Accrued fees to affiliates	429,008
Accrued trustees' and officers' fees and benefits	712
Accrued other operating expenses	21,158
Trustee deferred compensation and retirement plans	77,889
Total liabilities	8,889,196
Net assets applicable to shares outstanding	$291,579,582
Net assets consist of:	
Shares of beneficial interest	$230,717,310
Undistributed net investment income	(5,593)
Undistributed net realized gain	26,409,649
Net unrealized appreciation	34,458,216
	$291,579,582
Net Assets:	
Series I	$156,448,169
Series II	$135,131,413
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	8,774,987
Series II	7,892,523
Series I:	
Net asset value per share	$ 17.83
Series II:	
Net asset value per share	$ 17.12

* At June 30, 2016, securities with an aggregate value of $7,094,468 were on loan to brokers.

Statement of Operations

For the six months ended June 30, 2016
(Unaudited)

Investment income:	
Dividends	$ 1,689,227
Dividends from affiliated money market funds (includes securities lending income of $34,873)	46,662
Total investment income	1,735,889
Expenses:	
Advisory fees	1,059,732
Administrative services fees	381,810
Custodian fees	7,738
Distribution fees – Series II	159,850
Transfer agent fees	22,609
Trustees' and officers' fees and benefits	12,129
Reports to shareholders	1,939
Professional services fees	24,656
Other	5,072
Total expenses	1,675,535
Less: Fees waived	(4,091)
Net expenses	1,671,444
Net investment income	64,445
Realized and unrealized gain (loss) from:	
Net realized gain from investment securities	4,930,135
Change in net unrealized appreciation (depreciation) of investment securities	(1,437,594)
Net realized and unrealized gain	3,492,541
Net increase in net assets resulting from operations	$ 3,556,986

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, 2016 and the year ended December 31, 2015
(Unaudited)

	June 30, 2016	December 31, 2015
Operations:		
Net investment income (loss)	$ 64,445	$ (307,179)
Net realized gain	4,930,135	22,151,222
Change in net unrealized appreciation (depreciation)	(1,437,594)	(39,686,407)
Net increase (decrease) in net assets resulting from operations	3,556,986	(17,842,364)
Distributions to shareholders from net realized gains:		
Series I	–	(36,411,380)
Series II	–	(27,998,152)
Total distributions from net realized gains	–	(64,409,532)
Share transactions–net:		
Series I	(12,030,834)	8,405,839
Series II	5,032,123	19,398,854
Net increase (decrease) in net assets resulting from share transactions	(6,998,711)	27,804,693
Net increase (decrease) in net assets	(3,441,725)	(54,447,203)
Net assets:		
Beginning of period	295,021,307	349,468,510
End of period (includes undistributed net investment income (loss) of $(5,593) and $(70,038), respectively)	$291,579,582	$295,021,307

Notes to Financial Statements

June 30, 2016
(Unaudited)

NOTE 1–Significant Accounting Policies

Invesco V.I. Small Cap Equity 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 asked 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 asked prices. For purposes of determining net asset value ("NAV") 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/asked 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 Fund 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 the Statement of Changes in Net Assets, or the net investment income per share and the ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

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

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

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

E. Federal Income Taxes – The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

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

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

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

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

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

I. Securities Lending – The Fund may lend portfolio securities having a market value up to one-third of the Fund's total assets. Such loans are secured by collateral equal to no less than the market value of the loaned securities determined daily by the securities lending provider. Such collateral will be cash or debt securities issued or guaranteed by the U.S. Government or any of its sponsored agencies. Cash collateral received in connection with these loans is invested in short-term money market instruments or affiliated money market funds and is shown as such on the Schedule of Investments. The Fund bears the risk of loss with respect to the investment of collateral. 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. When loaning securities, the Fund retains certain benefits of owning the securities, including the economic equivalent of dividends or interest generated by the security. 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. The securities loaned are subject to termination at the option of the borrower or the Fund. Upon termination, the borrower will return to the Fund the securities loaned and the Fund will return the collateral. 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 and the securities may lose value during the delay which could result in potential losses to the Fund. Some of these losses may be indemnified by the lending agent. 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, are included in *Dividends from affiliated money market funds* on the Statement of Operations. The aggregate value of securities out on loan, if any, is shown as a footnote on 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	0.745%
Next $250 million	0.73%
Next $500 million	0.715%
Next $1.5 billion	0.70%
Next $2.5 billion	0.685%
Next $2.5 billion	0.67%
Next $2.5 billion	0.655%
Over $10 billion	0.64%

For the six months ended June 30, 2016, the effective advisory fees incurred by the Fund was 0.74%.

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 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 Affiliated Sub-Adviser(s).

The Adviser has contractually agreed, through at least June 30, 2017, 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 (the "expense limits"). 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, 2017. During its term, the fee waiver agreement cannot be terminated or amended to increase expense limits without approval of the Board of Trustees. The Adviser did not waive fees and/or reimburse expenses during the period under these expense limits.

Further, the Adviser has contractually agreed, through at least June 30, 2018, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash (excluding investments of cash collateral from securities lending) in such affiliated money market funds.

For the six months ended June 30, 2016, the Adviser waived advisory fees of $4,091.

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, 2016, Invesco was paid $35,288 for accounting and fund administrative services and reimbursed $346,522 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, 2016, 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, 2016, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the six months ended June 30, 2016, the Fund incurred $15 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, 2016, 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, 2016, the Fund engaged in securities purchases of $1,661,917.

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 eight tax years. Capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Capital loss carryforwards with no expiration date will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforwards in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund did not have a capital loss carryforward as of December 31, 2015.

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, 2016 was $52,497,693 and $64,530,672, 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	$ 54,086,768
Aggregate unrealized (depreciation) of investment securities	(19,816,332)
Net unrealized appreciation of investment securities	$ 34,270,436

Cost of investments for tax purposes is $261,319,249.

NOTE 9—Share Information

Summary of Share Activity

	Six months ended June 30, 2016[a]		Year ended December 31, 2015	
	Shares	Amount	Shares	Amount
Sold:				
Series I	726,965	$ 12,009,811	1,161,619	$ 25,722,497
Series II	961,828	15,876,034	1,002,522	22,174,509
Issued as reinvestment of dividends:				
Series I	–	–	2,050,190	36,411,380
Series II	–	–	1,638,277	27,998,152
Reacquired:				
Series I	(1,386,458)	(24,040,645)	(2,406,303)	(53,728,038)
Series II	(652,933)	(10,843,911)	(1,391,179)	(30,773,807)
Net increase (decrease) in share activity	(350,598)	$ (6,998,711)	2,055,126	$ 27,804,693

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 59% 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 feewaivers 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 06/30/16	$17.64	$ 0.01	$ 0.18	$ 0.19	$ –	$ –	$ –	$17.83	1.08%	$156,448	1.06%[d]	1.06%[d]	0.16%[d]	19%
Year ended 12/31/15	23.64	0.00	(1.27)	(1.27)	–	(4.73)	(4.73)	17.64	(5.52)	166,407	1.04	1.04	0.02	31
Year ended 12/31/14	25.44	(0.04)	0.47	0.43	–	(2.23)	(2.23)	23.64	2.36	203,963	1.05	1.05	(0.17)	45
Year ended 12/31/13	18.69	(0.04)	7.02	6.98	(0.00)	(0.23)	(0.23)	25.44	37.47	262,261	1.05	1.05	(0.17)	35
Year ended 12/31/12	16.41	0.01	2.27	2.28	–	–	–	18.69	13.89	205,566	1.06	1.06	0.05	36
Year ended 12/31/11	16.53	(0.05)	(0.07)	(0.12)	–	–	–	16.41	(0.73)	217,287	1.06	1.06	(0.27)	61
Series II														
Six months ended 06/30/16	16.96	(0.01)	0.17	0.16	–	–	–	17.12	0.94	135,131	1.31[d]	1.31[d]	(0.09)[d]	19
Year ended 12/31/15	22.97	(0.05)	(1.23)	(1.28)	–	(4.73)	(4.73)	16.96	(5.74)	128,614	1.29	1.29	(0.23)	31
Year ended 12/31/14	24.85	(0.10)	0.45	0.35	–	(2.23)	(2.23)	22.97	2.08	145,505	1.30	1.30	(0.42)	45
Year ended 12/31/13	18.31	(0.09)	6.86	6.77	–	(0.23)	(0.23)	24.85	37.08	134,526	1.30	1.30	(0.42)	35
Year ended 12/31/12	16.11	(0.03)	2.23	2.20	–	–	–	18.31	13.66	83,096	1.31	1.31	(0.20)	36
Year ended 12/31/11	16.27	(0.09)	(0.07)	(0.16)	–	–	–	16.11	(0.98)	54,691	1.31	1.31	(0.52)	61

[a] Calculated using average shares outstanding.
[b] Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
[c] Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.
[d] Ratios are annualized and based on average daily net assets (000's omitted) of $158,213 and $128,583 for Series I and Series II shares, respectively.

NOTE 11—Subsequent Event

Effective July 1, 2016, Invesco agreed to reduce any reimbursement made by the Fund to Invesco for administration services fees paid by Invesco to those insurance companies that have agreed to provide services to the participants of separate accounts to an amount not to exceed 0.15% of average daily net assets.

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, 2016 through June 30, 2016.

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 (01/01/16)	Ending Account Value (06/30/16)[1]	Expenses Paid During Period[2]	Ending Account Value (06/30/16)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,010.80	$5.30	$1,019.59	$5.32	1.06%
Series II	1,000.00	1,009.40	6.54	1,018.35	6.57	1.31

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2016 through June 30, 2016, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

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

Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of Invesco V.I. Small Cap Equity Fund's (the Fund) investment advisory agreements. During contract renewal meetings held on June 7-8, 2016, 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 investment advisory agreement) 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 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, 2016.

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 is 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, which met throughout the year to review the performance of funds advised by Invesco Advisers (the Invesco Funds). 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 Board had the benefit of reports from the Sub-Committees and Investments Committee throughout the year in considering approval of the continuance of each Invesco Fund's investment advisory agreement and sub-advisory contracts for another year.

During the contract renewal process, the Board receives comparative performance and fee data regarding the Invesco Funds prepared by Invesco Advisers and Broadridge Financial Solutions (Broadridge), an independent provider of investment company data. The Board also receives an independent written evaluation from the Senior Officer, an officer of the Invesco Funds who reports directly to the independent Trustees. 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 is a summary of 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 8, 2016, and does 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. 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, trading operations, internal audit, valuation 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 Board noted that 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 may 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 Broadridge performance universe and against the Lipper Variable Underlying Fund Small-Cap Core Funds Index. The Board noted that performance of Series I shares of the Fund was in the fourth quintile of its performance universe for the one and five year periods and the fifth 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 below the performance of the Index for the one, three and five year periods. The Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory and Sub-Advisory Fees

The Board compared the Fund's contractual management fee rate to the contractual management fee rates of funds in the Fund's Broadridge 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" for funds in the expense group may include both advisory and certain administrative services fees, but that Broadridge does not provide information on a fund by fund basis as to what is included. The Board noted that Invesco Advisers does not separately charge the Invesco Funds for the administrative services included in the term as defined by Broadridge. The Board also reviewed the methodology used by Broadridge 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 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 with investment strategies comparable to those of the Fund, based on asset balances as of December 31, 2015. The Board noted that the Fund's rate was above the rate of one such mutual fund. The Board also noted how the Fund's rate compared to the effective sub-adviser fee rate of three mutual funds sub-advised by Invesco Advisers.

The Board also considered the fees charged by Invesco Advisers and the Affiliated Sub-Advisers to other client accounts with investment strategies comparable to those of 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 types of 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 similar scope of services.

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. 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 Invesco Funds and the profitability of Invesco Advisers and its affiliates in providing these services. The Board received information from Invesco Advisers and a report from an independent consultant engaged by the Senior Officer about the methodology used to prepare the profitability information. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its affiliates 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. 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 providing transfer agency and distribution services to the Fund. The Board considered comparative information regarding fees charged for these services, including information provided by Broadridge 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; and that the services are required for the operation of the Fund.

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 certain 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 cash collateral from any securities lending arrangements in the affiliated money market funds is 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, and consistent with best execution obligations.

Lazard Retirement Series
Semi-Annual Report
June 30, 2016

US Equity
Lazard Retirement US Strategic Equity Portfolio
Lazard Retirement US Small-Mid Cap Equity Portfolio

International Equity
Lazard Retirement International Equity Portfolio

Emerging Markets
Lazard Retirement Emerging Markets Equity Portfolio

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Shares of the Portfolios are currently offered only to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. Portfolio shares may also be offered to certain qualified pension and retirement plans and accounts permitting accumulation of assets on a tax-deferred basis.

Please consider a Portfolio's investment objective, risks, charges and expenses carefully before investing. For more complete information about Lazard Retirement Series, Inc. (the "Fund"), you may obtain a prospectus or summary prospectus by calling 800-823-6300, or online, at www.LazardNet.com. Read the prospectus or each Portfolio's summary prospectus carefully before you invest. The prospectus and summary prospectus contain the investment objective, risks, charges, expenses and other information about Portfolios of the Fund, which is not detailed in this report.

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Dear Shareholder,

In the first half of 2016, global equity markets stood firm despite significant bouts of volatility. Concerns about the Chinese economy, commodity price declines, and a series of disappointing earnings announcements pressured equity markets in the early months of 2016. However, they rallied in the latter half of the first quarter and into the second as the US Federal Reserve lowered its forecast for 2016 interest rate increases. Although global equity markets fell again in late-June due to the uncertainty caused by the United Kingdom's vote to leave the European Union, certain regions rebounded by the end of the period. In addition, signs of some stability in commodity prices helped emerging markets assets during the period.

Volatility also played a role in global bond markets as investors traded largely on risk assessment of macro events. In Europe, the 10-year German bund yield fell below zero for the first time, following Swiss and Japanese 10-year government bonds, which have been in negative territory for some time. The surprising outcome of the UK referendum triggered another rally in safe haven assets, pushing some government bond yields even further into negative territory. The low yield, but still positive, environment continued in the United States.

At Lazard Asset Management, we remain focused on active management and are committed to responsibly pursuing the Portfolios' investment objectives. We appreciate your continued confidence in our investment management capabilities, and we feel privileged that you have turned to Lazard for your investment needs.

Sincerely,

Lazard Asset Management LLC

US Equities
The S&P 500® Index rose 3.8% in the first half of 2016. Markets were down as much as 10% in the beginning of the period, on concerns about the Chinese economy, commodity price declines, and a series of disappointing corporate earnings announcements. However, shares rallied in the latter half of the first quarter and into the second, as the US Federal Reserve lowered its forecast for 2016 interest rate increases. Economic data were mixed during the period, as the economy capped its largest two-year private payroll gain since 1999 in March, but followed it with a spate of disappointing jobs growth reports to finish the period. GDP growth in the first half of 2016 generally exceeded expectations, however. Although US markets fell sharply in late-June due to the uncertainty caused by the United Kingdom's affirmative vote to leave the European Union (the so-called "Brexit"), they had largely rebounded by the end of the period. Amid the continuingly uncertain economic and geopolitical backdrop, the Federal Open Market Committee elected not to raise interest rates at its June meeting, and expectations for a rate increase in the summer of 2016 fell sharply.

International Equities
International equities fell slightly in a volatile first half of 2016. Initial concerns centered around faltering Chinese growth and low oil prices, with resultant impacts on credit. This was calmed by evidence of a state-led investment recovery in China, falling US oil supply, and reassurance from the US Federal Reserve that US interest rates would remain low. The resulting weakness in the US dollar, and rise in many commodity prices, supported emerging markets assets alongside sectors such as energy and mining. On the other hand, ventures into negative interest rates in Japan and Europe put extreme pressure on the valuations of financial institutions, while the surprise Brexit vote result put pressure on assumptions for domestic demand growth in Europe. The banking and consumer discretionary sectors were weak as a result, alongside Italy, which has a particularly weak banking sector and upcoming political risk. UK domestic stocks inevitably fell on recession fears, though the UK index overall held up well even in US dollars, as the index is dominated by global multinationals. Sectors seen as stable, such as consumer staples and utilities, also benefited from very low interest rates.

Emerging Markets Equities
Emerging markets equities experienced somewhat of a changed environment in the first half of 2016. Some of the more defensive sector companies, which had led markets for a long time, underperformed while more economy-sensitive industries were relatively strong. Additionally, regions which had been very weak performers, like Latin America, performed very strongly while Asia, which had performed relatively well, finished the period virtually unchanged. The MSCI Emerging Markets® Index (the "EM Index") rose by 6.4%, as measured in US dollar terms, during the six-month period with Asian markets declining marginally while eastern European markets rose by 10% and Latin American markets increased by 25%. The period included important events such as the Brexit referendum in the UK, attempts at renminbi devaluation in China, and a presidential impeachment in Brazil.

Signs of some stability in commodity prices helped shares in Peru and Brazil over the period. The dramatic political events in Brazil during the period, which brought about the successful impeachment votes against President Dilma Rousseff, caused both the Brazilian real and the market to rise. Peru's market was helped towards the end of the period by the narrow election victory of market-friendly presidential candidate Pedro Pablo Kuczynski. Mexican shares were adversely affected by a weak peso.

Returns were highly diverse across Eastern Europe. The bottoming and then rising crude oil price helped Russian equities while the United Kingdom's Brexit referendum vote to leave the European Union undermined shares in several European countries, including Greece and Poland. Turkish equities initially performed well but suffered after Prime Minister Ahmet Davutoglu's resignation, an event which appeared to signal President Recep Tayyip Erdogan's political dominance.

Although most Asian emerging markets generated positive returns over the six-month period, China's attempt to devalue the renminbi at the beginning of 2016 destabilized global markets. In addition, MSCI's

decision not to include Chinese mainland shares or A-shares in its Emerging Markets Index also hurt the Chinese market. These factors resulted in a negative return for China over the period. Indian stocks also did not progress much in the second quarter as investors became concerned by resistance to Prime Minister Narendra Modi's policies. Conversely, strong performance was recorded in Thailand, the Philippines, and Indonesia as economies performed in line with expectations and President-elect Rodrigo Duterte outlined his program for the Philippines.

From a sector perspective, the energy, materials, and consumer staples sectors performed well, while the industrials, consumer discretionary, and health care sectors underperformed the EM Index.

Lazard Retirement US Strategic Equity Portfolio
For the six months ended June 30, 2016, the Lazard Retirement US Strategic Equity Portfolio's Service Shares posted a total return of 0.56%, as compared with the 3.84% return for the S&P 500 Index.

Stock selection in the health care sector contributed to performance. Shares of pharmaceutical company Pfizer rose after the company reported strong quarterly earnings and management raised its guidance for 2016, driven by foreign exchange tailwinds and stronger revenues. Shares also rose after the company announced that it had terminated its proposed $160 billion acquisition of specialty-drug maker Allergan. Stock selection in the industrials sector also helped returns. Shares of salvage vehicle auction holder Copart rose after the company reported quarterly earnings above expectations, due to higher volume growth stemming from market share gains and overall scrap metal industry tailwinds.

In contrast, stock selection in the consumer discretionary sector detracted from performance. Shares of Norwegian Cruise Line Holdings fell in response to disappointing management guidance and macroeconomic instability, as management said it expected slower bookings in the second quarter. Stock selection and an overweight position in the information technology sector also detracted from performance. Shares of Google parent Alphabet fell after the company reported disappointing second quarter results, which were hurt by greater holiday seasonality.

Lazard Retirement US Small-Mid Cap Equity Portfolio
For the six months ended June 30, 2016, the Lazard Retirement US Small-Mid Cap Equity Portfolio's Service Shares posted a total return of -0.14%, as compared with the 3.98% return for the Russell 2500® Index.

Stock selection in the information technology sector contributed to performance. Shares of NCR rose after the payment technology maker reported quarterly earnings above expectations, driven by strong margins. Stock selection and an overweight position in the energy sector also helped returns. Shares of Newfield rose after the exploration and production company reported strong quarterly earnings, driven by strong production and expenses.

In contrast, stock selection in the financials sector detracted from performance. Shares of OneMain fell amid continued concerns about the consumer financial services provider's funding costs in a rising interest rate environment, and as many investors moved away from shares of companies with subprime loan exposure. We exited our position in OneMain in May in pursuit of better opportunities elsewhere. Stock selection and an underweight position in the materials sector also hurt performance. Shares of KapStone Paper and Packaging fell after the pulp and paper company reported quarterly earnings below expectations and management gave a cautious outlook, citing difficult market conditions. We exited our position after the announcement in February in pursuit of better opportunities elsewhere.

Lazard Retirement International Equity Portfolio
For the six months ended June 30, 2016, the Lazard Retirement International Equity Portfolio's Service Shares posted a total return of -2.52%, as compared with the -4.42% return for the MSCI EAFE® Index (the "EAFE Index").

Stock selection in the consumer discretionary sector was the largest driver of relative returns as shares of

Dutch business information services provider Wolters Kluwer performed well on accelerating growth, while shares of Japanese shoe retailer ABC Mart rose on revenue that is growing faster than expectations and from an increasing dividend. Japanese consumer electronics and media company Sony also rose in the weak market, supported by yen strength. The preceding stocks more than compensated for weakness in jewelry retailer Signet, which was hurt by slowing consumer spending, concerns about the company's credit portfolio, and some negative publicity. Elsewhere, Japanese telecoms SoftBank and KDDI both rose as investors expect higher revenues and benefited from the previously mentioned yen strength. Lastly, positioning in emerging markets had a positive impact on relative performance as shares of Taiwan Semiconductor and Brazilian insurance broker BB Seguridade both performed well.

In contrast, stock selection in the health care sector detracted from relative returns where shares of German pharmaceutical company Bayer (which was sold during the period) declined as investors reacted negatively to the proposed acquisition of Monsanto. Shares of Israeli pharmaceutical company Teva also declined during the period. The stock fell as revenues from their multiple sclerosis treatment Copaxone declined and management announced that the company's acquisition of Allergan's generic drug unit might be delayed. Stock selection in the United Kingdom detracted from relative returns as shares of British bank Lloyds (also sold during the period) declined following the Brexit referendum result. Elsewhere in the United Kingdom, shares of personal credit company Provident and grocer Sainsbury fell, while companies with global revenues, such as tobacco company British American Tobacco and health insurance exchange provider Aon, provided a partial offset. Lastly, low exposure to the strong performing materials and utilities sectors hurt the Portfolio's relative returns.

Lazard Retirement Emerging Markets Equity Portfolio
For the six months ended June 30, 2016, the Lazard Retirement Emerging Markets Equity Portfolio's Investor Shares posted a total return of 14.44%, while Service Shares posted a total return of 14.27%, as compared with the 6.41% return for the EM Index.

During the period, Sberbank, a Russian bank, announced strong earnings and upgraded its guidance for return-on-equity. Telekomunikasi Indonesia, an Indonesian telecom services company, experienced strong growth in data usage leading to improving average revenue per user. Shares of Taiwan Semiconductor Manufacturing, a Taiwanese manufacturer of semiconductors, performed well on expectations of a strong third-quarter ramp up from sales of Apple's new iPhone 7. Shares of Cielo, a Brazilian credit card processor, rose on the back of reduced regulatory concerns and improved market sentiment following the impeachment proceedings brought against President Dilma Rousseff. Shares of CCR, a Brazilian toll road operator, rose on expectations for lower interest rates in Brazil after the initiation of impeachment proceedings. Stock selection in the financials, consumer discretionary, industrials, and telecom services sectors, and in China helped performance. A higher-than-index exposure to Brazil and a lower-than-index exposure to China also added value.

In contrast, shares of Baidu, a Chinese search engine, declined after company management guided down expectations on continued weakness in its healthcare vertical after the government clampdown. Shares of Hanwha Life Insurance, a Korean insurance company, fell on expectations for a continued environment of low interest rates in Korea. Punjab National Bank, an Indian bank, experienced share declines after the bank increased provisioning for non-performing loans post a regulatory review of the loan book. Bharat Heavy Electricals, an Indian manufacturer of power plant equipment, posted poor earnings on the back of increased competition. Shares of Commercial International Bank, an Egyptian bank, fell early in the second quarter as Egyptian stocks and the Egyptian pound sold off on the back of macroeconomic concerns.

Lazard Retirement Global Dynamic Multi Asset Portfolio
For the six months ended June 30, 2016, the Lazard Retirement Global Dynamic Multi Asset Portfolio's

Service Shares posted a total return of 2.52%, as compared with the 4.85% return of the blended benchmark, which is a 50/50 blend of the MSCI World® Index and Barclays Capital Global Aggregate Bond® Index (the "GDMA Index").

The Portfolio is managed using a combination of Lazard Asset Management LLC's (the "Investment Manager") domestic and foreign equity and fixed income strategies. The Investment Manager considers a market forecast based on four categories pertinent to allocation decisions among the strategies: Economy, Valuation, Liquidity, and Sentiment.

Changes made to the market forecast during 2016 reflected a consideration of many factors, including monetary policies of central banks around the globe; global macro data readings (particularly the Purchasing Managers Index, which measures economic activity) in China, the United States, the euro zone, and Japan; fiscal policy in developed and emerging markets; geopolitical events and risks; and equity and fixed income valuations, along with other data.

For the six months ended June 30, 2016, stock selection in the health care, consumer discretionary, telecom services, and financials sectors, an underweight position in the financials sector and an overweight position in the telecom services sector added value within the equity allocation, as did stock selection in Norway, China, and Italy. Within fixed income, performance was helped by overweight exposure to Australia, New Zealand, Canada, and Singapore, security selection in the United States, and overweight exposure to the New Zealand dollar and tactical management of the euro implemented via derivative instruments (forward currency contracts for long or short exposure to foreign currencies). In contrast, stock selection in the industrials, consumer staples, and materials sectors, and underweight exposures to energy and materials detracted from performance, as did stock selection in the United Kingdom, Canada, and Japan, and within equities, an underweight to Canada and an overweight to Israel. Within fixed income, performance was negatively impacted by underweight exposure to core Europe and Japan, underweight positions in long maturity government bonds from core markets, and small overweight exposure to the Swedish krona, Australian dollar, and Mexican peso (also implemented via derivative instruments comprised of forward currency contracts for long or short exposure to foreign currencies).

Notes to Investment Overviews:

Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of a Portfolio may have been waived or reimbursed by the Investment Manager, State Street Bank and Trust Company, the Fund's administrator ("State Street"), or Boston Financial Data Services, Inc., the Fund's transfer and dividend disbursing agent ("BFDS"); without such waiver/reimbursement of expenses, such Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance. Past performance is not indicative, or a guarantee, of future results. Return for a period of less than one year is not annualized.

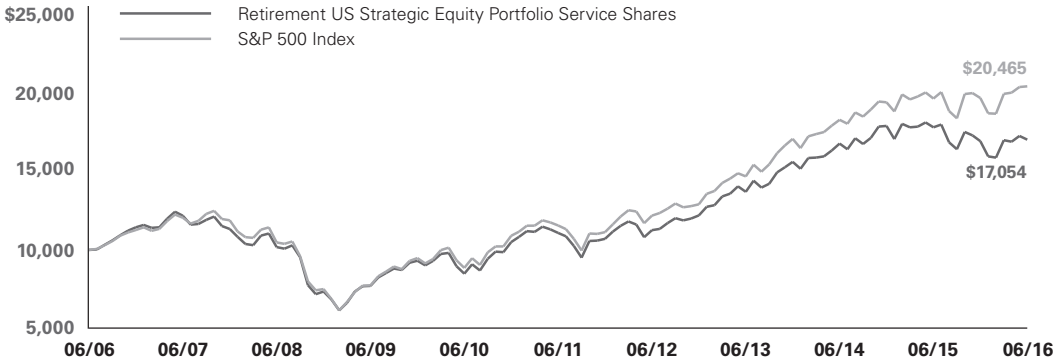
The performance data of the indices and other market data have been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to their accuracy. These indices are unmanaged, have no fees or costs and are not available for investment.

The views of the Investment Manager and the securities described in this report are as of June 30, 2016; these views and portfolio holdings may have changed subsequent to this date. Nothing herein should be construed as a recommendation to buy, sell, or hold a particular security. There is no assurance that the securities discussed herein will remain in a Portfolio at the time you receive this report, or that securities sold will not have been repurchased. The specific securities discussed may, in aggregate, represent only a small percentage of a Portfolio's holdings. It should not be assumed that securities identified and discussed were, or will be, profitable, or that the investment decisions made in the future will be profitable, or equal the investment performance of the securities discussed herein.

The views and opinions expressed are provided for general information only, and do not constitute specific tax, legal, or investment advice to, or recommendations for, any person. There can be no guarantee as to the accuracy of any outlooks for markets, sectors and securities as discussed herein. You should read the Fund's prospectus or each Portfolio's summary prospectus for a more detailed discussion of each Portfolio's investment objective, strategies, risks and fees.

Lazard Retirement US Strategic Equity Portfolio

Comparison of Changes in Value of $10,000 Investment in the Service Shares of Lazard Retirement US Strategic Equity Portfolio and S&P 500® Index*



Average Annual Total Returns*
Periods Ended June 30, 2016

	One Year	Five Years	Ten Years
Service Shares	-4.44%	9.00%	5.48%
S&P 500 Index	3.99%	12.10%	7.42%

* *Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of the Portfolio have been waived or reimbursed by the Portfolio's Investment Manager or State Street; without such waiver/reimbursement of expenses, the Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance.*

Performance results do not include adjustments made for financial reporting purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP") and may differ from amounts reported in the financial highlights.

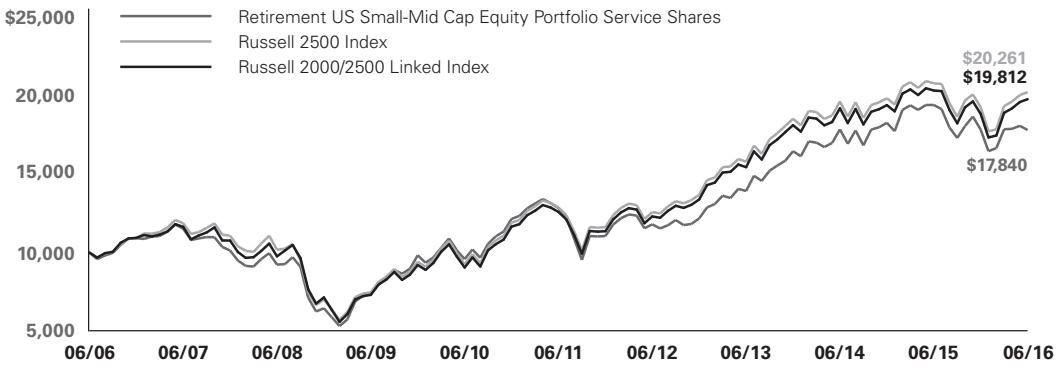
The performance quoted represents past performance. Current performance may be lower or higher than the performance quoted. Past performance is not indicative, or a guarantee, of future results; the investment return and principal value of the Portfolio will fluctuate, so that Portfolio shares, when redeemed, may be worth more or less than their original cost. Within the longer periods illustrated there may have been short-term fluctuations, counter to the overall trend of investment results, and no single period of any length may be taken as typical of what may be expected in future periods.

The performance data of the index has been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to its accuracy. The S&P 500 Index is a market capitalization-weighted index of 500 common stocks, designed to measure performance of the broad domestic economy through changes in the aggregate market value of these stocks, which represent all major industries. The index is unmanaged, has no fees or costs and is not available for investment.

Before May 1, 2007, the Portfolio was known as Lazard Retirement Equity Portfolio and had a different investment strategy.

Lazard Retirement US Small-Mid Cap Equity Portfolio

Comparison of Changes in Value of $10,000 Investment in the Service Shares of Lazard Retirement US Small-Mid Cap Equity Portfolio, Russell 2500® Index and Russell 2000/2500 Linked Index*



Average Annual Total Returns*
Periods Ended June 30, 2016

	One Year	Five Years	Ten Years
Service Shares	-8.24%	6.78%	5.96%
Russell 2500 Index	-3.67%	9.48%	7.32%
Russell 2000/2500 Linked Index	-3.67%	9.48%	7.08%

* *Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of the Portfolio have been waived or reimbursed by the Portfolio's Investment Manager; without such waiver/reimbursement of expenses, the Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance.*

Performance results do not include adjustments made for financial reporting purposes in accordance with GAAP and may differ from amounts reported in the financial highlights.

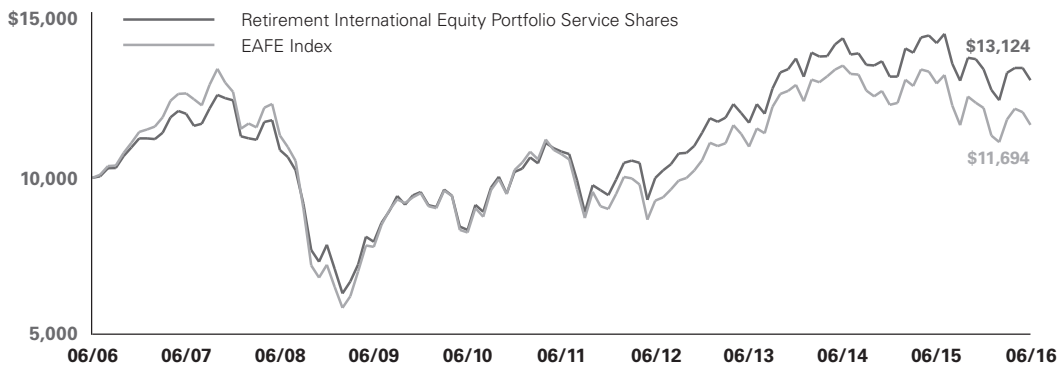
The performance quoted represents past performance. Current performance may be lower or higher than the performance quoted. Past performance is not indicative, or a guarantee, of future results; the investment return and principal value of the Portfolio will fluctuate, so that Portfolio shares, when redeemed, may be worth more or less than their original cost. Within the longer periods illustrated there may have been short-term fluctuations, counter to the overall trend of investment results, and no single period of any length may be taken as typical of what may be expected in future periods.

The Portfolio was previously known as Lazard Retirement U.S. Small Cap Equity Portfolio. As of June 1, 2009, the Portfolio changed its name to Lazard Retirement U.S. Small-Mid Cap Equity Portfolio and changed its investment strategy to invest in equity securities of small-mid cap US companies.

The performance data of the indices have been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to their accuracy. The Russell 2500 Index is comprised of the 2,500 smallest US companies included in the Russell 3000® Index (which consists of the 3,000 largest US companies by capitalization). The Russell 2000/2500 Linked Index is an index created by the Portfolio's Investment Manager, which links the performance of the Russell 2000® Index for all periods through May 31, 2009 and the Russell 2500 Index for all periods thereafter. The Russell 2000 Index is comprised of the 2,000 smallest US companies included in the Russell 3000 Index. The indices are unmanaged, have no fees or costs and are not available for investment.

Lazard Retirement International Equity Portfolio

Comparison of Changes in Value of $10,000 Investment in the Service Shares of Lazard Retirement International Equity Portfolio and EAFE Index*



Average Annual Total Returns*
Periods Ended June 30, 2016

	One Year	Five Years	Ten Years
Service Shares	-8.24%	3.90%	2.76%
EAFE Index	-10.16%	1.68%	1.58%

* *Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of the Portfolio have been waived or reimbursed by the Portfolio's Investment Manager; without such waiver/reimbursement of expenses, the Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance.*

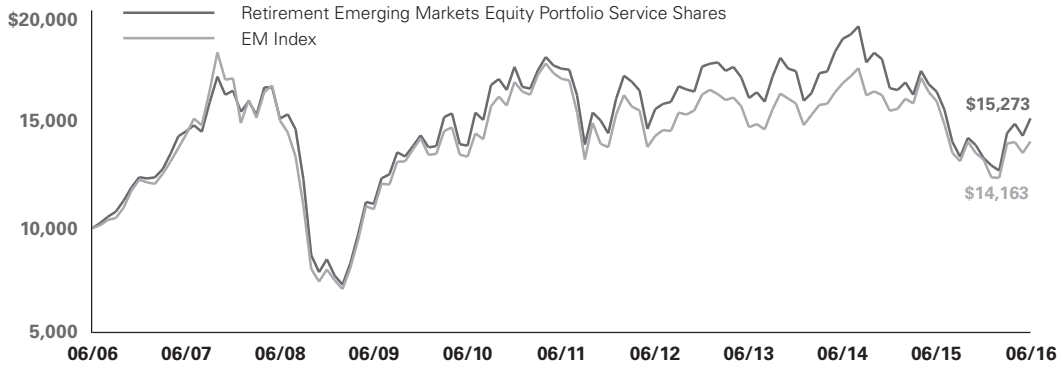
Performance results do not include adjustments made for financial reporting purposes in accordance with GAAP and may differ from amounts reported in the financial highlights.

The performance quoted represents past performance. Current performance may be lower or higher than the performance quoted. Past performance is not indicative, or a guarantee, of future results; the investment return and principal value of the Portfolio will fluctuate, so that Portfolio shares, when redeemed, may be worth more or less than their original cost. Within the longer periods illustrated there may have been short-term fluctuations, counter to the overall trend of investment results, and no single period of any length may be taken as typical of what may be expected in future periods.

The performance data of the index has been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to its accuracy. The EAFE Index is a broadly diversified international index comprised of equity securities of approximately 1,000 companies located in developed countries outside the United States. The index is unmanaged, has no fees or costs and is not available for investment.

Lazard Retirement Emerging Markets Equity Portfolio

Comparison of Changes in Value of $10,000 Investment in the Service Shares of Lazard Retirement Emerging Markets Equity Portfolio and EM Index*



Average Annual Total Returns*
Periods Ended June 30, 2016

	One Year	Five Years	Ten Years
Service Shares**	-7.72%	-2.85%	4.33%
Investor Shares**	-7.49%	-2.61%	4.59%
EM Index	-12.05%	-3.78%	3.54%

* *Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of the Portfolio have been waived or reimbursed by the Portfolio's Investment Manager; without such waiver/reimbursement of expenses, the Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance.*

Performance results do not include adjustments made for financial reporting purposes in accordance with GAAP and may differ from amounts reported in the financial highlights.

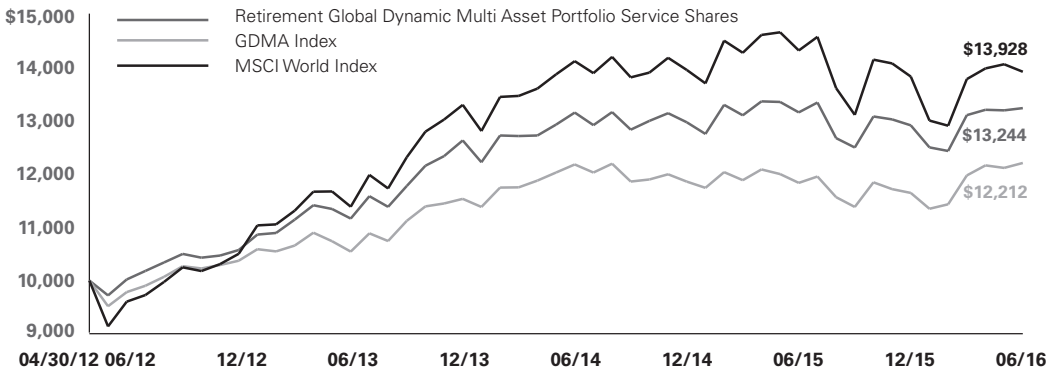
The performance quoted represents past performance. Current performance may be lower or higher than the performance quoted. Past performance is not indicative, or a guarantee, of future results; the investment return and principal value of the Portfolio will fluctuate, so that Portfolio shares, when redeemed, may be worth more or less than their original cost. Within the longer periods illustrated there may have been short-term fluctuations, counter to the overall trend of investment results, and no single period of any length may be taken as typical of what may be expected in future periods.

The performance data of the index has been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to its accuracy. The EM Index is comprised of emerging market securities in countries open to non-local investors. The index is unmanaged, has no fees or costs and is not available for investment.

** *The performance of Service Shares and Investor Shares may vary, primarily based on the differences in fees borne by shareholders investing in different classes.*

Lazard Retirement Global Dynamic Multi Asset Portfolio

Comparison of Changes in Value of $10,000 Investment in the Service Shares of Lazard Retirement Global Dynamic Multi Asset Portfolio, GDMA Index and MSCI World® Index*



Average Annual Total Returns*
Periods Ended June 30, 2016

	One Year	Since Inception†
Service Shares	0.62%	6.97%
GDMA Index	3.17%	4.91%
MSCI World Index	-2.78%	8.28%

* *Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of the Portfolio have been waived or reimbursed by the Portfolio's Investment Manager, State Street or BFDS; without such waiver/reimbursement of expenses, the Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance.*

Performance results do not include adjustments made for financial reporting purposes in accordance with GAAP and may differ from amounts reported in the financial highlights.

The performance quoted represents past performance. Current performance may be lower or higher than the performance quoted. Past performance is not indicative, or a guarantee, of future results; the investment return and principal value of the Portfolio will fluctuate, so that Portfolio shares, when redeemed, may be worth more or less than their original cost. Within the longer periods illustrated there may have been short-term fluctuations, counter to the overall trend of investment results, and no single period of any length may be taken as typical of what may be expected in future periods.

The performance data of the indices have been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to their accuracy. The GDMA Index is a 50/50 blend of the MSCI World Index and the Barclays Capital Global Aggregate Bond® Index. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The Barclays Capital Global Aggregate Bond Index provides a broad-based measure of global investment-grade fixed-income debt markets, including government-related debt, corporate debt, securitized debt and global Treasury, with maturities of no less than one year. The indices are unmanaged, have no fees or costs and are not available for investment.

Before April 30, 2014, the Portfolio was known as Lazard Retirement Multi-Asset Targeted Volatility Portfolio.

† *The inception date for the Portfolio was April 30, 2012.*

Expense Example
As a shareholder in a Portfolio of the Fund, you incur ongoing costs, including management fees, distribution and service (12b-1) fees (Service Shares only), and other expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in a Portfolio 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 six month period from January 1, 2016 through June 30, 2016 and held for the entire period.

Actual Expenses
For each Share class of the Portfolios, the first line of the table below 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
For each Share class of the Portfolios, the second line of the table below provides information about hypothetical account values and hypothetical expenses based on the class' actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other mutual funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholders reports of other mutual funds.

Please note that you also bear fees and charges imposed by participating insurance companies at the separate account level, which are described in the separate prospectuses issued by the insurance companies. Such charges will have the effect of reducing account value.

Portfolio	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Expenses Paid During Period* 1/1/16 - 6/30/16	Annualized Expense Ratio During Period 1/1/16 - 6/30/16
US Strategic Equity				
Service Shares				
Actual	$1,000.00	$1,005.60	$4.99	1.00%
Hypothetical (5% Return Before Expenses)	$1,000.00	$1,019.89	$5.02	1.00%
US Small-Mid Cap Equity				
Service Shares				
Actual	$1,000.00	$ 998.60	$6.21	1.25%
Hypothetical (5% Return Before Expenses)	$1,000.00	$1,018.65	$6.27	1.25%
International Equity				
Service Shares				
Actual	$1,000.00	$ 974.80	$5.40	1.10%
Hypothetical (5% Return Before Expenses)	$1,000.00	$1,019.39	$5.52	1.10%
Emerging Markets Equity				
Service Shares				
Actual	$1,000.00	$1,142.70	$7.41	1.39%
Hypothetical (5% Return Before Expenses)	$1,000.00	$1,017.95	$6.97	1.39%
Investor Shares				
Actual	$1,000.00	$1,144.40	$6.13	1.15%
Hypothetical (5% Return Before Expenses)	$1,000.00	$1,019.14	$5.77	1.15%
Global Dynamic Multi Asset				
Service Shares				
Actual	$1,000.00	$1,025.20	$5.29	1.05%
Hypothetical (5% Return Before Expenses)	$1,000.00	$1,019.64	$5.27	1.05%

** Expenses are equal to the annualized expense ratio of each Share class multiplied by the average account value over the period, multiplied by 182/366 (to reflect one-half year period).*

Sector*	Lazard Retirement US Strategic Equity Portfolio	Lazard Retirement US Small-Mid Cap Equity Portfolio	Lazard Retirement International Equity Portfolio	Lazard Retirement Emerging Markets Equity Portfolio
Consumer Discretionary	8.9%	13.5%	17.2%	8.7%
Consumer Staples	11.4	—	13.8	7.1
Energy	5.9	3.1	7.2	8.4
Financials	14.2	28.1	18.4	27.8
Health Care	16.6	9.7	9.7	0.2
Industrials	11.1	14.1	11.2	5.0
Information Technology	25.6	18.4	4.1	23.6
Materials	0.8	4.2	2.7	3.6
Telecommunication Services	1.0	—	8.8	11.5
Utilities	—	5.0	1.1	—
Short-Term Investments	4.5	3.9	5.8	4.1
Total Investments	100.0%	100.0%	100.0%	100.0%

Sector*	Lazard Retirement Global Dynamic Multi Asset Portfolio
Consumer Discretionary	10.9%
Consumer Staples	8.1
Energy	3.8
Financials	16.9
Health Care	8.7
Industrials	8.1
Information Technology	8.3
Materials	2.9
Telecommunication Services	4.8
Utilities	4.6
Municipal	0.5
Sovereign Debt	17.3
US Treasury Securities	1.5
Short-Term Investment	3.6
Total Investments	100.0%

** Represents percentage of total investments.*

Description	Shares	Fair Value
Lazard Retirement US Strategic Equity Portfolio		
Common Stocks | 95.5%		
Aerospace & Defense | 3.4%		
Honeywell International, Inc.	1,775	$ 206,468
United Technologies Corp.	1,280	131,264
		337,732
Auto Components | 1.7%		
Delphi Automotive PLC	2,620	164,012
Banks | 4.5%		
Bank of America Corp.	20,460	271,504
Wells Fargo & Co.	3,720	176,068
		447,572
Beverages | 3.0%		
Molson Coors Brewing Co., Class B	2,925	295,805
Capital Markets | 1.1%		
The Charles Schwab Corp.	4,410	111,617
Commercial Services & Supplies | 2.1%		
Copart, Inc. (a)	2,085	102,186
Tyco International PLC	2,485	105,861
		208,047
Communications Equipment | 3.7%		
Cisco Systems, Inc.	12,795	367,089
Containers & Packaging | 0.8%		
Crown Holdings, Inc. (a)	1,500	76,005
Diversified Financial Services | 3.2%		
CBOE Holdings, Inc.	1,560	103,927
Intercontinental Exchange, Inc.	820	209,887
		313,814
Diversified Telecommunication Services | 1.0%		
AT&T, Inc.	2,335	100,895
Electrical Equipment | 2.9%		
Eaton Corp. PLC	2,115	126,329
Rockwell Automation, Inc.	1,360	156,155
		282,484
Energy Equipment & Services | 1.3%		
Schlumberger, Ltd.	1,665	131,668
Food & Staples Retailing | 2.7%		
CVS Health Corp.	1,650	$ 157,971
Walgreens Boots Alliance, Inc.	1,260	104,920
		262,891
Food Products | 2.0%		
Kellogg Co.	2,465	201,267
Health Care Equipment & Supplies | 1.3%		
Stryker Corp.	1,070	128,218
Health Care Providers & Services | 1.6%		
Aetna, Inc.	1,255	153,273
Hotels, Restaurants & Leisure | 0.9%		
Norwegian Cruise Line Holdings, Ltd. (a)	2,245	89,441
Household Products | 3.8%		
The Procter & Gamble Co.	4,380	370,855
Insurance | 3.5%		
Aon PLC	1,675	182,960
The Hartford Financial Services Group, Inc.	3,675	163,097
		346,057
Internet Software & Services | 6.8%		
Alphabet, Inc., Class A (a)	610	429,153
Alphabet, Inc., Class C (a)	93	64,365
eBay, Inc. (a)	7,435	174,054
		667,572
IT Services | 3.5%		
Fidelity National Information Services, Inc.	1,650	121,572
Visa, Inc., Class A	3,070	227,702
		349,274
Life Sciences Tools & Services | 0.1%		
Quintiles Transnational Holdings, Inc. (a)	100	6,532
Machinery | 1.1%		
Deere & Co.	885	71,720
Parker Hannifin Corp.	315	34,036
		105,756
Media | 1.6%		
The Madison Square Garden Co. Class A (a)	920	158,709
Multiline Retail | 1.1%		
J.C. Penney Co., Inc. (a)	12,450	110,556

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

Description	Shares	Fair Value
Lazard Retirement US Strategic Equity Portfolio (concluded)		
Oil, Gas & Consumable Fuels | 4.5%		
Chevron Corp.	2,120	$ 222,240
EOG Resources, Inc.	1,445	120,542
Pioneer Natural Resources Co.	695	105,091
		447,873
Pharmaceuticals | 13.7%		
Allergan PLC (a)	1,045	241,489
Eli Lilly & Co.	2,275	179,156
Mallinckrodt PLC (a)	1,945	118,217
Pfizer, Inc.	9,990	351,748
Zoetis, Inc.	9,658	458,369
		1,348,979
Real Estate Investment Trusts (REITs) | 1.8%		
Corrections Corp. of America	3,198	111,994
Host Hotels & Resorts, Inc.	4,205	68,163
		180,157
Road & Rail | 1.6%		
Union Pacific Corp.	1,815	158,359
Semiconductors & Semiconductor Equipment | 4.9%		
Applied Materials, Inc.	4,575	109,663
NXP Semiconductors NV (a)	1,835	143,754
Skyworks Solutions, Inc.	2,435	154,087
Teradyne, Inc.	3,735	73,542
		481,046
Software | 3.4%		
Microsoft Corp.	6,655	$ 340,536
Specialty Retail | 3.1%		
Advance Auto Parts, Inc.	1,868	301,925
Technology Hardware, Storage & Peripherals | 3.2%		
Apple, Inc.	3,324	317,774
Textiles, Apparel & Luxury Goods | 0.6%		
Deckers Outdoor Corp. (a)	1,005	57,808
Total Common Stocks (Cost $9,029,655)		9,421,598
Short-Term Investment | 4.5%		
State Street Institutional Treasury Money Market Fund, Premier Class, 0.14% (7 day yield) (Cost $440,410)	440,410	440,410
Total Investments | 100.0% (Cost $9,470,065) (b)		**$9,862,008**
Cash and Other Assets in Excess of Liabilities | 0.0%		**83**
Net Assets | 100.0%		**$9,862,091**

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

Description	Shares	Fair Value
Lazard Retirement US Small-Mid Cap Equity Portfolio		
Common Stocks | 96.5%		
Aerospace & Defense | 0.8%		
B/E Aerospace, Inc.	9,195	$ 424,579
Air Freight & Logistics | 1.1%		
Echo Global Logistics, Inc. (a)	28,390	636,504
Airlines | 1.3%		
Alaska Air Group, Inc.	12,325	718,424
Auto Components | 3.1%		
Fox Factory Holding Corp. (a)	45,655	793,028
Gentherm, Inc. (a)	15,245	522,141
Modine Manufacturing Co. (a)	45,225	397,980
		1,713,149
Banks | 8.2%		
Comerica, Inc.	22,100	908,973
Home Bancshares, Inc.	43,050	851,960
PacWest Bancorp	22,495	894,851
Signature Bank (a)	5,780	722,038
SVB Financial Group (a)	4,490	427,268
Webster Financial Corp.	23,335	792,223
		4,597,313
Biotechnology | 2.1%		
Cellectis SA ADR (a)	21,265	565,436
United Therapeutics Corp. (a)	5,890	623,869
		1,189,305
Building Products | 3.0%		
Continental Building Products, Inc. (a)	22,565	501,620
Owens Corning	11,600	597,632
PGT, Inc. (a)	54,990	566,397
		1,665,649
Chemicals | 4.2%		
Calgon Carbon Corp.	57,295	753,429
Eastman Chemical Co.	9,545	648,106
Ingevity Corp. (a)	27,950	951,418
		2,352,953
Communications Equipment | 1.1%		
Ciena Corp. (a)	33,075	620,156
Construction & Engineering | 0.8%		
EMCOR Group, Inc.	8,765	431,764

Description	Shares	Fair Value
Diversified Financial Services | 2.9%		
CBOE Holdings, Inc.	10,200	$ 679,524
Morningstar, Inc.	11,330	926,567
		1,606,091
Electric Utilities | 1.8%		
PNM Resources, Inc.	28,940	1,025,634
Electrical Equipment | 2.2%		
Generac Holdings, Inc. (a)	15,425	539,258
Regal-Beloit Corp.	12,165	669,683
		1,208,941
Electronic Equipment, Instruments & Components | 2.9%		
FLIR Systems, Inc.	27,085	838,281
Littelfuse, Inc.	6,520	770,599
		1,608,880
Gas Utilities | 1.2%		
New Jersey Resources Corp.	17,990	693,515
Health Care Equipment & Supplies | 3.1%		
DENTSPLY SIRONA, Inc.	14,627	907,459
STERIS PLC	11,910	818,813
		1,726,272
Health Care Providers & Services | 1.2%		
Team Health Holdings, Inc. (a)	17,125	696,474
Hotels, Restaurants & Leisure | 1.0%		
Bloomin' Brands, Inc.	30,945	552,987
Insurance | 8.3%		
Arch Capital Group, Ltd. (a)	15,045	1,083,240
Argo Group International Holdings, Ltd.	17,879	927,920
Brown & Brown, Inc.	15,860	594,274
Reinsurance Group of America, Inc.	11,120	1,078,529
Validus Holdings, Ltd.	19,130	929,527
		4,613,490
Internet Software & Services | 1.3%		
j2 Global, Inc.	11,255	710,978
IT Services | 2.9%		
Leidos Holdings, Inc.	17,445	835,092
Vantiv, Inc., Class A (a)	14,160	801,456
		1,636,548

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

Description	Shares	Fair Value
Lazard Retirement US Small-Mid Cap Equity Portfolio (concluded)		
Life Sciences Tools & Services | 3.2%		
Quintiles Transnational Holdings, Inc. (a)	14,140	$ 923,625
VWR Corp. (a)	30,735	888,241
		1,811,866
Machinery | 3.7%		
Altra Industrial Motion Corp.	24,345	656,828
Tennant Co.	5,100	274,737
TriMas Corp. (a)	33,805	608,490
Woodward, Inc.	9,510	548,156
		2,088,211
Media | 3.9%		
AMC Networks, Inc., Class A (a)	12,440	751,625
Cable One, Inc.	920	470,497
Scholastic Corp.	24,265	961,137
		2,183,259
Multi-Utilities | 1.9%		
CMS Energy Corp.	23,600	1,082,296
Oil, Gas & Consumable Fuels | 3.2%		
Matador Resources Co. (a)	24,415	483,417
Memorial Resource Development Corp. (a)	41,105	652,747
Newfield Exploration Co. (a)	14,195	627,135
		1,763,299
Real Estate Investment Trusts (REITs) | 7.9%		
American Campus Communities, Inc.	18,680	987,611
DCT Industrial Trust, Inc.	23,095	1,109,484
Extra Space Storage, Inc.	6,305	583,465
Kilroy Realty Corp.	10,535	698,365
Tanger Factory Outlet Centers, Inc.	25,500	1,024,590
		4,403,515
Real Estate Management & Development | 1.0%		
Jones Lang LaSalle, Inc.	5,715	556,927
Semiconductors & Semiconductor Equipment | 4.4%		
Brooks Automation, Inc.	20,400	228,888
Cypress Semiconductor Corp.	78,700	830,285
MACOM Technology Solutions Holdings, Inc. (a)	16,890	557,032
Microsemi Corp. (a)	25,655	838,406
		2,454,611
Software | 4.5%		
BroadSoft, Inc. (a)	15,015	$ 616,065
Pegasystems, Inc.	13,725	369,889
RealPage, Inc. (a)	40,860	912,404
Red Hat, Inc. (a)	8,795	638,517
		2,536,875
Specialty Retail | 4.4%		
Advance Auto Parts, Inc.	2,660	429,936
Chico's FAS, Inc.	64,985	695,989
Foot Locker, Inc.	11,425	626,776
Sally Beauty Holdings, Inc. (a)	23,850	701,428
		2,454,129
Technology Hardware, Storage & Peripherals | 1.4%		
NCR Corp. (a)	27,230	756,177
Textiles, Apparel & Luxury Goods | 1.2%		
Steven Madden, Ltd. (a)	19,650	671,637
Trading Companies & Distributors | 1.3%		
Beacon Roofing Supply, Inc. (a)	16,160	734,795
Total Common Stocks		
(Cost $51,223,621)		53,927,203
Short-Term Investment | 4.0%		
State Street Institutional Treasury Money Market Fund, Premier Class, 0.14% (7 day yield)		
(Cost $2,212,382)	2,212,382	2,212,382
Total Investments | 100.5%		
(Cost $53,436,003) (b)		**$56,139,585**
Liabilities in Excess of Cash and Other Assets | (0.5)%		**(252,427)**
Net Assets | 100.0%		**$ 55,887,158**

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

Description	Shares	Fair Value
Lazard Retirement International Equity Portfolio		
Common Stocks | 90.5%		
Australia | 3.1%		
BHP Billiton PLC	832,000	$ 10,465,379
Caltex Australia, Ltd.	444,036	10,608,640
		21,074,019
Belgium | 4.1%		
Anheuser-Busch InBev SA/NV	170,212	22,374,303
KBC Group NV (a)	115,221	5,648,732
		28,023,035
Brazil | 1.1%		
BB Seguridade Participacoes SA	835,100	7,307,742
Canada | 3.8%		
MacDonald Dettwiler & Associates, Ltd.	91,985	5,999,904
National Bank of Canada	255,300	8,732,309
Suncor Energy, Inc.	403,840	11,202,930
		25,935,143
Denmark | 1.2%		
Carlsberg A/S, Class B	83,458	7,920,197
Finland | 1.6%		
Sampo Oyj, A Shares	270,670	11,058,464
France | 7.4%		
Capgemini SA	149,006	13,004,022
Iliad SA	26,200	5,325,822
TOTAL SA	143,744	6,931,577
Valeo SA	266,022	11,881,213
Vinci SA	177,615	12,650,047
		49,792,681
Germany | 0.7%		
GEA Group AG	105,708	4,968,446
Ireland | 4.6%		
James Hardie Industries PLC	455,879	6,982,967
Ryanair Holdings PLC Sponsored ADR	78,423	5,453,536
Shire PLC	304,290	18,738,015
		31,174,518
Israel | 2.4%		
Teva Pharmaceutical Industries, Ltd. Sponsored ADR	329,550	16,553,297

Description	Shares	Fair Value
Italy | 1.6%		
Azimut Holding SpA	301,232	$ 4,909,103
Mediaset SpA	1,765,247	6,213,632
		11,122,735
Japan | 20.7%		
ABC-Mart, Inc.	117,600	7,826,597
Daiwa House Industry Co., Ltd.	685,700	20,008,604
Don Quijote Holdings Co., Ltd.	403,500	14,907,375
Isuzu Motors, Ltd.	845,600	10,349,748
Japan Tobacco, Inc.	262,500	10,515,908
KDDI Corp.	575,200	17,509,848
Makita Corp.	142,500	9,396,291
Seven & I Holdings Co., Ltd.	277,400	11,581,254
SoftBank Group Corp.	190,600	10,783,186
Sony Corp.	395,000	11,560,113
Sumitomo Mitsui Financial Group, Inc.	394,300	11,304,686
United Arrows, Ltd.	146,300	4,232,953
		139,976,563
Luxembourg | 0.7%		
RTL Group SA	58,968	4,809,467
Netherlands | 5.6%		
Koninklijke KPN NV	1,807,647	6,556,594
Royal Dutch Shell PLC, A Shares	661,985	18,074,439
Wolters Kluwer NV	322,434	13,176,416
		37,807,449
Norway | 1.4%		
Telenor ASA	584,522	9,654,712
Philippines | 0.5%		
Alliance Global Group, Inc.	9,970,300	3,146,319
Spain | 1.1%		
Red Electrica Corporacion SA	81,689	7,282,942
Sweden | 3.4%		
Assa Abloy AB, Class B	678,061	13,898,162
Swedbank AB, A Shares	440,122	9,206,285
		23,104,447
Switzerland | 5.9%		
Novartis AG	336,063	27,645,811
Wolseley PLC	238,805	12,376,111
		40,021,922
Taiwan | 2.0%		
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	509,400	13,361,562

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

Description	Shares	Fair Value
Lazard Retirement International Equity Portfolio (concluded)		
Thailand | 0.6%		
Krung Thai Bank Public Co. Ltd. (c)	8,002,400	$ 3,711,984
Turkey | 1.1%		
Turkcell Iletisim Hizmetleri AS (a)	2,084,109	7,676,082
United Kingdom | 12.8%		
British American Tobacco PLC	322,509	20,985,808
Direct Line Insurance Group PLC	1,019,511	4,714,692
Howden Joinery Group PLC	957,463	4,993,828
Informa PLC	666,172	6,524,041
J Sainsbury PLC	2,069,882	6,419,163
Provident Financial PLC	184,746	5,710,496
Prudential PLC	844,538	14,387,380
RELX PLC	678,674	12,505,020
Unilever PLC	208,960	10,023,200
		86,263,628
United States | 3.1%		
Aon PLC	117,875	$ 12,875,486
Signet Jewelers, Ltd.	95,341	7,857,052
		20,732,538
Total Common Stocks (Cost $543,283,343)		612,479,892
Short-Term Investment | 5.5%		
State Street Institutional Treasury Money Market Fund, Premier Class, 0.14% (7 day yield) (Cost $37,473,652)	37,473,652	37,473,652
Total Investments | 96.0% (Cost $580,756,995) (b)		**$649,953,544**
Cash and Other Assets in Excess of Liabilities | 4.0%		**26,837,535**
Net Assets | 100.0%		**$676,791,079**

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

Description	Shares	Fair Value
Lazard Retirement Emerging Markets Equity Portfolio		
Common Stocks | 95.7%		
Argentina | 1.1%		
YPF SA Sponsored ADR	605,034	$ 11,616,653
Brazil | 10.5%		
Ambev SA ADR	2,924,400	17,283,204
Banco do Brasil SA	3,365,266	17,998,092
BB Seguridade Participacoes SA	2,125,600	18,600,572
CCR SA	3,218,100	16,830,333
Cielo SA	2,387,054	25,161,301
Localiza Rent a Car SA	781,115	8,389,150
Natura Cosmeticos SA	396,100	3,144,336
Via Varejo SA	227,000	526,461
		107,933,449
China | 16.0%		
AAC Technologies Holdings, Inc.	1,185,000	10,192,198
Baidu, Inc. Sponsored ADR (a)	169,700	28,025,955
China Construction Bank Corp., Class H	57,111,390	38,027,502
China Mobile, Ltd. Sponsored ADR	519,049	30,052,937
China Shenhua Energy Co., Ltd., Class H	4,516,829	8,349,096
CNOOC, Ltd.	7,902,000	9,865,285
NetEase, Inc. ADR	170,400	32,924,688
Weichai Power Co., Ltd., Class H	7,060,932	7,305,811
		164,743,472
Egypt | 0.9%		
Commercial International Bank Egypt SAE GDR	2,503,291	8,916,296
Hong Kong | 0.4%		
Huabao International Holdings, Ltd. (a)	11,723,000	4,159,665
Hungary | 1.5%		
OTP Bank Nyrt.	682,606	15,304,421
India | 9.8%		
Axis Bank, Ltd.	2,743,029	$ 21,820,458
Bajaj Auto, Ltd.	231,398	9,261,755
Bharat Heavy Electricals, Ltd.	2,506,622	4,783,163
HCL Technologies, Ltd.	1,086,435	11,787,919
Hero MotoCorp, Ltd.	346,621	16,228,679
Punjab National Bank (a)	5,875,030	9,307,249
Tata Consultancy Services, Ltd.	752,872	28,437,364
		101,626,587
Indonesia | 7.2%		
PT Astra International Tbk	22,998,900	12,964,337
PT Bank Mandiri (Persero) Tbk	24,016,429	17,410,321
PT Semen Indonesia (Persero) Tbk	10,198,200	7,247,130
PT Telekomunikasi Indonesia (Persero) Tbk Sponsored ADR	502,400	30,877,504
PT United Tractors Tbk	4,815,740	5,422,861
		73,922,153
Macau | 0.3%		
Wynn Macau, Ltd.	2,116,000	3,083,255
Malaysia | 0.6%		
British American Tobacco Malaysia Berhad	517,700	6,772,540
Mexico | 2.8%		
America Movil SAB de CV, Class L Sponsored ADR	744,448	9,126,933
Grupo Mexico SAB de CV, Series B	4,114,197	9,640,460
Kimberly-Clark de Mexico SAB de CV, Series A	4,271,362	10,090,503
		28,857,896
Pakistan | 2.0%		
Habib Bank, Ltd.	4,359,600	8,225,461
Oil & Gas Development Co., Ltd.	3,279,300	4,355,724
Pakistan Petroleum, Ltd.	5,144,402	7,624,437
		20,205,622
Philippines | 1.3%		
Philippine Long Distance Telephone Co. Sponsored ADR	306,900	13,678,533

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

Lazard Retirement Emerging Markets Equity Portfolio (concluded)

Description	Shares	Fair Value
Russia | 9.1%		
ALROSA PAO (a)	6,613,700	$ 7,123,980
Gazprom PJSC Sponsored ADR	3,402,719	14,695,152
Lukoil PJSC Sponsored ADR	423,337	17,717,515
Magnit PJSC Sponsored GDR (c), (d)	108,375	3,600,218
Magnit PJSC Sponsored GDR	57,639	1,917,301
Mobile TeleSystems PJSC Sponsored ADR	1,805,420	14,948,878
Sberbank of Russia PJSC (a)	16,162,500	33,686,691
		93,689,735
South Africa | 7.8%		
Bid Corp., Ltd. (a)	403,334	7,558,405
Imperial Holdings, Ltd.	817,112	8,391,608
Life Healthcare Group Holdings, Ltd.	1,035,590	2,550,354
Nedbank Group, Ltd.	590,682	7,510,247
PPC, Ltd.	3,297,837	1,799,404
Sanlam, Ltd.	2,031,224	8,354,866
Shoprite Holdings, Ltd.	1,233,255	13,958,360
Standard Bank Group, Ltd.	983,441	8,620,696
The Bidvest Group, Ltd.	403,334	3,799,823
Vodacom Group, Ltd.	754,698	8,631,388
Woolworths Holdings, Ltd.	1,627,632	9,313,231
		80,488,382
South Korea | 12.5%		
Coway Co., Ltd.	151,043	13,728,902
Hanwha Life Insurance Co., Ltd.	1,875,601	9,434,582
Hyundai Mobis Co., Ltd.	74,708	16,356,500
KB Financial Group, Inc.	326,393	9,311,037
KT&G Corp.	72,977	8,650,181
Samsung Electronics Co., Ltd.	27,862	34,684,255
Shinhan Financial Group Co., Ltd.	646,348	21,340,129
SK Hynix, Inc.	538,610	15,308,352
		128,813,938
Taiwan | 5.4%		
Hon Hai Precision Industry Co., Ltd.	4,240,138	$ 10,910,300
Taiwan Semiconductor Manufacturing Co., Ltd.	8,920,642	45,107,819
		56,018,119
Thailand | 2.1%		
Kasikornbank Public Co. Ltd.	1,618,436	7,958,241
PTT Exploration & Production Public Co. Ltd.	2,742,135	6,476,870
The Siam Cement Public Co. Ltd.	551,650	7,512,879
		21,947,990
Turkey | 4.4%		
Akbank TAS	4,823,787	13,971,599
KOC Holding AS	2,217,366	10,133,852
Turk Telekomunikasyon AS	555,430	1,175,791
Turkcell Iletisim Hizmetleri AS (a)	2,738,913	10,087,822
Turkiye Is Bankasi AS, C Shares	6,153,624	9,864,972
		45,234,036
Total Common Stocks (Cost $1,068,453,550)		987,012,742
Short-Term Investment | 4.1%		
State Street Institutional Treasury Money Market Fund, Premier Class, 0.14% (7 day yield) (Cost $41,909,918)	41,909,918	41,909,918
Total Investments | 99.8% (Cost $1,110,363,468) (b)		**$1,028,922,660**
Cash and Other Assets in Excess of Liabilities | 0.2%		**1,890,529**
Net Assets | 100.0%		**$1,030,813,189**

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

Description	Shares	Fair Value
Lazard Retirement Global Dynamic Multi Asset Portfolio		
Common Stocks | 64.6%		
Australia | 2.4%		
Amcor, Ltd.	95,659	$ 1,069,824
Blackmores, Ltd.	2,422	239,310
BlueScope Steel, Ltd.	20,630	98,923
Cochlear, Ltd.	1,316	119,363
CSL, Ltd.	18,636	1,566,952
Evolution Mining, Ltd.	68,873	120,064
Harvey Norman Holdings, Ltd.	36,052	124,992
Investa Office Fund REIT	44,743	143,148
JB Hi-Fi, Ltd.	7,008	126,711
Magellan Financial Group, Ltd.	14,817	248,394
Mirvac Group REIT	182,634	276,301
Northern Star Resources, Ltd.	45,169	166,789
REA Group, Ltd.	5,988	266,610
Regis Resources, Ltd.	207,725	530,800
Sandfire Resources NL	31,406	124,044
Telstra Corp., Ltd.	170,830	710,935
Wesfarmers, Ltd.	6,540	196,972
		6,130,132
Austria | 0.1%		
Erste Group Bank AG	8,887	203,231
Belgium | 0.6%		
Anheuser-Busch InBev SA/NV Sponsored ADR	10,145	1,335,894
Telenet Group Holding NV (a)	3,930	179,383
		1,515,277
Canada | 3.0%		
Alamos Gold, Inc., Class A	19,867	170,844
BCE, Inc.	11,176	528,891
Canadian Imperial Bank of Commerce	6,121	459,756
Canadian National Railway Co.	22,135	1,307,181
CGI Group, Inc., Class A (a)	12,629	539,490
CI Financial Corp.	7,060	147,271
Colliers International Group, Inc.	3,471	118,535
Constellation Software, Inc.	317	122,685
Corus Entertainment, Inc., B Shares	11,396	117,493
Dollarama, Inc.	4,321	301,679
Emera, Inc.	2,982	112,222
Enbridge, Inc.	5,354	226,808
Genworth MI Canada, Inc.	8,424	$ 216,085
Imperial Oil, Ltd.	5,350	169,285
Intact Financial Corp.	7,313	522,402
Lundin Mining Corp. (a)	62,217	209,967
Magna International, Inc.	20,064	704,286
Manulife Financial Corp.	15,318	209,504
Metro, Inc.	9,068	315,918
Open Text Corp.	6,461	382,024
Quebecor, Inc., Class B	5,875	168,344
Suncor Energy, Inc.	12,020	333,447
Transcontinental, Inc. Class A	8,034	108,886
Uni-Select, Inc.	4,220	107,007
		7,600,010
Denmark | 0.7%		
Carlsberg A/S Class B Sponsored ADR	27,285	519,779
Coloplast A/S, Class B	3,303	246,561
Novo Nordisk A/S Sponsored ADR	10,295	553,665
Novo Nordisk A/S, Class B	5,539	297,871
Vestas Wind Systems A/S	2,411	163,621
		1,781,497
Finland | 0.6%		
Kone Oyj, Class B	12,783	590,223
Sampo Oyj, A Shares ADR	42,795	870,664
		1,460,887
France | 0.5%		
Airbus Group SE	7,264	421,809
BNP Paribas SA	3,087	138,785
Electricite de France SA	6,734	82,775
Engie SA	10,747	173,440
Orange SA	12,446	203,293
Sopra Steria Group	1,064	110,429
TOTAL SA	3,406	164,243
		1,294,774
Germany | 1.0%		
Bayer AG	1,940	195,188
Continental AG Sponsored ADR	13,455	511,290
Daimler AG	1,242	74,068
Deutsche Lufthansa AG	6,493	75,593
GEA Group AG Sponsored ADR	11,035	520,962
Muenchener Rueckversicherungs AG	631	105,458
ProSiebenSat.1 Media SE	3,573	156,017
Rheinmetall AG	1,347	79,552
Symrise AG ADR	46,910	802,395
		2,520,523

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

Description	Shares	Fair Value
Lazard Retirement Global Dynamic Multi Asset Portfolio (continued)		
Hong Kong | 1.9%		
AIA Group, Ltd. Sponsored ADR	22,355	$ 537,973
CLP Holdings, Ltd.	43,500	445,293
Henderson Land Development Co., Ltd.	46,200	261,793
Hongkong Land Holdings, Ltd.	20,700	126,522
Jardine Matheson Holdings, Ltd.	9,800	573,878
Link Real Estate Investment Trust	170,500	1,166,411
PCCW, Ltd.	451,000	303,233
Swire Pacific, Ltd., Class A	51,500	586,395
The Wharf Holdings, Ltd.	49,000	299,457
Wheelock & Co., Ltd.	89,000	420,933
		4,721,888
Ireland | 0.6%		
Experian PLC	5,854	111,194
Ryanair Holdings PLC Sponsored ADR	1,501	104,380
Shire PLC ADR	7,175	1,320,774
		1,536,348
Israel | 0.6%		
Bank Hapoalim BM	19,750	99,693
Check Point Software Technologies, Ltd. (a)	3,575	284,856
Israel Discount Bank, Ltd., Class A (a)	82,275	141,937
Nice, Ltd.	2,968	186,370
Orbotech, Ltd. (a)	12,016	307,009
Teva Pharmaceutical Industries, Ltd. Sponsored ADR	11,360	570,613
		1,590,478
Italy | 0.4%		
Davide Campari-Milano SpA ADR	145,760	708,102
Enel SpA	24,120	107,274
Moncler SpA	4,049	64,046
Saras SpA	48,272	83,638
		963,060
Japan | 5.5%		
Amano Corp.	9,300	160,793
Astellas Pharma, Inc.	9,500	148,668
Central Japan Railway Co.	400	70,799
Chubu Electric Power Co., Inc.	6,900	98,248
CKD Corp.	7,200	53,450
Daito Trust Construction Co., Ltd.	6,000	972,576
Daiwa House Industry Co., Ltd.	4,600	134,227
Daiwa House Industry Co., Ltd. ADR	41,415	1,202,899
Electric Power Development Co., Ltd.	3,600	83,674
Fuji Heavy Industries, Ltd.	9,700	332,052
Fujitsu General, Ltd.	4,000	88,445
Haseko Corp.	9,100	90,821
Heiwa Corp.	7,600	$ 153,324
Idemitsu Kosan Co., Ltd.	35,700	769,781
Iida Group Holdings Co., Ltd.	10,600	215,903
Japan Airlines Co., Ltd.	3,700	118,757
JTEKT Corp.	11,400	128,530
Kakaku.com, Inc.	5,300	104,479
KDDI Corp.	4,300	130,898
KDDI Corp. ADR	65,695	994,622
Kumagai Gumi Co., Ltd.	29,000	81,629
Kuraray Co., Ltd.	10,700	127,253
Kyokuto Kaihatsu Kogyo Co., Ltd.	7,500	70,131
Lion Corp.	11,000	180,260
Mazda Motor Corp.	6,500	87,059
Medipal Holdings Corp.	27,800	456,167
Mitsubishi Electric Corp.	32,000	379,430
Mitsubishi UFJ Financial Group, Inc.	81,200	361,935
Murata Manufacturing Co., Ltd.	4,900	549,674
Nichirei Corp.	15,000	137,084
Nippon Telegraph & Telephone Corp.	14,000	657,209
Nipro Corp.	11,100	137,196
Nissan Chemical Industries, Ltd.	3,900	113,278
Nisshinbo Holdings, Inc.	12,400	111,918
Nitto Denko Corp.	1,400	88,283
NTT Data Corp.	2,100	98,959
Ryohin Keikaku Co., Ltd. ADR	11,480	556,608
Sanyo Chemical Industries, Ltd.	14,000	108,737
Sanyo Special Steel Co., Ltd.	14,000	62,125
Shimadzu Corp.	8,000	119,064
Shionogi & Co., Ltd.	2,000	108,770
Showa Shell Sekiyu KK	10,800	100,350
Sompo Japan Nipponkoa Holdings, Inc.	14,500	384,097
Sumitomo Chemical Co., Ltd.	30,000	123,026
Sumitomo Mitsui Financial Group, Inc.	22,400	642,214
Sumitomo Osaka Cement Co., Ltd.	33,000	141,124
Taikisha, Ltd.	6,000	148,437
Teijin, Ltd.	101,000	332,664
The San-In Godo Bank, Ltd.	22,900	148,849
Toho Holdings Co., Ltd.	4,400	105,671
Tohoku Electric Power Co., Inc.	8,600	107,849
Tokyo Gas Co., Ltd.	41,000	168,314
Ube Industries, Ltd.	104,000	171,073
UNY Group Holdings Co., Ltd.	25,000	209,615
V Technology Co., Ltd.	1,300	148,619
West Japan Railway Co.	2,400	151,696
Yamaguchi Financial Group, Inc.	21,000	197,709
Yoshinoya Holdings Co., Ltd.	10,700	145,608
		14,072,630

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

Description	Shares	Fair Value
Lazard Retirement Global Dynamic Multi Asset Portfolio (continued)		
Malta | 0.1%		
Unibet Group PLC SDR	24,262	$ 221,950
Netherlands | 1.4%		
NN Group NV	11,375	316,006
NXP Semiconductors NV (a)	10,865	851,164
Royal Dutch Shell PLC, A Shares	49,322	1,352,706
Wolters Kluwer NV	2,452	100,202
Wolters Kluwer NV Sponsored ADR	24,555	1,002,581
		3,622,659
New Zealand | 0.1%		
Air New Zealand, Ltd.	81,148	121,956
Fisher & Paykel Healthcare Corp., Ltd., Class C	33,170	238,094
		360,050
Norway | 0.8%		
Det Norske Oljeselskap ASA (a)	37,731	459,339
DNB ASA	9,034	109,222
Leroy Seafood Group ASA	2,827	133,144
Statoil ASA	73,385	1,270,691
Telenor ASA	10,033	165,718
		2,138,114
Portugal | 0.1%		
Altri SGPS SA	17,635	57,088
Galp Energia SGPS SA	15,632	217,090
Jeronimo Martins SGPS SA	6,543	103,083
		377,261
Singapore | 0.7%		
CapitaLand, Ltd.	93,700	215,246
SATS, Ltd.	42,300	129,230
Singapore Airlines, Ltd.	62,700	497,285
United Overseas Bank, Ltd.	65,300	901,713
		1,743,474
South Africa | 0.1%		
Mediclinic International PLC	19,107	279,749
Spain | 0.3%		
Banco Santander SA	81,466	317,180
CaixaBank SA	119,934	264,004
Corporacion Financiera Alba SA	1,257	51,309
		632,493
Sweden | 0.7%		
Assa Abloy AB ADR	101,300	$ 1,033,260
Axfood AB	33,474	640,318
Castellum AB	10,508	149,576
		1,823,154
Switzerland | 1.2%		
Actelion, Ltd.	831	139,439
Actelion, Ltd. ADR	30,685	1,289,077
Chocoladefabriken Lindt & Spruengli AG	37	220,086
Roche Holding AG	5,367	1,417,052
		3,065,654
United Kingdom | 4.2%		
Admiral Group PLC	7,349	200,587
Bellway PLC	7,775	196,576
Berendsen PLC	9,695	157,947
Berkeley Group Holdings PLC	4,960	168,848
British American Tobacco PLC Sponsored ADR	8,945	1,158,199
BT Group PLC	124,517	687,564
Centrica PLC	363,810	1,098,376
Cineworld Group PLC	7,492	54,637
Coca-Cola European Partners PLC	7,197	256,861
Compass Group PLC	18,658	355,651
Compass Group PLC Sponsored ADR	43,650	833,715
Debenhams PLC	186,392	138,329
easyJet PLC	7,005	101,755
Greene King PLC	8,875	92,643
Greggs PLC	6,965	90,292
Halma PLC	9,686	131,457
Hargreaves Lansdown PLC	18,903	314,561
IG Group Holdings PLC	9,892	106,964
International Consolidated Airlines Group SA Sponsored ADR	2,915	72,438
ITV PLC	51,482	124,362
JD Sports Fashion PLC	5,806	89,463
Moneysupermarket.com Group PLC	20,649	74,662
National Grid PLC	8,702	127,967
Petrofac, Ltd.	8,254	85,783
Provident Financial PLC	2,593	80,150
Prudential PLC ADR	19,205	653,162
RELX NV	1	17
RELX NV Sponsored ADR	59,030	1,027,712
RELX PLC	7,860	144,826

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

Description	Shares	Fair Value
Lazard Retirement Global Dynamic Multi Asset Portfolio (continued)		
Rentokil Initial PLC	98,050	$ 252,869
SSE PLC	38,470	804,404
Subsea 7 SA (a)	26,566	260,020
Unilever PLC Sponsored ADR	11,175	535,394
WH Smith PLC	4,460	94,628
		10,572,819
United States | 37.0%		
3M Co.	6,970	1,220,586
Accenture PLC, Class A	6,596	747,261
Aetna, Inc.	918	112,115
Air Lease Corp.	11,101	297,285
Alphabet, Inc., Class A (a)	1,829	1,286,756
Alphabet, Inc., Class C (a)	1,040	719,784
Altria Group, Inc.	2,120	146,195
Amazon.com, Inc. (a)	297	212,539
AMC Networks, Inc., Class A (a)	3,529	213,222
Amdocs, Ltd.	3,051	176,104
American Electric Power Co., Inc.	25,860	1,812,527
Amgen, Inc.	804	122,329
Aon PLC	9,298	1,015,621
Apple, Inc.	16,363	1,564,303
Applied Materials, Inc.	24,720	592,538
ARRIS International PLC (a)	9,604	201,300
AT&T, Inc.	54,035	2,334,852
Automatic Data Processing, Inc.	4,524	415,620
AutoZone, Inc. (a)	825	654,918
Avon Products, Inc.	44,267	167,329
Ball Corp.	1,037	74,965
Bank of America Corp.	51,216	679,636
Baxter International, Inc.	16,785	759,018
Biogen, Inc. (a)	1,043	252,218
Bristol-Myers Squibb Co.	10,862	798,900
Bunge, Ltd.	4,513	266,944
Cadence Design Systems, Inc. (a)	6,285	152,726
Cal-Maine Foods, Inc.	2,681	118,822
Campbell Soup Co.	12,020	799,691
Carnival Corp.	6,513	287,875
Casey's General Stores, Inc.	2,339	307,602
CBOE Holdings, Inc.	5,243	349,289
CBRE Group, Inc., Class A (a)	14,625	387,270
Church & Dwight Co., Inc.	1,302	133,963
Cigna Corp.	673	86,137
Cisco Systems, Inc.	30,756	882,390
Citigroup, Inc.	19,583	830,123
Colgate-Palmolive Co.	2,181	$ 159,649
Comcast Corp., Class A	11,889	775,044
Costco Wholesale Corp.	1,453	228,179
CR Bard, Inc.	1,623	381,665
CVS Health Corp.	5,475	524,176
Darden Restaurants, Inc.	6,029	381,877
Delta Air Lines, Inc.	7,306	266,158
Dr Pepper Snapple Group, Inc.	7,307	706,075
Eaton Corp. PLC	8,310	496,356
Edison International	2,888	224,311
Emerson Electric Co.	3,225	168,216
EOG Resources, Inc.	5,545	462,564
Equity Residential REIT	2,329	160,422
Everest Re Group, Ltd.	3,771	688,849
Exelon Corp.	19,729	717,346
Facebook, Inc., Class A (a)	8,557	977,894
FactSet Research Systems, Inc.	3,998	645,357
FedEx Corp.	3,455	524,400
Fidelity National Information Services, Inc.	7,530	554,810
Fifth Third Bancorp	41,454	729,176
First NBC Bank Holding Co. (a)	9,432	158,363
Foot Locker, Inc.	2,498	137,040
Ford Motor Co.	8,053	101,226
GATX Corp.	3,133	137,758
General Dynamics Corp.	2,194	305,493
General Electric Co.	29,199	919,185
General Motors Co.	21,460	607,318
Global Payments, Inc.	4,945	352,974
Great Plains Energy, Inc.	34,440	1,046,976
HCA Holdings, Inc. (a)	8,625	664,211
HFF, Inc., Class A	4,802	138,682
Honeywell International, Inc.	9,515	1,106,785
IDEXX Laboratories, Inc. (a)	1,521	141,240
Intel Corp.	27,840	913,152
Intercontinental Exchange, Inc.	3,054	781,702
International Paper Co.	3,780	160,196
Intuit, Inc.	4,266	476,128
Iron Mountain, Inc. REIT	7,624	303,664
Johnson & Johnson	26,521	3,216,997
JPMorgan Chase & Co.	39,363	2,446,017
KB Home	7,420	112,858
Kellogg Co.	3,970	324,151
KeyCorp.	34,432	380,474
Lincoln National Corp.	6,752	261,775
Linear Technology Corp.	3,128	145,546
Lowe's Cos., Inc.	22,743	1,800,563

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

Description	Shares	Fair Value
Lazard Retirement Global Dynamic Multi Asset Portfolio (continued)		
Marathon Petroleum Corp.	1,838	$ 69,770
Marsh & McLennan Cos., Inc.	2,750	188,265
MasterCard, Inc., Class A	2,261	199,104
McDonald's Corp.	10,522	1,266,217
McKesson Corp.	4,473	834,885
Mead Johnson Nutrition Co.	4,735	429,701
MetLife, Inc.	8,606	342,777
Mettler-Toledo International, Inc. (a)	1,523	555,773
Microsoft Corp.	47,702	2,440,911
Molson Coors Brewing Co., Class B	8,016	810,658
Monsanto Co.	7,617	787,674
Motorola Solutions, Inc.	1,698	112,017
MSCI, Inc.	2,243	172,980
NIKE, Inc., Class B	6,147	339,314
Nordstrom, Inc.	3,853	146,607
Northrop Grumman Corp.	812	180,491
NVR, Inc. (a)	129	229,664
O'Reilly Automotive, Inc. (a)	4,227	1,145,940
Omnicom Group, Inc.	3,468	282,607
PayPal Holdings, Inc. (a)	2,926	106,828
PepsiCo, Inc.	13,091	1,386,861
Pfizer, Inc.	3,619	127,425
Phillips 66	8,428	668,678
Pinnacle West Capital Corp.	2,786	225,833
Piper Jaffray Cos., Inc. (a)	7,530	283,881
Pool Corp.	5,423	509,925
Premier, Inc., Class A (a)	3,184	104,117
Primerica, Inc.	3,381	193,528
Public Service Enterprise Group, Inc.	12,000	559,320
Quintiles Transnational Holdings, Inc. (a)	18,445	1,204,827
Regeneron Pharmaceuticals, Inc. (a)	289	100,927
Regions Financial Corp.	14,314	121,812
Republic Services, Inc.	4,905	251,676
Reynolds American, Inc.	19,387	1,045,541
Rockwell Automation, Inc.	6,715	771,016
Rockwell Collins, Inc.	3,571	304,035
Ross Stores, Inc.	3,965	224,776
S&P Global, Inc.	8,296	889,829
Sabre Corp.	12,101	324,186
Sanderson Farms, Inc.	1,542	133,599
Schlumberger, Ltd.	16,510	1,305,611
Simon Property Group, Inc. REIT	5,108	1,107,925
Skechers USA, Inc., Class A (a)	3,765	111,896
Skyworks Solutions, Inc.	1,858	117,574
Snap-on, Inc.	3,390	$ 535,010
Spirit AeroSystems Holdings, Inc., Class A (a)	2,438	104,834
Starbucks Corp.	12,831	732,907
Steel Dynamics, Inc.	13,626	333,837
Target Corp.	2,258	157,654
Teradata Corp. (a)	4,216	105,695
Tesoro Corp.	722	54,092
Texas Instruments, Inc.	2,421	151,676
The Boeing Co.	3,779	490,779
The Charles Schwab Corp.	18,005	455,707
The Clorox Co.	6,193	857,049
The Dow Chemical Co.	11,287	561,077
The Estee Lauder Cos., Inc., Class A	2,682	244,116
The Kroger Co.	33,929	1,248,248
The Procter & Gamble Co.	10,776	912,404
The Southern Co.	12,851	689,199
The TJX Cos., Inc.	9,480	732,140
The Walt Disney Co.	2,009	196,520
Thermo Fisher Scientific, Inc.	3,815	563,704
Time Warner, Inc.	15,764	1,159,285
Time, Inc.	8,505	139,992
Tyco International PLC	11,485	489,261
Tyson Foods, Inc., Class A	11,519	769,354
United Technologies Corp.	9,995	1,024,987
UnitedHealth Group, Inc.	6,950	981,340
Universal Health Services, Inc., Class B	2,090	280,269
Unum Group	25,335	805,400
Validus Holdings, Ltd.	1,682	81,728
Vantiv, Inc., Class A (a)	10,080	570,528
Verizon Communications, Inc.	48,951	2,733,424
Visa, Inc., Class A	14,511	1,076,281
Wabash National Corp. (a)	5,267	66,891
WABCO Holdings, Inc. (a)	528	48,349
Wal-Mart Stores, Inc.	11,063	807,820
Waters Corp. (a)	2,422	340,654
WellCare Health Plans, Inc. (a)	1,152	123,587
Wells Fargo & Co.	10,934	517,506
Whirlpool Corp.	914	152,309
Wyndham Worldwide Corp.	2,396	170,667
Xcel Energy, Inc.	10,129	453,577
Zoetis, Inc.	23,745	1,126,938
		93,857,527
Total Common Stocks (Cost $157,996,065)		164,085,639

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

Description	Security Currency	Principal Amount (000)	Fair Value
Lazard Retirement Global Dynamic Multi Asset Portfolio (continued)			
Corporate Bonds | 10.1%			
Australia | 0.7%			
Telstra Corp., Ltd.,			
4.000%, 11/15/17	AUD	1,490	$ 1,132,099
Toyota Finance Australia, Ltd.,			
4.250%, 05/15/19	AUD	827	643,969
			1,776,068
Belgium | 0.6%			
Anheuser-Busch InBev Finance, Inc.:			
2.375%, 01/25/18	CAD	1,295	1,016,885
2.650%, 02/01/21	USD	530	549,217
			1,566,102
Canada | 1.4%			
Suncor Energy, Inc.,			
6.100%, 06/01/18	USD	640	692,067
The Bank of Nova Scotia,			
2.125%, 09/11/19	USD	1,580	1,620,950
The Toronto-Dominion Bank:			
2.250%, 11/05/19	USD	395	405,342
2.621%, 12/22/21	CAD	875	709,407
			3,427,766
Denmark | 0.2%			
Carlsberg Breweries A/S,			
2.500%, 05/28/24	EUR	500	612,645
France | 0.3%			
Orange SA,			
5.375%, 07/08/19	USD	735	816,090
Germany | 0.7%			
BMW Finance NV,			
3.375%, 12/14/18	GBP	785	1,099,410
Daimler Finance North America LLC,			
3.875%, 09/15/21	USD	575	626,517
			1,725,927
Italy | 0.3%			
Atlantia SpA,			
4.375%, 09/16/25	EUR	480	691,177
Mexico | 0.1%			
America Movil SAB de CV,			
6.450%, 12/05/22	MXN	7,000	363,130
Netherlands | 0.2%			
Bank Nederlandse Gemeenten NV,			
5.000%, 09/16/20	NZD	805	$ 619,022
New Zealand | 0.1%			
Fonterra Cooperative Group, Ltd.,			
5.500%, 02/26/24	AUD	300	253,214
Norway | 0.4%			
Statoil ASA,			
3.700%, 03/01/24	USD	540	583,534
Telenor ASA,			
1.750%, 05/22/18	USD	480	483,089
			1,066,623
United Kingdom | 1.0%			
Centrica PLC,			
7.000%, 09/19/18	GBP	100	149,231
Rolls-Royce PLC,			
6.750%, 04/30/19	GBP	452	692,845
Santander UK PLC,			
5.125%, 04/14/21	GBP	620	970,905
SSE PLC,			
5.000%, 10/01/18	GBP	450	649,484
			2,462,465
United States | 4.1%			
Alphabet, Inc.,			
3.625%, 05/19/21	USD	400	441,144
Apple, Inc.,			
3.850%, 05/04/43	USD	1,010	1,014,782
Citigroup, Inc.,			
3.595%, 05/04/21 (e)	AUD	1,415	1,053,506
General Electric Co.,			
5.500%, 02/01/17	NZD	370	267,617
John Deere Canada Funding, Inc.:			
2.300%, 01/17/18	CAD	355	278,755
2.050%, 09/17/20	CAD	580	455,847
John Deere Capital Corp.,			
2.300%, 09/16/19	USD	245	252,592
JPMorgan Chase & Co.,			
4.500%, 01/24/22	USD	530	589,878
Morgan Stanley,			
2.500%, 01/24/19	USD	1,015	1,035,512
Nestle Holdings, Inc.,			
2.500%, 07/10/17	NOK	6,660	806,842
The Goldman Sachs Group, Inc.:			
5.200%, 12/17/19	NZD	1,135	847,193
3.625%, 01/22/23	USD	700	734,533

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

Description	Security Currency	Principal Amount (000)	Fair Value
Lazard Retirement Global Dynamic Multi Asset Portfolio (continued)			
The Home Depot, Inc.,			
2.625%, 06/01/22	USD	750	$ 785,006
Union Pacific Corp.,			
4.163%, 07/15/22	USD	755	849,775
Valero Energy Corp.,			
6.125%, 02/01/20	USD	319	360,056
Wells Fargo Canada Corp.,			
3.040%, 01/29/21	CAD	640	525,331
			10,298,369
Total Corporate Bonds			
(Cost $26,093,729)			25,678,598
Foreign Government Obligations | 15.0%			
Australia | 1.3%			
Queensland Treasury Corp.,			
5.500%, 06/21/21	AUD	1,090	947,309
Treasury Corp. of Victoria,			
6.000%, 10/17/22	AUD	1,585	1,463,703
Western Australian Treasury Corp.,			
6.000%, 10/16/23	AUD	855	790,770
			3,201,782
Bahamas | 0.6%			
Commonwealth of Bahamas:			
5.750%, 01/16/24	USD	520	543,400
6.950%, 11/20/29	USD	835	945,283
			1,488,683
Bermuda | 0.7%			
Government of Bermuda:			
5.603%, 07/20/20	USD	1,265	1,388,246
4.138%, 01/03/23	USD	300	310,050
			1,698,296
Canada | 4.2%			
Canada Government Bond,			
1.125%, 03/19/18	USD	1,490	1,500,966
City of Vancouver,			
2.900%, 11/20/25	CAD	415	340,667
Province of Alberta,			
4.000%, 12/01/19	CAD	2,470	2,099,352
Province of British Columbia,			
3.700%, 12/18/20	CAD	1,770	1,523,917
Province of Ontario:			
2.450%, 06/29/22	USD	1,695	$ 1,773,965
1.950%, 01/27/23	CAD	1,045	831,802
Province of Quebec:			
3.500%, 07/29/20	USD	1,515	1,643,370
2.500%, 04/20/26	USD	775	797,880
			10,511,919
Chile | 0.3%			
Republic of Chile,			
1.625%, 01/30/25	EUR	730	858,724
Colombia | 0.3%			
Republic of Colombia,			
2.625%, 03/15/23	USD	850	822,375
Ireland | 0.6%			
Irish Treasury,			
3.400%, 03/18/24	EUR	1,100	1,506,203
Mexico | 1.2%			
Mexican Bonos:			
5.000%, 12/11/19	MXN	26,860	1,457,696
6.500%, 06/09/22	MXN	14,380	820,372
United Mexican States,			
6.750%, 02/06/24	GBP	570	904,883
			3,182,951
New Zealand | 0.9%			
New Zealand Government Bonds:			
3.000%, 04/15/20	NZD	1,895	1,399,545
6.000%, 05/15/21	NZD	1,190	972,337
			2,371,882
Norway | 1.0%			
Oslo Kommune:			
4.900%, 11/04/19	NOK	2,000	265,471
3.550%, 02/12/21	NOK	4,000	518,214
3.600%, 12/06/22	NOK	3,000	401,530
2.450%, 05/24/23	NOK	2,000	249,755
3.650%, 11/08/23	NOK	4,000	539,674
2.350%, 09/04/24	NOK	4,000	493,646
			2,468,290
Panama | 0.4%			
Republic of Panama,			
4.000%, 09/22/24	USD	1,000	1,066,250

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

Description	Security Currency	Principal Amount (000)	Fair Value
Lazard Retirement Global Dynamic Multi Asset Portfolio (continued)			
Poland | 1.3%			
Poland Government Bond, 1.750%, 01/25/21 (e)	PLN	9,750	$ 2,434,374
Republic of Poland, 3.000%, 03/17/23	USD	884	899,028
			3,333,402
Singapore | 0.6%			
Singapore Government Bond, 3.000%, 09/01/24	SGD	1,980	1,601,373
Slovakia | 0.1%			
Slovak Republic, 4.375%, 05/21/22	USD	200	226,818
Spain | 0.2%			
Spain Government Bond, 1.600%, 04/30/25	EUR	360	417,437
Sweden | 0.7%			
Kommuninvest I Sverige AB, 1.500%, 04/23/19 (d)	USD	500	507,097
Svensk Exportkredit AB, 1.875%, 12/21/18	GBP	955	1,307,059
			1,814,156
United Kingdom | 0.6%			
United Kingdom Treasury: 1.750%, 07/22/19	GBP	530	738,597
2.000%, 07/22/20	GBP	480	682,030
			1,420,627
Total Foreign Government Obligations (Cost $38,443,239)			37,991,168
Quasi Government Bonds | 2.8%			
Canada | 1.2%			
Canada Housing Trust No. 1, 1.250%, 12/15/20	CAD	2,045	1,603,139
Hydro-Quebec: 1.050%, 12/01/19 (e)	CAD	1,500	1,158,760
9.625%, 07/15/22	CAD	368	418,593
			3,180,492
Chile | 0.4%			
Corp. Nacional del Cobre de Chile, 4.500%, 08/13/23	USD	800	$ 848,153
Germany | 0.6%			
Deutsche Bahn Finance BV, 3.375%, 09/01/16	NOK	3,630	435,161
KFW: 2.875%, 10/12/16	NOK	1,210	145,305
1.125%, 12/23/19	GBP	485	657,043
Landeskreditbank Baden-Wuerttemberg Foerderbank, 3.000%, 05/22/17	NOK	1,180	143,130
			1,380,639
Mexico | 0.1%			
Nacional Financiera SNC, 3.375%, 11/05/20	USD	300	306,000
Singapore | 0.5%			
Temasek Financial I, Ltd., 4.300%, 10/25/19	USD	1,215	1,330,219
Total Quasi Government Bonds (Cost $7,178,894)			7,045,503
Supranationals | 1.6%			
African Development Bank, 2.375%, 09/23/21	USD	740	777,164
Asian Development Bank: 1.875%, 04/12/19	USD	1,125	1,154,405
2.125%, 03/19/25	USD	680	705,794
Corporacion Andina de Fomento, 4.375%, 06/15/22	USD	985	1,099,644
Inter-American Development Bank, 6.000%, 12/15/17	NZD	565	422,570
Total Supranationals (Cost $4,088,953)			4,159,577

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

Description	Security Currency	Principal Amount (000)	Fair Value
Lazard Retirement Global Dynamic Multi Asset Portfolio (continued)			
US Municipal Bonds | 0.5%			
Georgia | 0.4%			
Georgia State:			
Build America Bond Series H, 5.014%, 11/01/27	USD	420	$ 527,776
Series B, 2.380%, 02/01/27	USD	350	358,386
			886,162
Pennsylvania | 0.0%			
Pennsylvania State Build America Bond Third Series B, 5.850%, 07/15/30	USD	50	56,978
Texas | 0.0%			
Texas State Build America Bond Series A, 4.123%, 04/01/25	USD	100	117,890
Wisconsin | 0.1%			
Wisconsin State Build America Bond Series D, 5.400%, 05/01/28	USD	175	201,789
Total US Municipal Bonds (Cost $1,189,406)			1,262,819
US Treasury Securities | 1.5%			
US Treasury Notes:			
2.125%, 05/15/25	USD	2,880	3,043,463
1.625%, 05/15/26	USD	840	850,762
Total US Treasury Securities (Cost $3,780,200)			3,894,225

Description	Shares	Fair Value
Short-Term Investment | 3.6%		
State Street Institutional Treasury Money Market Fund, Premier Class, 0.14% (7 day yield) (Cost $9,114,789)	9,114,789	$ 9,114,789
Total Investments | 99.7% (Cost $247,885,275) (b), (f)		**$253,232,318**
Cash and Other Assets in Excess of Liabilities | 0.3%		**646,622**
Net Assets | 100.0%		**$253,878,940**

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

Lazard Retirement Global Dynamic Multi Asset Portfolio (continued)

Forward Currency Contracts open at June 30, 2016:

Currency Purchased	Quantity	Currency Sold	Quantity	Counterparty	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
AUD	167,627	USD	123,498	HSB	08/18/16	$ 1,318	$ —
AUD	303,500	USD	222,019	HSB	08/18/16	3,968	—
CAD	556,136	USD	435,000	RBC	08/18/16	—	4,479
CHF	682,838	USD	707,080	HSB	08/18/16	—	5,962
CZK	1,549,311	USD	65,585	CIT	08/18/16	—	1,975
DKK	4,191,239	USD	642,596	CIT	08/18/16	—	16,240
EUR	6,584,615	USD	7,519,663	CIT	08/18/16	—	200,883
EUR	444,435	USD	499,900	HSB	08/18/16	—	5,912
EUR	6,921,106	USD	7,903,661	HSB	08/18/16	—	210,872
EUR	2,686,666	USD	3,060,099	HSB	09/02/16	—	72,366
EUR	471,483	USD	537,000	SCB	08/18/16	—	12,948
GBP	379,483	USD	549,207	HSB	08/18/16	—	43,825
GBP	285,237	USD	412,618	SSB	09/02/16	—	32,700
JPY	89,796,080	USD	880,000	CIT	08/18/16	—	9,261
JPY	98,095,032	USD	963,000	CIT	08/18/16	—	11,787
JPY	1,145,800,056	USD	10,515,207	CIT	08/18/16	595,444	—
JPY	36,129,034	USD	327,800	HSB	08/18/16	22,538	—
JPY	419,425,467	USD	3,849,388	HSB	08/18/16	217,718	—
JPY	44,798,314	USD	418,000	SCB	08/18/16	16,403	—
JPY	77,444,595	USD	723,006	SSB	09/02/16	28,313	—
KRW	304,108,920	USD	260,100	CIT	09/21/16	3,711	—
KRW	858,401,400	USD	735,247	CIT	09/21/16	9,406	—
MXN	3,356,421	USD	179,000	HSB	08/18/16	3,815	—
MXN	3,478,387	USD	190,384	HSB	08/18/16	—	925
NOK	1,967,756	USD	236,583	HSB	08/18/16	—	1,471
NOK	1,976,704	USD	241,664	HSB	08/18/16	—	5,483
SEK	4,235,193	USD	518,676	CIT	08/18/16	—	17,157
SEK	8,948,969	USD	1,097,332	HSB	08/18/16	—	37,623
USD	2,481,340	AUD	2,508,202	CAN	08/18/16	—	26,862
USD	3,062,351	NZD	3,205,278	CAN	08/18/16	—	142,927
USD	53,017	AUD	54,517	CIT	08/18/16	—	1,500
USD	133,973	GBP	123,950	CIT	08/18/16	10,023	—
USD	173,122	AUD	175,051	CIT	08/18/16	—	1,929
USD	189,869	GBP	172,001	CIT	08/18/16	17,868	—
USD	309,000	GBP	291,718	CIT	08/18/16	17,282	—
USD	401,309	NZD	419,780	CIT	08/18/16	—	18,471
USD	836,000	GBP	827,939	CIT	08/18/16	8,061	—
USD	1,040,000	GBP	1,008,743	CIT	08/18/16	31,257	—
USD	1,981,112	CAD	1,969,901	CIT	08/18/16	11,210	—
USD	117,380	MXN	117,280	HSB	08/18/16	100	—
USD	137,015	PLN	138,119	HSB	08/18/16	—	1,104
USD	275,000	NZD	281,111	HSB	08/18/16	—	6,111
USD	402,794	NOK	400,514	HSB	08/18/16	2,280	—
USD	418,473	PLN	410,639	HSB	08/18/16	7,834	—

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

Lazard Retirement Global Dynamic Multi Asset Portfolio (concluded)

Currency Purchased	Quantity	Currency Sold	Quantity	Counterparty	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
USD	512,000	SEK	519,364	HSB	08/18/16	$ —	$ 7,364
USD	515,462	NOK	499,721	HSB	08/18/16	15,741	—
USD	910,000	EUR	920,067	HSB	08/18/16	—	10,067
USD	1,744,652	MXN	1,736,173	HSB	08/18/16	8,479	—
USD	1,823,725	PLN	1,794,181	HSB	08/18/16	29,544	—
USD	2,089,355	AUD	2,113,968	HSB	08/18/16	—	24,613
USD	2,095,435	CAD	2,083,854	HSB	08/18/16	11,582	—
USD	3,196,130	GBP	2,941,088	HSB	08/18/16	255,041	—
USD	3,640,484	NOK	3,536,738	HSB	08/18/16	103,746	—
USD	621,605	JPY	645,997	HSB	09/02/16	—	24,392
USD	641,951	AUD	649,840	HSB	09/02/16	—	7,889
USD	2,855,455	CAD	2,839,267	HSB	09/02/16	16,188	—
USD	206,202	MXN	205,254	JPM	08/18/16	948	—
USD	258,406	MXN	262,104	JPM	08/18/16	—	3,698
USD	322,132	GBP	296,410	JPM	08/18/16	25,721	—
USD	5,351,183	CAD	5,321,300	RBC	08/18/16	29,883	—
USD	277,136	SGD	282,618	SCB	08/18/16	—	5,481
USD	1,258,960	SGD	1,277,415	SCB	08/18/16	—	18,455
USD	321,415	AUD	325,328	SSB	09/02/16	—	3,913
USD	354,438	CAD	352,399	SSB	09/02/16	2,039	—
USD	1,638,949	HKD	1,640,246	SSB	09/02/16	—	1,297
Total gross unrealized appreciation/depreciation on Forward Currency Contracts						$1,507,461	$997,942

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

(a) Non-income producing security.

(b) For federal income tax purposes, the aggregate cost, aggregate gross unrealized appreciation, aggregate gross unrealized depreciation and the net unrealized appreciation (depreciation) were as follows:

Portfolio	Aggregate Cost	Aggregate Gross Unrealized Appreciation	Aggregate Gross Unrealized Depreciation	Net Unrealized Appreciation (Depreciation)
US Strategic Equity	$ 9,470,065	$ 740,621	$ 348,678	$ 391,943
US Small-Mid Cap Equity	53,436,003	4,835,302	2,131,720	2,703,582
International Equity	580,756,995	106,830,006	37,633,457	69,196,549
Emerging Markets Equity	1,110,363,468	124,742,033	206,182,841	(81,440,808)
Global Dynamic Multi Asset	247,885,275	13,741,699	8,394,656	5,347,043

(c) Security valued using Level 2 inputs, based on reference to a similar security which was trading on an active market, under GAAP hierarchy — see Note 8.

(d) Pursuant to Rule 144A under the Securities Act of 1933, these securities may only be traded among "qualified institutional buyers." At June 30, 2016, the percentage of net assets for each Portfolio was as follows:

Portfolio	Percentage of Net Assets
Emerging Markets Equity	0.3%
Global Dynamic Multi Asset	0.2

(e) Variable and floating rate securities are securities which interest rate changes are based on changes in a designated base rate. The rates shown are those in effect on June 30, 2016.

(f) The Portfolio, at all times, maintains portfolio securities in sufficient amount to cover its obligations related to investments in forward currency contracts.

Security Abbreviations:

ADR — American Depositary Receipt
GDR — Global Depositary Receipt
PJSC — Public Joint Stock Company
REIT — Real Estate Investment Trust
SDR — Swedish Depositary Receipt

Currency Abbreviations:

AUD — Australian Dollar
CAD — Canadian Dollar
CHF — Swiss Franc
CZK — Czech Koruna
DKK — Danish Krone
EUR — Euro
GBP — British Pound Sterling
HKD — Hong Kong Dollar
JPY — Japanese Yen
KRW — South Korean Won
MXN — Mexican New Peso
NOK — Norwegian Krone
NZD — New Zealand Dollar
PLN — Polish Zloty
SEK — Swedish Krone
SGD — Singapore Dollar
USD — United States Dollar

Counterparty Abbreviations:

CAN — Canadian Imperial Bank of Commerce
CIT — Citibank NA
HSB — HSBC Bank USA NA
JPM — JPMorgan Chase Bank NA
RBC — Royal Bank of Canada
SCB — Standard Chartered Bank
SSB — State Street Bank and Trust Co.

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

Portfolio holdings by industry (as a percentage of net assets), for those Portfolios previously presented by country:

Industry*	Lazard Retirement International Equity Portfolio	Lazard Retirement Emerging Markets Equity Portfolio	Lazard Retirement Global Dynamic Multi Asset Portfolio
Aerospace & Defense	0.9%	—%	1.8%
Air Freight & Logistics	—	—	0.2
Airlines	0.8	—	0.5
Auto Components	1.8	1.6	0.5
Automobiles	1.5	3.7	1.4
Banks	5.7	24.2	6.7
Beverages	4.5	1.7	3.1
Biotechnology	2.8	—	1.9
Building Products	2.1	—	0.4
Capital Markets	0.7	—	2.1
Chemicals	—	0.4	1.3
Commercial Services & Suppliers	—	—	0.5
Communications Equipment	—	—	0.5
Construction & Engineering	1.9	—	0.1
Construction Materials	1.0	1.6	0.1
Consumer Finance	0.8	—	—
Containers & Packaging	—	—	0.5
Distributors	—	0.8	0.2
Diversified Financial Services	—	—	2.0
Diversified Telecommunication Services	3.2	3.1	4.2
Electric Utilities	1.1	—	3.0
Electrical Equipment	—	0.5	0.8
Electronic Equipment, Instruments & Components	—	2.0	0.6
Energy Equipment & Services	—	—	0.7
Food & Staples Retailing	2.7	2.6	1.8
Food Products	—	—	1.7
Gas Utilities	—	—	0.1
Health Care Equipment & Supplies	—	—	0.8
Health Care Providers & Services	—	0.2	1.6
Hotels, Restaurants & Leisure	—	0.3	1.8
Household Durables	1.7	1.3	0.5
Household Products	—	1.0	0.9
Independent Power and Renewable Electricity Producers	—	—	0.7
Industrial Conglomerates	0.5	1.4	1.2
Insurance	7.4	3.5	2.9
Internet & Catalog Retail	—	—	0.1
Internet Software & Services	—	5.9	1.4
IT Services	1.9	6.3	2.1
Leisure Products	—	—	0.1
Life Sciences Tools & Services	—	—	1.0
Machinery	2.1	0.7	1.2
Media	6.4	—	2.4
Metals & Mining	1.5	1.6	1.0

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

Industry*	Lazard Retirement International Equity Portfolio	Lazard Retirement Emerging Markets Equity Portfolio	Lazard Retirement Global Dynamic Multi Asset Portfolio
Multiline Retail	2.2%	0.9%	0.6%
Multi-Utilities	—	—	0.8
Oil, Gas & Consumable Fuels	6.9	8.4	3.2
Personal Products	1.5	0.3	0.5
Pharmaceuticals	6.5	—	3.4
Real Estate Investment Trusts (REITs)	—	—	1.2
Real Estate Management & Development	3.0	—	2.0
Road & Rail	—	0.8	1.1
Semiconductors & Semiconductor Equipment	2.0	5.9	1.1
Software	—	—	1.6
Specialty Retail	2.9	0.1	2.3
Technology Hardware, Storage & Peripherals	—	3.4	1.0
Textiles, Apparel & Luxury Goods	—	—	0.2
Thrifts & Mortgage Finance	—	—	0.1
Tobacco	4.6	1.5	0.9
Trading Companies & Distributors	2.6	—	0.2
Transportation Infrastructure	—	1.6	0.3
Wireless Telecommunication Services	5.3	8.4	0.6
Subtotal	90.5	95.7	77.5
Foreign Government Obligations	—	—	15.0
Supranationals	—	—	1.6
US Municipal Bonds	—	—	0.5
US Treasury Securities	—	—	1.5
Short-Term Investments	5.5	4.1	3.6
Total Investments	96.0%	99.8%	99.7%

** Industry classifications may be different than those used for compliance monitoring purposes.*

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

June 30, 2016	Lazard Retirement US Strategic Equity Portfolio	Lazard Retirement US Small-Mid Cap Equity Portfolio
ASSETS		
Investments in securities, at fair value	$9,862,008	$56,139,585
Cash	—	—
Foreign currency, at fair value	—	—
Receivables for:		
Dividends and interest	6,690	36,139
Capital stock sold	11,446	91,554
Investments sold	30,240	26,094
Amount due from Investment Manager (Note 3)	5,450	—
Gross unrealized appreciation on forward currency contracts	—	—
Total assets	9,915,834	56,293,372
LIABILITIES		
Foreign currency due to custodian	—	—
Payables for:		
Management fees	—	30,999
Accrued distribution fees	2,055	11,604
Accrued shareholders' reports	7,525	17,430
Accrued custodian fees	9,339	9,343
Accrued administration fees	4,258	8,798
Accrued professional services	19,767	20,399
Capital stock redeemed	2,537	33,791
Investments purchased	6,466	272,182
Gross unrealized depreciation on forward currency contracts	—	—
Other accrued expenses and payables	1,796	1,668
Total liabilities	53,743	406,214
Net assets	$9,862,091	$ 55,887,158
NET ASSETS		
Paid in capital	$9,811,328	$ 50,787,023
Undistributed (distributions in excess of) net investment income (loss)	53,314	(31,554)
Accumulated net realized gain (loss)	(394,494)	2,428,107
Net unrealized appreciation (depreciation) on:		
Investments	391,943	2,703,582
Foreign currency translations and forward currency contracts	—	—
Net assets	$9,862,091	$ 55,887,158
Service Shares		
Net assets	$9,862,091	$ 55,887,158
Shares of capital stock outstanding*	921,878	7,568,069
Net asset value, offering and redemption price per share	$ 10.70	$ 7.38
Investor Shares		
Net assets	—	—
Shares of capital stock outstanding*	—	—
Net asset value, offering and redemption price per share	—	—
Cost of investments in securities	$9,470,065	$53,436,003
Cost of foreign currency	—	—

** $0.001 par value, 2,450,000,000 shares authorized for the Portfolios in total.*

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

Lazard Retirement International Equity Portfolio	Lazard Retirement Emerging Markets Equity Portfolio	Lazard Retirement Global Dynamic Multi Asset Portfolio
$649,953,544	$1,028,922,660	$253,232,318
—	—	21,500
1,727,951	250,300	—
2,523,215	5,546,214	1,049,494
18,608,603	4,014,512	751,428
5,675,952	128,611	364,496
—	—	—
—	—	1,507,461
678,489,265	1,038,862,297	256,926,697
—	—	17,844
405,621	821,590	130,558
137,057	169,976	50,855
39,532	113,259	16,953
31,157	104,317	32,080
29,073	39,075	15,250
53,599	27,454	25,506
125,829	6,613,039	80,237
813,991	25,913	1,680,025
—	—	997,942
62,327	134,485	507
1,698,186	8,049,108	3,047,757
$676,791,079	$1,030,813,189	$253,878,940
$612,066,569	$1,172,912,330	$250,064,798
8,831,941	12,871,658	323,807
(13,299,411)	(73,412,492)	(2,366,019)
69,196,549	(81,576,056)	5,347,043
(4,569)	17,749	509,311
$676,791,079	$1,030,813,189	$253,878,940
$676,791,079	$ 854,742,634	$253,878,940
56,552,625	47,644,057	21,507,531
$ 11.97	$ 17.94	$ 11.80
—	$ 176,070,555	—
—	9,918,542	—
—	$ 17.75	—
$580,756,995	$1,110,363,468	$247,885,275
$ 1,723,832	$ 250,385	—

For the Six Months Ended June 30, 2016	Lazard Retirement US Strategic Equity Portfolio	Lazard Retirement US Small-Mid Cap Equity Portfolio
Investment Income (Loss)		
Income		
Dividends	$ 94,802	$ 314,384
Interest	—	—
Total investment income*	94,802	314,384
Expenses		
Management fees (Note 3)	36,511	207,563
Distribution fees (Service Shares)	13,040	69,188
Custodian fees	24,192	29,061
Administration fees	22,261	26,727
Professional services	17,821	21,060
Shareholders' reports	6,424	9,440
Directors' fees and expenses	2,700	3,586
Shareholders' services	6,394	6,899
Other	1,360	2,023
Total gross expenses	130,703	375,547
Management fees waived and expenses reimbursed	(69,169)	(29,609)
Administration fees waived	(9,375)	—
Total net expenses	52,159	345,938
Net investment income (loss)	42,643	(31,554)
Net Realized and Unrealized Gain (Loss) on Investments, Foreign Currency Transactions and Forward Currency Contracts		
Net realized gain (loss) on:		
Investments	(487,981)	(493,553)
Foreign currency transactions and forward currency contracts	—	—
Total net realized gain (loss) on investments, foreign currency transactions and forward currency contracts	(487,981)	(493,553)
Net change in unrealized appreciation (depreciation) on:		
Investments**	486,923	398,494
Foreign currency translations and forward currency contracts	—	—
Total net change in unrealized appreciation (depreciation) on investments, foreign currency translations and forward currency contracts	486,923	398,494
Net realized and unrealized gain (loss) on investments, foreign currency transactions and forward currency contracts	(1,058)	(95,059)
Net increase (decrease) in net assets resulting from operations	$ 41,585	$(126,613)
* Net of foreign withholding taxes of	$ —	$ 1,281
** Includes net change in unrealized appreciation (depreciation) of foreign capital gains taxes of	$ —	$ —

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

	Lazard Retirement International Equity Portfolio	Lazard Retirement Emerging Markets Equity Portfolio	Lazard Retirement Global Dynamic Multi Asset Portfolio
	$ 12,101,860	$ 16,624,748	$ 2,141,269
	—	—	799,431
	12,101,860	16,624,748	2,940,700
	2,445,098	4,672,299	986,818
	815,033	969,373	290,441
	83,865	345,161	89,629
	86,395	114,510	44,427
	89,241	82,950	35,931
	40,563	82,704	18,286
	15,152	19,848	6,719
	8,628	13,596	7,919
	9,534	13,209	3,999
	3,593,509	6,313,650	1,484,169
	(7,302)	—	(264,316)
	—	—	—
	3,586,207	6,313,650	1,219,853
	8,515,653	10,311,098	1,720,847
	(14,198,910)	(46,782,706)	(3,302,744)
	75,743	(25,868)	1,059,765
	(14,123,167)	(46,808,574)	(2,242,979)
	(12,517,424)	165,242,306	6,860,368
	61,591	13,784	88,289
	(12,455,833)	165,256,090	6,948,657
	(26,579,000)	118,447,516	4,705,678
	$(18,063,347)	$128,758,614	$ 6,426,525
	$ 1,311,539	$ 2,423,530	$ 128,135
	$ —	$ 30,748	$ —

	Lazard Retirement US Strategic Equity Portfolio		Lazard Retirement US Small-Mid Cap Equity Portfolio	
	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015
Increase (Decrease) in Net Assets				
Operations				
Net investment income (loss)	$ 42,643	$ 66,770	$ (31,554)	$ (139,450)
Net realized gain (loss) on investments, foreign currency transactions and forward currency contracts	(487,981)	927,106	(493,553)	5,414,421
Net change in unrealized appreciation (depreciation) on investments, foreign currency translations and forward currency contracts	486,923	(1,620,763)	398,494	(6,818,250)
Net increase (decrease) in net assets resulting from operations	41,585	(626,887)	(126,613)	(1,543,279)
Distributions to shareholders				
From net investment income				
Service Shares	—	(52,360)	—	—
Investor Shares	—	—	—	—
From net realized gains				
Service Shares	—	(792,085)	—	(4,465,229)
Investor Shares	—	—	—	—
Net decrease in net assets resulting from distributions	—	(844,445)	—	(4,465,229)
Capital stock transactions				
Net proceeds from sales				
Service Shares	621,658	5,026,315	4,679,419	14,432,469
Investor Shares	—	—	—	—
Net proceeds from reinvestment of distributions				
Service Shares	—	844,445	—	4,465,229
Investor Shares	—	—	—	—
Cost of shares redeemed				
Service Shares	(2,330,119)	(5,261,809)	(8,164,959)	(16,880,480)
Investor Shares	—	—	—	—
Net increase (decrease) in net assets from capital stock transactions	(1,708,461)	608,951	(3,485,540)	2,017,218
Total increase (decrease) in net assets	(1,666,876)	(862,381)	(3,612,153)	(3,991,290)
Net assets at beginning of period	11,528,967	12,391,348	59,499,311	63,490,601
Net assets at end of period*	$ 9,862,091	$11,528,967	$55,887,158	$ 59,499,311
* Includes undistributed (distributions in excess of) net investment income (loss) of	$ 53,314	$ 10,671	$ (31,554)	$ —
Shares issued and redeemed				
Service Shares				
Shares outstanding at beginning of period	1,083,612	1,020,099	8,047,591	7,764,268
Shares sold	59,848	420,624	645,520	1,725,627
Shares issued to shareholders from reinvestment of distributions	—	80,270	—	605,900
Shares redeemed	(221,582)	(437,381)	(1,125,042)	(2,048,204)
Net increase (decrease)	(161,734)	63,513	(479,522)	283,323
Shares outstanding at end of period	921,878	1,083,612	7,568,069	8,047,591
Investor Shares				
Shares outstanding at beginning of period				
Shares sold				
Shares issued to shareholders from reinvestment of distributions				
Shares redeemed				
Net increase (decrease)				
Shares outstanding at end of period				

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

Lazard Retirement International Equity Portfolio		Lazard Retirement Emerging Markets Equity Portfolio		Lazard Retirement Global Dynamic Multi Asset Portfolio	
Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015
$ 8,515,653	$ 10,085,261	$ 10,311,098	$ 15,243,474	$ 1,720,847	$ 2,379,616
(14,123,167)	27,470,767	(46,808,574)	(24,302,162)	(2,242,979)	(909,955)
(12,455,833)	(24,202,942)	165,256,090	(208,269,416)	6,948,657	(3,041,867)
(18,063,347)	13,353,086	128,758,614	(217,328,104)	6,426,525	(1,572,206)
—	(11,274,502)	—	(9,782,582)	—	—
—	—	—	(2,497,132)	—	—
—	(12,022,244)	—	(2,236,910)	—	(5,417,685)
—	—	—	(517,868)	—	—
—	(23,296,746)	—	(15,034,492)	—	(5,417,685)
58,380,688	108,614,054	81,963,305	201,022,412	44,134,329	78,547,519
—	—	14,442,423	29,579,712	—	—
—	23,296,746	—	12,019,492	—	5,417,685
—	—	—	3,015,000	—	—
(45,538,035)	(130,279,566)	(88,991,567)	(127,926,800)	(19,348,105)	(30,978,537)
—	—	(18,212,855)	(62,096,136)	—	—
12,842,653	1,631,234	(10,798,694)	55,613,680	24,786,224	52,986,667
(5,220,694)	(8,312,426)	117,959,920	(176,748,916)	31,212,749	45,996,776
682,011,773	690,324,199	912,853,269	1,089,602,185	222,666,191	176,669,415
$676,791,079	$ 682,011,773	$1,030,813,189	$ 912,853,269	$253,878,940	$222,666,191
$ 8,831,941	$ 316,288	$ 12,871,658	$ 2,560,560	$ 323,807	$ (1,397,040)
55,520,320	55,231,355	48,088,227	43,075,583	19,352,557	14,895,028
4,869,313	8,242,943	4,930,197	11,097,828	3,838,825	6,588,954
—	1,911,335	—	758,566	—	476,062
(3,837,008)	(9,865,313)	(5,374,367)	(6,843,750)	(1,683,851)	(2,607,487)
1,032,305	288,965	(444,170)	5,012,644	2,154,974	4,457,529
56,552,625	55,520,320	47,644,057	48,088,227	21,507,531	19,352,557
		10,186,142	11,645,766		
		871,462	1,623,022		
		—	192,541		
		(1,139,062)	(3,275,187)		
		(267,600)	(1,459,624)		
		9,918,542	10,186,142		

LAZARD RETIREMENT US STRATEGIC EQUITY PORTFOLIO

Selected data for a share of capital stock outstanding throughout each period	Six Months Ended 6/30/16†	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
Service Shares						
Net asset value, beginning of period	$10.64	$ 12.15	$ 12.02	$10.44	$ 9.26	$ 9.18
Income (loss) from investment operations:						
Net investment income (loss)	0.05	0.06	0.09	0.11	0.12	0.10
Net realized and unrealized gain (loss)	0.01	(0.73)	1.68	2.80	1.18	0.08
Total from investment operations	0.06	(0.67)	1.77	2.91	1.30	0.18
Less distributions from:						
Net investment income	—	(0.05)	(0.09)	(0.11)	(0.12)	(0.10)
Net realized gains	—	(0.79)	(1.55)	(1.22)	—	—
Total distributions	—	(0.84)	(1.64)	(1.33)	(0.12)	(0.10)
Net asset value, end of period	$10.70	$ 10.64	$ 12.15	$12.02	$10.44	$ 9.26
Total Return (a)	0.56%	–5.44%	14.71%	28.07%	14.01%	1.96%
Ratios and Supplemental Data:						
Net assets, end of period (in thousands)	$9,862	$11,529	$12,391	$8,944	$6,702	$6,008
Ratios to average net assets (b):						
Net expenses	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Gross expenses	2.51%	2.31%	2.59%	2.88%	3.23%	3.37%
Net investment income (loss)	0.82%	0.53%	0.79%	0.97%	1.16%	1.04%
Portfolio turnover rate	29%	86%	72%	66%	59%	50%

† Unaudited.

(a) Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of the Portfolio have been waived or reimbursed by the Portfolio's Investment Manager or State Street; without such waiver/reimbursement of expenses, the Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance. Return for a period of less than one year is not annualized.

(b) Annualized for a period of less than one year.

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

LAZARD RETIREMENT US SMALL-MID CAP EQUITY PORTFOLIO

Selected data for a share of capital stock outstanding throughout each period	Six Months Ended 6/30/16†	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
Service Shares						
Net asset value, beginning of period	$ 7.39	$ 8.18	$ 8.71	$ 7.30	$ 9.26	$ 11.04
Income (loss) from investment operations:						
Net investment income (loss)	—(a)	(0.02)	(0.02)	(0.03)	(0.01)	(0.01)
Net realized and unrealized gain (loss)	(0.01)	(0.19)	0.94	2.53	0.95	(1.01)
Total from investment operations	(0.01)	(0.21)	0.92	2.50	0.94	(1.02)
Less distributions from:						
Net realized gains	—	(0.58)	(1.45)	(1.09)	(2.90)	(0.76)
Total distributions	—	(0.58)	(1.45)	(1.09)	(2.90)	(0.76)
Net asset value, end of period	$ 7.38	$ 7.39	$ 8.18	$ 8.71	$ 7.30	$ 9.26
Total Return (b)	–0.14%	–2.38%	11.03%	35.08%	10.38%	–9.07%
Ratios and Supplemental Data:						
Net assets, end of period (in thousands)	$55,887	$59,499	$63,491	$58,923	$46,978	$180,524
Ratios to average net assets (c):						
Net expenses	1.25%	1.25%	1.25%	1.25%	1.20%	1.15%
Gross expenses	1.36%	1.35%	1.32%	1.35%	1.20%	1.15%
Net investment income (loss)	–0.11%	–0.22%	–0.20%	–0.33%	–0.06%	–0.16%
Portfolio turnover rate	46%	89%	92%	101%	74%	98%

† Unaudited.

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

(b) Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of the Portfolio have been waived or reimbursed by the Portfolio's Investment Manager; without such waiver/reimbursement of expenses, the Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance. Return for a period of less than one year is not annualized.

(c) Annualized for a period of less than one year.

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

LAZARD RETIREMENT INTERNATIONAL EQUITY PORTFOLIO

Selected data for a share of capital stock outstanding throughout each period	Six Months Ended 6/30/16†	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
Service Shares						
Net asset value, beginning of period	$ 12.28	$ 12.50	$ 13.26	$ 11.12	$ 9.33	$ 10.28
Income (loss) from investment operations:						
Net investment income (loss)	0.15	0.19	0.21	0.17	0.19	0.18
Net realized and unrealized gain (loss)	(0.46)	0.02	(0.76)	2.13	1.78	(0.93)
Total from investment operations	(0.31)	0.21	(0.55)	2.30	1.97	(0.75)
Less distributions from:						
Net investment income	—	(0.21)	(0.21)	(0.16)	(0.18)	(0.20)
Net realized gains	—	(0.22)	—	—	—	—
Total distributions	—	(0.43)	(0.21)	(0.16)	(0.18)	(0.20)
Net asset value, end of period	$ 11.97	$ 12.28	$ 12.50	$ 13.26	$ 11.12	$ 9.33
Total Return (a)	–2.52%	1.75%	–4.21%	20.76%	21.11%	–7.27%
Ratios and Supplemental Data:						
Net assets, end of period (in thousands)	$676,791	$682,012	$690,324	$689,512	$592,437	$513,882
Ratios to average net assets (b):						
Net expenses	1.10%	1.11%	1.09%	1.10%	1.10%	1.12%
Gross expenses	1.10%	1.11%	1.09%	1.10%	1.10%	1.12%
Net investment income (loss)	2.61%	1.42%	1.59%	1.41%	1.80%	1.89%
Portfolio turnover rate	13%	37%	34%	40%	43%	39%

† Unaudited.

(a) Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of the Portfolio have been waived or reimbursed by the Portfolio's Investment Manager; without such waiver/reimbursement of expenses, the Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance. Return for a period of less than one year is not annualized.

(b) Annualized for a period of less than one year.

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

LAZARD RETIREMENT EMERGING MARKETS EQUITY PORTFOLIO

Selected data for a share of capital stock outstanding throughout each period	Six Months Ended 6/30/16†	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
Service Shares						
Net asset value, beginning of period	$ 15.70	$ 19.96	$ 21.51	$ 22.22	$ 18.71	$ 23.33
Income (loss) from investment operations:						
Net investment income (loss) (a)	0.18	0.27	0.37	0.31	0.33	0.44
Net realized and unrealized gain (loss)	2.06	(4.27)	(1.35)	(0.58)	3.78	(4.64)
Total from investment operations	2.24	(4.00)	(0.98)	(0.27)	4.11	(4.20)
Less distributions from:						
Net investment income	—	(0.21)	(0.37)	(0.31)	(0.35)	(0.42)
Net realized gains	—	(0.05)	(0.20)	(0.13)	(0.25)	—
Total distributions	—	(0.26)	(0.57)	(0.44)	(0.60)	(0.42)
Net asset value, end of period	$ 17.94	$ 15.70	$ 19.96	$ 21.51	$ 22.22	$ 18.71
Total Return (b)	14.27%	–20.05%	–4.64%	–1.24%	22.05%	–18.00%
Ratios and Supplemental Data:						
Net assets, end of period (in thousands)	$854,743	$754,835	$859,747	$846,233	$734,699	$580,370
Ratios to average net assets (c):						
Net expenses	1.39%	1.39%	1.38%	1.38%	1.39%	1.42%
Gross expenses	1.39%	1.39%	1.38%	1.38%	1.39%	1.42%
Net investment income (loss)	2.17%	1.43%	1.66%	1.42%	1.57%	2.04%
Portfolio turnover rate	7%	9%	12%	14%	23%	19%

Selected data for a share of capital stock outstanding throughout each period	Six Months Ended 6/30/16†	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
Investor Shares						
Net asset value, beginning of period	$ 15.51	$ 19.74	$ 21.28	$ 21.99	$ 18.52	$ 23.17
Income (loss) from investment operations:						
Net investment income (loss) (a)	0.19	0.32	0.42	0.37	0.38	0.50
Net realized and unrealized gain (loss)	2.05	(4.25)	(1.34)	(0.59)	3.74	(4.62)
Total from investment operations	2.24	(3.93)	(0.92)	(0.22)	4.12	(4.12)
Less distributions from:						
Net investment income	—	(0.25)	(0.42)	(0.36)	(0.40)	(0.53)
Net realized gains	—	(0.05)	(0.20)	(0.13)	(0.25)	—
Total distributions	—	(0.30)	(0.62)	(0.49)	(0.65)	(0.53)
Net asset value, end of period	$ 17.75	$ 15.51	$ 19.74	$ 21.28	$ 21.99	$ 18.52
Total Return (b)	14.44%	–19.90%	–4.38%	–1.01%	22.34%	–17.79%
Ratios and Supplemental Data:						
Net assets, end of period (in thousands)	$176,071	$158,018	$229,855	$260,330	$282,596	$244,320
Ratios to average net assets (c):						
Net expenses	1.15%	1.15%	1.14%	1.14%	1.14%	1.17%
Gross expenses	1.15%	1.15%	1.14%	1.14%	1.14%	1.17%
Net investment income (loss)	2.41%	1.71%	1.91%	1.71%	1.85%	2.31%
Portfolio turnover rate	7%	9%	12%	14%	23%	19%

† Unaudited.

(a) Net investment income (loss) has been computed using the average shares method.

(b) Total returns reflect reinvestment of all dividends and distributions, if any. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance. Return for a period of less than one year is not annualized.

(c) Annualized for a period of less than one year.

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

LAZARD RETIREMENT GLOBAL DYNAMIC MULTI ASSET PORTFOLIO

Selected data for a share of capital stock outstanding throughout each period	Six Months Ended 6/30/16†	Year Ended 12/31/15	Year Ended 12/31/14	Year Ended 12/31/13	For the Period 4/30/12* to 12/31/12
Service Shares					
Net asset value, beginning of period	$ 11.51	$ 11.86	$ 12.30	$ 10.54	$ 10.00
Income (loss) from investment operations:					
Net investment income (loss)	0.09	0.13	0.11	0.06	0.03
Net realized and unrealized gain (loss)	0.20	(0.19)	0.23	1.99	0.54
Total from investment operations	0.29	(0.06)	0.34	2.05	0.57
Less distributions from:					
Net investment income	—	—	(0.07)	(0.04)	—(a)
Net realized gains	—	(0.29)	(0.71)	(0.25)	(0.03)
Total distributions	—	(0.29)	(0.78)	(0.29)	(0.03)
Net asset value, end of period	$ 11.80	$ 11.51	$ 11.86	$ 12.30	$ 10.54
Total Return (b)	2.52%	–0.44%	2.70%	19.49%	5.74%
Ratios and Supplemental Data:					
Net assets, end of period (in thousands)	$253,879	$222,666	$176,669	$99,760	$30,262
Ratios to average net assets (c):					
Net expenses	1.05%	1.05%	1.05%	1.05%	1.05%
Gross expenses	1.28%	1.31%	1.33%	1.70%	3.80%
Net investment income (loss)	1.48%	1.18%	1.19%	1.01%	1.03%
Portfolio turnover rate	48%	114%	105%	62%	45%

** The Portfolio commenced operations on April 30, 2012.*

† Unaudited.

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

(b) Total returns reflect reinvestment of all dividends and distributions, if any. Certain expenses of the Portfolio have been waived or reimbursed by the Portfolio's Investment Manager, State Street or BFDS; without such waiver/reimbursement of expenses, the Portfolio's returns would have been lower. Performance information does not reflect the fees and charges imposed by participating insurance companies at the separate account level, and such charges will have the effect of reducing performance. Return for a period of less than one year is not annualized.

(c) Annualized for a period of less than one year.

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

1. Organization

Lazard Retirement Series, Inc. (the "Fund") was incorporated in Maryland on February 13, 1997 and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. The Fund, comprised of twenty-one no-load portfolios (each referred to as a "Portfolio"), is currently offered only to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. Portfolio shares may also be offered to certain qualified pension and retirement plans and accounts permitting accumulation of assets on a tax-deferred basis. Effective January 31, 2006, the Fund designated its existing class of shares as Service Shares and commenced offering Investor Shares. Investor Shares and Service Shares are identical, except as to the services offered to and expenses borne by each class of shares. As of June 30, 2016, only Lazard Retirement Emerging Markets Equity Portfolio had issued Investor Shares. Currently, only the following five Portfolios, each of which is "diversified", as defined in the 1940 Act, are offered: Lazard Retirement US Strategic Equity Portfolio ("US Strategic Equity Portfolio"), Lazard Retirement US Small-Mid Cap Equity Portfolio ("US Small-Mid Cap Equity Portfolio"), Lazard Retirement International Equity Portfolio ("International Equity Portfolio"), Lazard Retirement Emerging Markets Equity Portfolio ("Emerging Markets Equity Portfolio"), and Lazard Retirement Global Dynamic Multi Asset Portfolio ("Global Dynamic Multi Asset Portfolio"). Each of the other sixteen Portfolios had not commenced operations as of June 30, 2016.

2. Significant Accounting Policies

The accompanying financial statements are presented in conformity with GAAP. The Fund is an investment company and therefore applies specialized accounting guidance in Accounting Standards Codification Topic 946. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of the financial statements:

(a) Valuation of Investments—Market values for securities listed on the New York Stock Exchange ("NYSE"), NASDAQ national market or other US or foreign exchanges or markets are generally based on the last reported sales price on the exchange or market on which the security is principally traded on each valuation date; securities not traded on the valuation date are valued at the most recent quoted bid price. The Fund values NASDAQ-traded securities at the NASDAQ Official Closing Price, which may not be the last reported sales price in certain instances. Forward currency contracts generally are valued using quotations from an independent pricing service. Investments in money market funds are valued at the fund's net asset value ("NAV") per share.

Bonds and other fixed-income securities that are not exchange-traded are valued on the basis of prices provided by independent pricing services which are based on, among other things, trading in securities with similar characteristics, brokers' quotations and/or a matrix system which considers such factors as other security prices, yields and maturities.

The Valuation Committee of the Investment Manager, which meets periodically under the direction of the Board of Directors (the "Board"), may evaluate a variety of factors to determine the fair value of securities for which market quotations are determined not to be readily available or reliable. These factors include, but are not limited to, the type of security, the value of comparable securities, observations from financial institutions and relevant news events. Input from the Investment Manager's portfolio managers/analysts also will be considered.

If a significant event materially affecting the value of securities occurs between the close of the exchange or market on which the security is principally traded and the time when a Portfolio's NAV is calculated, or when current market quotations otherwise are determined not to be readily available or reliable (including restricted or other illiquid securities such as certain derivative instruments), such securities will be valued at their fair value as determined by, or in accordance with procedures approved by, the Board. The fair value of non-US securities may be determined with the assistance of an independent pricing service using correlations between the movement of prices of such securities and indices of US securities and other

appropriate indicators, such as closing market prices of relevant ADRs or futures contracts. Non-US securities may trade on days when a Portfolio is not open for business, thus affecting the value of the Portfolio's assets on days when Portfolio shareholders may not be able to buy or sell Portfolio shares.

The effect of using fair value pricing is that the NAV of a Portfolio will reflect the affected securities' values as determined in the judgment of the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to price securities may result in a value that is different from the most recent closing price of a security and from the prices used by other investment companies to calculate their portfolios' NAVs.

(b) Portfolio Securities Transactions and Investment Income—Portfolio securities transactions are accounted for on trade date. Realized gain (loss) on sales of investments are recorded on a specific identification basis. Dividend income is recorded on the ex-dividend date except for certain dividends from non-US securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Portfolio. Interest income is accrued daily. The Portfolios amortize premiums and accrete discounts on fixed-income securities using the effective yield method.

During the period ended June 30, 2016, only Global Dynamic Multi Asset Portfolio traded in fixed-income securities.

A Portfolio may be subject to taxes imposed by non-US countries in which it invests. Such taxes are generally based upon income earned or capital gains (realized or unrealized). An affected Portfolio accrues and applies such taxes to net investment income, net realized gains and net unrealized gains concurrent with the recognition of income earned or capital gains (realized and unrealized) from the applicable portfolio securities.

As a result of several court cases in certain countries across the European Union, the International Equity Portfolio has filed additional tax reclaims for previously withheld taxes on dividends earned in those countries. These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these claims, and the potential timing of payment, and accordingly no amounts are reflected in the financial statements. Such amounts, if and when recorded, could result in an increase in the International Equity Portfolio's NAV per share.

(c) Foreign Currency Translation and Forward Currency Contracts—The accounting records of the Fund are maintained in US dollars. Portfolio securities and other assets and liabilities denominated in a foreign currency are translated daily into US dollars at the prevailing rates of exchange. Purchases and sales of securities, income receipts and expense payments are translated into US dollars at the prevailing exchange rates on the respective transaction dates.

The Portfolios do not isolate the portion of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in their market prices. Such fluctuations are included in net realized and unrealized gain (loss) on investments. Net realized gain (loss) on foreign currency transactions and forward currency contracts represents net foreign currency gain (loss) from forward currency contracts, disposition of foreign currencies, currency gain (loss) realized between the trade and settlement dates on securities transactions, and the difference between the amount of dividends, interest and foreign withholding taxes recorded on the Portfolios' accounting records and the US dollar equivalent amounts actually received or paid. Net change in unrealized appreciation (depreciation) on foreign currency translations reflects the impact of changes in exchange rates on the value of assets and liabilities, other than investments in securities, during the period.

A forward currency contract is an agreement between two parties to buy or sell currency at a set price on a future date. Upon entering into these contracts, risks may arise from the potential inability of counterparties to meet the terms of their contracts and from

unanticipated movements in the value of the foreign currency relative to the US dollar.

The US dollar value of forward currency contracts is determined using quotations provided by an independent pricing service. Daily fluctuations in the value of such contracts are recorded as unrealized appreciation (depreciation) on forward currency contracts. When the contract is closed, a Portfolio records a realized gain (loss) equal to the difference between the value at the time it was opened and the value at the time it was closed.

During the period ended June 30, 2016, only Global Dynamic Multi Asset Portfolio traded in forward currency contracts.

(d) Federal Income Taxes—The Fund's policy is to continue to have each Portfolio qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the "Code") and to distribute all of its taxable income, including any net realized capital gains, to shareholders. Therefore, no federal income tax provision is required.

At December 31, 2015, the following Portfolio had unused realized capital loss carryovers which, for federal income tax purposes, could be used to offset future realized capital gains with no expiration date as follows:

Portfolio	Short-Term	Long-Term
Emerging Markets Equity	$2,845,581	$21,282,968

Under current tax law, certain late year losses, as defined by the Code, within the taxable year may be deferred and treated as occurring on the first day of the following tax year. For the tax year ended December 31, 2015, the following Portfolio elected to defer such losses as follows:

Portfolio	Post October Capital Loss Deferral	Late Year Ordinary Loss Deferral
Global Dynamic Multi Asset	$ —	$(786,134)

Management has analyzed the Portfolios' tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years (2012-2014), or expected to be taken in the Portfolios' 2015 tax returns.

(e) Dividends and Distributions—Dividends from net investment income, if any, will be declared and paid annually. During any particular year, net realized gains from investment transactions in excess of available capital loss carryforwards would be taxable to the Portfolios, if not distributed. The Portfolios intend to declare and distribute these amounts, at least annually, to shareholders; however, to avoid taxation, a second distribution may be required. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

Income and capital gains distributions are determined in accordance with federal income tax regulations which may differ from GAAP. These book/tax differences, which may result in distribution reclassifications, are primarily due to differing treatments of foreign currency transactions, wash sales, passive foreign investment companies and distributions from real estate investment trusts and partnerships. The book/tax differences relating to shareholder distributions may result in reclassifications among certain capital accounts.

(f) Allocation of Expenses—Expenses not directly chargeable to a specific Portfolio are allocated among all Portfolios primarily on the basis of relative net assets. Portfolios accrue distribution and service (12b-1) fees to Service Shares. The Portfolios' income, expenses (other than class specific expenses) and realized and unrealized gains and losses are allocated proportionally each day between the classes based upon the relative net assets of each class.

(g) Estimates—The preparation of financial statements in conformity with GAAP 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 resulting

from operations during the reporting period. Actual results could differ from those estimates.

(h) Net Asset Value—NAV per share for each class of each Portfolio is determined each day the NYSE is open for trading as of the close of regular trading on the NYSE (generally 4:00 p.m. Eastern time). The Fund will not treat an intraday unscheduled disruption in NYSE trading as a closure of the NYSE, and will price its shares as of 4:00 p.m., if the particular disruption directly affects only the NYSE. NAV per share is determined by dividing the value of the total assets of the Portfolio represented by such class, less all liabilities, by the total number of Portfolio shares of such class outstanding.

3. Investment Management, Administration, Distribution and Transfer Agency Agreements

The Fund, on behalf of the Portfolios, has entered into a management agreement (the "Management Agreement") with the Investment Manager. Pursuant to the Management Agreement, the Investment Manager regularly provides each Portfolio with investment research, advice and supervision and furnishes continuously an investment program for each Portfolio consistent with its investment objective and policies, including the purchase, retention and disposition of securities. For its services provided to the Portfolios, the Investment Manager earns a management fee, accrued daily as a percentage of its average daily net assets and payable by each Portfolio monthly, at the annual rate set forth below:

Portfolio	Annual Rate
US Strategic Equity	0.70%
US Small-Mid Cap Equity	0.75
International Equity	0.75
Emerging Markets Equity	1.00
Global Dynamic Multi Asset (a)	0.80

(a) From January 1, 2016 to June 28, 2016, percentage was 0.85%.

The Investment Manager has voluntarily agreed to reduce its fees and, if necessary, reimburse the Portfolios through May 1, 2017 if annualized operating expenses, exclusive of taxes, brokerage, interest on borrowings, fees and expenses of "Acquired Funds" (as defined in Form N-1A) and extraordinary expenses, but including the management fee stated in the Management Agreement between the Investment Manager and the Fund, on behalf of the Portfolios, exceed the following percentages of the value of the Portfolios' average daily net assets for the respective shares:

Portfolio	Service Shares	Investor Shares
US Strategic Equity	1.00%	N/A
US Small-Mid Cap Equity	1.25	N/A
International Equity	1.10	N/A
Emerging Markets Equity	1.55	1.30%
Global Dynamic Multi Asset	1.05	N/A

During the period ended June 30, 2016, the Investment Manager waived its management fees and reimbursed the following Portfolios for other expenses as follows:

	Service Shares	
Portfolio	Management Fees Waived	Expenses Reimbursed
US Strategic Equity	$ 36,511	$32,658
US Small-Mid Cap Equity	29,609	—
International Equity	7,302	—
Global Dynamic Multi Asset	264,316	—

The aforementioned waivers and/or reimbursements are not subject to recoupment by the Investment Manager.

The Fund has entered into an administration agreement with State Street to provide certain administrative services. Each Portfolio bears the cost of such services at a fixed annual rate of $42,500, plus 0.02% of average daily net assets up to $1 billion and 0.01% of average daily net assets over $1 billion. State Street has agreed to waive up to $18,750 of the $42,500 annual fee for the US Strategic Equity Portfolio until the Portfolio's net assets reach $25 million. During the period ended June 30, 2016, State Street waived $9,375 of its fee for the US Strategic Equity Portfolio.

The Fund has a distribution agreement with Lazard Asset Management Securities LLC (the "Distributor"), a wholly-owned subsidiary of the Investment Manager, to serve as the distributor for shares of each Portfolio. The Distributor bears the cost of printing and mailing prospectuses to potential investors and certain expenses in connection with the offering of Portfolio shares.

Under a distribution and servicing plan adopted pursuant to Rule 12b-1 under the 1940 Act, each Portfolio pays a monthly fee to the Distributor, at an annual rate of 0.25% of the average daily net assets of its Service Shares, for distribution and servicing of accounts. The Distributor may make payments to participating insurance companies, certain financial institutions, securities dealers and other industry professionals for providing these services.

BFDS is the Fund's transfer and dividend disbursing agent. For its services, BFDS receives a monthly fee computed on the basis of the number of shareholder accounts it maintains, subject to a minimum fee amount per share class in each Portfolio, and is reimbursed for certain out-of-pocket expenses. BFDS has agreed to waive the monthly minimum fee for the first six months after a new Portfolio or share class has commenced operations.

4. Directors' Compensation

Certain Directors of the Fund are officers of the Investment Manager. Each Director who is not an affiliated person of the Investment Manager or any of its affiliates is paid by the Fund, The Lazard Funds, Inc., Lazard Global Total Return and Income Fund, Inc. and Lazard World Dividend & Income Fund, Inc. (collectively with the Fund, the "Lazard Fund Complex"), each a registered management investment company advised by the Investment Manager: (1) an annual retainer of $190,000, (2) an additional annual fee of $20,000 to the lead Independent Director (an "Independent Director" is a Director who is not an "interested person" (as defined in the 1940 Act) of the Fund), and (3) an additional annual fee of $10,000 to the Audit Committee Chair. The Independent Directors may be paid additional compensation for participation on ad hoc committees or other work performed on behalf of the Board. The Independent Directors also are reimbursed for travel and other out-of-pocket expenses for attending Board and committee meetings. The Directors do not receive benefits from the Fund pursuant to any pension, retirement or similar arrangement. Independent Directors' fees are allocated among the portfolios in the Lazard Fund Complex at a rate of $5,000 per portfolio with the remainder allocated based upon each portfolio's proportionate share of combined net assets. The Statements of Operations show the Independent Directors' fees and expenses paid by each Portfolio.

5. Securities Transactions and Transactions with Affiliates

Purchases and sales of portfolio securities (excluding short-term investments) for the period ended June 30, 2016 were as follows:

Portfolio	Purchases	Sales
US Strategic Equity	$ 2,946,213	$ 4,534,029
US Small-Mid Cap Equity	24,893,093	28,341,328
International Equity	79,556,518	89,564,388
Emerging Markets Equity	62,577,166	75,672,032
Global Dynamic Multi Asset	134,185,444	108,183,400

	US Treasury Securities	
Portfolio	Purchases	Sales
Global Dynamic Multi Asset	$2,600,191	$1,389,933

For the period ended June 30, 2016, the Portfolios did not engage in any cross-trades in accordance with Rule 17a-7 under the 1940 Act, and no brokerage commissions were paid to affiliates of the Investment Manager or other affiliates of the Fund for portfolio transactions executed on behalf of the Fund.

6. Investment Risks

(a) Non-US Securities Risk—Certain Portfolios may invest in securities of foreign entities and in instruments denominated in foreign currencies which involve risks not typically associated with investments in US securities. Such Portfolios' performance will be influenced by political, social and economic factors affecting the non-US countries and companies in which the Portfolios invest. Non-US securities carry special risks, such as less developed or less efficient trading markets, political instability, a lack of company information, differing auditing and legal standards, and, potentially, less liquidity. In addition, investments denominated in currencies other than US dollars may experience a decline in value, in US dollar terms, due solely to fluctuations in currency exchange rates. The Portfolios' investments could be adversely affected by delays in, or a refusal to grant, repatriation of funds or conversion of emerging market currencies. Emerging market countries can generally have economic structures that are less diverse and mature, and political

systems that are less stable, than those of developed countries. The economies of countries with emerging markets may be based predominantly on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme debt burdens or volatile inflation rates. The securities markets of emerging market countries have historically been extremely volatile. These market conditions may continue or worsen. Significant devaluation of emerging market currencies against the US dollar may occur subsequent to acquisition of investments denominated in emerging market currencies. Investments in these countries may be subject to political, economic, legal, market and currency risks. The risks may include less protection of property rights and uncertain political and economic policies, the imposition of capital controls and/or foreign investment limitations by a country, nationalization of businesses and the imposition of sanctions by other countries, such as the US.

(b) Fixed-Income and Debt Securities Risk—Global Dynamic Multi Asset Portfolio invests in fixed-income securities. The market value of a debt security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The debt securities market can be susceptible to increases in volatility and decreases in liquidity. Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Prices of bonds and other debt securities tend to move inversely with changes in interest rates. Interest rate risk is usually greater for fixed-income securities with longer maturities or durations. A rise in interest rates (or the expectation of a rise in interest rates) may result in periods of volatility, decreased liquidity and increased redemptions, and, as a result, the Portfolio may have to liquidate portfolio securities at disadvantageous prices. Risks associated with rising interest rates are heightened given that interest rates in the US and other countries are at or near historic lows.

The Portfolio's investments in lower-rated, higher-yielding securities ("junk bonds") are subject to greater credit risk than its higher rated investments. Credit risk is the risk that the issuer will not make interest or principal payments, or will not make payments on a timely basis. Non-investment grade securities tend to be more volatile, less liquid and are considered speculative. If there is a decline, or perceived decline, in the credit quality of a debt security (or any guarantor of payment on such security), the security's value could fall, potentially lowering the Portfolio's share price. The prices of non-investment grade securities, unlike investment grade debt securities, may fluctuate unpredictably and not necessarily inversely with changes in interest rates. The market for these securities may be less liquid and therefore these securities may be harder to value or sell at an acceptable price, especially during times of market volatility or decline.

Some debt securities may give the issuer the option to call, or redeem, the securities before their maturity, and, during a time of declining interest rates, the Portfolio may have to reinvest the proceeds in an investment offering a lower yield (and the Portfolio may not fully benefit from any increase in the value of its portfolio holdings as a result of declining interest rates).

7. Contractual Obligations

The Fund enters into contracts in the normal course of business that contain a variety of indemnifications. A Portfolio's maximum exposure under these arrangements is unknown. Management has reviewed the Fund's existing contracts and expects the risk of loss to be remote.

8. Fair Value Measurements

Fair value is defined as the price that a Portfolio would receive to sell an asset, or would pay to transfer a liability, in an orderly transaction between market participants at the date of measurement. The Fair Value Measurements and Disclosures provisions of GAAP also establish a framework for measuring fair value, and a three-level hierarchy for fair value measurement that is based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer, broadly, to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions that market participants would use in

pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. Each investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the overall fair value measurement. The three-level hierarchy of inputs is summarized below:

- Level 1 – unadjusted quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including unadjusted 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)

Changes in valuation technique may result in transfer into or out of the current assigned level within the hierarchy.

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in these securities.

The following table summarizes the valuation of the Portfolios' investments by each fair value hierarchy level as of June 30, 2016:

Description	Unadjusted Quoted Prices in Active Markets for Identical Investments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2016
US Strategic Equity Portfolio				
Common Stocks*	$ 9,421,598	$ —	$ —	$ 9,421,598
Short-Term Investment	440,410	—	—	440,410
Total	$ 9,862,008	$ —	$ —	$ 9,862,008
US Small-Mid Cap Equity Portfolio				
Common Stocks*	$ 53,927,203	$ —	$ —	$ 53,927,203
Short-Term Investment	2,212,382	—	—	2,212,382
Total	$ 56,139,585	$ —	$ —	$ 56,139,585
International Equity Portfolio				
Common Stocks*				
Australia	$ —	$ 21,074,019	$ —	$ 21,074,019
Belgium	—	28,023,035	—	28,023,035
Denmark	—	7,920,197	—	7,920,197
Finland	—	11,058,464	—	11,058,464
France	—	49,792,681	—	49,792,681
Germany	—	4,968,446	—	4,968,446
Ireland	5,453,536	25,720,982	—	31,174,518
Italy	—	11,122,735	—	11,122,735
Japan	—	139,976,563	—	139,976,563
Luxembourg	—	4,809,467	—	4,809,467
Netherlands	—	37,807,449	—	37,807,449
Norway	—	9,654,712	—	9,654,712
Philippines	—	3,146,319	—	3,146,319
Spain	—	7,282,942	—	7,282,942
Sweden	—	23,104,447	—	23,104,447
Switzerland	—	40,021,922	—	40,021,922
Thailand	—	3,711,984	—	3,711,984
Turkey	—	7,676,082	—	7,676,082
United Kingdom	—	86,263,628	—	86,263,628
Other	83,890,282	—	—	83,890,282
Short-Term Investment	37,473,652	—	—	37,473,652
Total	$ 126,817,470	$523,136,074	$ —	$ 649,953,544

Description	Unadjusted Quoted Prices in Active Markets for Identical Investments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2016
Emerging Markets Equity Portfolio				
Common Stocks*				
China	$ 91,003,580	$ 73,739,892	$ —	$ 164,743,472
Egypt	514,098	8,402,198	—	8,916,296
Hong Kong	—	4,159,665	—	4,159,665
Hungary	—	15,304,421	—	15,304,421
India	—	101,626,587	—	101,626,587
Indonesia	30,877,504	43,044,649	—	73,922,153
Macau	—	3,083,255	—	3,083,255
Malaysia	—	6,772,540	—	6,772,540
Pakistan	—	20,205,622	—	20,205,622
Russia	15,044,684	78,645,051	—	93,689,735
South Africa	7,558,405	72,929,977	—	80,488,382
South Korea	—	128,813,938	—	128,813,938
Taiwan	—	56,018,119	—	56,018,119
Thailand	—	21,947,990	—	21,947,990
Turkey	—	45,234,036	—	45,234,036
Other	162,086,531	—	—	162,086,531
Short-Term Investment	41,909,918	—	—	41,909,918
Total	$ 348,994,720	$679,927,940	$ —	$ 1,028,922,660
Global Dynamic Multi Asset Portfolio				
Assets:				
Common Stocks*				
Australia	$ —	$ 6,130,132	$ —	$ 6,130,132
Austria	—	203,231	—	203,231
Belgium	1,335,894	179,383	—	1,515,277
Denmark	1,073,444	708,053	—	1,781,497
Finland	870,664	590,223	—	1,460,887
France	—	1,294,774	—	1,294,774
Germany	1,834,647	685,876	—	2,520,523
Hong Kong	537,973	4,183,915	—	4,721,888
Ireland	1,425,154	111,194	—	1,536,348
Israel	1,162,478	428,000	—	1,590,478
Italy	708,102	254,958	—	963,060
Japan	2,754,129	11,318,501	—	14,072,630
Malta	—	221,950	—	221,950
Netherlands	1,853,745	1,768,914	—	3,622,659
New Zealand	—	360,050	—	360,050
Norway	—	2,138,114	—	2,138,114
Portugal	—	377,261	—	377,261
Singapore	—	1,743,474	—	1,743,474
South Africa	—	279,749	—	279,749
Spain	—	632,493	—	632,493
Sweden	1,033,260	789,894	—	1,823,154
Switzerland	1,289,077	1,776,577	—	3,065,654
United Kingdom	4,537,481	6,035,338	—	10,572,819
Other	101,457,537	—	—	101,457,537
Corporate Bonds*	—	25,678,598	—	25,678,598
Foreign Government Obligations*	—	37,991,168	—	37,991,168
Quasi Government Bonds*	—	7,045,503	—	7,045,503
Supranationals	—	4,159,577	—	4,159,577
US Municipal Bonds	—	1,262,819	—	1,262,819
US Treasury Securities	—	3,894,225	—	3,894,225
Short-Term Investment	9,114,789	—	—	9,114,789
Other Financial Instruments**				
Forward Currency Contracts	—	1,507,461	—	1,507,461
Total	$ 130,988,374	$123,751,405	$ —	$ 254,739,779
Liabilities:				
Other Financial Instruments**				
Forward Currency Contracts	$ —	$ (997,942)	$ —	$ (997,942)

** Please refer to Portfolios of Investments (page 15 through 33) and Notes to Portfolios of Investments (page 35 through 36) for portfolio holdings by country and industry.*

*** Other financial instruments are derivative instruments which are valued at their respective unrealized appreciation (depreciation).*

Certain securities to which footnote (c) in the Notes to Portfolios of Investments apply are included in Level 2 and were valued based on reference to similar securities which were trading on active markets.

In connection with the periodic implementation of fair value pricing procedures with respect to non-US securities (see Note 2(a)), certain equity securities (other than those securities described in footnote (c) in the Notes to Portfolios of Investments) in the International Equity, Emerging Markets Equity and Global Dynamic Multi Asset Portfolios can transfer from Level 1 to Level 2 as a result of fair value pricing procedure triggers being met and would revert to Level 1 when the fair value pricing procedure triggers are no longer met. Accordingly, a significant portion of the Portfolios' investments are categorized as Level 2 investments. A Portfolio recognizes all transfers between levels as though they were transferred at the beginning of the reporting period.

At June 30, 2016, securities valued at the following amounts were transferred from Level 2 to Level 1:

Portfolio	Amount
International Equity	$ 4,577,992
Emerging Markets Equity	62,990,444

There were no other transfers into or out of Levels 1, 2 or 3 during the period ended June 30, 2016.

For further information regarding security characteristics see Portfolios of Investments.

9. Derivative Instruments

Certain Portfolios may use derivative instruments, including forward currency contracts.

Forward currency contracts may be used for hedging purposes or to seek to increase returns.

Global Dynamic Multi Asset Portfolio

During the period ended June 30, 2016, the approximate average monthly notional exposure for derivative instruments was as follows:

Forward currency contracts	$73,300,000

The following table summarizes the fair value of derivative instruments on the Statement of Assets and Liabilities as of June 30, 2016:

	Fair Value
Asset Derivatives	
Foreign Exchange Risk:	
Gross unrealized appreciation on forward currency contracts	$1,507,461
Liability Derivatives	
Foreign Exchange Risk:	
Gross unrealized depreciation on forward currency contracts	$ 997,942

The effect of derivative instruments on the Statement of Operations for the period ended June 30, 2016 was:

	Amount
Realized Gain (Loss) on Derivatives	
Foreign Exchange Risk:	
Net realized gain (loss) on foreign currency transactions and forward currency contracts	$989,672
Net Change in Unrealized Appreciation (Depreciation) on Derivatives	
Foreign Exchange Risk:	
Net change in unrealized appreciation (depreciation) on foreign currency translations and forward currency contracts	$ 74,102

See Note 2(c) and the Portfolios of Investments for additional disclosures about derivative instruments.

None of the other Portfolios presented traded in derivative instruments during the period ended June 30, 2016.

As of June 30, 2016, Global Dynamic Multi Asset Portfolio holds derivative instruments that are eligible for offset in the Statement of Assets and Liabilities and are subject to master netting arrangements. A master netting arrangement is an agreement between two counterparties who have multiple contracts with each other that provides for the net settlement of all contracts, as well as any cash collateral, through a single payment in the event of default on, or termination of, any one contract.

The required information for the affected Portfolio is presented in the below table, as of June 30, 2016:

Global Dynamic Multi Asset Portfolio

Description	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
Forward Currency Contracts	$1,507,461	$ —	$1,507,461

Counterparty	Net Amounts of Assets Presented in the Statement of Assets and Liabilities	Amounts Not Offset in the Statement of Assets and Liabilities		Net Amounts
		Financial Instruments	Collateral Received	
Citibank NA	$ 704,262	$(279,203)	$ —	$425,059
HSBC Bank USA NA	699,892	(465,979)	—	233,913
JPMorgan Chase Bank NA	26,669	(3,698)	—	22,971
Royal Bank of Canada	29,883	(4,479)	—	25,404
Standard Chartered Bank	16,403	(16,403)	—	—
State Street Bank and Trust Co.	30,352	(30,352)	—	—
Total	$1,507,461	$(800,114)	$ —	$ 707,347

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Assets and Liabilities	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities
Forward Currency Contracts	$997,942	$ —	$997,942

Counterparty	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Amounts Not Offset in the Statement of Assets and Liabilities		Net Amounts
		Financial Instruments	Collateral Pledged	
Canadian Imperial Bank of Commerce	$ 169,789	$ —	$ —	$169,789
Citibank NA	279,203	(279,203)	—	—
HSBC Bank USA NA	465,979	(465,979)	—	—
JPMorgan Chase Bank NA	3,698	(3,698)	—	—
Royal Bank of Canada	4,479	(4,479)	—	—
Standard Chartered Bank	36,884	(16,403)	—	20,481
State Street Bank and Trust Co.	37,910	(30,352)	—	7,558
Total	$ 997,942	$(800,114)	$ —	$ 197,828

10. Subsequent Events

Management has evaluated subsequent events affecting the Fund through the issuance of the financial statements and has determined that there were no subsequent events that required adjustment or disclosure.

Name (Age) Address[1]	Position(s) with the Fund (Since) and Term[2]	Principal Occupation(s) and Other Public Company Directorships Held During the Past Five Years[2]
Independent Directors[3]:		
Franci J. Blassberg (62)	Director (August 2014)	Debevoise & Plimpton LLP, a law firm, *Of Counsel* (2013 – present); previously, *Partner* (through 2012)
		Cornell Law School, *Visiting Professor of Practice* (2015 – present); previously, *Distinguished Practitioner in Residence* (Fall 2013 and Fall 2014)
Kenneth S. Davidson (71)	Director (April 1997)	Davidson Capital Management Corporation, an investment manager, *President* (1978 – present)
		Landseer Advisors LLC, an investment manager, *Senior Advisor* (2012 – 2014)
		Aquiline Holdings LLC, an investment manager, *Partner* (2006 – 2012)
Nancy A. Eckl (53)	Director (May 2007)	College Retirement Equities Fund (eight accounts), *Trustee* (2007 – present)
		TIAA-CREF Funds (67 funds) and TIAA-CREF Life Funds (11 funds), *Trustee* (2007 – present)
		TIAA Separate Account VA-1, *Member of the Management Committee* (2007 – present)
		American Beacon Advisors, Inc. ("American Beacon") and certain funds advised by American Beacon, *Vice President* (1990 – 2006)
Trevor W. Morrison (45)	Director (April 2014)	New York University School of Law, *Dean and Eric M. and Laurie B. Roth Professor of Law* (2013 – present)
		Columbia Law School, *Professor of Law* (2008 – 2013)
Richard Reiss, Jr. (72)	Director (April 1997)	Georgica Advisors LLC, an investment manager, *Chairman* (1997 – present)
		Resource Americas, Inc., a real estate asset management company, *Director* (2016 – present)
		O'Charley's, Inc., a restaurant chain, *Director* (1984 – 2012)
Robert M. Solmson (68)	Director (September 2004)	Fairwood Capital, LLC, a private investment corporation engaged primarily in real estate and hotel investments, *President* (2008 – present)

Name (Age) Address[1]	Position(s) with the Fund (Since) and Term[2]	Principal Occupation(s) and Other Public Company Directorships Held During the Past Five Years[2]
Interested Directors[4]:		
Charles L. Carroll (55)	Chief Executive Officer, President and Director (June 2004)	Investment Manager, *Deputy Chairman and Head of Global Marketing* (2004 – present)
Ashish Bhutani (56)	Director (July 2005)	Investment Manager, *Chief Executive Officer* (2004 – present) Lazard Ltd, *Vice Chairman and Director* (2010 – present)

(1) The address of each Director of the Fund is Lazard Asset Management LLC, 30 Rockefeller Plaza, New York, New York 10112-6300.

(2) Each Director serves as a Director for each of the funds in the Lazard Fund Complex (comprised of, as of July 31, 2016, 40 active investment portfolios). Each Director serves an indefinite term, until his or her successor is elected, and each Director serves in the same capacity for the other funds in the Lazard Fund Complex.

(3) "Independent Directors" are not "interested persons" (as defined in the 1940 Act) of the Fund.

(4) Messrs. Bhutani and Carroll are "interested persons" (as defined in the 1940 Act) of the Fund because of their positions with the Investment Manager.

The Fund's Statement of Additional Information contains further information about the Directors and is available without charge by calling 800-823-6300, or online, at www.LazardNet.com.

Name (Age) Address[1]	Position(s) with the Fund (Since) and Term[2]	Principal Occupation(s) During the Past Five Years
Officers[3]:		
Nathan A. Paul (43)	Vice President and Secretary (April 2002)	Managing Director and General Counsel of the Investment Manager
Christopher Snively (31)	Chief Financial Officer (March 2016)	Senior Vice President of the Investment Manager (since November 2015)
		Assurance Manager at PricewaterhouseCoopers LLP (2008 – November 2015)
Stephen St. Clair (57)	Treasurer (May 2003)	Vice President of the Investment Manager
Mark R. Anderson (46)	Chief Compliance Officer (September 2014)	Director and Chief Compliance Officer of the Investment Manager (since September 2014)
		Senior Vice President, Counsel and Deputy Chief Compliance Officer of AllianceBernstein L.P. (2004 – August 2014)
Tamar Goldstein (41)	Assistant Secretary (February 2009)	Director (since February 2016, previously Senior Vice President), and Director of Legal Affairs (since July 2015) of the Investment Manager
Shari L. Soloway (34)	Assistant Secretary (November 2015)	Senior Vice President, Legal and Compliance, of the Investment Manager (since September 2015)
		Vice President and Associate General Counsel of GE Asset Management (July 2011 – September 2015)
		Associate at Clifford Chance US LLP (2006 – July 2011)
Cesar A. Trelles (41)	Assistant Treasurer (December 2004)	Vice President of the Investment Manager

(1) The address of each officer of the Fund is Lazard Asset Management LLC, 30 Rockefeller Plaza, New York, New York 10112-6300.

(2) Each officer serves for an indefinite term, until his or her successor is elected and qualifies or until his or her earlier resignation or removal. Each officer serves in the same capacity for the other funds in the Lazard Fund Complex.

(3) In addition to Charles L. Carroll, President, whose information is included in the Interested Directors section.

Proxy Voting

A description of the policies and procedures used to determine how proxies relating to Fund portfolio securities are voted is available (1) without charge, upon request, by calling (800) 823-6300 or (2) on the Securities and Exchange Commission (the "SEC") website at http://www.sec.gov.

The Fund's proxy voting record for the most recent 12-month period ended June 30 is available (1) without charge, upon request, by calling (800) 823-6300 or (2) on the SEC's website at http://www.sec.gov. Information as of June 30 each year will generally be available by the following August 31.

Form N-Q

The Fund files a complete schedule of each Portfolio's holdings for the first and third quarters of its fiscal year with the SEC 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, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330.

Board Consideration of Management Agreement

All Portfolios except Lazard Retirement Emerging Markets Equity Advantage Portfolio, Lazard Retirement International Equity Advantage Portfolio, Lazard Retirement International Equity Concentrated Portfolio and Lazard Retirement Managed Equity Volatility Portfolio

At a meeting of the Board held on June 28-29, 2016, the Board considered the approval, for an additional annual period, of the Management Agreement between the Fund, on behalf of the Portfolios, and the Investment Manager. The Independent Directors were assisted in their review by independent legal counsel, who advised the Board on relevant legal standards and met with the Independent Directors in executive session separate from representatives of the Investment Manager.

Services Provided

Representatives of the Investment Manager discussed with the Board the Investment Manager's written presentation provided in advance of the meeting addressing, among other matters, the nature, extent and quality of services that the Investment Manager provides the Fund, including a discussion of the Investment Manager and its clients (of which the Lazard Funds complex of 40 active funds comprised approximately $28 billion (as of April 30, 2016) of the approximately $191 billion of total assets under the management of the Investment Manager and its global affiliates as of March 31, 2016). The Investment Manager's representatives noted that the Investment Manager believes that the Fund and its shareholders continue to be able to obtain significant benefits as a result of the resources and support of the Investment Manager's global research, portfolio management, operations, technology, legal and compliance and marketing infrastructure. The Directors also considered information provided by the Investment Manager regarding its personnel, resources, financial condition and experience; the Fund's distribution channels and the relationships with various intermediaries; marketing activities on behalf of the Portfolios; and Portfolio asset flows and the growth or decline in asset levels.

The Directors considered the various services provided by the Investment Manager including the Investment Manager's research and portfolio management capabilities and oversight of day-to-day operations, including supervision of fund accounting and administration-related services and assistance in meeting legal and regulatory requirements. The Directors also considered the Investment Manager's infrastructure and agreed that the Fund benefits from the services and infrastructure provided by the Investment Manager. The Directors accepted management's assertion that such services and infrastructure are greater than those typically provided to a $28 billion fund complex not managed by a large, global firm such as the Investment Manager.

Comparative Fee, Expense Ratio and Performance Information

The Directors reviewed comparative fee, expense ratio and performance (through March 31, 2016) information prepared by Strategic Insight, noting the limitations of certain Strategic Insight comparison groups (each, a "Group") and broader Morningstar categories (each, a "Category"). Strategic Insight's analyses were for the Service Shares class of each Portfolio

except for the Emerging Markets Equity Portfolio, which has both Service Shares and Investor Shares classes outstanding.

Advisory Fees and Expense Ratios. The Directors discussed the management fees paid to the Investment Manager (referred to in the Strategic Insight materials as "advisory fees") and expense ratios for each Portfolio. They noted the methodology and assumptions used by Strategic Insight. The Directors considered that the Investment Manager continues to voluntarily enter into fee waiver and expense reimbursement agreements for all of the active Portfolios and that for certain of these Portfolios the Investment Manager was waiving advisory fees and/or reimbursing expenses.

Except for the Capital Allocator Opportunistic Strategies, Enhanced Opportunities, Fundamental Long/Short, Global Dynamic Multi Asset, Global Listed Infrastructure, Global Strategic Equity and US Strategic Equity Portfolios (of which only the Global Dynamic Multi Asset and US Strategic Equity Portfolios are active), the current gross advisory fee was at or lower than the Portfolio's relevant Group median. It was noted that the Investment Manager proposed to lower the advisory fee for the Global Dynamic Multi Asset Portfolio by five basis points, which would bring the fee closer to the median, and that, for the US Strategic Equity Portfolio, the gross advisory fee was only one tenth of a basis point above the median.

For the active Portfolios, total expenses were at or below the median of the relevant Group, except for the Global Dynamic Multi Asset Portfolio (only nine basis points above the median), the US Small-Mid Cap Equity Portfolio and the Emerging Markets Equity Portfolio (Investor Shares total expenses less than two basis points above the Group median).

The Directors also considered fees paid to the Investment Manager by funds advised or sub-advised by the Investment Manager utilizing the same investment strategies as the Portfolios, as well as the Investment Manager's separately managed accounts with similar investment objectives, policies and strategies (for each Portfolio, collectively with such funds, "Similar Accounts"). The Directors discussed the fees paid to the Investment Manager by the Fund's Portfolios compared to the fees paid to the Investment Manager by Similar Accounts. Representatives of the Investment Manager discussed the nature of the Similar Accounts and the extensive differences, from the Investment Manager's perspective, in services provided to the different types of Similar Accounts as compared to the services provided to the Portfolios. The Directors considered the relevance of the fee information provided for Similar Accounts managed by the Investment Manager, in light of the significant differences in services provided, to evaluate the fees paid to the Investment Manager by the Portfolios.

Performance. Strategic Insight's performance analyses compared each Portfolio's investment returns to those of the funds in the relevant Group and Category over one-, three-, five- and ten-year periods ended March 31, 2016 (as applicable).

The Directors noted that performance of the International Equity Portfolio was above the Group and Category averages in all periods; US Small-Mid Cap Equity Portfolio was generally below the Group average and generally above the Category average in all periods; the Emerging Markets Equity Portfolio was below the Group and Category averages for the one- and three-year periods (except for the one-year period where Investor Shares were slightly above the Category average) and above the averages for all other periods; the US Strategic Equity Portfolio was below the Group and Category averages in all periods; and the Global Dynamic Multi Asset Portfolio was above the Group and Category averages in all periods.

At the meeting, the Directors received and would continue to receive regular updates on the Investment Manager's efforts in respect of underperforming Portfolios.

Investment Manager Profitability and Economies of Scale

The Directors reviewed information prepared by the Investment Manager for each Portfolio concerning profits realized by the Investment Manager and its affiliates resulting from the Management Agreement, calculated using the actual revenues received for the calendar year ended December 31, 2015 and the Investment Manager's cost allocation methodology to compute an estimate of each Portfolio's costs to the Investment Manager. The Investment Manager's rep-

resentatives stated that neither the Investment Manager nor its affiliates receive any significant indirect benefits from the Investment Manager acting as investment adviser to the Portfolios. The Investment Manager's representatives reviewed with the Board information provided on the Investment Manager's brokerage practices and the Portfolios' brokerage allocation, commission payments and soft dollar commissions and benefits. The representatives of the Investment Manager reminded the Board that the Investment Manager is continuing to support distribution relationships through direct payments from its or its affiliates' own resources to third parties in connection with distribution and shareholder servicing and/or administrative and recordkeeping services, and noted that the Fund does not bear any related costs other than the 0.25% 12b-1 fee pursuant to the Distribution and Servicing Plan adopted for the Portfolios' Service Shares.

The profitability percentages were within ranges determined by relevant court cases not to be so disproportionately large that they bore no reasonable relationship to the services rendered. Representatives of the Investment Manager stated that the Investment Manager believed the profits are not unreasonable in light of the services provided and other factors. The Directors considered the Investment Manager's estimated profitability with respect to each Portfolio as part of their evaluation of whether the Portfolio's fee under the Management Agreement, considered in relation to the mix of services provided by the Investment Manager, including the nature, extent and quality of such services, and evaluated profitability in light of the relevant circumstances for each Portfolio, including the size of each Portfolio and the trend in asset growth or decline, supported the renewal of the Management Agreement. Representatives of the Investment Manager and the Directors discussed ways economies of scale could be realized and how they could be shared, including the Investment Manager's reinvestment of money back into its business, waiving or reimbursing Portfolio management fees and expenses (including for some Portfolios amending the Management Agreement to lower contractual management fees), adding discounts to a Portfolio's management fee schedule as a Portfolio's assets increase or by instituting relatively low management fees from inception. It was noted that, for Portfolios with declining or stable assets or a low level of assets, the extent to which the Investment Manager may have realized any economies of scale would be reduced.

At the conclusion of these discussions, each of the Directors expressed the opinion that he or she had been furnished with such information as may reasonably be necessary to make an informed business decision with respect to evaluation of the renewal of the Management Agreement. Based on its discussions and considerations as described above, the Board made the following conclusions and determinations.

- The Board concluded that the nature, extent and quality of the services provided by the Investment Manager are adequate and appropriate, noting the benefits of advisory and research services and other services and infrastructure (as discussed above) associated with an approximately $191 billion global asset management business.

- The Board was generally satisfied with the overall performance of most of the Portfolios, either because relative performance in the Group and/or Category was satisfactory or performance was otherwise consistent with the investment approach employed for a Portfolio. For certain Portfolios that were not performing in accordance with expectations, the Board would continue to monitor performance.

- The Board concluded that each Portfolio's fee paid to the Investment Manager supported the renewal of the Management Agreement in light of the considerations discussed above.

- The Board recognized that economies of scale may be realized as the assets of the Portfolios increase and determined that they would continue to consider potential material economies of scale.

In evaluating the Management Agreement, the Board relied on the information described above as well as other information provided by the Investment Manager, in addition to 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 Management Agreement, including information on the investment performance of the Portfolios in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the Portfolios; and compliance reports. The Board also relied on its previous knowledge, gained through meetings and other interactions with the Investment Manager, of the Fund and the services provided to the Fund by the Investment Manager. The Board considered these conclusions and determinations in their totality and determined to approve the Fund's Management Agreement for each Portfolio. In deciding whether to vote to approve the Management Agreement for each Portfolio, each Director may have accorded different weights to different factors so that each Director may have had a different basis for his or her decision.

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Performance information as of the most recent month end is available online at www.LazardNet.com.

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SEMIANNUAL REPORT
June 30, 2016

MFS® TOTAL RETURN BOND SERIES

MFS® Variable Insurance Trust

VFB-SEM

MFS® TOTAL RETURN BOND SERIES

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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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LETTER FROM THE CHAIRMAN

Dear Contract Owners:

Global headwinds continue to restrain growth and profits, though developed market equities have remained resilient, underpinned by record-low interest rates. Rates are likely to stay low over the medium term, as many central banks have implemented accommodative monetary policies in an effort to reinvigorate their economies. Markets will have to deal with an additional headwind in the coming months and years as investors grapple with the fallout from the United Kingdom's decision to leave the European Union. That process will take a considerable period of time to play out against a highly uncertain backdrop. Weakness in the pound sterling in the wake of the referendum has been a welcome shock absorber for UK financial markets.

Emerging markets have been beneficiaries of firmer commodity prices and diminishing fears of sharply higher interest rates from the U.S. Federal Reserve. China remains a source of concern for investors, as overcapacity in its manufacturing sector inhibits the government's attempt to change its domestic economy from one driven by exports to a consumer-driven model.

At MFS®, we believe it is best to view markets through a long lens and not react to short-term swings. That makes it possible to filter out market noise and focus on long-term fundamentals.

In our view, the professional guidance of a financial advisor, along with a patient, long-term approach, will help you reach your investment objectives.

Respectfully,

Robert J. Manning

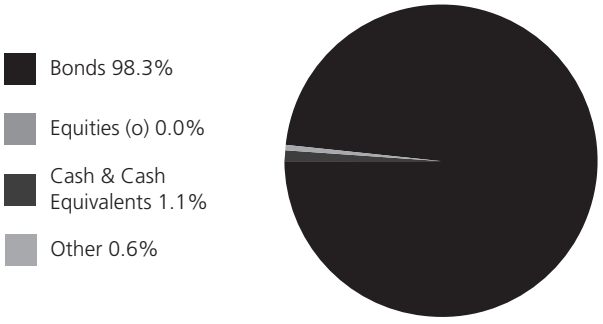
Robert J. Manning
Chairman
MFS Investment Management

August 15, 2016

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)



Fixed income sectors (i)

Investment Grade Corporates	38.5%
Mortgage-Backed Securities	22.4%
U.S. Treasury Securities	10.9%
Commercial Mortgage-Backed Securities	10.3%
High Yield Corporates	7.5%
Asset-Backed Securities	3.5%
U.S. Government Agencies	2.4%
Collateralized Debt Obligations	2.3%
Emerging Markets Bonds	0.4%
Residential Mortgage-Backed Securities	0.1%

Composition including fixed income credit quality (a)(i)

AAA	10.9%
AA	1.6%
A	13.2%
BBB	26.6%
BB	7.2%
B	2.7%
CCC	0.4%
C (o)	0.0%
U.S. Government	11.4%
Federal Agencies	24.8%
Not Rated	(0.5)%
Non-Fixed Income (o)	0.0%
Cash & Cash Equivalents	1.1%
Other	0.6%

Portfolio facts (i)

Average Duration (d)	5.4
Average Effective Maturity (m)	8.1 yrs.

(a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. U.S. Government includes securities issued by the U.S. Department of the Treasury. Federal Agencies includes rated and unrated U.S. Agency fixed-income securities, U.S. Agency mortgage-backed securities, and collateralized mortgage obligations of U.S. Agency mortgage-backed securities. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. Non-Fixed Income includes any equity securities (including convertible bonds and equity derivatives) and/or commodity-linked derivatives. The fund may not hold all of these instruments. The fund is not rated by these agencies.

(d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.

(i) For purposes of this presentation, the components include the value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than value. The bond component will include any accrued interest amounts.

(m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.

(o) Less than 0.1%.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Cash & Cash Equivalents includes any cash, investments in money market funds, short-term securities, and other assets less liabilities. Please see the Statement of Assets and Liabilities for additional information related to the fund's cash position and other assets and liabilities.

Other includes equivalent exposure from currency derivatives and/or any offsets to derivative positions.

Percentages are based on net assets as of 6/30/16.

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, 2016 through June 30, 2016

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, 2016 through June 30, 2016.

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 1/01/16	Ending Account Value 6/30/16	Expenses Paid During Period (p) 1/01/16-6/30/16
Initial Class	Actual	0.53%	$1,000.00	$1,056.92	$2.71
	Hypothetical (h)	0.53%	$1,000.00	$1,022.23	$2.66
Service Class	Actual	0.78%	$1,000.00	$1,055.56	$3.99
	Hypothetical (h)	0.78%	$1,000.00	$1,020.98	$3.92

(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 182/366 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 6/30/16 (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 – 98.1%		
Aerospace – 0.1%		
TransDigm, Inc., 6.5%, 7/15/2024	$ 2,970,000	$ 3,012,709
Asset-Backed & Securitized – 16.1%		
Alm XIV Ltd., CLO, 2014-14A, "A1", FRN, 2.064%, 7/28/2026 (n)	$ 9,007,942	$ 8,967,519
Ameriquest Mortgage Securities, Inc., "M1", FRN, 0.923%, 10/25/2035	2,800,000	2,766,575
ARI Fleet Lease Trust, 2016-A, "A2", 1.82%, 7/15/2024 (n)	6,042,000	6,052,299
Babson Ltd., CLO, FRN, 1.734%, 4/20/2025 (n)	9,870,445	9,766,115
Ballyrock Ltd., 1.816%, 5/20/2025 (z)	3,269,000	3,226,930
Banc of America Commercial Mortgage, Inc., 5.337%, 12/15/2043 (n)	2,801,036	2,839,037
Banc of America Commercial Mortgage, Inc., FRN, 5.784%, 4/24/2049 (n)	637,169	640,644
Banc of America Large Loan, Inc., FRN, 5.325%, 2/24/2044 (n)	8,700,365	8,815,352
Bayview Commercial Asset Trust, FRN, 0%, 4/25/2036 (i)(z)	239,196	855
Bayview Commercial Asset Trust, FRN, 0%, 7/25/2036 (i)(z)	168,549	0
Bayview Commercial Asset Trust, FRN, 0%, 10/25/2036 (i)(z)	455,388	0
Bayview Commercial Asset Trust, FRN, 0%, 12/25/2036 (i)(z)	226,892	0
Bayview Commercial Asset Trust, FRN, 0%, 3/25/2037 (i)(z)	495,092	0
Bayview Financial Revolving Mortgage Loan Trust, FRN, 2.037%, 12/28/2040 (z)	122,711	88,507
Bear Stearns Commercial Mortgage Securities, Inc., "A4", FRN, 5.471%, 1/12/2045	4,792,304	4,875,933
Bear Stearns Cos., Inc., "A2", FRN, 0.896%, 12/25/2042	967,818	949,803
Cent CLO LP, 2014-16AR, "A1AR", FRN, 1.886%, 8/01/2024 (n)	5,669,598	5,654,977
Chesapeake Funding II LLC, 2016-1A, "A1", 2.11%, 3/15/2028 (n)	8,705,000	8,768,733
Chesapeake Funding LLC, "A", FRN, 0.914%, 1/07/2025 (n)	4,307,800	4,305,193
Citigroup Commercial Mortgage Trust, 2014-GC25, "A4", 3.635%, 10/10/2047	3,128,793	3,398,386
Citigroup Commercial Mortgage Trust, 2015-GC27, "A5", 3.137%, 2/10/2048	7,821,982	8,208,369
Citigroup/Deutsche Bank Commercial Mortgage Trust, 5.322%, 12/11/2049	12,794,632	12,929,125
Citigroup/Deutsche Bank Commercial Mortgage Trust, FRN, 5.366%, 12/11/2049	10,410,000	10,588,829
CNH Wholesale Master Note Trust, "A", FRN, 1.042%, 8/15/2019 (n)	10,568,000	10,567,998

Issuer	Shares/Par	Value ($)
BONDS – continued		
Asset-Backed & Securitized – continued		
Commercial Mortgage Acceptance Corp., FRN, 2.259%, 9/15/2030 (i)	$ 22,777	$ 93
Commercial Mortgage Asset Trust, FRN, 0.645%, 1/17/2032 (i)(z)	481,928	879
Commercial Mortgage Pass-Through Certificates, "A4", 5.306%, 12/10/2046	1,009,483	1,014,187
Commercial Mortgage Pass-Through Certificates, "A4", 3.183%, 2/10/2048	7,671,000	8,112,667
Commercial Mortgage Trust, "A4", 3.147%, 8/15/2045	3,950,000	4,204,723
Commercial Mortgage Trust, 2014-CR19, "A5", 3.796%, 8/10/2047	8,605,908	9,470,385
Commercial Mortgage Trust, 2014-UBS4, "A5", 3.694%, 8/10/2047	8,091,000	8,742,660
Commercial Mortgage Trust, 2015-LC21, "A4", 3.708%, 7/10/2048	10,000,000	10,952,845
Commercial Mortgage Trust, 2015-PC1, "A5", 3.902%, 7/10/2050	2,888,848	3,174,354
Credit Suisse Commercial Mortgage Trust, "A4", FRN, 6.137%, 9/15/2039	8,253,105	8,518,503
Credit Suisse Commercial Mortgage Trust, "AM", FRN, 5.889%, 6/15/2039	13,668,432	13,816,229
Credit Suisse Commercial Mortgage Trust, "C4", FRN, 6.137%, 9/15/2039	6,667,307	6,893,151
Credit Suisse Mortgage Capital Certificate, 5.311%, 12/15/2039	1,575,013	1,577,611
Credit-Based Asset Servicing & Securitization LLC, 4.07%, 12/25/2035	19,846	19,637
CSAIL Commercial Mortgage Trust, 2015-C2, "A4", 3.504%, 6/15/2057	2,695,346	2,902,120
CWCapital Cobalt Ltd., "A4", FRN, 5.956%, 5/15/2046	1,881,053	1,938,854
CWCapital LLC, 5.223%, 8/15/2048	313,986	314,903
Dryden Senior Loan Fund, CLO, "A", FRN, 2.008%, 1/15/2025 (n)	7,548,370	7,520,483
Falcon Franchise Loan LLC, FRN, 99.9%, 1/05/2025 (i)(z)	1,279	310
First Union National Bank Commercial Mortgage Trust, FRN, 1.734%, 1/12/2043 (i)(q)(z)	80,451	283
Flatiron CLO Ltd. 2013-1A, "A1", FRN, 2.032%, 1/17/2026 (n)	8,321,193	8,248,135
Ford Credit Auto Owner Trust, 2014-1,"A", 2.26%, 11/15/2025 (n)	4,559,000	4,650,689
Ford Credit Auto Owner Trust, 2014-2,"A", 2.31%, 4/15/2026 (n)	10,726,000	10,956,837
Galaxy CLO Ltd., 3.226%, 11/16/2025 (z)	5,290,000	5,002,640
GE Capital Commercial Mortgage Corp., "A", 5.543%, 12/10/2049	974,966	993,715
Greenwich Capital Commercial Funding Corp., 5.475%, 3/10/2039	11,128,879	11,315,127

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Asset-Backed & Securitized – continued		
GS Mortgage Securities Trust, 2015-GC30, "A4", 3.382%, 5/10/2050	$ 7,904,407	$ 8,459,254
Harley-Davidson Motorcycle Trust, "A2", FRN, 0.742%, 1/15/2019	977,461	977,559
Hertz Fleet Lease Funding LP, 2013-3, "A", FRN, 0.995%, 12/10/2027 (n)	1,887,847	1,886,370
Hertz Fleet Lease Funding LP, 2014-1, FRN, 0.845%, 4/10/2028 (z)	3,437,101	3,427,924
JPMBB Commercial Mortgage Securities Trust, 2014-C26, 3.494%, 1/15/2048	9,314,291	10,028,138
JPMBB Commercial Mortgage Securities Trust, 2015-C28, "A4", 3.227%, 10/15/2048	3,308,428	3,493,423
JPMorgan Chase Commercial Mortgage Securities Corp., 5.552%, 5/12/2045	100,563	100,466
JPMorgan Chase Commercial Mortgage Securities Corp., "A3", 4.171%, 8/15/2046	600,000	655,230
JPMorgan Chase Commercial Mortgage Securities Corp., "A3", FRN, 5.927%, 6/15/2049	557,241	563,897
JPMorgan Chase Commercial Mortgage Securities Corp., "A3", FRN, 6.131%, 2/15/2051	66,174	66,040
JPMorgan Chase Commercial Mortgage Securities Corp., "A4", FRN, 5.927%, 6/15/2049	9,677,430	9,851,459
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.791%, 7/15/2042 (n)(q)	130,000	33,800
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.887%, 2/12/2049	741,135	757,727
JPMorgan Chase Commercial Mortgage Trust, 2007-LD11, "AM", FRN, 5.927%, 6/15/2049	15,944,203	15,946,451
JPMorgan Mortgage Trust, "A1", FRN, 2.492%, 10/25/2033	289,096	281,172
Kingsland III Ltd., "A1", CDO, FRN, 0.876%, 8/24/2021 (n)	936,223	932,854
LB-UBS Commercial Mortgage Trust, "A4", 5.372%, 9/15/2039	925,828	926,529
Lehman Brothers Commercial Conduit Mortgage Trust, FRN, 1.184%, 2/18/2030 (i)	17,637	106
Merrill Lynch Mortgage Investors Inc., "A", FRN, 2.514%, 5/25/2036	710,337	682,826
Merrill Lynch Mortgage Investors Inc., "A5", FRN, 2.394%, 4/25/2035	501,241	472,791
Merrill Lynch Mortgage Trust, "A3", FRN, 6.021%, 6/12/2050	116,081	115,894
Morgan Stanley Bank of America/Merrill Lynch Trust, "A4", 3.176%, 8/15/2045	5,000,000	5,326,340
Morgan Stanley Capital I Trust, "AM", FRN, 5.865%, 4/15/2049	14,764,000	14,740,417
Morgan Stanley Capital I, Inc., FRN, 1.135%, 11/15/2030 (i)(n)	$ 66,295	$ 935
Morgan Stanley Re-REMIC Trust, FRN, 5.988%, 8/15/2045 (n)	11,500,000	11,725,178
Motor PLC, 2015-1A, "A1", FRN, 1.053%, 6/25/2022 (n)	3,861,192	3,851,114
Nextgear Floorplan Master Owner Trust, 2015-1A, "A", 1.8%, 7/15/2019 (n)	6,772,000	6,740,921
Nextgear Floorplan Master Owner Trust, 2015-2A, "A", 2.38%, 10/15/2020 (n)	7,586,000	7,561,469
Nissan Master Owner Trust Receivables 2015,"A-2", 1.44%, 1/15/2020	9,277,000	9,309,217
Preferred Term Securities XIX Ltd., CDO, FRN, 1.002%, 12/22/2035 (z)	321,198	226,589
Race Point CLO Ltd., "A", FRN, 1.885%, 2/20/2025 (n)	7,740,000	7,682,941
Residential Funding Mortgage Securities, Inc., 5.32%, 12/25/2035	81,482	67,792
Volkswagen Credit Auto Master Trust, 2014-1A, "A1", FRN, 0.788%, 7/22/2019 (n)	6,106,000	6,031,105
Wachovia Bank Commercial Mortgage Trust, "A4", FRN, 6.147%, 2/15/2051	6,644,319	6,781,833
Wachovia Bank Commercial Mortgage Trust, FRN, 5.888%, 6/15/2049	13,489,441	13,902,265
Wells Fargo Commercial Mortgage Trust, 2015-C28, "A4", 3.54%, 5/15/2048	10,682,988	11,534,158
		$ 408,895,383
Automotive – 0.9%		
General Motors Co., 4.875%, 10/02/2023	$ 4,291,000	$ 4,567,945
General Motors Co., 5.2%, 4/01/2045	4,005,000	3,967,862
General Motors Financial Co., Inc., 3.45%, 4/10/2022	2,500,000	2,498,235
Johnson Controls, Inc., 4.625%, 7/02/2044	2,272,000	2,399,789
Johnson Controls, Inc., 5.7%, 3/01/2041	2,075,000	2,385,866
Volkswagen Group America Finance LLC, 2.4%, 5/22/2020 (n)	6,214,000	6,241,379
		$ 22,061,076
Biotechnology – 0.6%		
Life Technologies Corp., 5%, 1/15/2021	$ 13,872,000	$ 15,308,931
Broadcasting – 0.3%		
Omnicom Group, Inc., 3.65%, 11/01/2024	$ 1,872,000	$ 1,973,565
SES Global Americas Holdings GP, 5.3%, 3/25/2044 (n)	2,857,000	2,678,846
SES S.A., 5.3%, 4/04/2043 (z)	3,272,000	3,143,270
		$ 7,795,681
Brokerage & Asset Managers – 0.9%		
CME Group, Inc., 3%, 3/15/2025	$ 2,197,000	$ 2,294,969
Intercontinental Exchange, Inc., 2.75%, 12/01/2020	1,591,000	1,665,968

Issuer	Shares/Par	Value ($)
BONDS – continued		
Brokerage & Asset Managers – continued		
Intercontinental Exchange, Inc., 3.75%, 12/01/2025	$ 9,058,000	$ 9,771,317
NYSE Euronext, 2%, 10/05/2017	3,115,000	3,146,539
TD Ameritrade Holding Corp., 5.6%, 12/01/2019	3,959,000	4,458,404
TD Ameritrade Holding Corp., 2.95%, 4/01/2022	1,773,000	1,847,315
		$ 23,184,512
Building – 0.5%		
Martin Marietta Materials, Inc., 4.25%, 7/02/2024	$ 8,330,000	$ 8,872,541
Masco Corp., 4.375%, 4/01/2026	1,122,000	1,157,332
Mohawk Industries, Inc., 3.85%, 2/01/2023	2,668,000	2,811,450
		$ 12,841,323
Business Services – 0.2%		
Equinix, Inc., 4.875%, 4/01/2020	$ 4,055,000	$ 4,207,063
Fidelity National Information Services, Inc., 3.875%, 6/05/2024	258,000	272,777
		$ 4,479,840
Cable TV – 1.5%		
CCO Holdings LLC/CCO Holdings Capital Corp., 5.75%, 1/15/2024	$ 3,865,000	$ 4,067,526
Charter Operating/CCO Capital Corp., 4.908%, 7/23/2025 (n)	7,676,000	8,392,186
Comcast Corp., 2.75%, 3/01/2023	3,297,000	3,452,806
Sirius XM Radio, Inc., 4.25%, 5/15/2020 (n)	7,940,000	8,027,126
Time Warner Cable, Inc., 4.5%, 9/15/2042	3,721,000	3,465,911
Time Warner Entertainment Co. LP, 8.375%, 7/15/2033	290,000	392,926
Videotron Ltd., 5%, 7/15/2022	8,605,000	8,906,175
		$ 36,704,656
Chemicals – 0.9%		
CF Industries Holdings, Inc., 7.125%, 5/01/2020	$ 3,767,000	$ 4,346,350
CF Industries Holdings, Inc., 5.375%, 3/15/2044	3,102,000	2,925,357
LYB International Finance B.V., 4.875%, 3/15/2044	2,890,000	3,055,753
LyondellBasell Industries N.V., 5.75%, 4/15/2024	5,384,000	6,408,074
Tronox Finance LLC, 6.375%, 8/15/2020	7,078,000	5,255,415
		$ 21,990,949
Computer Software – 0.3%		
VeriSign, Inc., 4.625%, 5/01/2023	$ 6,600,000	$ 6,682,500
Computer Software – Systems – 0.2%		
Apple, Inc., 4.375%, 5/13/2045	$ 4,792,000	$ 5,220,807
Conglomerates – 0.2%		
General Electric Capital Corp., 7.5%, 8/21/2035	$ 4,000,000	$ 6,000,856
Consumer Products – 0.8%		
Mattel, Inc., 5.45%, 11/01/2041	$ 4,191,000	$ 4,465,330
Newell Rubbermaid, Inc., 5.5%, 4/01/2046	1,514,000	1,801,247
Newell Rubbermaid, Inc., 4.2%, 4/01/2026	5,347,000	5,796,421
Reckitt Benckiser Treasury Services PLC, 3.625%, 9/21/2023 (n)	6,765,000	7,295,707
		$ 19,358,705
Consumer Services – 1.0%		
ADT Corp., 6.25%, 10/15/2021	$ 7,105,000	$ 7,549,063
Priceline Group, Inc., 3.65%, 3/15/2025	3,610,000	3,824,203
Visa, Inc., 2.8%, 12/14/2022	13,000,000	13,714,844
		$ 25,088,110
Containers – 0.6%		
Ball Corp., 4%, 11/15/2023	$ 4,870,000	$ 4,796,950
Ball Corp., 5%, 3/15/2022	1,385,000	1,470,178
Berry Plastics Corp., 5.125%, 7/15/2023	2,905,000	2,905,000
Sealed Air Corp., 5.125%, 12/01/2024 (n)	6,910,000	7,091,388
		$ 16,263,516
Defense Electronics – 0.0%		
BAE Systems Holdings, Inc., 6.375%, 6/01/2019 (n)	$ 500,000	$ 562,057
Emerging Market Sovereign – 0.3%		
Republic of Argentina, 7.5%, 4/22/2026 (n)	$ 6,332,000	$ 6,844,892
Energy – Independent – 0.3%		
Anadarko Petroleum Corp., 5.55%, 3/15/2026	$ 3,511,000	$ 3,877,127
EQT Corp., 4.875%, 11/15/2021	3,718,000	3,953,431
		$ 7,830,558
Energy – Integrated – 0.3%		
BP Capital Markets PLC, 2.237%, 5/10/2019	$ 6,940,000	$ 7,126,658
Entertainment – 0.6%		
Carnival Corp., 3.95%, 10/15/2020	$ 9,416,000	$ 10,157,350
Six Flags Entertainment Corp., 5.25%, 1/15/2021 (n)	3,710,000	3,825,938
		$ 13,983,288
Financial Institutions – 0.9%		
International Lease Finance Corp., 7.125%, 9/01/2018 (n)	$ 1,190,000	$ 1,306,549
Nationstar Mortgage LLC/Capital Corp., 6.5%, 7/01/2021	8,810,000	7,532,550
Navient Corp., 8%, 3/25/2020	5,448,000	5,567,202
Navient Corp., 4.625%, 9/25/2017	7,121,000	7,174,408
		$ 21,580,709

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Food & Beverages – 2.6%		
Anheuser-Busch InBev Finance, Inc., 2.65%, 2/01/2021	$ 8,068,000	$ 8,366,637
Anheuser-Busch InBev Finance, Inc., 4.9%, 2/01/2046	10,273,000	12,038,333
Anheuser-Busch InBev Worldwide, Inc., 3.7%, 2/01/2024	2,400,000	2,585,042
J.M. Smucker Co., 3%, 3/15/2022	1,105,000	1,160,294
J.M. Smucker Co., 4.25%, 3/15/2035	1,628,000	1,767,441
Kraft Foods Group, Inc., 5%, 6/04/2042	7,063,000	8,120,416
Kraft Heinz Foods Co., 5.2%, 7/15/2045 (n)	3,178,000	3,763,254
Kraft Heinz Foods Co., 3%, 6/01/2026 (n)	2,783,000	2,805,759
Pernod Ricard S.A., 3.25%, 6/08/2026 (z)	3,500,000	3,582,190
SABMiller Holdings, Inc., 3.75%, 1/15/2022 (n)	4,992,000	5,352,627
Tyson Foods, Inc., 4.5%, 6/15/2022	6,476,000	7,214,834
Tyson Foods, Inc., 3.95%, 8/15/2024	2,294,000	2,476,247
Wm. Wrigley Jr. Co., 3.375%, 10/21/2020 (n)	7,334,000	7,822,510
		$ 67,055,584
Food & Drug Stores – 0.9%		
CVS Health Corp., 3.5%, 7/20/2022	$ 5,913,000	$ 6,366,462
CVS Health Corp., 5.125%, 7/20/2045	5,294,000	6,567,609
Walgreens Boots Alliance, Inc., 3.3%, 11/18/2021	3,548,000	3,720,575
Walgreens Boots Alliance, Inc., 3.8%, 11/18/2024	5,813,000	6,158,769
		$ 22,813,415
Forest & Paper Products – 0.5%		
Georgia-Pacific LLC, 5.4%, 11/01/2020 (n)	$ 3,608,000	$ 4,086,468
Georgia-Pacific LLC, 3.734%, 7/15/2023 (n)	5,299,000	5,676,517
Packaging Corp. of America, 3.65%, 9/15/2024	3,490,000	3,604,863
		$ 13,367,848
Gaming & Lodging – 0.5%		
GLP Capital LP/GLP Financing II, Inc., 5.375%, 11/01/2023	$ 4,350,000	$ 4,540,313
Wyndham Worldwide Corp., 5.625%, 3/01/2021	1,732,000	1,933,681
Wyndham Worldwide Corp., 5.1%, 10/01/2025	1,155,000	1,255,009
Wyndham Worldwide Corp., 4.25%, 3/01/2022	4,662,000	4,945,422
		$ 12,674,425
Insurance – 1.7%		
American International Group, Inc., 3.75%, 7/10/2025	$ 12,804,000	$ 13,049,901
American International Group, Inc., 3.9%, 4/01/2026	5,113,000	5,269,110

Issuer	Shares/Par	Value ($)
BONDS – continued		
Insurance – continued		
Five Corners Funding Trust, 4.419%, 11/15/2023 (n)	$ 4,734,000	$ 5,109,098
Pacific Lifecorp, 5.125%, 1/30/2043 (n)	1,342,000	1,469,321
Principal Financial Group, Inc., 3.4%, 5/15/2025	8,266,000	8,463,863
Unum Group, 7.125%, 9/30/2016	2,028,000	2,054,581
Unum Group, 4%, 3/15/2024	6,546,000	6,758,758
		$ 42,174,632
Insurance – Health – 0.8%		
Aetna, Inc., 2.4%, 6/15/2021	$ 2,904,000	$ 2,962,899
Aetna, Inc., 4.375%, 6/15/2046	2,178,000	2,261,849
Humana, Inc., 7.2%, 6/15/2018	6,739,000	7,462,384
UnitedHealth Group, Inc., 3.35%, 7/15/2022	7,989,000	8,546,808
		$ 21,233,940
Insurance – Property & Casualty – 1.9%		
Allied World Assurance, 5.5%, 11/15/2020	$ 2,640,000	$ 2,939,416
Allied World Assurance Co. Holdings Ltd., 4.35%, 10/29/2025	6,835,000	6,993,722
CNA Financial Corp., 5.875%, 8/15/2020	3,280,000	3,697,029
Liberty Mutual Group, Inc., 4.85%, 8/01/2044 (n)	3,359,000	3,438,692
Liberty Mutual Group, Inc., 4.25%, 6/15/2023 (n)	10,306,000	10,947,415
Marsh & McLennan Cos., Inc., 4.05%, 10/15/2023	4,129,000	4,454,117
Marsh & McLennan Cos., Inc., 4.8%, 7/15/2021	7,863,000	8,719,281
Swiss Re Ltd., 4.25%, 12/06/2042 (n)	926,000	978,232
ZFS Finance USA Trust V, 6.5% to 5/09/2017, FRN to 5/09/2067 (n)	4,852,000	4,852,000
		$ 47,019,904
Local Authorities – 0.7%		
Florida Hurricane Catastrophe Fund Finance Corp. Rev., "A", 1.298%, 7/01/2016	$ 1,750,000	$ 1,750,053
State of California (Build America Bonds), 7.625%, 3/01/2040	860,000	1,356,667
State of California (Build America Bonds), 7.6%, 11/01/2040	7,175,000	11,606,280
University of California Limited Project Rev., "J", 4.131%, 5/15/2045	2,260,000	2,445,749
		$ 17,158,749
Major Banks – 6.5%		
ABN AMRO Bank N.V., 4.8%, 4/18/2026 (n)	$ 5,000,000	$ 5,205,885
ABN AMRO Bank N.V., 4.25%, 2/02/2017 (n)	5,664,000	5,762,157
Bank of America Corp., 5.625%, 7/01/2020	8,555,000	9,624,717

Issuer	Shares/Par	Value ($)
BONDS – continued		
Major Banks – continued		
Bank of America Corp., 5.875%, 1/05/2021	$ 1,670,000	$ 1,915,774
Bank of America Corp., 6.1%, 6/15/2017	1,725,000	1,798,676
Bank of America Corp., 4.125%, 1/22/2024	6,960,000	7,486,030
Bank of America Corp., 3.875%, 8/01/2025	7,955,000	8,438,752
Bank of America Corp., 4.45%, 3/03/2026	3,614,000	3,780,013
Bank of America Corp., FRN, 6.5%, 10/29/2049	4,004,000	4,264,260
Bank of America Corp., FRN, 6.1%, 12/29/2049	5,000,000	5,075,000
Credit Suisse Group AG, 6.5%, 8/08/2023 (n)	1,899,000	1,985,405
Credit Suisse Group Fund Guernsey Ltd., 3.75%, 3/26/2025	3,355,000	3,283,720
DBS Bank Ltd., 3.625% to 9/21/2017, FRN to 9/21/2022 (n)	4,108,000	4,199,366
Goldman Sachs Group, Inc., 2.375%, 1/22/2018	5,005,000	5,072,267
Goldman Sachs Group, Inc., 3.625%, 1/22/2023	11,855,000	12,435,397
Goldman Sachs Group, Inc., 5.15%, 5/22/2045	4,868,000	5,078,594
Huntington National Bank, 2.4%, 4/01/2020	1,087,000	1,103,273
JPMorgan Chase & Co., 2%, 8/15/2017	3,637,000	3,670,886
JPMorgan Chase & Co., 3.125%, 1/23/2025	374,000	382,351
JPMorgan Chase & Co., 4.25%, 10/15/2020	1,385,000	1,509,581
JPMorgan Chase & Co., 4.5%, 1/24/2022	947,000	1,053,864
Morgan Stanley, 5.75%, 10/18/2016	944,000	956,643
Morgan Stanley, 5.5%, 7/24/2020	1,600,000	1,795,384
Morgan Stanley, 5.95%, 12/28/2017	400,000	425,376
Morgan Stanley, 3.75%, 2/25/2023	8,585,000	9,093,017
Morgan Stanley, 3.7%, 10/23/2024	2,879,000	3,012,511
Morgan Stanley, 4.3%, 1/27/2045	1,528,000	1,608,290
Morgan Stanley, 5.5%, 7/28/2021	14,214,000	16,230,611
PNC Bank N.A., 3.8%, 7/25/2023	13,950,000	15,041,155
PNC Funding Corp., 5.625%, 2/01/2017	6,173,000	6,325,479
Regions Financial Corp., 2%, 5/15/2018	2,524,000	2,528,412
Royal Bank of Scotland Group PLC, 6%, 12/19/2023	7,121,000	7,235,876
Royal Bank of Scotland Group PLC, 7.5% to 8/10/2020, FRN to 12/29/2049	5,177,000	4,736,955
Royal Bank of Scotland Group PLC, 8% to 8/10/2025, FRN to 12/29/2049	1,662,000	1,549,815
Wachovia Corp., 6.605%, 10/01/2025	1,764,000	2,224,316
		$ 165,889,808
Medical & Health Technology & Services – 0.9%		
Becton, Dickinson and Co., 4.685%, 12/15/2044	$ 4,733,000	$ 5,332,094

Issuer	Shares/Par	Value ($)
BONDS – continued		
Medical & Health Technology & Services – continued		
Catholic Health Initiatives, 2.95%, 11/01/2022	$ 6,666,000	$ 6,821,751
HCA, Inc., 5.25%, 6/15/2026	5,271,000	5,471,957
Laboratory Corp. of America Holdings, 4.7%, 2/01/2045	2,518,000	2,687,580
McKesson Corp., 5.7%, 3/01/2017	1,210,000	1,247,066
Thermo Fisher Scientific, Inc., 3%, 4/15/2023	1,817,000	1,854,924
		$ 23,415,372
Medical Equipment – 0.6%		
Medtronic, Inc., 4.625%, 3/15/2045	$ 7,021,000	$ 8,255,931
Zimmer Holdings, Inc., 2.7%, 4/01/2020	7,783,000	7,877,486
		$ 16,133,417
Metals & Mining – 1.4%		
Barrick North America Finance LLC, 5.75%, 5/01/2043	$ 8,000,000	$ 8,687,072
Freeport-McMoRan Copper & Gold, Inc., 3.875%, 3/15/2023	4,000,000	3,500,000
Freeport-McMoRan Copper & Gold, Inc., 5.4%, 11/14/2034	4,000,000	3,180,000
Freeport-McMoRan Oil & Gas LLC, 6.875%, 2/15/2023	8,679,000	8,375,235
Kinross Gold Corp., 5.95%, 3/15/2024	6,437,000	6,356,537
Steel Dynamics, Inc., 5.125%, 10/01/2021	5,864,000	6,003,270
		$ 36,102,114
Midstream – 1.6%		
Energy Transfer Partners LP, 5.15%, 2/01/2043	$ 3,573,000	$ 3,193,615
Energy Transfer Partners LP, 5.15%, 3/15/2045	2,596,000	2,358,972
Kinder Morgan (Delaware), Inc., 7.75%, 1/15/2032	6,550,000	7,373,721
Kinder Morgan Energy Partners LP, 7.4%, 3/15/2031	103,000	112,349
Kinder Morgan Energy Partners LP, 4.3%, 5/01/2024	5,995,000	6,046,497
Kinder Morgan Energy Partners LP, 5.4%, 9/01/2044	6,378,000	6,293,326
Kinder Morgan Energy Partners LP, 6.375%, 3/01/2041	2,240,000	2,335,552
Kinder Morgan, Inc., 5.625%, 11/15/2023 (n)	3,000,000	3,213,375
Sabine Pass Liquefaction LLC, 5.625%, 2/01/2021	8,270,000	8,352,700
Spectra Energy Capital LLC, 8%, 10/01/2019	613,000	703,733
Sunoco Logistics Partners LP, 4.25%, 4/01/2024	1,108,000	1,119,226
		$ 41,103,066

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Mortgage-Backed – 22.4%		
Fannie Mae, 3%, 10/01/2030	$ 3,223,577	$ 3,381,323
Fannie Mae, 4%, 9/01/2040 – 7/01/2043	12,038,601	12,940,968
Fannie Mae, 5.05%, 1/01/2017	235,064	235,665
Fannie Mae, 5.6%, 1/01/2017	413	413
Fannie Mae, 5.54%, 4/01/2017	97,280	98,595
Fannie Mae, 5.48%, 6/01/2017	263,186	266,359
Fannie Mae, 5.65%, 6/01/2017	146,334	150,720
Fannie Mae, 2.71%, 11/01/2017	355,705	361,565
Fannie Mae, 5.5%, 11/01/2017 – 4/01/2040	19,448,313	22,005,090
Fannie Mae, 3.22%, 12/01/2017	481,867	492,729
Fannie Mae, 3.311%, 12/01/2017	818,659	832,415
Fannie Mae, 3.99%, 4/01/2018	600,000	624,082
Fannie Mae, 3.741%, 6/01/2018	2,545,582	2,638,066
Fannie Mae, 5.323%, 6/01/2018	373,313	395,540
Fannie Mae, 2.578%, 9/25/2018	4,314,980	4,427,390
Fannie Mae, 5.18%, 3/01/2019	120,724	129,575
Fannie Mae, 5.51%, 3/01/2019	181,354	200,126
Fannie Mae, 4.6%, 9/01/2019	713,168	778,720
Fannie Mae, 1.99%, 10/01/2019	2,614,396	2,648,557
Fannie Mae, 4.45%, 10/01/2019	498,983	544,961
Fannie Mae, 1.97%, 11/01/2019	1,026,883	1,051,918
Fannie Mae, 2.03%, 11/01/2019	1,281,737	1,315,400
Fannie Mae, 4.88%, 3/01/2020	17,073	18,252
Fannie Mae, 5%, 6/01/2020 – 3/01/2042	13,534,356	15,048,670
Fannie Mae, 5.19%, 9/01/2020	160,465	176,048
Fannie Mae, 3.416%, 10/01/2020	1,387,148	1,501,506
Fannie Mae, 2.14%, 5/01/2021	943,889	963,967
Fannie Mae, 3.89%, 7/01/2021	1,161,231	1,279,469
Fannie Mae, 2.56%, 10/01/2021	826,550	853,972
Fannie Mae, 2.64%, 11/01/2021	1,239,482	1,300,890
Fannie Mae, 2.75%, 3/01/2022	1,168,901	1,235,201
Fannie Mae, 6%, 8/01/2022 – 3/01/2039	4,248,359	4,868,108
Fannie Mae, 2.525%, 10/01/2022	1,867,309	1,954,131
Fannie Mae, 2.68%, 3/01/2023	1,792,272	1,893,616
Fannie Mae, 2.41%, 5/01/2023	2,087,522	2,169,360
Fannie Mae, 2.55%, 5/01/2023	1,071,440	1,122,333
Fannie Mae, 4.5%, 5/01/2024 – 6/01/2044	52,802,527	57,849,745
Fannie Mae, 4%, 3/01/2025 – 2/01/2045	83,454,353	89,660,153
Fannie Mae, 4.5%, 5/01/2025	121,998	130,634
Fannie Mae, 3.5%, 9/01/2025 – 8/01/2043	11,225,302	11,904,432
Fannie Mae, 3%, 3/01/2027 – 12/01/2030	9,614,675	10,098,659
Fannie Mae, 6.5%, 7/01/2032 – 1/01/2033	8,417	9,956
Fannie Mae, 3.5%, 4/01/2043 – 9/01/2043	8,160,896	8,627,751
Federal Home Loan Bank, 5%, 7/01/2035	3,519,861	3,919,853
Freddie Mac, 3.5%, 7/01/2042	5,192,453	5,484,574
Freddie Mac, 3%, 10/01/2042	317,986	330,419
Freddie Mac, 4%, 4/01/2044 – 9/01/2044	35,335,968	37,819,638
Freddie Mac, 3.154%, 2/25/2018	878,651	903,721
Freddie Mac, 5%, 7/01/2018 – 7/01/2041	5,064,229	5,648,886
Freddie Mac, 2.412%, 8/25/2018	2,289,230	2,346,345
Freddie Mac, 2.303%, 9/25/2018	8,971,000	9,198,985
Freddie Mac, 2.323%, 10/25/2018	$ 1,194,000	$ 1,225,795
Freddie Mac, 2.22%, 12/25/2018	1,200,000	1,230,574
Freddie Mac, 2.13%, 1/25/2019	6,184,000	6,332,789
Freddie Mac, 2.086%, 3/25/2019	7,200,000	7,373,832
Freddie Mac, 5.5%, 6/01/2019 – 1/01/2038	746,076	840,888
Freddie Mac, 4.186%, 8/25/2019	1,110,000	1,203,532
Freddie Mac, 1.869%, 11/25/2019	6,121,000	6,243,313
Freddie Mac, 4.251%, 1/25/2020	807,000	885,080
Freddie Mac, 3.034%, 10/25/2020	2,606,000	2,774,632
Freddie Mac, 2.856%, 1/25/2021	5,331,000	5,661,327
Freddie Mac, 2.791%, 1/25/2022	4,439,000	4,700,917
Freddie Mac, 2.716%, 6/25/2022	1,478,636	1,563,180
Freddie Mac, 2.682%, 10/25/2022	3,049,000	3,224,079
Freddie Mac, 3.32%, 2/25/2023	3,956,000	4,337,983
Freddie Mac, 3.3%, 4/25/2023	6,099,972	6,688,286
Freddie Mac, 3.06%, 7/25/2023	4,230,000	4,575,694
Freddie Mac, 3.531%, 7/25/2023	2,401,000	2,666,205
Freddie Mac, 3.458%, 8/25/2023	7,000,000	7,737,211
Freddie Mac, 2.67%, 12/25/2024	2,784,000	2,925,503
Freddie Mac, 2.811%, 1/25/2025	4,169,000	4,423,212
Freddie Mac, 3.329%, 5/25/2025	6,457,000	7,114,412
Freddie Mac, 4%, 7/01/2025 – 9/01/2045	17,591,555	18,842,156
Freddie Mac, 4.5%, 7/01/2025 – 5/01/2042	11,050,991	12,106,885
Freddie Mac, 2.745%, 1/25/2026	3,620,000	3,807,316
Freddie Mac, 2.673%, 3/25/2026	4,000,000	4,188,714
Freddie Mac, 3.5%, 8/01/2026 – 12/01/2045	26,270,927	27,753,412
Freddie Mac, 3%, 11/01/2030 – 5/01/2043	7,289,868	7,660,724
Freddie Mac, 6%, 8/01/2034 – 7/01/2038	194,977	222,799
Ginnie Mae, 5.5%, 5/15/2033 – 1/20/2042	3,515,427	3,987,645
Ginnie Mae, 6%, 1/20/2036 – 1/15/2039	475,381	549,947
Ginnie Mae, 4.5%, 4/15/2039 – 9/20/2041	18,814,737	20,639,206
Ginnie Mae, 4%, 10/20/2040 – 10/20/2042	4,887,463	5,261,151
Ginnie Mae, 3.5%, 11/15/2040 – 12/20/2045	41,247,617	43,875,625
		$ 566,463,475
Network & Telecom – 0.8%		
AT&T, Inc., 4.5%, 5/15/2035	$ 8,154,000	$ 8,341,485
Frontier Communications Corp., 11%, 9/15/2025	2,970,000	3,073,950
Verizon Communications, Inc., 6.55%, 9/15/2043	6,804,000	9,167,614
		$ 20,583,049
Oil Services – 0.2%		
Odebrecht Offshore Drilling Finance Ltd., 6.75%, 10/01/2022 (n)	$ 5,709,227	$ 1,013,388
Schlumberger Norge A.S., 1.25%, 8/01/2017 (n)	5,189,000	5,186,390
		$ 6,199,778

Issuer	Shares/Par	Value ($)
BONDS – continued		
Oils – 0.3%		
Marathon Petroleum Corp., 4.75%, 9/15/2044	$ 4,710,000	$ 4,016,344
Valero Energy Corp., 4.9%, 3/15/2045	2,642,000	2,447,118
		$ 6,463,462
Other Banks & Diversified Financials – 2.3%		
Bank of Tokyo-Mitsubishi UFJ Ltd., 2.7%, 9/09/2018 (n)	$ 5,269,000	$ 5,395,182
BBVA Bancomer S.A. de C.V., 6.75%, 9/30/2022 (n)	2,570,000	2,869,071
BPCE S.A., 4.5%, 3/15/2025 (n)	5,771,000	5,768,155
Capital One Financial Corp., 6.15%, 9/01/2016	1,203,000	1,212,357
Citigroup, Inc., 4.4%, 6/10/2025	4,533,000	4,739,746
Citizens Bank N.A., 2.55%, 5/13/2021	1,575,000	1,590,208
Citizens Financial Group, Inc., 4.3%, 12/03/2025	1,860,000	1,957,745
Discover Bank, 7%, 4/15/2020	7,009,000	7,982,564
Discover Financial Services, 3.75%, 3/04/2025	670,000	674,980
Groupe BPCE S.A., 12.5% to 9/30/2019, FRN to 8/29/2049 (n)	7,880,000	9,723,526
Intesa Sanpaolo S.p.A., 5.71%, 1/15/2026 (n)	1,777,000	1,684,802
Macquarie Group Ltd., 3%, 12/03/2018 (n)	350,000	359,455
Rabobank Nederland N.V., 3.95%, 11/09/2022	4,408,000	4,558,670
Santander UK PLC, 3.05%, 8/23/2018	2,885,000	2,953,196
U.S. Bank NA Cincinnati, 2.8%, 1/27/2025	2,136,000	2,224,296
UBS Group Funding (Jersey) Ltd., 4.125%, 9/24/2025 (n)	4,836,000	5,012,746
		$ 58,706,699
Pharmaceuticals – 2.8%		
AbbVie, Inc., 4.5%, 5/14/2035	$ 850,000	$ 888,388
Actavis Funding SCS, 4.55%, 3/15/2035	2,232,000	2,293,873
Actavis Funding SCS, 3%, 3/12/2020	4,494,000	4,634,792
Bayer U.S. Finance LLC, 3.375%, 10/08/2024 (n)	2,779,000	2,888,759
Biogen, Inc., 5.2%, 9/15/2045	4,888,000	5,496,766
Celgene Corp., 1.9%, 8/15/2017	5,062,000	5,100,795
Celgene Corp., 2.875%, 8/15/2020	13,158,000	13,607,083
Endo Finance LLC/Endo Finco, Inc., 6%, 7/15/2023 (n)	2,970,000	2,598,750
Forest Laboratories, Inc., 4.875%, 2/15/2021 (n)	18,926,000	21,006,535
Gilead Sciences, Inc., 4.8%, 4/01/2044	6,643,000	7,473,568
Gilead Sciences, Inc., 2.35%, 2/01/2020	817,000	838,088
Gilead Sciences, Inc., 4.75%, 3/01/2046	3,545,000	4,031,030
		$ 70,858,427
Precious Metals & Minerals – 0.0%		
Teck Resources Ltd., 6%, 8/15/2040	$ 826,000	$ 578,200

Issuer	Shares/Par	Value ($)
BONDS – continued		
Real Estate – Apartment – 0.1%		
Mid-America Apartment Communities, Inc., REIT, 4.3%, 10/15/2023	$ 2,417,000	$ 2,599,520
Real Estate – Healthcare – 0.3%		
HCP, Inc., REIT, 3.875%, 8/15/2024	$ 5,515,000	$ 5,545,592
HCP, Inc., REIT, 5.375%, 2/01/2021	1,134,000	1,260,636
		$ 6,806,228
Real Estate – Office – 0.4%		
Boston Properties LP, REIT, 3.8%, 2/01/2024	$ 3,803,000	$ 4,082,585
Boston Properties LP, REIT, 3.7%, 11/15/2018	5,395,000	5,648,257
		$ 9,730,842
Real Estate – Other – 0.0%		
Liberty Property LP, REIT, 5.5%, 12/15/2016	$ 1,013,000	$ 1,032,352
Real Estate – Retail – 0.7%		
Brixmor Operating Partnership LP, REIT, 3.875%, 8/15/2022	$ 4,811,000	$ 4,937,717
DDR Corp., REIT, 3.375%, 5/15/2023	6,575,000	6,545,261
DDR Corp., REIT, 4.625%, 7/15/2022	2,365,000	2,557,400
Simon Property Group, Inc., REIT, 10.35%, 4/01/2019	3,213,000	3,913,640
		$ 17,954,018
Restaurants – 0.2%		
McDonald's Corp., 3.7%, 1/30/2026	$ 3,642,000	$ 3,934,977
YUM! Brands, Inc., 5.35%, 11/01/2043	988,000	795,340
		$ 4,730,317
Retailers – 0.6%		
Bed Bath & Beyond, Inc., 5.165%, 8/01/2044	$ 7,156,000	$ 6,305,059
Gap, Inc., 5.95%, 4/12/2021	4,975,000	5,188,776
Home Depot, Inc., 2.625%, 6/01/2022	2,280,000	2,386,109
		$ 13,879,944
Supermarkets – 0.1%		
Kroger Co., 3.85%, 8/01/2023	$ 2,248,000	$ 2,467,034
Telecommunications – Wireless – 0.7%		
American Tower Corp., REIT, 5%, 2/15/2024	$ 7,009,000	$ 7,927,193
Crown Castle International Corp., 3.7%, 6/15/2026	2,419,000	2,495,660
Crown Castle Towers LLC, 4.883%, 8/15/2020 (n)	952,000	1,037,807
Numericable Group S.A., 6%, 5/15/2022 (n)	2,970,000	2,888,325
SBA Tower Trust, 2.898%, 10/15/2044 (n)	4,229,000	4,287,720
		$ 18,636,705
Tobacco – 1.1%		
Imperial Tobacco Finance PLC, 3.75%, 7/21/2022 (n)	$ 7,775,000	$ 8,204,934

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Tobacco – continued		
Reynolds American, Inc., 5.85%, 8/15/2045	$ 624,000	$ 797,304
Reynolds American, Inc., 4%, 6/12/2022	8,396,000	9,124,664
Reynolds American, Inc., 4.45%, 6/12/2025	4,148,000	4,645,503
Reynolds American, Inc., 8.125%, 6/23/2019	3,344,000	3,964,653
		$ 26,737,058
Transportation – Services – 0.3%		
ERAC USA Finance LLC, 7%, 10/15/2037 (n)	$ 2,690,000	$ 3,664,786
ERAC USA Finance LLC, 3.85%, 11/15/2024 (n)	1,612,000	1,732,795
Navios Maritime Holding, Inc., 7.375%, 1/15/2022 (n)	7,405,000	3,295,225
		$ 8,692,806
U.S. Government Agencies and Equivalents – 2.3%		
National Credit Union Administration Guaranteed Note, 2.9%, 10/29/2020	$ 39,539	$ 39,557
Small Business Administration, 4.99%, 9/01/2024	23,479	25,494
Small Business Administration, 4.86%, 1/01/2025	55,698	59,710
Small Business Administration, 4.625%, 2/01/2025	60,078	64,751
Small Business Administration, 5.11%, 4/01/2025	37,545	41,050
Small Business Administration, 4.43%, 5/01/2029	594,210	651,768
Small Business Administration, 3.21%, 9/01/2030	5,853,388	6,200,246
Small Business Administration, 4.93%, 1/01/2024	20,812	22,547
Small Business Administration, 4.34%, 3/01/2024	33,721	35,694
Small Business Administration, 2.37%, 8/01/2032	1,045,965	1,067,961
Small Business Administration, 2.13%, 1/01/2033	3,938,583	3,993,288
Small Business Administration, 2.21%, 2/01/2033	974,039	988,263
Small Business Administration, 2.22%, 3/01/2033	3,593,051	3,663,467
Small Business Administration, 2.08%, 4/01/2033	5,234,792	5,293,360
Small Business Administration, 2.45%, 6/01/2033	6,423,689	6,581,688
Small Business Administration, 3.15%, 7/01/2033	8,990,269	9,531,660
Small Business Administration, 3.16%, 8/01/2033	9,132,835	9,656,318
Small Business Administration, 3.62%, 9/01/2033	8,528,574	9,318,353
Small Business Administration, 3.25%, 11/01/2030	554,998	590,571
Small Business Administration, 2.85%, 9/01/2031	$ 1,234,273	$ 1,291,213
		$ 59,116,959
U.S. Treasury Obligations – 11.4%		
U.S. Treasury Bonds, 4.5%, 2/15/2036	$ 12,590,000	$ 18,134,523
U.S. Treasury Bonds, 4.75%, 2/15/2037	1,576,000	2,344,423
U.S. Treasury Bonds, 4.375%, 2/15/2038	17,377,000	24,771,730
U.S. Treasury Bonds, 4.5%, 8/15/2039	4,597,600	6,646,406
U.S. Treasury Bonds, 3.125%, 11/15/2041	500,000	590,449
U.S. Treasury Bonds, 3.125%, 2/15/2042	1,300,000	1,536,133
U.S. Treasury Bonds, 2.875%, 5/15/2043	44,925,200	50,518,028
U.S. Treasury Notes, 0.75%, 6/30/2017 (f)	61,517,000	61,658,797
U.S. Treasury Notes, 0.75%, 12/31/2017	3,000,000	3,007,851
U.S. Treasury Notes, 2.875%, 3/31/2018	2,000,000	2,078,984
U.S. Treasury Notes, 2.625%, 4/30/2018	1,600,000	1,659,125
U.S. Treasury Notes, 1.5%, 8/31/2018	13,955,000	14,218,289
U.S. Treasury Notes, 1.625%, 6/30/2019	78,562,000	80,658,034
U.S. Treasury Notes, 1%, 8/31/2019	5,600,000	5,643,092
U.S. Treasury Notes, 3.375%, 11/15/2019	1,800,000	1,955,884
U.S. Treasury Notes, 3.625%, 2/15/2020	4,200,000	4,621,642
U.S. Treasury Notes, 3%, 11/15/2045	7,735,000	8,894,043
		$ 288,937,433
Utilities – Electric Power – 3.0%		
Berkshire Hathaway Energy Co., 5.15%, 11/15/2043	$ 6,436,000	$ 7,800,619
CMS Energy Corp., 6.25%, 2/01/2020	1,925,000	2,216,022
CMS Energy Corp., 5.05%, 3/15/2022	5,272,000	6,027,156
Constellation Energy Group, Inc., 5.15%, 12/01/2020	2,487,000	2,767,849
Dominion Resources, Inc., 3.625%, 12/01/2024	6,901,000	7,258,451
Dominion Resources, Inc., 3.9%, 10/01/2025	2,048,000	2,193,906
EDP Finance B.V., 5.25%, 1/14/2021 (n)	7,774,000	8,240,440
EDP Finance B.V., 4.9%, 10/01/2019 (n)	2,743,000	2,913,560
Enel Finance International S.A., 6.25%, 9/15/2017 (n)	3,623,000	3,827,312
Exelon Corp., 4.45%, 4/15/2046	2,510,000	2,679,686
Exelon Generation Co. LLC, 4.25%, 6/15/2022	6,123,000	6,530,547
PPL Capital Funding, Inc., 5%, 3/15/2044	3,429,000	3,836,801
PPL Corp., 3.5%, 12/01/2022	1,050,000	1,105,102
PPL WEM Holdings PLC, 5.375%, 5/01/2021 (n)	8,842,000	9,845,381
Southern Co., 2.35%, 7/01/2021	7,039,000	7,178,752
Southern Co., 4.4%, 7/01/2046	2,328,000	2,502,421
Waterford 3 Funding Corp., 8.09%, 1/02/2017	31,771	31,772
		$ 76,955,777
Total Bonds (Identified Cost, $2,420,036,000)		**$2,487,090,073**

	Strike Price	First Exercise	Shares/Par	Value ($)
WARRANTS – 0.0%				
Medical & Health Technology & Services – 0.0%				
HealthSouth Corp. (1share for 1 warrant) (Identified Cost, $0)	$41.40	1/04/16	62	$ 105

Issuer	Shares/Par	Value ($)
MONEY MARKET FUNDS – 1.9%		
MFS Institutional Money Market Portfolio, 0.36%, at Cost and Net Asset Value (v)	47,260,863	$ 47,260,863
Total Investments (Identified Cost, $2,467,296,863)		**$2,534,351,041**
OTHER ASSETS, LESS LIABILITIES – 0.0%		**636,921**
NET ASSETS – 100.0%		**$2,534,987,962**

(f) All or a portion of the security has been segregated as collateral for open futures contracts.

(i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was $386,579,891 representing 15.2% of net assets.

(q) Interest received was less than stated coupon rate.

(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
Ballyrock Ltd., 1.816%, 5/20/2025	5/10/16	$3,243,218	$3,226,930
Bayview Commercial Asset Trust, FRN, 0%, 4/25/2036	2/28/06	20,922	855
Bayview Commercial Asset Trust, FRN, 0%, 7/25/2036	5/16/06	12,823	0
Bayview Commercial Asset Trust, FRN, 0%, 10/25/2036	9/11/06	43,210	0
Bayview Commercial Asset Trust, FRN, 0%, 12/25/2036	10/25/06	106,562	0
Bayview Commercial Asset Trust, FRN, 0%, 3/25/2037	1/26/07	9,544	0
Bayview Financial Revolving Mortgage Loan Trust, FRN, 2.037%, 12/28/2040	3/01/06	122,711	88,507
Commercial Mortgage Asset Trust, FRN, 0.645%, 1/17/2032	4/09/12	1,477	879
Falcon Franchise Loan LLC, FRN, 99.9%, 1/05/2025	1/29/03	120	310
First Union National Bank Commercial Mortgage Trust, FRN, 1.734%, 1/12/2043	4/09/12	3	283
Galaxy CLO Ltd., 3.226%, 11/16/2025	6/22/16	5,118,262	5,002,640
Hertz Fleet Lease Funding LP, 2014-1, FRN, 0.845%, 4/10/2028	3/25/14	3,437,101	3,427,924
Pernod Ricard S.A., 3.25%, 6/08/2026	6/01/16	3,480,575	3,582,190
Preferred Term Securities XIX Ltd., CDO, FRN, 1.002%, 12/22/2035	3/28/11	223,164	226,589
SES S.A., 5.3%, 4/04/2043	1/08/14	3,181,021	3,143,270
Total Restricted Securities			$18,700,377
% of Net assets			0.7%

The following abbreviations are used in this report and are defined:

CDO Collateralized Debt Obligation

CLO Collateralized Loan Obligation

FRN Floating Rate Note. Interest rate resets periodically and the current rate may not be the rate reported at period end.

PLC Public Limited Company

REIT Real Estate Investment Trust

Portfolio of Investments (unaudited) – continued

Derivative Contracts at 3/31/16

Futures Contracts at 3/31/16

Description	Currency	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
Asset Derivatives					
Interest Rate Futures					
U.S. Ultra Bond (Long)	USD	85	$15,841,875	September - 2016	$996,441
Liability Derivatives					
Interest Rate Futures					
U.S. Treasury Note 10 yr (Short)	USD	225	$29,921,484	September - 2016	$(812,926)

At June 30, 2016, the fund had liquid securities with an aggregate value of $189,437 to cover any commitments for certain derivative contracts.

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 6/30/16

Assets		
Investments		
Non-affiliated issuers, at value (identified cost, $2,420,036,000)	$2,487,090,178	
Underlying affiliated funds, at cost and value	47,260,863	
Total investments, at value (identified cost, $2,467,296,863)	$2,534,351,041	
Cash	94,212	
Receivables for		
Fund shares sold	1,632,646	
Interest	19,050,397	
Other assets	5,999	
Total assets		$2,555,134,295
Liabilities		
Payables for		
Daily variation margin on open futures contracts	$59,454	
Investments purchased	14,538,738	
Fund shares reacquired	5,157,086	
Payable to affiliates		
Investment adviser	70,531	
Shareholder servicing costs	218	
Distribution and/or service fees	20,837	
Payable for independent Trustees' compensation	63	
Accrued expenses and other liabilities	299,406	
Total liabilities		$20,146,333
Net assets		$2,534,987,962
Net assets consist of		
Paid-in capital	$2,374,403,096	
Unrealized appreciation (depreciation) on investments	67,237,692	
Accumulated net realized gain (loss) on investments	(25,765,598)	
Undistributed net investment income	119,112,772	
Net assets		$2,534,987,962
Shares of beneficial interest outstanding		186,596,111

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$1,009,006,270	73,458,895	$13.74
Service Class	1,525,981,692	113,137,216	13.49

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 6/30/16

Net investment income		
Income		
Interest	$44,507,300	
Dividends from underlying affiliated funds	64,779	
Total investment income		$44,572,079
Expenses		
Management fee	$6,314,674	
Distribution and/or service fees	1,889,846	
Shareholder servicing costs	34,367	
Administrative services fee	206,454	
Independent Trustees' compensation	24,618	
Custodian fee	71,281	
Shareholder communications	72,189	
Audit and tax fees	36,821	
Legal fees	11,830	
Miscellaneous	36,628	
Total expenses		$8,698,708
Reduction of expenses by investment adviser	(100,362)	
Net expenses		$8,598,346
Net investment income		$35,973,733
Realized and unrealized gain (loss) on investments		
Realized gain (loss) (identified cost basis)		
Investments	$(5,949,961)	
Futures contracts	3,048,147	
Net realized gain (loss) on investments		$(2,901,814)
Change in unrealized appreciation (depreciation)		
Investments	$104,471,294	
Futures contracts	(16,813)	
Net unrealized gain (loss) on investments		$104,454,481
Net realized and unrealized gain (loss) on investments		$101,552,667
Change in net assets from operations		$137,526,400

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 6/30/16 (unaudited)	Year ended 12/31/15
Change in net assets		
From operations		
Net investment income	$35,973,733	$75,603,283
Net realized gain (loss) on investments	(2,901,814)	12,384,525
Net unrealized gain (loss) on investments	104,454,481	(97,154,043)
Change in net assets from operations	$137,526,400	$(9,166,235)
Distributions declared to shareholders		
From net investment income	$—	$(91,851,876)
Change in net assets from fund share transactions	$(172,295,496)	$(353,129,539)
Total change in net assets	$(34,769,096)	$(454,147,650)
Net assets		
At beginning of period	2,569,757,058	3,023,904,708
At end of period (including undistributed net investment income of $119,112,772 and $83,139,039, respectively)	$2,534,987,962	$2,569,757,058

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 6/30/16 (unaudited)	Years ended 12/31				
		2015	2014	2013	2012	2011
Net asset value, beginning of period	$13.00	$13.50	$13.13	$13.49	$13.01	$12.66
Income (loss) from investment operations						
Net investment income (d)	$0.20	$0.38	$0.37	$0.35	$0.37	$0.44
Net realized and unrealized gain (loss) on investments	0.54	(0.42)	0.40	(0.49)	0.57	0.41
Total from investment operations	$0.74	$(0.04)	$0.77	$(0.14)	$0.94	$0.85
Less distributions declared to shareholders						
From net investment income	$—	$(0.46)	$(0.40)	$(0.16)	$(0.37)	$(0.35)
From net realized gain on investments	—	—	—	(0.06)	(0.09)	(0.15)
Total distributions declared to shareholders	$—	$(0.46)	$(0.40)	$(0.22)	$(0.46)	$(0.50)
Net asset value, end of period (x)	$13.74	$13.00	$13.50	$13.13	$13.49	$13.01
Total return (%) (k)(r)(s)(x)	5.69(n)	(0.30)	5.85	(1.03)	7.35	6.75
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.54(a)	0.54	0.53	0.54	0.56	0.57
Expenses after expense reductions (f)	0.53(a)	0.53	0.52	0.53	0.56	0.57
Net investment income	3.00(a)	2.83	2.74	2.65	2.76	3.41
Portfolio turnover	15(n)	62	58	68	114	60
Net assets at end of period (000 omitted)	$1,009,006	$1,030,563	$1,172,957	$1,208,132	$850,417	$367,398
Supplemental Ratios (%):						

Service Class	Six months ended 6/30/16 (unaudited)	Years ended 12/31				
		2015	2014	2013	2012	2011
Net asset value, beginning of period	$12.78	$13.28	$12.92	$13.30	$12.85	$12.53
Income (loss) from investment operations						
Net investment income (d)	$0.18	$0.34	$0.33	$0.31	$0.33	$0.40
Net realized and unrealized gain (loss) on investments	0.53	(0.41)	0.39	(0.48)	0.57	0.41
Total from investment operations	$0.71	$(0.07)	$0.72	$(0.17)	$0.90	$0.81
Less distributions declared to shareholders						
From net investment income	$—	$(0.43)	$(0.36)	$(0.15)	$(0.36)	$(0.34)
From net realized gain on investments	—	—	—	(0.06)	(0.09)	(0.15)
Total distributions declared to shareholders	$—	$(0.43)	$(0.36)	$(0.21)	$(0.45)	$(0.49)
Net asset value, end of period (x)	$13.49	$12.78	$13.28	$12.92	$13.30	$12.85
Total return (%) (k)(r)(s)(x)	5.56(n)	(0.58)	5.62	(1.29)	7.06	6.48
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.79(a)	0.79	0.78	0.79	0.81	0.82
Expenses after expense reductions (f)	0.78(a)	0.78	0.77	0.78	0.81	0.82
Net investment income	2.75(a)	2.58	2.48	2.39	2.48	3.13
Portfolio turnover	15(n)	62	58	68	114	60
Net assets at end of period (000 omitted)	$1,525,982	$1,539,194	$1,850,948	$1,836,589	$1,646,291	$406,273
Supplemental Ratios (%):						

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 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 Total Return Bond Series (the fund) is a diversified series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests 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.

Balance Sheet Offsetting – The fund's accounting policy with respect to balance sheet offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the International Swaps and Derivatives Association (ISDA) Master Agreement does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

Investment Valuations – Debt instruments and floating rate loans, including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price on their primary exchange as provided by a third-party pricing service. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation on their primary exchange as 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. 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. The following is a summary of the levels used as of June 30, 2016 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities	$105	$—	$—	$105
U.S. Treasury Bonds & U.S. Government Agency & Equivalents	—	348,054,392	—	348,054,392
Non-U.S. Sovereign Debt	—	6,844,892	—	6,844,892
U.S. Corporate Bonds	—	982,164,134	—	982,164,134
Residential Mortgage-Backed Securities	—	571,704,066	—	571,704,066
Commercial Mortgage-Backed Securities	—	261,249,674	—	261,249,674
Asset-Backed Securities (including CDOs)	—	142,405,118	—	142,405,118
Foreign Bonds	—	174,667,797	—	174,667,797
Mutual Funds	47,260,863	—	—	47,260,863
Total Investments	$47,260,968	$2,487,090,073	$—	$2,534,351,041
Other Financial Instruments				
Futures Contracts	$183,515	$—	$—	$183,515

For further information regarding security characteristics, see the Portfolio of Investments.

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 futures 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, 2016 as reported in the Statement of Assets and Liabilities:

		Fair Value (a)	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Interest Rate	Interest Rate Futures	$996,441	$(812,926)

(a) The value of futures contracts includes cumulative appreciation (depreciation) as reported in the fund's Portfolio of Investments. Only the current day net 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, 2016 as reported in the Statement of Operations:

Risk	Futures Contracts
Interest Rate	$3,048,147

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, 2016 as reported in the Statement of Operations:

Risk	Futures Contracts
Interest Rate	$(16,813)

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, uncleared 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. The ISDA Master Agreement gives each party to the agreement the

right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any.

Collateral and margin requirements differ by type of derivative. Margin requirements are set by the clearing broker and the clearing house for cleared derivatives (e.g., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for uncleared derivatives (e.g., forward foreign currency exchange contracts, uncleared swap agreements, and uncleared options). For derivatives traded under an ISDA Master Agreement, which contains a collateral support annex, 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.

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.

Dollar Roll Transactions – The fund enters into dollar roll transactions, with respect to mortgage-backed securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac, in which the fund sells mortgage-backed securities to financial institutions and simultaneously agrees to purchase similar (same issuer, type and coupon) securities at a later date at an agreed-upon price. During the period between the sale and repurchase in a dollar roll transaction the fund will not be entitled to receive interest and principal payments on the securities sold but is compensated by interest earned on the proceeds of the initial sale and by a lower purchase price on the securities to be repurchased which enhances the fund's total return. The fund accounts for dollar roll transactions as purchases and sales and realizes gains and losses on these transactions.

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. Interest payments received in additional securities are recorded on the 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.

The fund invests a significant portion of its assets in asset-backed and/or mortgage-backed securities. The value of these securities may depend, in part, on the issuer's or borrower's credit quality or ability to pay principal and interest when due and that value may fall if an issuer or borrower defaults on its obligation to pay principal or interest or if the instrument's credit rating is downgraded by a credit rating agency. U.S. Government securities not supported as to the payment of principal or interest by the U.S. Treasury, such as those issued by Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, are subject to greater credit risk than are U.S. Government securities supported by the U.S. Treasury, such as those issued by Ginnie Mae.

The fund purchased or sold debt securities on a when-issued or delayed delivery basis, or in a "To Be Announced" (TBA) or "forward commitment" transaction with delivery or payment to occur at a later date beyond the normal settlement period. At the time a fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the security acquired is reflected in the fund's net asset value. The price of such security and the date that the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the fund until payment takes place. At the time that a fund enters into this type of transaction, the fund is required to have sufficient cash and/or liquid securities to cover its commitments. Losses may arise due to changes in the value of the underlying securities or if the counterparty does not perform under the contract's terms, or if the issuer does not issue the securities due to political, economic or other factors. Additionally, losses may arise due to declines in the value of the securities prior to settlement date.

To mitigate this risk of loss on TBA securities and other types of forward settling mortgage-backed securities, the fund whenever possible enters into a Master Securities Forward Transaction Agreement ("MSFTA") on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The MSFTA 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 MSFTA, 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 MSFTA 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.

For mortgage-backed securities traded under a MSFTA, the collateral and margining requirements are contract specific. Collateral amounts across all transactions traded under such agreement are netted and one amount is posted from one party to the other to collateralize such obligations. Cash that has been pledged to cover the fund's collateral or margin obligations under a MSFTA, if any, will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

Fees Paid Indirectly – Prior to October 1, 2015, the fund's custody fee could be reduced by a credit earned under an arrangement that measured the value of U.S. dollars deposited with the custodian by the fund. For the six months ended June 30, 2016, 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 amortization and accretion of debt securities and straddle loss deferrals.

The tax character of distributions declared to shareholders for the last fiscal year is as follows:

	12/31/15
Ordinary income (including any short-term capital gains)	$91,851,876

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/16	
Cost of investments	$2,483,355,196
Gross appreciation	87,969,545
Gross depreciation	(36,973,700)
Net unrealized appreciation (depreciation)	$50,995,845
As of 12/31/15	
Undistributed ordinary income	83,142,553
Capital loss carryforwards	(4,698,182)
Other temporary differences	(1,903,063)
Net unrealized appreciation (depreciation)	(53,482,842)

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

As of December 31, 2015, the fund had capital loss carryforwards available to offset future realized gains. These net capital losses may be carried forward indefinitely and their character is retained as short-term and/or long-term losses. Such losses are characterized as follows:

Long-Term	$(4,698,182)

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 6/30/16	Year ended 12/31/15
Initial Class	$—	$36,954,369
Service Class	—	54,897,507
Total	$—	$91,851,876

(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 an annual rate of 0.50% of the fund's average daily net assets.

The investment adviser has agreed in writing to reduce its management fee to 0.45% of average daily net assets in excess of $2.5 billion to $5 billion and 0.40% of average daily net assets in excess of $5 billion. This written agreement will terminate on April 27, 2017. For the six months ended June 30, 2016, this management fee reduction amounted to $9,883, which is included in the reduction of total expenses in the Statement of Operations. 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, 2016, this management fee reduction amounted to $90,479, 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, 2016 was equivalent to an annual effective rate of 0.49% of the fund's average daily net assets.

Effective April 28, 2017, the management fee will be computed daily and paid monthly at the following annual rates:

First $2.5 billion of average daily net assets	0.50%
Next $2.5 billion of average daily net assets	0.45%
Average daily net assets in excess of $5 billion	0.40%

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, 2016, the fee was $33,460, which equated to 0.0026% 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, 2016, these costs amounted to $907.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund 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, 2016 was equivalent to an annual effective rate of 0.0163% 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 a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. For the six months ended June 30, 2016, the fee paid by the fund under this agreement was $2,520 and is included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ISO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

For the six months ended June 30, 2016, purchases and sales of investments, other than short-term obligations, were as follows:

	Purchases	Sales
U.S. Government securities	$211,254,501	$275,711,206
Investments (non-U.S. Government securities)	$160,909,574	$219,917,706

(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 6/30/16		Year ended 12/31/15	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	1,520,808	$20,248,954	5,588,697	$74,620,310
Service Class	3,567,665	47,189,876	7,064,169	93,720,716
	5,088,473	$67,438,830	12,652,866	$168,341,026
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	2,774,684	$36,237,371
Service Class	—	—	4,272,180	54,897,507
	—	$—	7,046,864	$91,134,878
Shares reacquired				
Initial Class	(7,324,351)	$(97,799,288)	(15,970,027)	$(214,101,491)
Service Class	(10,837,638)	(141,935,038)	(30,309,856)	(398,503,952)
	(18,161,989)	$(239,734,326)	(46,279,883)	$(612,605,443)
Net change				
Initial Class	(5,803,543)	$(77,550,334)	(7,606,646)	$(103,243,810)
Service Class	(7,269,973)	(94,745,162)	(18,973,507)	(249,885,729)
	(13,073,516)	$(172,295,496)	(26,580,153)	$(353,129,539)

The fund is one of several mutual funds in which certain MFS funds may invest. The MFS funds do not invest in the underlying funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Conservative Allocation Portfolio, and the MFS Growth Allocation Portfolio were the owners of record of approximately 9%, 5%, and 1%, 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 $1.25 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 Overnight Federal Reserve funds rate or daily 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 Overnight Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2016, the fund's commitment fee and interest expense were $6,762 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	86,235,675	316,366,769	(355,341,581)	47,260,863

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$64,779	$47,260,863

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 *mfs.com* (once you have selected "Individual Investor" as your role, click on "Individual Investor Home" in the top navigation and then select "Learn More About Proxy Voting" under the "I want to…" header on the left hand column of the page), 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 by August 31 of each year without charge by visiting *mfs.com* (once you have selected "Individual Investor" as your role, click on "Individual Investor Home" in the top navigation and then select "Learn More About Proxy Voting" under the "I want to…" header on the left hand column of the page), 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 on *mfs.com* by following these steps once you have selected "Individual Investor" as your role: (1) Click on the "Individual Investor Home" in the top navigation and then select the "Announcements" option within the "Market Outlooks" drop down, or (2) Click on "Products & Services" and "Variable Insurance Portfolios" and then select the fund's name.

INFORMATION ABOUT FUND CONTRACTS AND LEGAL CLAIMS

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent, 529 program manager (if applicable), and custodian who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the Trust's By-Laws and Declaration of Trust, any claims asserted against or on behalf of the MFS Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

MFS®

SEMIANNUAL REPORT
June 30, 2016

MFS® UTILITIES SERIES

MFS® Variable Insurance Trust

VUF-SEM

MFS® UTILITIES SERIES

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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

Dear Contract Owners:

Global headwinds continue to restrain growth and profits, though developed market equities have remained resilient, underpinned by record-low interest rates. Rates are likely to stay low over the medium term, as many central banks have implemented accommodative monetary policies in an effort to reinvigorate their economies. Markets will have to deal with an additional headwind in the coming months and years as investors grapple with the fallout from the United Kingdom's decision to leave the European Union. That process will take a considerable period of time to play out against a highly uncertain backdrop. Weakness in the pound sterling in the wake of the referendum has been a welcome shock absorber for UK financial markets.

Emerging markets have been beneficiaries of firmer commodity prices and diminishing fears of sharply higher interest rates from the U.S. Federal Reserve. China remains a source of concern for investors, as overcapacity in its manufacturing sector inhibits the government's attempt to change its domestic economy from one driven by exports to a consumer-driven model.

At MFS®, we believe it is best to view markets through a long lens and not react to short-term swings. That makes it possible to filter out market noise and focus on long-term fundamentals.

In our view, the professional guidance of a financial advisor, along with a patient, long-term approach, will help you reach your investment objectives.

Respectfully,

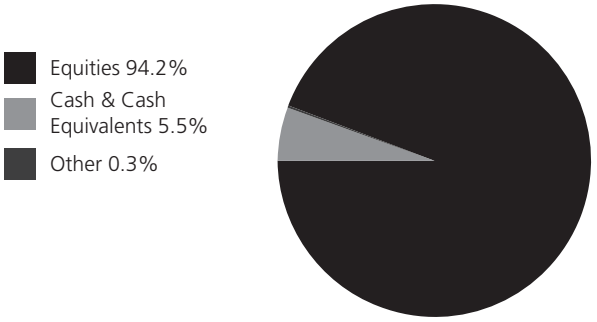
Robert J. Manning
Chairman
MFS Investment Management

August 15, 2016

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

NextEra Energy, Inc.	5.0%
Exelon Corp.	4.6%
PPL Corp.	4.0%
Sempra Energy	3.6%
Charter Communications, Inc., "A"	2.9%
EDP Renovaveis S.A.	2.8%
American Electric Power Co., Inc.	2.6%
Calpine Corp.	2.6%
Enel S.p.A.	2.4%
AES Corp.	2.4%

Top five industries

Utilities-Electric Power	53.2%
Natural Gas-Pipeline	14.2%
Telephone Services	6.9%
Natural Gas-Distribution	6.4%
Telecommunications–Wireless	6.4%

Issuer country weightings (x)

United States	74.8%
Portugal	4.8%
United Kingdom	3.3%
Italy	2.6%
Canada	2.6%
China	1.7%
France	1.6%
Sweden	1.5%
Brazil	1.2%
Other Countries	5.9%

(x) Represents the portfolio's exposure to issuer countries as a percentage of the portfolio's net assets. For purposes of this presentation, United States includes Cash & Cash Equivalents and Other.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Cash & Cash Equivalents includes any cash, investments in money market funds, short-term securities, and other assets less liabilities. Please see the Statement of Assets and Liabilities for additional information related to the fund's cash position and other assets and liabilities.

Other includes equivalent exposure from currency derivatives and/or any offsets to derivative positions.

Percentages are based on net assets as of 6/30/16.

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, 2016 through June 30, 2016

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, 2016 through June 30, 2016.

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 1/01/16	Ending Account Value 6/30/16	Expenses Paid During Period (p) 1/01/16-6/30/16
Initial Class	Actual	0.78%	$1,000.00	$1,152.19	$4.17
	Hypothetical (h)	0.78%	$1,000.00	$1,020.98	$3.92
Service Class	Actual	1.03%	$1,000.00	$1,151.09	$5.51
	Hypothetical (h)	1.03%	$1,000.00	$1,019.74	$5.17

(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 182/366 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 6/30/16 (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 – 85.3%		
Cable TV – 5.7%		
Charter Communications, Inc., "A" (a)	220,076	$ 50,318,209
Comcast Corp., "A"	573,999	37,418,995
Liberty Global PLC LiLAC, "C" (a)	36,019	1,170,254
Liberty Global PLC, "C" (a)	294,992	8,451,521
		$ 97,358,979
Energy – Independent – 0.6%		
Enable Midstream Partners LP	167,058	$ 2,256,954
Western Gas Equity Partners LP	192,107	7,348,093
		$ 9,605,047
Natural Gas – Distribution – 6.4%		
China Gas Holdings Ltd.	594,000	$ 905,000
China Resources Gas Group Ltd.	6,088,000	18,493,560
Engie	1,113,889	17,936,364
NorthWestern Corp.	101,726	6,415,859
Sempra Energy	543,655	61,987,543
Snam Rete Gas S.p.A.	672,283	4,022,035
		$ 109,760,361
Natural Gas – Pipeline – 13.2%		
Cheniere Energy, Inc. (a)	23,624	$ 887,081
Columbia Pipeline Partners LP	304,937	4,574,055
Enbridge, Inc.	767,546	32,515,030
Energy Transfer Partners LP	736,858	28,052,184
Enterprise Products Partners LP	1,167,705	34,167,048
EQT GP Holdings LP	153,580	3,914,754
EQT Midstream Partners LP	230,051	18,473,095
JP Energy Partners LP	183,374	1,547,677
Kinder Morgan, Inc.	311,922	5,839,180
Plains All American Pipeline LP	143,571	3,946,767
Plains GP Holdings LP	1,011,001	10,544,740
SemGroup Corp., "A"	206,616	6,727,417
Shell Midstream Partners, L.P.	156,239	5,279,316
Sunoco Logistics Partners LP	656,166	18,864,773
Tallgrass Energy GP LP	319,877	7,219,624
TransCanada Corp.	111,620	5,038,646
TransCanada Corp. (l)	43,382	1,963,011
Williams Cos., Inc.	773,049	16,721,050
Williams Partners LP	533,327	18,474,412
		$ 224,749,860
Telecommunications – Wireless – 5.8%		
Advanced Info Service PLC	1,298,900	$ 5,840,245
American Tower Corp., REIT	239,440	27,202,778
Bharti Infratel Ltd.	474,906	2,427,829
Cellnex Telecom S.A.U.	49,291	773,164
Globe Telecom, Inc.	6,990	352,416
KDDI Corp.	401,100	12,210,014
Mobile TeleSystems PJSC, ADR	1,201,032	9,944,545
SBA Communications Corp. (a)	195,016	21,050,027
T-Mobile U.S., Inc. (a)	19,870	859,775

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Telecommunications – Wireless – continued		
Vodafone Group PLC	6,239,962	$ 18,995,635
		$ 99,656,428
Telephone Services – 6.1%		
Altice N.V. (a)	605,696	$ 9,108,362
Bezeq – The Israel Telecommunication Corp. Ltd.	2,596,564	5,157,711
BT Group PLC	2,118,547	11,698,293
Com Hem Holding AB	2,946,863	24,976,217
Hellenic Telecommunications Organization S.A.	1,203,342	10,776,747
Numericable-SFR	251,697	6,370,916
PT XL Axiata Tbk (a)	30,198,500	8,388,155
Singapore Telecommunications Ltd.	111,500	344,806
TDC A.S.	2,753,441	13,477,365
Telus Corp.	155,195	4,997,184
Verizon Communications, Inc.	154,908	8,650,063
		$ 103,945,819
Utilities – Electric Power – 47.3%		
AES Corp.	3,227,037	$ 40,273,422
Ameren Corp.	479,846	25,710,149
American Electric Power Co., Inc.	627,713	43,996,404
Atlantica Yield PLC (l)	320,990	5,963,994
Avangrid, Inc.	161,657	7,445,921
Calpine Corp. (a)	2,973,019	43,852,030
China Longyuan Power Group	11,725,000	9,768,540
Covanta Holding Corp.	312,237	5,136,299
CPFL Energia S.A.	685,090	4,391,244
DTE Energy Co.	219,213	21,728,393
Dynegy, Inc. (a)	57,622	6,207,042
Dynegy, Inc. (a)	1,900,008	32,756,138
E.ON AG	162,298	1,625,674
Edison International	187,892	14,593,572
EDP Energias do Brasil S.A. (a)	187,451	805,287
EDP Renovaveis S.A.	6,361,474	48,160,528
Enel S.p.A.	9,217,784	40,996,063
Energias de Portugal S.A.	10,869,583	33,382,161
Energias do Brasil S.A.	671,821	2,848,489
Exelon Corp.	2,156,053	78,394,087
FirstEnergy Corp.	572,960	20,002,034
Iberdrola S.A.	2,300,203	15,537,980
NextEra Energy Partners LP	534,204	16,229,118
NextEra Energy, Inc.	658,932	85,924,733
NRG Energy, Inc.	1,784,557	26,750,509
NRG Yield, Inc., "A"	651,369	9,913,836
NRG Yield, Inc., "C"	588,307	9,171,706
NTPC Ltd.	165,271	383,656
PG&E Corp.	573,975	36,688,482
PPL Corp.	1,795,669	67,786,505
Public Service Enterprise Group, Inc.	287,929	13,420,371
RWE AG (a)	299,760	4,736,933

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Utilities – Electric Power – continued		
SSE PLC	893,929	$ 18,691,970
Tractebel Energia S.A.	575,000	6,857,470
Xcel Energy, Inc.	151,548	6,786,319
		$ 806,917,059
Utilities – Water – 0.2%		
SUEZ Environnement	218,618	$ 3,443,247
Total Common Stocks (Identified Cost, $1,336,356,883)		**$1,455,436,800**
CONVERTIBLE PREFERRED STOCKS – 8.6%		
Energy – Independent – 0.6%		
Anadarko Petroleum Corp., 7.5%	286,425	$ 10,500,341
Natural Gas – Pipeline – 1.1%		
Kinder Morgan, Inc., 9.75%	373,244	$ 18,232,969
Telecommunications – Wireless – 0.5%		
American Tower Corp., 5.5%	78,385	$ 8,804,203
Telephone Services – 0.8%		
Frontier Communications Corp., 11.125%	144,317	$ 13,684,138
Utilities – Electric Power – 5.6%		
Dominion Resources, Inc., 6.375%	231,828	$ 12,017,964
Dominion Resources, Inc., "B", 6%	271,910	16,341,791
Dynegy, Inc., 5.375% (l)	189,547	11,742,437
Exelon Corp., 6.5%	796,277	39,288,307
CONVERTIBLE PREFERRED STOCKS – continued		
Utilities – Electric Power – continued		
NextEra Energy, Inc., 5.799%	92,949	$ 6,200,628
NextEra Energy, Inc., 6.371%	151,093	9,787,805
		$ 95,378,932
Total Convertible Preferred Stocks (Identified Cost, $146,945,511)		**$ 146,600,583**
PREFERRED STOCKS – 0.3%		
Utilities – Electric Power – 0.3%		
Companhia Paranaense de Energia (Identified Cost, $7,599,507)	635,200	$ 5,777,961
MONEY MARKET FUNDS – 5.4%		
MFS Institutional Money Market Portfolio, 0.36%, at Cost and Net Asset Value (v)	91,615,273	$ 91,615,273
COLLATERAL FOR SECURITIES LOANED – 0.2%		
Navigator Securities Lending Prime Portfolio, 0.53%, at Cost and Net Asset Value (j)	4,020,431	$ 4,020,431
Total Investments (Identified Cost, $1,586,537,605)		**$1,703,451,048**
OTHER ASSETS, LESS LIABILITIES – 0.2%		**3,040,824**
NET ASSETS – 100.0%		**$1,706,491,872**

(a) Non-income producing security.

(j) The rate quoted is the annualized seven-day yield of the fund at period end.

(l) A portion of this security is on loan.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

ADR American Depositary Receipt
PLC Public Limited Company
REIT Real Estate Investment Trust

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:

CAD Canadian Dollar
EUR Euro
GBP British Pound

Derivative Contracts at 6/30/16

Forward Foreign Currency Exchange Contracts at 6/30/16

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives							
BUY	CAD	Citibank N.A.	443,764	7/15/16	$ 338,950	$ 343,499	$ 4,549
BUY	CAD	Goldman Sachs International	1,090,193	7/15/16	837,190	843,871	6,681
BUY	CAD	HSBC Bank	1,628,806	7/15/16	1,249,590	1,260,788	11,198
BUY	CAD	JPMorgan Chase Bank N.A.	1,414,596	7/15/16	1,081,396	1,094,977	13,581
BUY	CAD	Merrill Lynch International	881,050	7/15/16	670,255	681,983	11,728
BUY	CAD	Morgan Stanley Capital Services, Inc.	2,162,922	7/15/16	1,661,833	1,674,224	12,391
SELL	EUR	Barclays Bank PLC	2,537,672	7/15/16	2,884,653	2,817,158	67,495

Forward Foreign Currency Exchange Contracts at 6/30/16 – continued

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives – continued							
SELL	EUR	BNP Paribas S.A.	4,533,372	7/15/16	$ 5,135,469	$ 5,032,654	$ 102,815
SELL	EUR	Citibank N.A.	10,026,823	7/15/16	11,477,986	11,131,124	346,862
SELL	EUR	Credit Suisse Group	2,774,901	7/15/16	3,179,138	3,080,514	98,624
SELL	EUR	Deutsche Bank AG	69,155,145	7/15/16-9/15/16	78,357,462	76,904,439	1,453,023
SELL	EUR	Goldman Sachs International	608,779	7/15/16	691,737	675,827	15,910
SELL	EUR	HSBC Bank	661,307	7/15/16	745,258	734,140	11,118
SELL	EUR	JPMorgan Chase Bank N.A.	25,004,110	7/15/16	28,618,060	27,757,930	860,130
SELL	EUR	Merrill Lynch International	5,668,406	7/15/16	6,486,765	6,292,695	194,072
SELL	EUR	Morgan Stanley Capital Services, Inc.	2,562,628	7/15/16	2,924,508	2,844,862	79,646
SELL	EUR	Royal Bank of Scotland Group PLC	1,031,000	7/15/16	1,176,854	1,144,549	32,305
SELL	GBP	Barclays Bank PLC	533,548	7/15/16	770,166	710,328	59,838
SELL	GBP	BNP Paribas S.A.	15,824,143	7/15/16	22,508,815	21,067,148	1,441,667
SELL	GBP	Deutsche Bank AG	1,646,475	7/15/16	2,196,795	2,192,001	4,794
SELL	GBP	Goldman Sachs International	1,674,166	7/15/16	2,413,264	2,228,867	184,397
SELL	GBP	HSBC Bank	1,243,705	7/15/16	1,814,910	1,655,780	159,130
SELL	GBP	JPMorgan Chase Bank N.A.	1,663,331	7/15/16	2,409,046	2,214,442	194,604
SELL	GBP	Morgan Stanley Capital Services, Inc.	1,034,307	7/15/16	1,512,815	1,377,004	135,811
							$5,502,369
Liability Derivatives							
BUY	CAD	BNP Paribas S.A.	1,260,738	7/15/16	$ 984,751	$ 975,882	$ (8,869)
BUY	CAD	Citibank N.A.	75,870	7/15/16	58,966	58,728	(238)
BUY	CAD	Deutsche Bank AG	31,694	7/15/16	24,737	24,533	(204)
BUY	CAD	Goldman Sachs International	2,027,541	7/15/16	1,583,963	1,569,432	(14,531)
BUY	CAD	Merrill Lynch International	510	7/15/16	396	395	(1)
BUY	CAD	Morgan Stanley Capital Services, Inc.	697,196	7/15/16	549,121	539,669	(9,452)
SELL	CAD	Merrill Lynch International	44,865,992	7/15/16	34,692,409	34,728,823	(36,414)
BUY	EUR	Barclays Bank PLC	412,910	7/15/16	460,857	458,386	(2,471)
BUY	EUR	BNP Paribas S.A.	1,752,055	7/15/16	1,985,600	1,945,017	(40,583)
BUY	EUR	Citibank N.A.	3,291,550	7/15/16	3,694,649	3,654,064	(40,585)
BUY	EUR	JPMorgan Chase Bank N.A.	795,250	7/15/16	897,049	882,834	(14,215)
BUY	EUR	Merrill Lynch International	1,449,733	7/15/16	1,663,730	1,609,399	(54,331)
BUY	EUR	Morgan Stanley Capital Services, Inc.	2,452,644	7/15/16	2,782,136	2,722,765	(59,371)
SELL	EUR	Deutsche Bank AG	1,660,774	7/15/16	1,838,983	1,843,683	(4,700)
SELL	EUR	Morgan Stanley Capital Services, Inc.	2,645,570	7/15/16	2,926,368	2,936,939	(10,571)
SELL	EUR	UBS AG	820,752	7/15/16	905,471	911,146	(5,675)
BUY	GBP	Goldman Sachs International	168,339	7/15/16	242,337	224,115	(18,222)
SELL	GBP	BNP Paribas S.A.	365,556	7/15/16	483,703	486,675	(2,972)
							$ (323,405)

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 6/30/16

Assets		
Investments		
Non-affiliated issuers, at value (identified cost, $1,494,922,332)	$1,611,835,775	
Underlying affiliated funds, at cost and value	91,615,273	
Total investments, at value, including $5,703,365 of securities on loan (identified cost, $1,586,537,605)	$1,703,451,048	
Foreign currency, at value (identified cost, $451)	476	
Receivables for		
Forward foreign currency exchange contracts	5,502,369	
Investments sold	10,010,884	
Fund shares sold	463,218	
Interest and dividends	4,216,673	
Other assets	3,750	
Total assets		$1,723,648,418
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$323,405	
Investments purchased	9,535,447	
Fund shares reacquired	2,763,481	
Collateral for securities loaned, at value (c)	4,020,431	
Payable to affiliates		
Investment adviser	67,450	
Shareholder servicing costs	630	
Distribution and/or service fees	14,551	
Payable for independent Trustees' compensation	633	
Deferred country tax expense payable	11,891	
Accrued expenses and other liabilities	418,627	
Total liabilities		$17,156,546
Net assets		$1,706,491,872
Net assets consist of		
Paid-in capital	$1,499,566,180	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies (net of $11,891 deferred country tax)	122,023,743	
Accumulated net realized gain (loss) on investments and foreign currency	856,837	
Undistributed net investment income	84,045,112	
Net assets		$1,706,491,872
Shares of beneficial interest outstanding		58,582,579

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$617,580,271	20,967,894	$29.45
Service Class	1,088,911,601	37,614,685	28.95

(c) Non-cash collateral is not included.

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 6/30/16

Net investment income		
Income		
Dividends	$33,590,861	
Interest	288,618	
Dividends from underlying affiliated funds	73,471	
Foreign taxes withheld	(1,168,870)	
Total investment income		$32,784,080
Expenses		
Management fee	$5,720,834	
Distribution and/or service fees	1,244,669	
Shareholder servicing costs	40,787	
Administrative services fee	129,590	
Independent Trustees' compensation	19,674	
Custodian fee	130,767	
Shareholder communications	86,842	
Audit and tax fees	30,333	
Legal fees	7,568	
Miscellaneous	22,793	
Total expenses		$7,433,857
Reduction of expenses by investment adviser	(55,826)	
Net expenses		$7,378,031
Net investment income		$25,406,049
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$(22,473,113)	
Foreign currency	(256,612)	
Net realized gain (loss) on investments and foreign currency		$(22,729,725)
Change in unrealized appreciation (depreciation)		
Investments (net of $11,891 increase in deferred country tax)	$223,855,787	
Translation of assets and liabilities in foreign currencies	(499,524)	
Net unrealized gain (loss) on investments and foreign currency translation		$223,356,263
Net realized and unrealized gain (loss) on investments and foreign currency		$200,626,538
Change in net assets from operations		$226,032,587

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 6/30/16 (unaudited)	Year ended 12/31/15
Change in net assets		
From operations		
Net investment income	$25,406,049	$44,335,843
Net realized gain (loss) on investments and foreign currency	(22,729,725)	55,525,687
Net unrealized gain (loss) on investments and foreign currency translation	223,356,263	(368,257,019)
Change in net assets from operations	$226,032,587	$(268,395,489)
Distributions declared to shareholders		
From net investment income	$—	$(73,039,306)
From net realized gain on investments	—	(125,288,396)
Total distributions declared to shareholders	$—	$(198,327,702)
Change in net assets from fund share transactions	$(48,882,324)	$(11,189,054)
Total change in net assets	$177,150,263	$(477,912,245)
Net assets		
At beginning of period	1,529,341,609	2,007,253,854
At end of period (including undistributed net investment income of $84,045,112 and $58,639,063, respectively)	$1,706,491,872	$1,529,341,609

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 6/30/16 (unaudited)	Years ended 12/31				
		2015	2014	2013	2012	2011
Net asset value, beginning of period	$25.56	$33.97	$31.88	$27.61	$26.08	$25.27
Income (loss) from investment operations						
Net investment income (d)	$0.45	$0.81	$0.99	$0.94	$0.84	$0.97
Net realized and unrealized gain (loss) on investments and foreign currency	3.44	(5.56)	3.13	4.64	2.57	0.70
Total from investment operations	$3.89	$(4.75)	$4.12	$5.58	$3.41	$1.67
Less distributions declared to shareholders						
From net investment income	$—	$(1.38)	$(0.74)	$(0.73)	$(1.88)	$(0.86)
From net realized gain on investments	—	(2.28)	(1.29)	(0.58)	—	—
Total distributions declared to shareholders	$—	$(3.66)	$(2.03)	$(1.31)	$(1.88)	$(0.86)
Net asset value, end of period (x)	$29.45	$25.56	$33.97	$31.88	$27.61	$26.08
Total return (%) (k)(r)(s)(x)	15.22(n)	(14.54)	12.77	20.60	13.40	6.78
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.79(a)	0.79	0.79	0.80	0.82	0.80
Expenses after expense reductions (f)	0.78(a)	0.78	0.78	0.80	0.82	0.80
Net investment income	3.40(a)	2.59	2.87	3.07	3.11	3.71
Portfolio turnover	14(n)	42	53	50	51	53
Net assets at end of period (000 omitted)	$617,580	$561,517	$754,927	$525,386	$476,685	$532,447

Service Class	Six months ended 6/30/16 (unaudited)	Years ended 12/31				
		2015	2014	2013	2012	2011
Net asset value, beginning of period	$25.15	$33.48	$31.47	$27.27	$25.73	$24.95
Income (loss) from investment operations						
Net investment income (d)	$0.41	$0.72	$0.92	$0.85	$0.71	$0.89
Net realized and unrealized gain (loss) on investments and foreign currency	3.39	(5.47)	3.05	4.58	2.59	0.70
Total from investment operations	$3.80	$(4.75)	$3.97	$5.43	$3.30	$1.59
Less distributions declared to shareholders						
From net investment income	$—	$(1.30)	$(0.67)	$(0.65)	$(1.76)	$(0.81)
From net realized gain on investments	—	(2.28)	(1.29)	(0.58)	—	—
Total distributions declared to shareholders	$—	$(3.58)	$(1.96)	$(1.23)	$(1.76)	$(0.81)
Net asset value, end of period (x)	$28.95	$25.15	$33.48	$31.47	$27.27	$25.73
Total return (%) (k)(r)(s)(x)	15.11(n)	(14.76)	12.47	20.30	13.13	6.51
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.04(a)	1.04	1.04	1.05	1.07	1.05
Expenses after expense reductions (f)	1.03(a)	1.03	1.03	1.05	1.07	1.05
Net investment income	3.16(a)	2.34	2.71	2.82	2.66	3.45
Portfolio turnover	14(n)	42	53	50	51	53
Net assets at end of period (000 omitted)	$1,088,912	$967,824	$1,252,327	$978,732	$837,196	$1,458,257

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 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 Standards Codification Topic 946 Financial Services – Investment Companies.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests primarily in securities of issuers in the utility industry. Issuers in a single industry can react similarly to market, economic, political and regulatory conditions and developments. The fund invests in foreign securities. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment.

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 on their primary market or exchange as provided by a third-party pricing service. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation on their primary market or exchange as provided by a third-party pricing service. Debt instruments and floating rate loans, including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and

at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as forward foreign currency exchange contracts. The following is a summary of the levels used as of June 30, 2016 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$1,177,730,895	$—	$—	$1,177,730,895
Portugal	—	81,542,690	—	81,542,690
United Kingdom	5,963,994	49,385,898	—	55,349,892
Italy	—	45,018,099	—	45,018,099
Canada	44,513,870	—	—	44,513,870
China	905,000	28,262,100	—	29,167,100
France	17,936,364	9,814,163	—	27,750,527
Sweden	—	24,976,217	—	24,976,217
Brazil	20,680,451	—	—	20,680,451
Other Countries	49,053,346	52,032,257	—	101,085,603
Mutual Funds	95,635,704	—	—	95,635,704
Total Investments	$1,412,419,624	$291,031,424	$—	$1,703,451,048
Other Financial Instruments				
Forward Foreign Currency Exchange Contracts	$—	$5,178,964	$—	$5,178,964

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $5,157,711 would have been considered level 1 investments at the beginning of the period. Of the level 1 investments presented above, equity investments amounting to $74,942,239 would have been considered level 2 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were forward foreign currency exchange contracts. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract tables, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at June 30, 2016 as reported in the Statement of Assets and Liabilities:

		Fair Value	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Foreign Exchange	Forward Foreign Currency Exchange	$5,502,369	$(323,405)

There is no realized gain (loss) from derivative transactions during the period.

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, 2016 as reported in the Statement of Operations:

Risk	**Translation of Assets and Liabilities in Foreign Currencies**
Foreign Exchange	$(503,026)

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, uncleared 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. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any.

Collateral and margin requirements differ by type of derivative. Margin requirements are set by the clearing broker and the clearing house for cleared derivatives (e.g., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for uncleared derivatives (e.g., forward foreign currency exchange contracts, uncleared swap agreements, and uncleared options). For derivatives traded under an ISDA Master Agreement, which contains a collateral support annex, 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 international payment system for the centralized settlement of foreign transactions. 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, where applicable, 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.

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. Security loans can be terminated at the discretion of either the lending agent or the fund and the related securities must be returned within the earlier of the standard trade settlement period for such securities or within three business days. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. On loans collateralized by cash, the cash collateral is invested in a money market fund. The market value of the

loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. In the event of Borrower default, State Street will, for the benefit of the fund, either purchase securities identical to those loaned or, when such purchase is commercially impracticable, pay the fund the market value of the loaned securities. In return, State Street assumes the fund's rights to the related collateral. If the collateral value is less than the cost to purchase identical securities, State Street is responsible for the shortfall, but only to the extent that such shortfall is not due to a decline in collateral value resulting from collateral reinvestment for which the fund bears the risk of loss. At period end, the fund had investment securities on loan, all of which were classified as equity securities in the fund's Portfolio of Investments, with a fair value of $5,703,365. The fair value of the fund's investment securities on loan and a related liability of $4,020,431 for cash collateral received on securities loaned are both presented gross in the Statement of Assets and Liabilities. Additionally, these loans were collateralized by U.S. Treasury Obligations of $1,798,446. The collateral received on securities loaned exceeded the value of securities on loan at period end. The liability for cash collateral for securities loaned is carried at fair value, which is categorized as level 2 within the fair value hierarchy. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in "Interest" income in the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – Prior to October 1, 2015, the fund's custody fee could be reduced by a credit earned under an arrangement that measured the value of U.S. dollars deposited with the custodian by the fund. For six months ended June 30, 2016, 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, derivative transactions, and partnership adjustments.

The tax character of distributions declared to shareholders for the last fiscal year is as follows:

	12/31/15
Ordinary income (including any short-term capital gains)	$102,302,415
Long-term capital gains	96,025,287
Total distributions	$198,327,702

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/16	
Cost of investments	$1,602,197,677
Gross appreciation	244,622,640
Gross depreciation	(143,369,269)
Net unrealized appreciation (depreciation)	$101,253,371
As of 12/31/15	
Undistributed ordinary income	64,805,580
Undistributed long-term capital gain	37,406,828
Other temporary differences	(544,802)
Net unrealized appreciation (depreciation)	(120,774,501)

The aggregate cost above includes prior fiscal year end tax adjustment, 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 6/30/16	Year ended 12/31/15	Six months ended 6/30/16	Year ended 12/31/15
Initial Class	$—	$28,015,638	$—	$46,266,869
Service Class	—	45,023,668	—	79,021,527
Total	$—	$73,039,306	$—	$125,288,396

(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, 2016, this management fee reduction amounted to $55,826, 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, 2016 was equivalent to an annual effective rate of 0.72% of the fund's average daily net assets.

Effective August 1, 2016, the management fee will be computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Next $2 billion of average daily net assets	0.70%
Average daily net assets in excess of $3 billion	0.65%

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, 2016, the fee was $38,901, which equated to 0.0050% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2016, these costs amounted to $1,886.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund 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, 2016 was equivalent to an annual effective rate of 0.0166% 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 a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. For the six months ended June 30, 2016, the fee paid by the fund under this agreement was $1,519 and is included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ISO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

The fund is permitted to engage in purchase and sale transactions ("cross-trades") with funds and accounts for which MFS serves as investment adviser or sub-adviser pursuant to a policy adopted by the Board of Trustees. This policy has been designed to ensure that cross-trades conducted by the fund comply with Rule 17a-7 under the Investment Company Act of 1940. Under this policy, cross-trades are effected at current market prices with no remuneration paid in connection with the transaction. During the six months ended June 30, 2016, the fund engaged in purchase and sale transactions pursuant to this policy, which amounted to $1,065,209 and $230,871, respectively. The sales transactions resulted in net realized gains (losses) of $(104,353).

(4) Portfolio Securities

For the six months ended June 30, 2016, purchases and sales of investments, other than short-term obligations, aggregated $216,060,406 and $283,577,416, 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 6/30/16		Year ended 12/31/15	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	522,759	$14,183,612	661,936	$20,487,219
Service Class	2,679,972	70,197,722	5,092,320	157,180,531
	3,202,731	$84,381,334	5,754,256	$177,667,750
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	2,750,185	$74,282,507
Service Class	—	—	4,663,353	124,045,195
	—	$—	7,413,538	$198,327,702
Shares reacquired				
Initial Class	(1,523,049)	$(40,273,486)	(3,669,815)	$(115,152,159)
Service Class	(3,541,629)	(92,990,172)	(8,683,815)	(272,032,347)
	(5,064,678)	$(133,263,658)	(12,353,630)	$(387,184,506)
Net change				
Initial Class	(1,000,290)	$(26,089,874)	(257,694)	$(20,382,433)
Service Class	(861,657)	(22,792,450)	1,071,858	9,193,379
	(1,861,947)	$(48,882,324)	814,164	$(11,189,054)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.25 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 Overnight Federal Reserve funds rate or daily 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 Overnight Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2016, the fund's commitment fee and interest expense were $4,197 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	31,228,978	170,097,870	(109,711,575)	91,615,273

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$73,471	$91,615,273

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 *mfs.com* (once you have selected "Individual Investor" as your role, click on "Individual Investor Home" in the top navigation and then select "Learn More About Proxy Voting" under the "I want to…" header on the left hand column of the page), 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 by August 31 of each year without charge by visiting *mfs.com* (once you have selected "Individual Investor" as your role, click on "Individual Investor Home" in the top navigation and then select "Learn More About Proxy Voting" under the "I want to…" header on the left hand column of the page), 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 on *mfs.com* by following these steps once you have selected "Individual Investor" as your role: (1) Click on the "Individual Investor Home" in the top navigation and then select the "Announcements" option within the "Market Outlooks" drop down, or (2) Click on "Products & Services" and "Variable Insurance Portfolios" and then select the fund's name.

INFORMATION ABOUT FUND CONTRACTS AND LEGAL CLAIMS

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent, 529 program manager (if applicable), and custodian who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the Trust's By-Laws and Declaration of Trust, any claims asserted against or on behalf of the MFS Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

MFS®

SEMIANNUAL REPORT
June 30, 2016

MFS® VALUE SERIES

MFS® Variable Insurance Trust

VLU-SEM

MFS® VALUE SERIES

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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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LETTER FROM THE CHAIRMAN

Dear Contract Owners:

Global headwinds continue to restrain growth and profits, though developed market equities have remained resilient, underpinned by record-low interest rates. Rates are likely to stay low over the medium term, as many central banks have implemented accommodative monetary policies in an effort to reinvigorate their economies. Markets will have to deal with an additional headwind in the coming months and years as investors grapple with the fallout from the United Kingdom's decision to leave the European Union. That process will take a considerable period of time to play out against a highly uncertain backdrop. Weakness in the pound sterling in the wake of the referendum has been a welcome shock absorber for UK financial markets.

Emerging markets have been beneficiaries of firmer commodity prices and diminishing fears of sharply higher interest rates from the U.S. Federal Reserve. China remains a source of concern for investors, as overcapacity in its manufacturing sector inhibits the government's attempt to change its domestic economy from one driven by exports to a consumer-driven model.

At MFS®, we believe it is best to view markets through a long lens and not react to short-term swings. That makes it possible to filter out market noise and focus on long-term fundamentals.

In our view, the professional guidance of a financial advisor, along with a patient, long-term approach, will help you reach your investment objectives.

Respectfully,

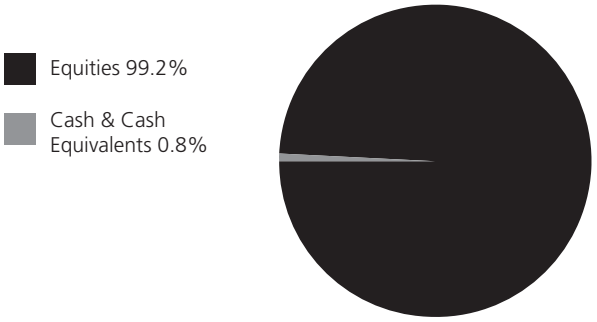
Robert J. Manning
Chairman
MFS Investment Management

August 15, 2016

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.	4.2%
Johnson & Johnson	3.8%
Philip Morris International, Inc.	3.5%
Wells Fargo & Co.	2.7%
Accenture PLC, "A"	2.6%
Pfizer, Inc.	2.4%
Medtronic PLC	2.3%
Honeywell International, Inc.	2.1%
3M Co.	2.1%
Travelers Cos., Inc.	2.1%

Equity sectors

Financial Services	25.3%
Health Care	15.3%
Industrial Goods & Services	12.8%
Consumer Staples	11.3%
Basic Materials	5.7%
Energy	5.6%
Leisure	4.7%
Special Products & Services	4.6%
Technology	3.3%
Utilities & Communications	3.0%
Retailing	2.7%
Transportation	2.6%
Autos & Housing	2.3%

Cash & Cash Equivalents includes any cash, investments in money market funds, short-term securities, and other assets less liabilities. Please see the Statement of Assets and Liabilities for additional information related to the fund's cash position and other assets and liabilities.

Percentages are based on net assets as of 6/30/16.

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, 2016 through June 30, 2016

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, 2016 through June 30, 2016.

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 1/01/16	Ending Account Value 6/30/16	Expenses Paid During Period (p) 1/01/16-6/30/16
Initial Class	Actual	0.73%	$1,000.00	$1,067.43	$3.75
	Hypothetical (h)	0.73%	$1,000.00	$1,021.23	$3.67
Service Class	Actual	0.98%	$1,000.00	$1,065.67	$5.03
	Hypothetical (h)	0.98%	$1,000.00	$1,019.99	$4.92

(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 182/366 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 6/30/16 (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 – 99.2%		
Aerospace – 6.6%		
Honeywell International, Inc.	402,103	$ 46,772,619
Lockheed Martin Corp.	144,033	35,744,670
Northrop Grumman Corp.	101,765	22,620,324
United Technologies Corp.	402,424	41,268,581
		$ 146,406,194
Alcoholic Beverages – 1.1%		
Diageo PLC	887,947	$ 24,845,827
Automotive – 1.8%		
Delphi Automotive PLC	180,698	$ 11,311,695
Harley-Davidson, Inc.	203,780	9,231,234
Johnson Controls, Inc.	423,560	18,746,766
		$ 39,289,695
Broadcasting – 2.8%		
Omnicom Group, Inc.	404,473	$ 32,960,505
Time Warner, Inc.	246,581	18,133,567
Viacom, Inc., "B"	117,998	4,893,377
Walt Disney Co.	55,502	5,429,206
		$ 61,416,655
Brokerage & Asset Managers – 2.7%		
BlackRock, Inc.	58,667	$ 20,095,208
Franklin Resources, Inc.	525,646	17,540,807
NASDAQ, Inc.	332,431	21,498,313
		$ 59,134,328
Business Services – 4.6%		
Accenture PLC, "A"	520,341	$ 58,949,432
Cognizant Technology Solutions Corp., "A" (a)	125,837	7,202,910
Equifax, Inc.	40,006	5,136,770
Fidelity National Information Services, Inc.	278,028	20,485,103
Fiserv, Inc. (a)	100,080	10,881,698
		$ 102,655,913
Cable TV – 1.3%		
Comcast Corp., "A"	432,214	$ 28,176,031
Chemicals – 5.3%		
3M Co.	266,561	$ 46,680,162
E.I. du Pont de Nemours & Co.	267,616	17,341,517
Monsanto Co.	84,771	8,766,169
PPG Industries, Inc.	428,762	44,655,562
		$ 117,443,410
Computer Software – 0.7%		
Oracle Corp.	370,777	$ 15,175,903
Computer Software – Systems – 0.9%		
International Business Machines Corp.	132,451	$ 20,103,413
Construction – 0.5%		
Stanley Black & Decker, Inc.	102,729	$ 11,425,519

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Consumer Products – 0.8%		
Newell Brands, Inc.	159,183	$ 7,731,518
Procter & Gamble Co.	129,185	10,938,094
		$ 18,669,612
Containers – 0.5%		
Crown Holdings, Inc. (a)	209,458	$ 10,613,237
Electrical Equipment – 3.3%		
Danaher Corp.	325,463	$ 32,871,763
Pentair PLC	167,452	9,760,777
Tyco International PLC	724,047	30,844,402
		$ 73,476,942
Electronics – 1.7%		
Analog Devices, Inc.	118,071	$ 6,687,541
Texas Instruments, Inc.	497,633	31,176,707
		$ 37,864,248
Energy – Independent – 1.9%		
EOG Resources, Inc.	242,128	$ 20,198,318
Occidental Petroleum Corp.	284,778	21,517,826
		$ 41,716,144
Energy – Integrated – 2.3%		
Chevron Corp.	222,375	$ 23,311,571
Exxon Mobil Corp.	287,235	26,925,409
		$ 50,236,980
Food & Beverages – 5.2%		
Archer Daniels Midland Co.	432,448	$ 18,547,695
Danone S.A.	233,073	16,434,595
General Mills, Inc.	478,351	34,115,993
J.M. Smucker Co.	77,670	11,837,685
Nestle S.A.	457,003	35,251,239
		$ 116,187,207
Food & Drug Stores – 1.6%		
CVS Health Corp.	372,482	$ 35,661,427
General Merchandise – 0.7%		
Target Corp.	236,929	$ 16,542,383
Health Maintenance Organizations – 0.4%		
Cigna Corp.	71,322	$ 9,128,503
Insurance – 7.6%		
Aon PLC	324,726	$ 35,469,821
Chubb Ltd.	324,687	42,439,838
MetLife, Inc.	735,021	29,275,886
Prudential Financial, Inc.	231,926	16,545,601
Travelers Cos., Inc.	391,676	46,625,111
		$ 170,356,257
Machinery & Tools – 2.9%		
Caterpillar, Inc.	90,143	$ 6,833,741
Cummins, Inc.	46,980	5,282,431

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Machinery & Tools – continued		
Deere & Co.	70,694	$ 5,729,042
Eaton Corp. PLC	341,294	20,385,491
Illinois Tool Works, Inc.	175,145	18,243,103
Ingersoll-Rand Co. Ltd., "A"	129,225	8,229,048
		$ 64,702,856
Major Banks – 10.9%		
Bank of New York Mellon Corp.	568,767	$ 22,096,598
Goldman Sachs Group, Inc.	242,200	35,986,076
JPMorgan Chase & Co.	1,499,516	93,179,924
PNC Financial Services Group, Inc.	216,751	17,641,364
State Street Corp.	259,989	14,018,607
Wells Fargo & Co.	1,285,212	60,829,084
		$ 243,751,653
Medical & Health Technology & Services – 1.2%		
Express Scripts Holding Co. (a)	197,315	$ 14,956,477
McKesson Corp.	65,181	12,166,034
		$ 27,122,511
Medical Equipment – 5.4%		
Abbott Laboratories	645,204	$ 25,362,969
Medtronic PLC	599,231	51,995,274
St. Jude Medical, Inc.	221,469	17,274,582
Thermo Fisher Scientific, Inc.	180,999	26,744,412
		$ 121,377,237
Oil Services – 1.5%		
National Oilwell Varco, Inc.	247,046	$ 8,313,098
Schlumberger Ltd.	317,572	25,113,594
		$ 33,426,692
Other Banks & Diversified Financials – 4.1%		
American Express Co.	296,311	$ 18,003,856
BB&T Corp.	321,610	11,452,532
Citigroup, Inc.	527,319	22,353,052
U.S. Bancorp	983,342	39,658,183
		$ 91,467,623
Pharmaceuticals – 8.2%		
Johnson & Johnson	695,296	$ 84,339,405
Merck & Co., Inc.	564,866	32,541,930
Novartis AG	76,766	6,315,061
Pfizer, Inc.	1,545,465	54,415,823
Roche Holding AG	21,822	5,761,675
		$ 183,373,894
Printing & Publishing – 0.6%		
Moody's Corp.	103,547	$ 9,703,389
S&P Global, Inc.	40,196	4,311,423
Time, Inc.	22,900	376,934
		$ 14,391,746
Railroad & Shipping – 1.2%		
Canadian National Railway Co.	185,994	$ 10,984,806
Union Pacific Corp.	171,423	14,956,657
		$ 25,941,463
Specialty Stores – 0.3%		
Advance Auto Parts, Inc.	42,083	$ 6,801,875
Telecommunications – Wireless – 0.2%		
Vodafone Group PLC	1,567,569	$ 4,771,979
Telephone Services – 1.7%		
Verizon Communications, Inc.	668,502	$ 37,329,152
Tobacco – 4.2%		
Altria Group, Inc.	229,628	$ 15,835,147
Philip Morris International, Inc.	760,244	77,332,020
		$ 93,167,167
Trucking – 1.4%		
United Parcel Service, Inc., "B"	292,096	$ 31,464,581
Utilities – Electric Power – 1.1%		
Duke Energy Corp.	219,917	$ 18,866,679
Xcel Energy, Inc.	119,982	5,372,794
		$ 24,239,473
Total Common Stocks (Identified Cost, $1,423,343,154)		**$2,209,855,730**
MONEY MARKET FUNDS – 0.7%		
MFS Institutional Money Market Portfolio, 0.36%, at Cost and Net Asset Value (v)	16,096,087	$ 16,096,087
Total Investments (Identified Cost, $1,439,439,241)		**$2,225,951,817**
OTHER ASSETS, LESS LIABILITIES – 0.1%		**2,648,852**
NET ASSETS – 100.0%		**$2,228,600,669**

(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

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 6/30/16

Assets		
Investments		
Non-affiliated issuers, at value (identified cost, $1,423,343,154)	$2,209,855,730	
Underlying affiliated funds, at cost and value	16,096,087	
Total investments, at value (identified cost, $1,439,439,241)	$2,225,951,817	
Foreign currency, at value (identified cost, $31)	30	
Receivables for		
Investments sold	1,331,381	
Fund shares sold	153,431	
Interest and dividends	4,163,263	
Other assets	5,050	
Total assets		$2,231,604,972
Liabilities		
Payable to custodian	$29,939	
Payable for fund shares reacquired	2,579,173	
Payable to affiliates		
Investment adviser	83,802	
Shareholder servicing costs	216	
Distribution and/or service fees	16,694	
Payable for independent Trustees' compensation	59	
Accrued expenses and other liabilities	294,420	
Total liabilities		$3,004,303
Net assets		$2,228,600,669
Net assets consist of		
Paid-in capital	$1,179,778,172	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	786,450,162	
Accumulated net realized gain (loss) on investments and foreign currency	199,685,826	
Undistributed net investment income	62,686,509	
Net assets		$2,228,600,669
Shares of beneficial interest outstanding		114,588,888

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$974,876,323	49,662,017	$19.63
Service Class	1,253,724,346	64,926,871	19.31

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/16

Net investment income		
Income		
Dividends	$28,014,833	
Interest	4,550	
Dividends from underlying affiliated funds	38,670	
Foreign taxes withheld	(337,132)	
Total investment income		$27,720,921
Expenses		
Management fee	$7,388,724	
Distribution and/or service fees	1,472,498	
Shareholder servicing costs	33,075	
Administrative services fee	174,225	
Independent Trustees' compensation	24,061	
Custodian fee	69,823	
Shareholder communications	92,760	
Audit and tax fees	27,375	
Legal fees	9,936	
Miscellaneous	25,244	
Total expenses		$9,317,721
Reduction of expenses by investment adviser	(75,833)	
Net expenses		$9,241,888
Net investment income		$18,479,033
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$28,100,971	
Foreign currency	(23,736)	
Net realized gain (loss) on investments and foreign currency		$28,077,235
Change in unrealized appreciation (depreciation)		
Investments	$94,337,685	
Translation of assets and liabilities in foreign currencies	20,414	
Net unrealized gain (loss) on investments and foreign currency translation		$94,358,099
Net realized and unrealized gain (loss) on investments and foreign currency		$122,435,334
Change in net assets from operations		$140,914,367

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 6/30/16 (unaudited)	Year ended 12/31/15
Change in net assets		
From operations		
Net investment income	$18,479,033	$44,302,262
Net realized gain (loss) on investments and foreign currency	28,077,235	180,180,190
Net unrealized gain (loss) on investments and foreign currency translation	94,358,099	(248,421,434)
Change in net assets from operations	$140,914,367	$(23,938,982)
Distributions declared to shareholders		
From net investment income	$—	$(51,498,261)
From net realized gain on investments	—	(137,834,650)
Total distributions declared to shareholders	$—	$(189,332,911)
Change in net assets from fund share transactions	$(44,878,529)	$(254,692,255)
Total change in net assets	$96,035,838	$(467,964,148)
Net assets		
At beginning of period	2,132,564,831	2,600,528,979
At end of period (including undistributed net investment income of $62,686,509 and $44,207,476, respectively)	$2,228,600,669	$2,132,564,831

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 6/30/16 (unaudited)	Years ended 12/31				
		2015	2014	2013	2012	2011
Net asset value, beginning of period	$18.39	$20.34	$19.28	$14.40	$12.68	$12.98
Income (loss) from investment operations						
Net investment income (d)	$0.17	$0.40	$0.44	$0.30	$0.28	$0.24
Net realized and unrealized gain (loss) on investments and foreign currency	1.07	(0.67)	1.55	4.83	1.77	(0.30)
Total from investment operations	$1.24	$(0.27)	$1.99	$5.13	$2.05	$(0.06)
Less distributions declared to shareholders						
From net investment income	$—	$(0.48)	$(0.31)	$(0.20)	$(0.23)	$(0.19)
From net realized gain on investments	—	(1.20)	(0.62)	(0.05)	(0.10)	(0.05)
Total distributions declared to shareholders	$—	$(1.68)	$(0.93)	$(0.25)	$(0.33)	$(0.24)
Net asset value, end of period (x)	$19.63	$18.39	$20.34	$19.28	$14.40	$12.68
Total return (%) (k)(r)(s)(x)	6.74(n)	(0.74)	10.51	35.89	16.26	(0.30)
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.74(a)	0.73	0.73	0.73	0.78	0.79
Expenses after expense reductions (f)	0.73(a)	0.73	0.72	0.73	0.78	0.79
Net investment income	1.88(a)	2.00	2.23	1.74	2.02	1.81
Portfolio turnover	7(n)	13	13	15	16	18
Net assets at end of period (000 omitted)	$974,876	$964,811	$1,118,647	$1,090,381	$988,594	$352,752

Service Class	Six months ended 6/30/16 (unaudited)	Years ended 12/31				
		2015	2014	2013	2012	2011
Net asset value, beginning of period	$18.12	$20.05	$19.03	$14.22	$12.54	$12.83
Income (loss) from investment operations						
Net investment income (d)	$0.15	$0.34	$0.38	$0.25	$0.24	$0.20
Net realized and unrealized gain (loss) on investments and foreign currency	1.04	(0.65)	1.52	4.78	1.74	(0.27)
Total from investment operations	$1.19	$(0.31)	$1.90	$5.03	$1.98	$(0.07)
Less distributions declared to shareholders						
From net investment income	$—	$(0.42)	$(0.26)	$(0.17)	$(0.20)	$(0.17)
From net realized gain on investments	—	(1.20)	(0.62)	(0.05)	(0.10)	(0.05)
Total distributions declared to shareholders	$—	$(1.62)	$(0.88)	$(0.22)	$(0.30)	$(0.22)
Net asset value, end of period (x)	$19.31	$18.12	$20.05	$19.03	$14.22	$12.54
Total return (%) (k)(r)(s)(x)	6.57(n)	(0.93)	10.20	35.59	15.88	(0.47)
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.99(a)	0.98	0.98	0.98	1.03	1.04
Expenses after expense reductions (f)	0.98(a)	0.98	0.97	0.98	1.03	1.04
Net investment income	1.63(a)	1.76	1.99	1.49	1.76	1.58
Portfolio turnover	7(n)	13	13	15	16	18
Net assets at end of period (000 omitted)	$1,253,724	$1,167,754	$1,481,882	$1,404,019	$1,022,722	$831,481

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 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 Value Series (the fund) is a diversified series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued.

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 on their primary market or exchange as provided by a third-party pricing service. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation on their primary market or exchange as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. 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, 2016 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$2,105,490,547	$—	$—	$2,105,490,547
Switzerland	—	47,327,975	—	47,327,975
United Kingdom	—	29,617,807	—	29,617,807
France	—	16,434,595	—	16,434,595
Canada	10,984,806	—	—	10,984,806
Mutual Funds	16,096,087	—	—	16,096,087
Total Investments	$2,132,571,440	$93,380,377	$—	$2,225,951,817

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. Security loans can be terminated at the discretion of either the lending agent or the fund and the related securities must be returned within the earlier of the standard trade settlement period for such securities or within three business days. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. On loans collateralized by cash, the cash collateral is invested in a money market fund. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. In the event of Borrower default, State Street will, for the benefit of the fund, either purchase securities identical to those loaned or, when such purchase is commercially impracticable, pay the fund the market value of the loaned securities. In return, State Street assumes the fund's rights to the related collateral. If the collateral value is less than the cost to purchase identical securities, State Street is responsible for the shortfall, but only to the extent that such shortfall is not due to a decline in collateral value resulting from collateral reinvestment for which the fund bears the risk of loss. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in "Interest" income in the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income. At June 30, 2016, there were no securities on loan or collateral outstanding.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend payments received in additional securities are recorded on the ex-dividend date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – Prior to October 1, 2015, the fund's custody fee could be reduced by a credit earned under an arrangement that measured the value of U.S. dollars deposited with the custodian by the fund. For the six months ended June 30, 2016, 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:

	12/31/15
Ordinary income (including any short-term capital gains)	$57,140,588
Long-term capital gains	132,192,323
Total distributions	$189,332,911

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/16	
Cost of investments	$1,449,666,062
Gross appreciation	794,223,131
Gross depreciation	(17,937,376)
Net unrealized appreciation (depreciation)	$776,285,755
As of 12/31/15	
Undistributed ordinary income	46,253,835
Undistributed long-term capital gain	179,167,999
Other temporary differences	(82,828)
Net unrealized appreciation (depreciation)	682,569,124

The aggregate cost above includes prior fiscal year end tax adjustment, 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 6/30/16	Year ended 12/31/15	Six months ended 6/30/16	Year ended 12/31/15
Initial Class	$—	$23,725,000	$—	$59,539,845
Service Class	—	27,773,261	—	78,294,805
Total	$—	$51,498,261	$—	$137,834,650

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

The investment adviser has agreed in writing to reduce its management fee to 0.60% of average daily net assets in excess of $2.5 billion. This written agreement will terminate on April 27, 2017. For the six months ended June 30, 2016, 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 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, 2016, this management fee reduction amounted to $75,833, 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, 2016 was equivalent to an annual effective rate of 0.69% of the fund's average daily net assets.

Effective April 28, 2017, the management fee will be computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Next S1.5 billion of average daily net assets	0.65%
Average daily net assets in excess of $2.5 billion	0.60%

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, excluding interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses, such that total annual operating expenses do not exceed 0.90% 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, 2018. For the six months ended June 30, 2016, the fund's actual operating expenses did not exceed the limit and therefore, the investment adviser did not pay any portion of the fund's expenses related to this agreement.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2016, the fee was $31,390, which equated to 0.0030% 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, 2016, these costs amounted to $1,685.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund 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, 2016 was equivalent to an annual effective rate of 0.0164% 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 a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. For the six months ended June 30, 2016, the fee paid by the fund under this agreement was $2,094 and is included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ISO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

The fund is permitted to engage in purchase and sale transactions ("cross-trades") with funds and accounts for which MFS serves as investment adviser or sub-adviser pursuant to a policy adopted by the Board of Trustees. This policy has been designed to ensure that cross-trades conducted by the fund comply with Rule 17a-7 under the Investment Company Act of 1940. Under this policy, cross-trades are effected at current market prices with no remuneration paid in connection with the transaction. During the six months ended June 30, 2016, the fund engaged in purchase and sale transactions pursuant to this policy, which amounted to $1,994,607 and $744,596, respectively. The sales transactions resulted in net realized gains (losses) of $188,705.

(4) Portfolio Securities

For the six months ended June 30, 2016, purchases and sales of investments, other than short-term obligations, aggregated $144,642,700 and $160,877,810, 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 6/30/16		Year ended 12/31/15	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	2,272,484	$42,189,426	2,231,454	$42,370,134
Service Class	6,013,821	108,671,767	7,197,931	136,498,386
	8,286,305	$150,861,193	9,429,385	$178,868,520
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	4,874,991	$83,264,845
Service Class	—	—	6,298,579	106,068,066
	—	$—	11,173,570	$189,332,911
Shares reacquired				
Initial Class	(5,063,883)	$(94,591,382)	(9,654,481)	$(191,553,797)
Service Class	(5,547,128)	(101,148,340)	(22,944,915)	(431,339,889)
	(10,611,011)	$(195,739,722)	(32,599,396)	$(622,893,686)
Net change				
Initial Class	(2,791,399)	$(52,401,956)	(2,548,036)	$(65,918,818)
Service Class	466,693	7,523,427	(9,448,405)	(188,773,437)
	(2,324,706)	$(44,878,529)	(11,996,441)	$(254,692,255)

The fund is one of several mutual funds in which certain MFS funds may invest. The MFS funds do not invest in the underlying funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Growth Allocation Portfolio, and the MFS Conservative Allocation Portfolio were the owners of record of approximately 7%, 2%, and 2%, 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 $1.25 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 Overnight Federal Reserve funds rate or daily 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 Overnight Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2016, the fund's commitment fee and interest expense were $5,721 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	16,597,492	166,181,132	(166,682,537)	16,096,087

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$38,670	$16,096,087

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 *mfs.com* (once you have selected "Individual Investor" as your role, click on "Individual Investor Home" in the top navigation and then select "Learn More About Proxy Voting" under the "I want to…" header on the left hand column of the page), 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 by August 31 of each year without charge by visiting *mfs.com* (once you have selected "Individual Investor" as your role, click on "Individual Investor Home" in the top navigation and then select "Learn More About Proxy Voting" under the "I want to…" header on the left hand column of the page), 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 on *mfs.com* by following these steps once you have selected "Individual Investor" as your role: (1) Click on the "Individual Investor Home" in the top navigation and then select the "Announcements" option within the "Market Outlooks" drop down, or (2) Click on "Products & Services" and "Variable Insurance Portfolios" and then select the fund's name.

INFORMATION ABOUT FUND CONTRACTS AND LEGAL CLAIMS

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent, 529 program manager (if applicable), and custodian who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the Trust's By-Laws and Declaration of Trust, any claims asserted against or on behalf of the MFS Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

MFS®

SEMIANNUAL REPORT
June 30, 2016

MFS® BLENDED RESEARCH® SMALL CAP EQUITY PORTFOLIO

MFS® Variable Insurance Trust III

VSC-SEM

MFS® BLENDED RESEARCH® SMALL CAP EQUITY PORTFOLIO

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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

Dear Contract Owners:

Global headwinds continue to restrain growth and profits, though developed market equities have remained resilient, underpinned by record-low interest rates. Rates are likely to stay low over the medium term, as many central banks have implemented accommodative monetary policies in an effort to reinvigorate their economies. Markets will have to deal with an additional headwind in the coming months and years as investors grapple with the fallout from the United Kingdom's decision to leave the European Union. That process will take a considerable period of time to play out against a highly uncertain backdrop. Weakness in the pound sterling in the wake of the referendum has been a welcome shock absorber for UK financial markets.

Emerging markets have been beneficiaries of firmer commodity prices and diminishing fears of sharply higher interest rates from the U.S. Federal Reserve. China remains a source of concern for investors, as overcapacity in its manufacturing sector inhibits the government's attempt to change its domestic economy from one driven by exports to a consumer-driven model.

At MFS®, we believe it is best to view markets through a long lens and not react to short-term swings. That makes it possible to filter out market noise and focus on long-term fundamentals.

In our view, the professional guidance of a financial advisor, along with a patient, long-term approach, will help you reach your investment objectives.

Respectfully,

Robert J. Manning

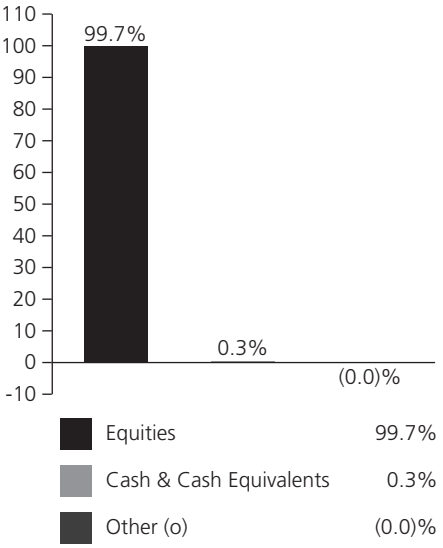
Robert J. Manning
Chairman
MFS Investment Management

August 15, 2016

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

Gramercy Property Trust, Inc., REIT	1.6%
Medical Properties Trust, Inc., REIT	1.6%
Fleetmatics Group PLC	1.5%
Paylocity Holding Corp.	1.5%
HNI Corp.	1.4%
Store Capital Corp., REIT	1.4%
PrivateBancorp, Inc.	1.4%
NRG Energy, Inc.	1.4%
Rice Energy, Inc.	1.4%
WP GLIMCHER, Inc., REIT	1.4%

Equity sectors

Financial Services	25.0%
Technology	15.7%
Health Care	12.2%
Industrial Goods & Services	8.7%
Special Products & Services	7.2%
Basic Materials	5.5%
Leisure	5.1%
Utilities & Communications	4.6%
Retailing	4.1%
Consumer Staples	3.9%
Energy	3.7%
Autos & Housing	2.3%
Transportation	1.7%

(o) Less than 0.1%.

Cash & Cash Equivalents includes any cash, investments in money market funds, short-term securities, and other assets less liabilities. Please see the Statement of Assets and Liabilities for additional information related to the fund's cash position and other assets and liabilities.

Other includes equivalent exposure from currency derivatives and/or any offsets to derivative positions and may be negative.

Percentages are based on net assets as of 6/30/16.

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, 2016 through June 30, 2016

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, 2016 through June 30, 2016.

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 1/01/16	Ending Account Value 6/30/16	Expenses Paid During Period (p) 1/01/16-6/30/16
Initial Class	Actual	0.54%	$1,000.00	$1,052.08	$2.76
	Hypothetical (h)	0.54%	$1,000.00	$1,022.18	$2.72
Service Class	Actual	0.79%	$1,000.00	$1,050.71	$4.03
	Hypothetical (h)	0.79%	$1,000.00	$1,020.93	$3.97

(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 182/366 (to reflect the one-half year period).

PORTFOLIO OF INVESTMENTS – 6/30/16 (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 – 99.7%		
Airlines – 1.7%		
Hawaiian Holdings, Inc. (a)	17,587	$ 667,600
SkyWest, Inc.	39,800	1,053,108
		$ 1,720,708
Apparel Manufacturers – 1.0%		
Sequential Brands Group, Inc. (a)	124,789	$ 995,816
Automotive – 0.1%		
Cooper Tire & Rubber Co.	2,716	$ 80,991
Biotechnology – 3.4%		
Acorda Therapeutics, Inc. (a)	20,315	$ 518,134
AMAG Pharmaceuticals, Inc. (a)	18,555	443,836
Applied Genetic Technologies Corp. (a)	30,314	428,337
Five Prime Therapeutics. Inc. (a)	14,518	600,319
MiMedx Group, Inc. (a)(l)	127,462	1,017,147
Myriad Genetics, Inc. (a)	15,983	489,080
		$ 3,496,853
Brokerage & Asset Managers – 0.2%		
KCG Holdings, Inc., "A" (a)	16,787	$ 223,267
Business Services – 5.3%		
Barrett Business Services, Inc.	14,656	$ 605,586
Forrester Research, Inc.	34,755	1,281,069
RE/MAX Holdings, Inc., "A"	32,669	1,315,254
Resources Connection, Inc.	42,683	630,855
Travelport Worldwide Ltd.	22,579	291,043
Univar, Inc. (a)	70,051	1,324,664
		$ 5,448,471
Chemicals – 0.7%		
Huntsman Corp.	11,627	$ 156,383
Rayonier Advanced Materials, Inc.	43,270	588,039
		$ 744,422
Computer Software – 5.0%		
Aspen Technology, Inc. (a)	15,903	$ 639,937
Cornerstone OnDemand, Inc. (a)	15,220	579,273
Gigamon, Inc. (a)	29,024	1,085,207
Manhattan Associates, Inc. (a)	4,286	274,861
Paylocity Holding Corp. (a)	34,749	1,501,157
SecureWorks Corp. (a)	74,640	1,052,424
		$ 5,132,859
Computer Software – Systems – 5.2%		
CACI International, Inc., "A" (a)	6,294	$ 569,041
EPAM Systems, Inc. (a)	17,991	1,157,001
Fleetmatics Group PLC (a)	36,355	1,575,262
NCR Corp. (a)	47,913	1,330,544
Rapid7, Inc. (a)(l)	24,054	302,599
Vantiv, Inc., "A" (a)	7,512	425,179
		$ 5,359,626

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Construction – 2.2%		
Interface, Inc.	66,819	$ 1,018,990
Lennox International, Inc.	4,068	580,097
Patrick Industries, Inc. (a)	2,341	141,139
Pool Corp.	6,272	589,756
		$ 2,329,982
Consumer Services – 2.0%		
Capella Education Co.	4,134	$ 217,614
Carriage Services, Inc.	52,929	1,253,359
K12, Inc. (a)	14,756	184,302
ServiceMaster Global Holdings, Inc. (a)	10,009	398,358
		$ 2,053,633
Containers – 1.4%		
Graphic Packaging Holding Co.	7,310	$ 91,667
Multi Packaging Solutions International Ltd. (a)	76,743	1,024,519
Owens-Illinois, Inc. (a)	17,949	323,261
		$ 1,439,447
Electrical Equipment – 1.5%		
MSC Industrial Direct Co., Inc., "A"	1,067	$ 75,288
TriMas Corp. (a)	70,357	1,266,426
WESCO International, Inc. (a)	3,418	175,993
		$ 1,517,707
Electronics – 2.8%		
Diodes, Inc. (a)	9,602	$ 180,422
Jabil Circuit, Inc.	32,652	603,082
Sanmina Corp. (a)	31,731	850,708
Tessera Technologies, Inc.	15,936	488,279
Ultratech, Inc. (a)	26,747	614,379
Vishay Intertechnology, Inc.	14,367	178,007
		$ 2,914,877
Energy – Independent – 3.4%		
Alon USA Energy, Inc.	32,279	$ 209,168
PBF Energy, Inc., "A"	20,587	489,559
PDC Energy, Inc. (a)	20,941	1,206,411
Rice Energy, Inc. (a)	66,046	1,455,654
Westmoreland Coal Co. (a)	17,722	168,713
		$ 3,529,505
Entertainment – 0.5%		
Ascent Capital Group, Inc., "A" (a)	36,220	$ 557,426
Food & Beverages – 3.9%		
Darling Ingredients, Inc. (a)	64,130	$ 955,537
Dean Foods Co.	49,714	899,326
Sanderson Farms, Inc. (l)	4,722	409,114
Snyders-Lance, Inc.	19,682	667,023
SpartannNash Co.	20,343	622,089
TreeHouse Foods, Inc. (a)	4,282	439,547
		$ 3,992,636

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Food & Drug Stores – 0.2%		
SUPERVALU, Inc. (a)	43,481	$ 205,230
Forest & Paper Products – 0.2%		
Domtar Corp.	4,968	$ 173,930
Gaming & Lodging – 0.9%		
Isle of Capri Casinos, Inc. (a)	24,663	$ 451,826
Penn National Gaming, Inc. (a)	33,192	463,028
		$ 914,854
Health Maintenance Organizations – 1.1%		
Centene Corp. (a)	11,620	$ 829,319
Molina Healthcare, Inc. (a)	6,850	341,815
		$ 1,171,134
Insurance – 3.3%		
Federated National Holding Co., "C"	3,999	$ 76,141
Hanover Insurance Group, Inc.	1,332	112,714
HCI Group, Inc.	16,339	445,728
Heritage Insurance Holdings, Inc.	24,248	290,249
Maiden Holdings Ltd.	5,417	66,304
Safety Insurance Group, Inc.	9,095	560,070
Third Point Reinsurance Ltd. (a)	33,750	395,550
United Insurance Holdings Co.	24,045	393,857
Validus Holdings Ltd.	21,877	1,063,003
		$ 3,403,616
Internet – 1.2%		
DHI Group, Inc. (a)	8,022	$ 49,977
Rubicon Project, Inc. (a)	12,978	177,150
Stamps.com, Inc. (a)	6,243	545,763
Web.Com Group, Inc. (a)	23,738	431,557
		$ 1,204,447
Machinery & Tools – 7.3%		
Allison Transmission Holdings, Inc.	29,865	$ 843,089
Colfax Corp. (a)	9,714	257,032
Columbus McKinnon Corp.	35,141	497,245
Greenbrier Cos., Inc. (l)	20,141	586,707
Herman Miller, Inc.	5,954	177,965
HNI Corp.	32,122	1,493,352
IPG Photonics Corp. (a)	13,515	1,081,200
Park-Ohio Holdings Corp.	14,877	420,722
Regal Beloit Corp.	6,429	353,916
SPX Corp. (a)	33,465	496,955
SPX FLOW, Inc. (a)	51,209	1,335,019
		$ 7,543,202
Medical & Health Technology & Services – 0.2%		
Adeptus Health, Inc., "A" (a)(l)	2,518	$ 130,080
Albany Molecular Research, Inc. (a)(l)	3,270	43,949
		$ 174,029
Medical Equipment – 4.9%		
AtriCure, Inc. (a)	15,420	$ 217,885
Biotelemetry, Inc. (a)	30,110	490,793
Cepheid, Inc. (a)	7,074	217,526

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical Equipment – continued		
CONMED Corp.	6,241	$ 297,883
NxStage Medical, Inc. (a)	36,682	795,266
OraSure Technologies, Inc. (a)	213,951	1,264,450
Steris PLC	6,922	475,888
VWR Corp. (a)	45,648	1,319,227
		$ 5,078,918
Metals & Mining – 1.9%		
Olympic Steel, Inc.	29,959	$ 818,180
Ryerson Holding Corp. (a)	28,120	492,100
Schnitzer Steel Industries, Inc., "A"	39,060	687,456
		$ 1,997,736
Network & Telecom – 1.6%		
Ixia (a)	110,747	$ 1,087,536
NeuStar, Inc., "A" (a)(l)	24,053	565,486
		$ 1,653,022
Oil Services – 0.2%		
Superior Energy Services, Inc.	14,060	$ 258,845
Other Banks & Diversified Financials – 10.9%		
Altisource Portfolio Solutions S.A. (a)	23,369	$ 650,593
BancorpSouth, Inc.	57,408	1,302,588
Berkshire Hills Bancorp, Inc.	10,520	283,198
BofI Holding, Inc. (a)(l)	29,421	521,046
Brookline Bancorp, Inc.	24,229	267,246
Cathay General Bancorp, Inc.	35,888	1,012,042
East West Bancorp, Inc.	38,495	1,315,759
Encore Capital Group, Inc. (a)(l)	9,823	231,135
First Interstate BancSystem, Inc.	38,075	1,069,908
Nelnet, Inc., "A"	13,921	483,755
OneMain Holdings, Inc. (a)	16,890	385,430
PacWest Bancorp	15,699	624,506
Popular, Inc.	17,636	516,735
PrivateBancorp, Inc.	33,679	1,482,886
Regional Management Corp. (a)	33,397	489,600
Western Alliance Bancorp. (a)	20,536	670,500
		$ 11,306,927
Pharmaceuticals – 2.6%		
Amphastar Pharmaceuticals, Inc. (a)	44,439	$ 716,357
Catalent, Inc. (a)	23,158	532,402
Sucampo Pharmaceuticals, Inc. (a)	39,100	428,927
TherapeuticsMD, Inc. (a)(l)	123,491	1,049,674
		$ 2,727,360
Printing & Publishing – 1.1%		
Quad/Graphics, Inc.	25,310	$ 589,470
R.R. Donnelley & Sons Co.	32,426	548,648
		$ 1,138,118
Real Estate – 10.5%		
Ashford Hospitality Trust, REIT	69,708	$ 374,332
Corporate Office Properties Trust, REIT	9,259	273,789
Equity Commonwealth, REIT (a)	8,446	246,032
Gaming and Leisure Properties, Inc., REIT	15,358	529,544

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Real Estate – continued		
Gramercy Property Trust, Inc., REIT	177,539	$ 1,636,910
Hospitality Properties Trust, REIT	18,534	533,779
Mack-Cali Realty Corp., REIT	16,403	442,881
Medical Properties Trust, Inc., REIT	107,039	1,628,063
Mid-America Apartment Communities, Inc., REIT	12,316	1,310,422
Ryman Hospitality Properties, Inc., REIT	5,141	260,392
Sovran Self Storage, Inc., REIT	2,049	214,981
Store Capital Corp., REIT	50,393	1,484,074
Tanger Factory Outlet Centers, Inc., REIT	13,487	541,908
WP GLIMCHER, Inc., REIT	126,421	1,414,651
		$ 10,891,758
Restaurants – 2.6%		
BJ's Restaurants, Inc. (a)	6,154	$ 269,730
Brinker International, Inc.	25,588	1,165,022
Carrols Restaurant Group, Inc. (a)	41,363	492,220
Chuy's Holdings, Inc. (a)	21,670	749,999
		$ 2,676,971
Specialty Chemicals – 1.3%		
A. Schulman, Inc.	23,810	$ 581,440
Trinseo S.A.	17,423	747,969
		$ 1,329,409
Specialty Stores – 2.9%		
American Eagle Outfitters, Inc.	35,849	$ 571,075
Citi Trends, Inc.	17,280	268,358
Express, Inc. (a)	39,254	569,576
Sally Beauty Holdings, Inc. (a)	8,640	254,102
Urban Outfitters, Inc. (a)	50,281	1,382,728
		$ 3,045,839
Telecommunications – Wireless – 0.2%		
Telephone and Data Systems, Inc.	7,398	$ 219,425
Telephone Services – 0.9%		
Shenandoah Telecommunications Co.	24,977	$ 975,602
Utilities – Electric Power – 3.0%		
Dynegy, Inc. (a)	57,180	$ 985,783
NRG Energy, Inc.	97,412	1,460,206
PNM Resources, Inc.	4,367	154,766
Spark Energy, Inc., "A"	16,875	557,719
		$ 3,158,474
Utilities – Water – 0.4%		
American States Water Co.	8,389	$ 367,606
Total Common Stocks (Identified Cost, $91,311,535)		**$103,154,678**

Issuer	Strike Price	First Exercise	Shares/Par	Value ($)
WARRANTS – 0.0%				
OTHER BANKS & DIVERSIFIED FINANCIALS – 0.0%				
Emergent Capital, Inc. (1 share for 1 warrant) (Identified Cost, $0) (a)	10.75	11/06/14	318	$ 19
MONEY MARKET FUNDS – 0.6%				
MFS Institutional Money Market Portfolio, 0.36%, at Cost and Net Asset Value (v)			591,770	$ 591,770
COLLATERAL FOR SECURITIES LOANED – 2.5%				
Navigator Securities Lending Prime Portfolio, 0.53%, at Cost and Net Asset Value (j)			2,642,743	$ 2,642,743
Total Investments (Identified Cost, $94,246,620)				**$106,389,210**
OTHER ASSETS, LESS LIABILITIES – (2.8)%				**(2,946,387)**
NET ASSETS – 100.0%				**$103,442,823**

(a) Non-income producing security.

(j) The rate quoted is the annualized seven-day yield of the fund at period end.

(l) A portion of this security is on loan.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

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 6/30/16

Assets		
Investments		
Non-affiliated issuers, at value (identified cost, $93,654,850)	$105,797,440	
Underlying affiliated funds, at cost and value	591,770	
Total investments, at value, including $2,610,492 of securities on loan (identified cost, $94,246,620)	$106,389,210	
Receivables for		
Investments sold	8,763,601	
Fund shares sold	153	
Interest and dividends	105,644	
Other assets	652	
Total assets		$115,259,260
Liabilities		
Payables for		
Investments purchased	$8,897,890	
Fund shares reacquired	194,536	
Collateral for securities loaned, at value	2,642,743	
Payable to affiliates		
Investment adviser	2,306	
Shareholder servicing costs	33	
Distribution and/or service fees	1,022	
Accrued expenses and other liabilities	77,907	
Total liabilities		$11,816,437
Net assets		$103,442,823
Net assets consist of		
Paid-in capital	$77,327,763	
Unrealized appreciation (depreciation) on investments	12,142,590	
Accumulated net realized gain (loss) on investments	12,513,875	
Undistributed net investment income	1,458,595	
Net assets		$103,442,823
Shares of beneficial interest outstanding		8,136,147

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$26,714,678	2,065,833	$12.93
Service Class	76,728,145	6,070,314	12.64

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 6/30/16

Net investment income		
Income		
Dividends	$764,925	
Interest	18,300	
Dividends from underlying affiliated funds	1,124	
Foreign taxes withheld	(846)	
Total investment income		$783,503
Expenses		
Management fee	$205,808	
Distribution and/or service fees	96,041	
Shareholder servicing costs	2,902	
Administrative services fee	12,954	
Independent Trustees' compensation	2,053	
Custodian fee	11,943	
Shareholder communications	12,360	
Audit and tax fees	25,615	
Legal fees	487	
Miscellaneous	5,854	
Total expenses		$376,017
Reduction of expenses by investment adviser	(3,683)	
Net expenses		$372,334
Net investment income		$411,169
Realized and unrealized gain (loss) on investments		
Realized gain (loss) on investments (identified cost basis)		$2,004,431
Change in unrealized appreciation (depreciation) on investments		$2,538,747
Net realized and unrealized gain (loss) on investments		$4,543,178
Change in net assets from operations		$4,954,347

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 6/30/16 (unaudited)	Year ended 12/31/15
Change in net assets		
From operations		
Net investment income	$411,169	$1,047,529
Net realized gain (loss) on investments	2,004,431	10,737,614
Net unrealized gain (loss) on investments	2,538,747	(16,581,664)
Change in net assets from operations	$4,954,347	$(4,796,521)
Distributions declared to shareholders		
From net investment income	$—	$(483,370)
From net realized gain on investments	—	(21,499,235)
Total distributions declared to shareholders	$—	$(21,982,605)
Change in net assets from fund share transactions	$(12,100,684)	$1,824,222
Total change in net assets	$(7,146,337)	$(24,954,904)
Net assets		
At beginning of period	110,589,160	135,544,064
At end of period (including undistributed net investment income of $1,458,595 and $1,047,426, respectively)	$103,442,823	$110,589,160

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 6/30/16 (unaudited)	Years ended 12/31				
		2015	2014	2013	2012	2011
Net asset value, beginning of period	$12.29	$16.04	$18.24	$13.57	$12.42	$13.12
Income (loss) from investment operations						
Net investment income (d)	$0.06	$0.15	$0.10	$0.11	$0.16	$0.11
Net realized and unrealized gain (loss) on investments and foreign currency	0.58	(0.94)	1.16	5.91	1.68	(0.75)
Total from investment operations	$0.64	$(0.79)	$1.26	$6.02	$1.84	$(0.64)
Less distributions declared to shareholders						
From net investment income	$—	$(0.10)	$(0.18)	$(0.28)	$(0.08)	$(0.06)
From net realized gain on investments	—	(2.86)	(3.28)	(1.07)	(0.61)	—
Total distributions declared to shareholders	$—	$(2.96)	$(3.46)	$(1.35)	$(0.69)	$(0.06)
Net asset value, end of period (x)	$12.93	$12.29	$16.04	$18.24	$13.57	$12.42
Total return (%) (k)(r)(s)(x)	5.21(n)	(4.15)	7.29	45.71	14.74	(4.87)
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.54(a)	0.54	0.51	0.51	0.58	0.70
Expenses after expense reductions (f)	0.54(a)	0.53	0.50	0.51	N/A	0.61
Net investment income	0.99(a)	1.03	0.56	0.68	1.22	0.83
Portfolio turnover	38(n)	78	67	69	82	37
Net assets at end of period (000 omitted)	$26,715	$27,795	$31,323	$33,401	$29,429	$71,405

Service Class	Six months ended 6/30/16 (unaudited)	Years ended 12/31				
		2015	2014	2013	2012	2011
Net asset value, beginning of period	$12.03	$15.75	$17.96	$13.38	$12.26	$12.95
Income (loss) from investment operations						
Net investment income (d)	$0.04	$0.12	$0.05	$0.07	$0.15	$0.06
Net realized and unrealized gain (loss) on investments and foreign currency	0.57	(0.93)	1.15	5.82	1.63	(0.72)
Total from investment operations	$0.61	$(0.81)	$1.20	$5.89	$1.78	$(0.66)
Less distributions declared to shareholders						
From net investment income	$—	$(0.05)	$(0.13)	$(0.24)	$(0.05)	$(0.03)
From net realized gain on investments	—	(2.86)	(3.28)	(1.07)	(0.61)	—
Total distributions declared to shareholders	$—	$(2.91)	$(3.41)	$(1.31)	$(0.66)	$(0.03)
Net asset value, end of period (x)	$12.64	$12.03	$15.75	$17.96	$13.38	$12.26
Total return (%) (k)(r)(s)(x)	5.07(n)	(4.38)	7.04	45.33	14.39	(5.09)
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.79(a)	0.79	0.76	0.76	0.83	0.94
Expenses after expense reductions (f)	0.79(a)	0.78	0.75	0.76	N/A	0.85
Net investment income	0.73(a)	0.79	0.30	0.42	1.11	0.50
Portfolio turnover	38(n)	78	67	69	82	37
Net assets at end of period (000 omitted)	$76,728	$82,794	$104,221	$121,036	$114,552	$117,293

See Notes to Financial Statements

Financial Highlights – continued

Information prior to the close of business on December 7, 2012, reflects time periods when another adviser or subadviser was responsible for selecting investments for the fund under a different investment objective and different investment strategies.

(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 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 Blended Research Small Cap Equity Portfolio (the fund) is a diversified series of MFS Variable Insurance Trust III (the trust). The trust is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund will generally focus on securities of small size companies which may be more volatile than those of larger companies.

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 on their primary market or exchange as provided by a third-party pricing service. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation on their primary market or exchange as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. 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, 2016 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$103,154,678	$—	$19	$103,154,697
Mutual Funds	3,234,513	—	—	3,234,513
Total Investments	$106,389,191	$—	$19	$106,389,210

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 12/31/15	$22
Change in unrealized appreciation (depreciation)	(3)
Balance as of 6/30/16	$19

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at June 30, 2016 is $(3). At June 30, 2016, the fund held one level 3 security.

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. Security loans can be terminated at the discretion of either the lending agent or the fund and the related securities must be returned within the earlier of the standard trade settlement period for such securities or within three business days. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. On loans collateralized by cash, the cash collateral is invested in a money market fund. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. In the event of Borrower default, State Street will, for the benefit of the fund, either purchase securities identical to those loaned or, when such purchase is commercially impracticable, pay the fund the market value of the loaned securities. In return, State Street assumes the fund's rights to the related collateral. If the collateral value is less than the cost to purchase identical securities, State Street is responsible for the shortfall, but only to the extent that such shortfall is not due to a decline in collateral value resulting from collateral reinvestment for which the fund bears the risk of loss. At period end, the fund had investment securities on loan, all of which were classified as equity securities in the fund's Portfolio of Investments, with a fair value of $2,610,492. The fair value of the fund's investment securities on loan and a related liability of $2,642,743 for cash collateral received on securities loaned are both presented gross in the Statement of Assets and Liabilities. The collateral received on securities loaned exceeded the value of securities on loan at period end. The liability for cash collateral for securities loaned is carried at fair value, which is categorized as level 2 within the fair value hierarchy. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in "Interest" income in the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. 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 – Prior to October 1, 2015, the fund's custody fee could be reduced by a credit earned under an arrangement that measured the value of U.S. dollars deposited with the custodian by the fund. For the six months ended June 30, 2016, 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:

	12/31/15
Ordinary income (including any short-term capital gains)	$5,188,759
Long-term capital gains	16,793,846
Total distributions	$21,982,605

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/16	
Cost of investments	$94,917,383
Gross appreciation	16,370,608
Gross depreciation	(4,898,781)
Net unrealized appreciation (depreciation)	$11,471,827
As of 12/31/15	
Undistributed ordinary income	$1,047,426
Undistributed long-term capital gain	10,876,432
Other temporary differences	4,347
Net unrealized appreciation (depreciation)	9,232,508

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 6/30/16	Year ended 12/31/15	Six months ended 6/30/16	Year ended 12/31/15
Initial Class	$—	$191,909	$—	$5,442,517
Service Class	—	291,461	—	16,056,718
Total	$—	$483,370	$—	$21,499,235

(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 an annual rate of 0.40% of the fund's average daily net assets.

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, 2016, this management fee reduction amounted to $3,683, 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, 2016 was equivalent to an annual effective rate of 0.39% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, excluding interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses such that total annual operating expenses do not exceed 0.60% of average daily net assets for the Initial Class shares and 0.85% 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, 2018. For the six months ended June 30, 2016 the fund's actual operating expenses did not exceed the limit and therefore, the investment adviser did not pay any portion of the fund's expenses related to this agreement.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2016, the fee was $2,259, 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, 2016, these costs amounted to $643.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund 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, 2016 was equivalent to an annual effective rate of 0.0251% 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 a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. For the six months ended June 30, 2016, the fee paid by the fund under this agreement was $107 and is included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ISO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

For the six months ended June 30, 2016, purchases and sales of investments, other than short-term obligations, aggregated $39,893,230 and $50,748,792, 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 6/30/16		Year ended 12/31/15	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	54,472	$661,304	390,290	$6,180,402
Service Class	49,646	585,596	416,794	5,331,479
	104,118	$1,246,900	807,084	$11,511,881
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	477,899	$5,634,426
Service Class	—	—	1,415,427	16,348,179
	—	$—	1,893,326	$21,982,605
Shares reacquired				
Initial Class	(250,216)	$(3,016,520)	(559,295)	$(8,370,958)
Service Class	(862,839)	(10,331,064)	(1,565,716)	(23,299,306)
	(1,113,055)	$(13,347,584)	(2,125,011)	$(31,670,264)
Net change				
Initial Class	(195,744)	$(2,355,216)	308,894	$3,443,870
Service Class	(813,193)	(9,745,468)	266,505	(1,619,648)
	(1,008,937)	$(12,100,684)	575,399	$1,824,222

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.25 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 Overnight Federal Reserve funds rate or daily 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 Overnight Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2016, the fund's commitment fee and interest expense were $278 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	1,188,569	10,278,419	(10,875,218)	591,770

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$1,124	$591,770

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 *mfs.com* (once you have selected "Individual Investor" as your role, click on "Individual Investor Home" in the top navigation and then select "Learn More About Proxy Voting" under the "I want to…" header on the left hand column of the page), 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 by August 31 of each year without charge by visiting *mfs.com* (once you have selected "Individual Investor" as your role, click on "Individual Investor Home" in the top navigation and then select "Learn More About Proxy Voting" under the "I want to…" header on the left hand column of the page), 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 on *mfs.com* by following these steps once you have selected "Individual Investor" as your role: (1) Click on the "Individual Investor Home" in the top navigation and then select the "Announcements" option within the "Market Outlooks" drop down, or (2) Click on "Products & Services" and "Variable Insurance Portfolios", then "VIT III" and then select the fund's name.

INFORMATION ABOUT FUND CONTRACTS AND LEGAL CLAIMS

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent, 529 program manager (if applicable), and custodian who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the Trust's By-Laws and Declaration of Trust, any claims asserted against or on behalf of the MFS Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

MFS®

Morgan Stanley

The Universal Institutional Funds, Inc.

Semi-Annual Report – June 30, 2016

Global Infrastructure Portfolio

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

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Expense Example (unaudited)

Global Infrastructure Portfolio

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

This example is based on an investment of $1,000 invested at the beginning of the six-month period ended June 30, 2016 and held for the entire six-month period.

Actual Expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The table below provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

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

	Beginning Account Value 1/1/16	Actual Ending Account Value 6/30/16	Hypothetical Ending Account Value	Actual Expenses Paid During Period*	Hypothetical Expenses Paid During Period*	Net Expense Ratio During Period**
Global Infrastructure Portfolio Class I	$1,000.00	$1,175.60	$1,020.59	$4.65	$4.32	0.86%
Global Infrastructure Portfolio Class II	1,000.00	1,174.20	1,019.34	6.00	5.57	1.11

* Expenses are calculated using each Portfolio Class' annualized net expense ratio (as disclosed), multiplied by the average account value over the period, and multiplied by 182/366 (to reflect the most recent one-half year period).

** Annualized.

Portfolio of Investments

Global Infrastructure Portfolio

	Shares	Value (000)
Common Stocks (95.2%)		
Australia (3.2%)		
Macquarie Atlas Roads Group	266,489	$ 1,034
Sydney Airport	99,459	517
Transurban Group	145,718	1,307
		2,858
Brazil (0.2%)		
CCR SA	28,074	147
Canada (12.7%)		
Enbridge, Inc. (a)	105,049	4,450
Hydro One Ltd. (b)	10,619	213
Inter Pipeline Ltd. (a)	73,092	1,550
Pembina Pipeline Corp. (a)	39,732	1,208
TransCanada Corp. (a)	89,926	4,069
		11,490
China (5.4%)		
China Everbright International Ltd. (c)	446,000	500
Guangdong Investment Ltd. (c)	1,270,000	1,940
Hopewell Highway Infrastructure Ltd. (c)	4,918,000	2,448
		4,888
France (3.6%)		
Eutelsat Communications SA	7,054	134
Groupe Eurotunnel SE	85,960	915
SES SA	23,179	501
Vinci SA	23,780	1,694
		3,244
Italy (2.3%)		
Atlantia SpA	41,746	1,041
Infrastrutture Wireless Italiane SpA (b)	176,280	781
Snam SpA	41,750	250
		2,072
Japan (1.3%)		
Japan Airport Terminal Co., Ltd. (a)	4,800	173
Tokyo Gas Co., Ltd.	253,000	1,038
		1,211
Mexico (0.2%)		
Infraestructura Energetica Nova SAB de CV	49,346	208
Spain (5.9%)		
Abertis Infraestructuras SA	29,915	440
EDP Renovaveis SA	6,644	50
Ferrovial SA	60,912	1,183
Saeta Yield SA	364,348	3,651
		5,324
Switzerland (1.1%)		
Flughafen Zuerich AG (Registered)	5,650	1,000
United Kingdom (12.3%)		
John Laing Group PLC (b)	1,391,573	$ 4,202
National Grid PLC	265,799	3,909
Pennon Group PLC	63,226	798
Severn Trent PLC	32,416	1,059
United Utilities Group PLC	80,189	1,117
		11,085
United States (47.0%)		
American Tower Corp. REIT	56,790	6,452
American Water Works Co., Inc.	9,470	800
Atmos Energy Corp.	11,370	925
CenterPoint Energy, Inc.	7,557	181
Cheniere Energy, Inc. (d)	6,284	236
Columbia Pipeline Group, Inc.	42,770	1,090
Crown Castle International Corp. REIT	41,206	4,180
Enbridge Energy Management LLC (d)	376,591	8,665
Eversource Energy	21,689	1,299
Kinder Morgan, Inc.	72,983	1,366
NiSource, Inc.	30,270	803
Pattern Energy Group, Inc.	154,450	3,548
PG&E Corp.	63,567	4,063
SBA Communications Corp., Class A (d)	13,862	1,496
Sempra Energy	34,009	3,878
Spectra Energy Corp.	66,266	2,427
TransCanada Corp.	5,084	230
Union Pacific Corp.	8,900	777
		42,416
Total Common Stocks (Cost $68,099)		85,943
Short-Term Investments (10.3%)		
Securities held as Collateral on Loaned Securities (4.7%)		
Investment Company (3.8%)		
Morgan Stanley Institutional Liquidity Funds — Treasury Securities Portfolio — Institutional Class (See Note H)	3,454,362	3,454
	Face Amount (000)	
Repurchase Agreements (0.9%)		
Barclays Capital, Inc., (0.42%, dated 6/30/16, due 7/1/16; proceeds $798; fully collateralized by a U.S. Government obligation; 2.00% due 8/15/25; valued at $814)	$ 798	798
Merrill Lynch & Co., Inc., (0.44%, dated 6/30/16, due 7/1/16; proceeds $33; fully collateralized by a U.S. Government agency security; 4.50% due 4/20/44; valued at $33)	33	33
		831
Total Securities held as Collateral on Loaned Securities (Cost $4,285)		4,285

Portfolio of Investments (cont'd)

Global Infrastructure Portfolio

	Shares	Value (000)
Investment Company (5.6%)		
Morgan Stanley Institutional Liquidity Funds — Treasury Portfolio — Institutional Class (See Note H) **(Cost $5,045)**	5,044,999	$ 5,045
Total Short-Term Investments (Cost $9,330)		9,330
Total Investments (105.5%) (Cost $77,429) Including $8,607 of Securities Loaned (e)(f)		95,273
Liabilities in Excess of Other Assets (-5.5%)		(5,006)
Net Assets (100.0%)		$90,267

(a) All or a portion of this security was on loan at June 30, 2016.

(b) 144A security — Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.

(c) Security trades on the Hong Kong exchange.

(d) Non-income producing security.

(e) The approximate fair value and percentage of net assets, $31,682,000 and 35.1%, respectively, represent the securities that have been fair valued under the fair valuation policy for international investments as described in Note A-1 within the Notes to the Financial Statements.

(f) At June 30, 2016, the aggregate cost for Federal income tax purposes approximates the aggregate cost for book purposes. The aggregate gross unrealized appreciation is approximately $19,500,000 and the aggregate gross unrealized depreciation is approximately $1,656,000 resulting in net unrealized appreciation of approximately $17,844,000.

REIT Real Estate Investment Trust.

Portfolio Composition*

Classification	Percentage of Total Investments
Oil & Gas Storage & Transportation	35.6%
Communications	14.9
Electricity Transmission & Distribution	10.5
Toll Roads	9.9
PPA Contracted Renewables	7.9
Water	6.8
Diversified	6.1
Short-Term Investments	5.6
Other**	2.7
Total Investments	100.0%

* Percentages indicated are based upon total investments (excluding Securities held as Collateral on Loaned Securities) as of June 30, 2016.

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

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

Global Infrastructure Portfolio

Statement of Assets and Liabilities

	June 30, 2016 (000)
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value[1] (Cost $68,930)	$86,774
Investments in Securities of Affiliated Issuer, at Value (Cost $8,499)	8,499
Total Investments in Securities, at Value (Cost $77,429)	95,273
Foreign Currency, at Value (Cost $107)	106
Receivable for Investments Sold	945
Dividends Receivable	368
Receivable for Portfolio Shares Sold	195
Tax Reclaim Receivable	29
Receivable from Affiliate	1
Other Assets	11
Total Assets	96,928
Liabilities:	
Collateral on Securities Loaned, at Value	4,285
Payable for Investments Purchased	1,871
Payable for Portfolio Shares Redeemed	289
Payable for Advisory Fees	91
Payable for Servicing Fees	46
Payable for Custodian Fees	31
Payable for Professional Fees	23
Payable for Distribution Fees — Class II Shares	6
Payable for Administration Fees	6
Payable for Transfer Agency Fees	1
Other Liabilities	12
Total Liabilities	6,661
NET ASSETS	$90,267
Net Assets Consist of:	
Paid-in-Capital	$71,943
Accumulated Undistributed Net Investment Income	1,488
Net Realized Loss	(992)
Unrealized Appreciation (Depreciation) on:	
Investments	17,844
Foreign Currency Translations	(16)
Net Assets	$90,267
CLASS I:	
Net Assets	$56,643
Net Asset Value, Offering and Redemption Price Per Share Applicable to 7,375,061 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 7.68
CLASS II:	
Net Assets	$33,624
Net Asset Value, Offering and Redemption Price Per Share Applicable to 4,396,606 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 7.65
[1] **Including:**	
Securities on Loan, at Value:	$ 8,607

Global Infrastructure Portfolio

Statement of Operations

	Six Months Ended June 30, 2016 (000)
Investment Income:	
Dividends from Securities of Unaffiliated Issuers (Net of $62 of Foreign Taxes Withheld)	$ 1,505
Income from Securities Loaned — Net	22
Dividends from Security of Affiliated Issuer (Note H)	3
Total Investment Income	1,530
Expenses:	
Advisory Fees (Note B)	334
Servicing Fees (Note D)	56
Professional Fees	46
Distribution Fees — Class II Shares (Note E)	32
Administration Fees (Note C)	31
Custodian Fees (Note G)	30
Shareholder Reporting Fees	12
Directors' Fees and Expenses	3
Pricing Fees	3
Transfer Agency Fees (Note F)	3
Other Expenses	2
Total Expenses	552
Waiver of Advisory Fees (Note B)	(178)
Rebate from Morgan Stanley Affiliate (Note H)	(2)
Net Expenses	372
Net Investment Income	1,158
Realized Gain:	
Investments Sold	301
Foreign Currency Transactions	71
Net Realized Gain	372
Change in Unrealized Appreciation (Depreciation):	
Investments	11,537
Foreign Currency Translations	(14)
Net Change in Unrealized Appreciation (Depreciation)	11,523
Net Realized Gain and Change in Unrealized Appreciation (Depreciation)	11,895
Net Increase in Net Assets Resulting from Operations	$13,053

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

Global Infrastructure Portfolio

Statements of Changes in Net Assets

	Six Months Ended June 30, 2016 (unaudited) (000)	Year Ended December 31, 2015 (000)
Increase (Decrease) in Net Assets:		
Operations:		
Net Investment Income	$ 1,158	$ 2,213
Net Realized Gain	372	3,826
Net Change in Unrealized Appreciation (Depreciation)	11,523	(18,500)
Net Increase (Decrease) in Net Assets Resulting from Operations	13,053	(12,461)
Distributions from and/or in Excess of:		
Class I:		
Net Investment Income	(1,205)	(1,136)
Net Realized Gain	(3,193)	(6,657)
Class II:		
Net Investment Income	(651)	(391)
Net Realized Gain	(1,889)	(2,588)
Total Distributions	(6,938)	(10,772)
Capital Share Transactions:[1]		
Class I:		
Subscribed	505	384
Distributions Reinvested	4,398	7,793
Redeemed	(4,873)	(12,118)
Class II:		
Subscribed	8,664	8,492
Distributions Reinvested	2,540	2,979
Redeemed	(2,832)	(5,692)
Net Increase in Net Assets Resulting from Capital Share Transactions	8,402	1,838
Total Increase (Decrease) in Net Assets	14,517	(21,395)
Net Assets:		
Beginning of Period	75,750	97,145
End of Period (Including Accumulated Undistributed Net Investment Income of $1,488 and $2,186)	$90,267	$ 75,750
[1] **Capital Share Transactions:**		
Class I:		
Shares Subscribed	64	44
Shares Issued on Distributions Reinvested	573	962
Shares Redeemed	(651)	(1,440)
Net Decrease in Class I Shares Outstanding	(14)	(434)
Class II:		
Shares Subscribed	1,122	1,015
Shares Issued on Distributions Reinvested	332	369
Shares Redeemed	(381)	(684)
Net Increase in Class II Shares Outstanding	1,073	700

Financial Highlights

Global Infrastructure Portfolio

	Class I**					
	Six Months Ended June 30, 2016	Year Ended December 31,				
Selected Per Share Data and Ratios	(unaudited)	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$ 7.08	$ 9.31	$ 9.64	$ 9.19	$ 8.72	$ 8.13
Income (Loss) from Investment Operations:						
Net Investment Income†	0.11	0.22	0.20	0.20	0.22	0.21
Net Realized and Unrealized Gain (Loss)	1.14	(1.36)	1.16	1.32	1.30	1.07
Total from Investment Operations	1.25	(1.14)	1.36	1.52	1.52	1.28
Distributions from and/or in Excess of:						
Net Investment Income	(0.18)	(0.16)	(0.25)	(0.26)	(0.23)	(0.23)
Net Realized Gain	(0.47)	(0.93)	(1.44)	(0.81)	(0.82)	(0.46)
Total Distributions	(0.65)	(1.09)	(1.69)	(1.07)	(1.05)	(0.69)
Net Asset Value, End of Period	$ 7.68	$ 7.08	$ 9.31	$ 9.64	$ 9.19	$ 8.72
Total Return ++	17.56%#	(13.76)%	15.63%	17.91%	18.69%	16.07%
Ratios and Supplemental Data:						
Net Assets, End of Period (Thousands)	$56,643	$52,323	$72,815	$57,746	$57,628	$58,998
Ratio of Expenses to Average Net Assets [(1)]	0.86%+*	0.87%+	0.87%+	0.90%+	0.87%+	0.86%+
Ratio of Net Investment Income to Average Net Assets [(1)]	3.04%+*	2.56%+	2.12%+	2.12%+	2.51%+	2.48%+
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.01%*	0.00%§	0.00%§	0.00%§	0.00%§	0.00%§
Portfolio Turnover Rate	28%#	50%	40%	25%	28%	36%
[(1)] Supplemental Information on the Ratios to Average Net Assets:						
Ratios Before Expense Limitation:						
Expenses to Average Net Assets	1.32%*	1.35%	1.26%	N/A	N/A	N/A
Net Investment Income to Average Net Assets	2.58%*	2.08%	1.73%	N/A	N/A	N/A

** On April 28, 2014, the Portfolio acquired substantially all of the assets and liabilities of the Morgan Stanley Select Dimensions Investment Series — Global Infrastructure Portfolio ("SD Global Infrastructure") and Morgan Stanley Variable Investment Series — Global Infrastructure Portfolio ("VIS Global Infrastructure"). The Portfolio adopted the financial and performance history of VIS Global Infrastructure. Therefore, the per share data and the ratios of Class I shares reflect the historical per share data of Class X shares of VIS Global Infrastructure for periods prior to April 28, 2014.

† Per share amount is based on average shares outstanding.

++ Calculated based on the net asset value as of the last business day of the period. Performance does not reflect fees and expenses imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total return would be lower.

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

§ Amount is less than 0.005%.

Not Annualized.

* Annualized.

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

Financial Highlights

Global Infrastructure Portfolio

	Class II**					
	Six Months Ended June 30, 2016	Year Ended December 31,				
Selected Per Share Data and Ratios	(unaudited)	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$ 7.05	$ 9.27	$ 9.60	$ 9.16	$ 8.69	$ 8.10
Income (Loss) from Investment Operations:						
Net Investment Income†	0.10	0.19	0.17	0.17	0.20	0.19
Net Realized and Unrealized Gain (Loss)	1.13	(1.34)	1.16	1.32	1.29	1.06
Total from Investment Operations	1.23	(1.15)	1.33	1.49	1.49	1.25
Distributions from and/or in Excess of:						
Net Investment Income	(0.16)	(0.14)	(0.22)	(0.24)	(0.20)	(0.20)
Net Realized Gain	(0.47)	(0.93)	(1.44)	(0.81)	(0.82)	(0.46)
Total Distributions	(0.63)	(1.07)	(1.66)	(1.05)	(1.02)	(0.66)
Net Asset Value, End of Period	$ 7.65	$ 7.05	$ 9.27	$ 9.60	$ 9.16	$ 8.69
Total Return ++	17.42%#	(13.88)%	15.28%	17.54%	18.44%	15.82%
Ratios and Supplemental Data:						
Net Assets, End of Period (Thousands)	$33,624	$23,427	$24,330	$14,511	$14,506	$14,472
Ratio of Expenses to Average Net Assets (1)	1.11%+*	1.12%+	1.12%+	1.15%+	1.12%+	1.11%+
Ratio of Net Investment Income to Average Net Assets (1)	2.79%+*	2.31%+	1.87%+	1.87%+	2.26%+	2.23%+
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.01%*	0.00%§	0.00%§	0.00%§	0.00%§	0.00%§
Portfolio Turnover Rate	28%#	50%	40%	25%	28%	36%
(1) Supplemental Information on the Ratios to Average Net Assets:						
Ratios Before Expense Limitation:						
Expenses to Average Net Assets	1.57%*	1.63%	1.59%	N/A	N/A	N/A
Net Investment Income to Average Net Assets	2.33%*	1.80%	1.40%	N/A	N/A	N/A

** On April 28, 2014, the Portfolio acquired substantially all of the assets and liabilities of the Morgan Stanley Select Dimensions Investment Series — Global Infrastructure Portfolio ("SD Global Infrastructure") and Morgan Stanley Variable Investment Series — Global Infrastructure Portfolio ("VIS Global Infrastructure"). The Portfolio adopted the financial and performance history of VIS Global Infrastructure. Therefore, the per share data and the ratios of Class II shares reflect the historical per share data of Class Y shares of VIS Global Infrastructure for periods prior to April 28, 2014.

† Per share amount is based on average shares outstanding.

++ Calculated based on the net asset value as of the last business day of the period. Performance does not reflect fees and expenses imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total return would be lower.

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

§ Amount is less than 0.005%.

Not Annualized.

* Annualized.

Notes to Financial Statements

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

The accompanying financial statements relate to the Global Infrastructure Portfolio. The Portfolio's adviser, Morgan Stanley Investment Management Inc. (the "Adviser") and sub-advisers, Morgan Stanley Investment Management Limited ("MSIM Limited") and Morgan Stanley Investment Management Company ("MSIM Company") (together, the "Sub-Advisers"), seek to provide both capital appreciation and current income. The Portfolio offers two classes of shares — Class I and Class II. Both classes of shares have identical voting rights (except that shareholders of a Class have exclusive voting rights regarding any matter relating solely to that Class of shares), dividend, liquidation and other rights.

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

A. Significant Accounting Policies: The following significant accounting policies are in conformity with U.S. generally accepted accounting principles ("GAAP"). Such policies are consistently followed by the Fund in the preparation of its financial statements. GAAP may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

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

   The Directors have responsibility for determining in good faith the fair value of the investments, and the Directors may appoint others, such as the Fund's Adviser or a valuation committee, to assist the Directors in determining fair value and to make the actual calculations pursuant to the fair valuation methodologies previously

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

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available. Under these procedures, the Valuation Committee convenes on a regular and ad hoc basis to review such securities and considers a number of factors, including valuation methodologies and significant unobservable valuation inputs, when arriving at fair value. The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The Valuation Committee employs various methods for calibrating these valuation approaches including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

2. Fair Value Measurement: Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC") 820, "Fair Value Measurement" ("ASC 820"), defines fair value as the value that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

- Level 1 – unadjusted quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs including the Fund's own assumptions in determining the fair value of investments. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

The following is a summary of the inputs used to value the Portfolio's investments as of June 30, 2016.

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets:				
Common Stocks				
Airports	$ —	$ 1,690	$—	$ 1,690
Communications	12,128	1,416	—	13,544
Diversified	181	5,385	—	5,566
Electricity Transmission & Distribution	5,575	3,959	—	9,534
Oil & Gas Storage & Transportation	31,105	1,288	—	32,393
PPA Contracted Renewables	3,548	3,651	—	7,199
Railroads	777	—	—	777
Toll Roads	147	8,879	—	9,026
Water	800	5,414	—	6,214
Total Common Stocks	**54,261**	**31,682**	**—**	**85,943**

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Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Short-Term Investments				
Investment Companies	$ 8,499	$ —	$—	$ 8,499
Repurchase Agreements	—	831	—	831
Total Short-Term Investments	**8,499**	**831**	**—**	**9,330**
Total Assets	**$62,760**	**$32,513**	**$—**	**$95,273**

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. The Portfolio recognizes transfers between the levels as of the end of the period. As of June 30, 2016, securities with a total value of approximately $147,000 transferred from Level 2 to Level 1. Securities that were valued using other significant observable inputs at December 31, 2015 were valued using unadjusted quoted prices at June 30, 2016. At June 30, 2016, the fair value of certain securities were adjusted due to developments which occurred between the time of the close of the foreign markets on which they trade and the close of business on the NYSE which resulted in their Level 2 classification.

3. Repurchase Agreements: The Portfolio may enter into repurchase agreements under which the Portfolio lends cash and takes possession of securities with an agreement that the counterparty will repurchase such securities. In connection with transactions in repurchase agreements, a bank as custodian for the Portfolio takes possession of the underlying securities which are held as collateral, with a market value at least equal to the amount of the repurchase transaction, including principal and accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to determine that the value of the collateral does not decrease below the repurchase price plus accrued interest as earned. If such a decrease occurs, additional collateral will be requested and, when received, will be added to the account to maintain full collateralization. In the event of default on the obligation to repurchase, the Portfolio has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the counterparty to the agreement, realization of the collateral proceeds may be subject to cost and delays. The Portfolio, along with other affiliated investment companies, may utilize a joint trading account for the purpose of entering into repurchase agreements.

4. Foreign Currency Translation and Foreign Investments: The books and records of the Portfolio are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars as follows:

— investments, other assets and liabilities at the prevailing rate of exchange on the valuation date;

— investment transactions and investment income at the prevailing rates of exchange on the dates of such transactions.

Although the net assets of the Portfolio are presented at the foreign exchange rates and market values at the close of the period, the Portfolio does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities held at period end. Similarly, the Portfolio does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) on investments in securities are included in the reported net realized and unrealized gains (losses) on investment transactions and balances. However, pursuant to U.S. Federal income tax regulations, gains and losses from certain foreign currency transactions and the foreign currency portion of gains and losses realized on sales and maturities of foreign denominated debt securities are treated as ordinary income for U.S. Federal income tax purposes.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from foreign currency forward exchange contracts, disposition of foreign currencies, currency gains (losses) realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Portfolio's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) in the Statement of Assets and Liabilities. The change in unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, fluctuations of exchange rates in relation to the U.S. dollar, the possibility of lower

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levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

Governmental approval for foreign investments may be required in advance of making an investment under certain circumstances in some countries, and the extent of foreign investments in domestic companies may be subject to limitation in other countries. Foreign ownership limitations also may be imposed by the charters of individual companies to prevent, among other concerns, violations of foreign investment limitations. As a result, an additional class of shares (identified as "Foreign" in the Portfolio of Investments) may be created and offered for investment. The "local" and "foreign shares" market values may differ. In the absence of trading of the foreign shares in such markets, the Portfolio values the foreign shares at the closing exchange price of the local shares.

5. Securities Lending: The Portfolio lends securities to qualified financial institutions, such as broker-dealers, to earn additional income. Any increase or decrease in the fair value of the securities loaned that might occur and any interest earned or dividends declared on those securities during the term of the loan would remain in the Portfolio. The Portfolio would receive cash or securities as collateral in an amount equal to or exceeding 100% of the current fair value of the loaned securities. The collateral is marked-to-market daily by State Street Bank and Trust Company ("State Street"), the securities lending agent, to ensure that a minimum of 100% collateral coverage is maintained.

Based on pre-established guidelines, the securities lending agent invests any cash collateral that is received in an affiliated money market portfolio and repurchase agreements. Securities lending income is generated from the earnings on the invested collateral and borrowing fees, less any rebates owed to the borrowers and compensation to the lending agent, and is recorded as "Income from Securities Loaned — Net" in the Portfolio's Statement of Operations. Risks in securities lending transactions are that a borrower may not provide additional collateral when required or return the securities when due, and that the value of the short-term investments will be less than the amount of cash collateral plus any rebate that is required to be returned to the borrower.

The Portfolio has the right under the lending agreement to recover the securities from the borrower on demand.

The following table presents financial instruments that are subject to enforceable netting arrangements as of June 30, 2016.

	Gross Amounts Not Offset in the Statement of Assets and Liabilities		
Gross Asset Amounts Presented in Statement of Assets and Liabilities (000)	Financial Instrument (000)	Collateral Received (000)	Net Amount (not less than $0) (000)
$8,607(a)	$—	$8,607(b)(c)	$0

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

(b) The Portfolio received cash collateral of approximately $4,285,000, which was subsequently invested in Repurchase Agreements and Morgan Stanley Institutional Liquidity Funds as reported in the Portfolio of Investments. In addition, the Portfolio received non-cash collateral of approximately $4,702,000 in the form of U.S. Government obligations, which the Portfolio cannot sell or repledge, and accordingly are not reflected in the Portfolio of Investments.

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

The Portfolio has adopted the disclosure provisions of FASB Accounting Standards Update No. 2014-11 ("ASU No. 2014-11"), "Transfers & Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures". ASU No. 2014-11 is intended to provide increased transparency about the types of collateral pledged in securities lending transactions and other similar transactions that are accounted for as secured borrowing.

The following table displays a breakdown of transactions accounted for as secured borrowings, the gross obligations by class of collateral pledged, and the remaining contractual maturity of those transactions as of June 30, 2016.

	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous (000)	<30 days (000)	Between 30 & 90 days (000)	>90 days (000)	Total (000)
Securities Lending Transactions					
Common Stocks	$ 4,285	$—	$—	$—	$ 4,285
Total Borrowings	**$4,285**	**$—**	**$—**	**$—**	**$4,285**
Gross amount of recognized liabilities for securities lending transactions					**$4,285**

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

7. Security Transactions, Income and Expenses: Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains

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and losses on the sale of investment securities are determined on the specific identified cost method. Dividend income and other distributions are recorded on the ex-dividend date (except for certain foreign dividends which may be recorded as soon as the Portfolio is informed of such dividends) net of applicable withholding taxes. Interest income is recognized on the accrual basis except where collection is in doubt. Discounts are accreted and premiums are amortized over the life of the respective securities. Most expenses of the Fund can be directly attributed to a particular Portfolio. Expenses which cannot be directly attributed are apportioned among the Portfolios based upon relative net assets or other appropriate methods. Income, expenses (other than class specific expenses) and realized and unrealized gains or losses are allocated to each class of shares based upon their relative net assets.

The Portfolio owns shares of real estate investment trusts ("REITs"), which report information on the source of their distributions annually in the following calendar year. A portion of distributions received from REITs during the year is estimated to be a return of capital and is recorded as a reduction of their cost.

Settlement and registration of foreign securities transactions may be subject to significant risks not normally associated with investments in the United States. In certain markets, ownership of shares is defined according to entries in the issuer's share register. It is possible that a Portfolio holding these securities could lose its share registration through fraud, negligence or even mere oversight. In addition, shares being delivered for sales and cash being paid for purchases may be delivered before the exchange is complete. This may subject the Portfolio to further risk of loss in the event of a failure to complete the transaction by the counterparty.

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

B. Advisory/Sub-Advisory Fees: The Adviser, a wholly-owned subsidiary of Morgan Stanley, provides the Portfolio with advisory services under the terms of an Investment Advisory Agreement, paid quarterly, at an annual rate of 0.85% of the daily net assets of the Portfolio.

The Adviser has agreed to reduce its advisory fee and/or reimburse the Portfolio so that total annual portfolio operating expenses, excluding certain investment related expenses, taxes, interest and other extraordinary expenses (including litigation), will not exceed 0.87% for Class I shares and 1.12% for Class II shares. The fee waivers and/or expense reimbursements will continue for at least one year from the date of the Portfolio's prospectus or until such time as the Directors act to discontinue all or a portion of such waivers and/or reimbursements when they deem such action is appropriate. For the six months ended June 30, 2016, approximately $178,000 of advisory fees were waived pursuant to this arrangement.

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

C. Administration Fees: The Adviser also serves as Administrator to the Fund and provides administrative services pursuant to an Administration Agreement for an annual fee, accrued daily and paid monthly, of 0.08% of the Portfolio's average daily net assets.

Under a Sub-Administration Agreement between the Administrator and State Street, State Street provides certain administrative services to the Fund. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Portfolio.

D. Servicing Fees: The Fund accrues daily and pays quarterly a servicing fee of up to 0.17% of the average daily value of shares of the Portfolio held in an insurance company's account. Certain insurance companies have entered into a servicing agreement with the Fund to provide administrative and other contract-owner related services on behalf of the Portfolio.

E. Distribution Fees: Morgan Stanley Distribution, Inc. ("MSDI" or the "Distributor"), a wholly-owned subsidiary of the Adviser and Sub-Advisers and an indirect subsidiary of Morgan Stanley, serves as the Distributor of the Portfolio and provides the Portfolio's Class II shareholders with distribution services pursuant to a Distribution Plan (the "Plan") in accordance with Rule 12b-1 under the Act. Under the Plan, the Portfolio is authorized to pay the Distributor a distribution fee, which is accrued daily and paid monthly, at an annual rate of 0.25% of the Portfolio's average daily net assets attributable to Class II shares.

F. Dividend Disbursing and Transfer Agent: The Fund's dividend disbursing and transfer agent is Boston Financial Data Services, Inc. ("BFDS"). Pursuant to a Transfer Agency Agreement, the Fund pays BFDS a fee based on the

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number of classes, accounts and transactions relating to the Portfolios of the Fund.

G. Custodian Fees: State Street (the "Custodian") serves as Custodian for the Fund in accordance with a Custodian Agreement. The Custodian holds cash, securities, and other assets of the Fund as required by the Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

H. Security Transactions and Transactions with Affiliates: For the six months ended June 30, 2016, purchases and sales of investment securities for the Portfolio, other than long-term U.S. Government securities and short-term investments, were approximately $22,329,000 and $21,618,000, respectively. There were no purchases and sales of long-term U.S. Government securities for the six months ended June 30, 2016.

The Portfolio invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds (the "Liquidity Funds"), an open-end management investment company managed by the Adviser, both directly and as a portion of the securities held as collateral on loaned securities. Advisory fees paid by the Portfolio are reduced by an amount equal to its pro-rata share of the advisory and administration fees paid by the Portfolio due to its investment in the Liquidity Funds. For the six months ended June 30, 2016, advisory fees paid were reduced by approximately $2,000 relating to the Portfolio's investment in the Liquidity Funds.

A summary of the Portfolio's transactions in shares of the Liquidity Funds during the six months ended June 30, 2016 is as follows:

Value December 31, 2015 (000)	Purchases at Cost (000)	Sales (000)	Dividend Income (000)	Value June 30, 2016 (000)
$8,569	$18,753	$18,823	$3	$8,499

During the six months ended June 30, 2016, the Portfolio incurred less than $500 in brokerage commissions with Morgan Stanley & Co., LLC, an affiliate of the Adviser/Administrator, Sub-Advisers and Distributor, for portfolio transactions executed on behalf of the Portfolio.

The Portfolio is permitted to purchase and sell securities ("cross-trade") from and to other Morgan Stanley Funds as well as other funds and client accounts for which the Adviser or an affiliate of the Adviser serves as investment adviser, pursuant to procedures approved by the Directors in compliance with Rule 17a-7 under the Act (the "Rule"). Each cross-trade is executed at the current market price in compliance with provisions of the Rule. For the six months ended June 30, 2016, the Portfolio did not engage in any cross-trade transactions.

The Portfolio has an unfunded Deferred Compensation Plan (the "Compensation Plan"), which allows each independent Director to defer payment of all, or a portion, of the fees he or she receives for serving on the Board of Directors. Each eligible Director generally may elect to have the deferred amounts credited with a return equal to the total return on one or more of the Morgan Stanley funds that are offered as investment options under the Compensation Plan. Appreciation/depreciation and distributions received from these investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the NAV of the Portfolio.

I. Federal Income Taxes: It is the Portfolio's intention to continue to qualify as a regulated investment company and distribute all of its taxable and tax-exempt income. Accordingly, no provision for Federal income taxes is required in the financial statements.

The Portfolio may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued based on net investment income, net realized gains and net unrealized appreciation as such income and/or gains are earned. Taxes may also be based on transactions in foreign currency and are accrued based on the value of investments denominated in such currency.

FASB ASC 740-10, "Income Taxes – Overall", sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Management has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. If applicable, the Portfolio recognizes interest accrued related to unrecognized tax benefits in "Interest Expense" and penalties in "Other Expenses" in the Statement of Operations. The Portfolio files tax returns with the U.S. Internal Revenue Service, New York and various states. Each of the tax years in the four-year period ended December 31, 2015, remains subject to examination by taxing authorities.

The tax character of distributions paid may differ from the character of distributions shown in the Statements of Changes in Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during fiscal years 2015 and 2014 was as follows:

2015 Distributions Paid From:		2014 Distributions Paid From:	
Ordinary Income (000)	Long-Term Capital Gain (000)	Ordinary Income (000)	Long-Term Capital Gain (000)
$2,030	$8,742	$2,137	$9,953

The amount and character of income and gains to be distributed are determined in accordance with income tax

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regulations which may differ from GAAP. These book/tax differences are either considered temporary or permanent in nature.

Temporary differences are attributable to differing book and tax treatments for the timing of the recognition of gains (losses) on certain investment transactions and the timing of the deductibility of certain expenses.

Permanent differences, primarily due to differing treatments of gains (losses) related to foreign currency transactions, resulted in the following reclassifications among the components of net assets at December 31, 2015:

Accumulated Undistributed Net Investment Income (000)	Accumulated Undistributed Net Realized Gain (000)	Paid-in-Capital (000)
$(25)	$25	$—

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

Undistributed Ordinary Income (000)	Undistributed Long-Term Capital Gain (000)
$2,188	$4,858

J. Credit Facility: As of April 4, 2016, the Fund and other Morgan Stanley funds participate in a $150,000,000 committed, unsecured revolving line of credit facility (the "facility") with State Street. This facility is to be used for temporary emergency purposes or funding of shareholder redemption requests. The interest rate on borrowings is based on the federal funds rate or one month libor rate plus a spread. The facility also has a commitment fee of 0.25% per annum based on the unused portion of the facility. During the period ended June 30, 2016, the Fund did not have any borrowings under the facility.

K. Other: At June 30, 2016, the Portfolio had record owners of 10% or greater. Investment activities of these shareholders could have a material impact on the Portfolio. The aggregate percentage of such owners was 70.7%.

Investment Advisory Agreement Approval (unaudited)

Nature, Extent and Quality of Services

The Board reviewed and considered the nature and extent of the investment advisory services provided by the Adviser (as defined herein) under the advisory agreement, including portfolio management, investment research and equity and fixed income securities trading. The Board reviewed similar information and factors regarding the Sub-Advisers (as defined herein), to the extent applicable. The Board also reviewed and considered the nature and extent of the non-advisory, administrative services provided by the Adviser under the administration agreement, including accounting, operations, clerical, bookkeeping, compliance, business management and planning, legal services and the provision of supplies, office space and utilities at the Adviser's expense. The Board also considered the Adviser's investment in personnel and infrastructure that benefits the Portfolio. (The Adviser and Sub-Advisers together are referred to as the "Adviser" and the advisory, sub-advisory and administration agreements together are referred to as the "Management Agreement.") The Board also considered that the Adviser serves a variety of other investment advisory clients and has experience overseeing service providers. The Board also compared the nature of the services provided by the Adviser with similar services provided by non-affiliated advisers as reported to the Board by Broadridge Financial Solutions, Inc. ("Broadridge").

The Board reviewed and considered the qualifications of the portfolio managers, the senior administrative managers and other key personnel of the Adviser who provide the administrative and advisory services to the Portfolio. The Board determined that the Adviser's portfolio managers and key personnel are well qualified by education and/or training and experience to perform the services in an efficient and professional manner. The Board concluded that the nature and extent of the advisory and administrative services provided were necessary and appropriate for the conduct of the business and investment activities of the Portfolio and supported its decision to approve the Management Agreement.

Performance, Fees and Expenses of the Portfolio

The Board reviewed the performance, fees and expenses of the Portfolio compared to its peers, as determined by Broadridge, and to appropriate benchmarks where applicable. The Board discussed with the Adviser the performance goals and the actual results achieved in managing the Portfolio. When considering a fund's performance, the Board and the Adviser place emphasis on trends and longer-term returns (focusing on one-year, three-year and five-year performance, as of December 31, 2015, or since inception, as applicable). When a fund underperforms its benchmark and/or its peer group average, the Board and the Adviser discuss the causes of such underperformance and, where necessary, they discuss specific changes to investment strategy or investment personnel. The Board noted that the Portfolio's performance was better than its peer group average for the one- and three-year periods but below its peer group average for the five-year period. The Board discussed with the Adviser the level of the advisory and administration fees (together, the "management fee") for this Portfolio relative to comparable funds and/or other accounts advised by the Adviser and/or compared to its peers as determined by Broadridge. In addition to the management fee, the Board also reviewed the Portfolio's total expense ratio. The Board noted that the Portfolio's contractual management fee was higher than but close to its peer group average and the actual management fee and total expense ratio were lower than its peer group averages. After discussion, the Board concluded that the Portfolio's (i) performance was competitive with its peer group average; and (ii) management fee and total expense ratio were competitive with its peer group averages.

Economies of Scale

The Board considered the size and growth prospects of the Portfolio and how that relates to the Portfolio's total expense ratio and particularly the Portfolio's management fee rate, which does not include breakpoints. In conjunction with its review of the Adviser's profitability, the Board discussed with the Adviser how a change in assets can affect the efficiency or effectiveness of managing the Portfolio and whether the management fee level is appropriate relative to current and projected asset levels and/or whether the management fee structure reflects economies of scale as asset levels change. The Board has determined that its review of the actual and/or potential economies of scale of the Portfolio supports its decision to approve the Management Agreement.

Profitability of the Adviser and Affiliates

The Board considered information concerning the costs incurred and profits realized by the Adviser and its affiliates during the last year from their relationship with the Portfolio and during the last two years from their relationship with the Morgan Stanley

Investment Advisory Agreement Approval (unaudited) (cont'd)

Fund Complex and reviewed with the Adviser the cost allocation methodology used to determine the profitability of the Adviser and affiliates. The Board has determined that its review of the analysis of the Adviser's expenses and profitability supports its decision to approve the Management Agreement.

Other Benefits of the Relationship

The Board considered other direct and indirect benefits to the Adviser and/or its affiliates derived from their relationship with the Portfolio and other funds advised by the Adviser. These benefits may include, among other things, fees for trading, distribution and/or shareholder servicing and for transaction processing and reporting platforms used by securities lending agents, and research received by the Adviser generated from commission dollars spent on funds' portfolio trading. The Board reviewed with the Adviser these arrangements and the reasonableness of the Adviser's costs relative to the services performed. The Board has determined that its review of the other benefits received by the Adviser or its affiliates supports its decision to approve the Management Agreement.

Resources of the Adviser and Historical Relationship Between the Portfolio and the Adviser

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. The Board also reviewed and considered the historical relationship between the Portfolio and the Adviser, including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for managing the Portfolio's operations and the Board's confidence in the competence and integrity of the senior managers and key personnel of the Adviser. The Board concluded that the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement and that it is beneficial for the Portfolio to continue its relationship with the Adviser.

Other Factors and Current Trends

The Board considered the controls and procedures adopted and implemented by the Adviser and monitored by the Fund's Chief Compliance Officer and concluded that the conduct of business by the Adviser indicates a good faith effort on its part to adhere to high ethical standards in the conduct of the Portfolio's business.

General Conclusion

After considering and weighing all of the above factors, with various written materials and verbal information presented by the Adviser, the Board concluded that it would be in the best interest of the Portfolio and its shareholders to approve renewal of the Management Agreement for another year. In reaching this conclusion the Board did not give particular weight to any single piece of information or factor referenced above. The Board considered these factors and information over the course of the year and in numerous meetings, some of which were in executive session with only the independent Board members and their counsel present. It is possible that individual Board members may have weighed these factors, and the information presented, differently in reaching their individual decisions to approve the Management Agreement.

Director and Officer Information

Directors
Frank L. Bowman
Kathleen A. Dennis
Nancy C. Everett
Jakki L. Haussler
James F. Higgins
Dr. Manuel H. Johnson
Joseph J. Kearns
Michael F. Klein
Michael E. Nugent, *Chair of the Board*
W. Allen Reed
Fergus Reid

Officers
John H. Gernon
President and Principal Executive Officer
Stefanie V. Chang Yu
Chief Compliance Officer
Joseph C. Benedetti
Vice President
Mary E. Mullin
Secretary
Francis J. Smith
Treasurer and Principal Financial Officer

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

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

Sub-Advisers
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25 Cabot Square, Canary Wharf
London, E14 4QA, England

Morgan Stanley Investment Management Company
23 Church Street
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Legal Counsel
Dechert LLP
1095 Avenue of the Americas
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Counsel to the Independent Directors
Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036

Distributor
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522 Fifth Avenue
New York, New York 10036

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

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

Reporting to Shareholders

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

Proxy Voting Policies and Procedures and Proxy Voting Record

You may obtain a copy of the Fund's Proxy Voting Policy and Procedures and information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, without charge, upon request, by calling toll free 1 (800) 548-7786 or by visiting our website at www.morganstanley.com/im. This information is also available on the SEC's website at www.sec.gov.

This report is submitted for the general information of the shareholders of the Portfolio. For more detailed information about the Portfolio, its fees and expenses and other pertinent information, please read its Prospectus. The Fund's Statement of Additional Information contains additional information about the Portfolio, including its Directors. It is available, without charge, by calling 1 (800) 548-7786.

This report is not authorized for distribution to prospective investors in the Portfolio unless preceded or accompanied by an effective Prospectus. Read the Prospectus carefully before investing.

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Morgan Stanley

The Universal Institutional Funds, Inc.

Semi-Annual Report – June 30, 2016

Growth Portfolio

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

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Expense Example (unaudited)

Growth Portfolio

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

This example is based on an investment of $1,000 invested at the beginning of the six-month period ended June 30, 2016 and held for the entire six-month period.

Actual Expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The table below provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

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

	Beginning Account Value 1/1/16	Actual Ending Account Value 6/30/16	Hypothetical Ending Account Value	Actual Expenses Paid During Period*	Hypothetical Expenses Paid During Period*	Net Expense Ratio During Period**
Growth Portfolio Class I	$1,000.00	$961.30	$1,020.93	$3.85	$3.97	0.79%
Growth Portfolio Class II	1,000.00	960.10	1,019.69	5.07	5.22	1.04

* Expenses are calculated using each Portfolio Class' annualized net expense ratio (as disclosed), multiplied by the average account value over the period, and multiplied by 182/366 (to reflect the most recent one-half year period).

** Annualized.

Portfolio of Investments

Growth Portfolio

	Shares	Value (000)
Common Stocks (94.1%)		
Aerospace & Defense (1.6%)		
United Technologies Corp.	29,616	$ 3,037
Automobiles (4.4%)		
Tesla Motors, Inc. (a)(b)	40,140	8,521
Beverages (1.2%)		
Monster Beverage Corp. (b)	14,646	2,354
Biotechnology (0.9%)		
Alnylam Pharmaceuticals, Inc. (b)	10,674	592
Intrexon Corp. (b)	25,915	638
Juno Therapeutics, Inc. (a)(b)	13,057	502
		1,732
Diversified Financial Services (5.0%)		
S&P Global, Inc.	90,008	9,654
Food Products (3.7%)		
Mead Johnson Nutrition Co.	78,017	7,080
Health Care Equipment & Supplies (5.2%)		
Intuitive Surgical, Inc. (b)	15,244	10,083
Health Care Technology (1.6%)		
athenahealth, Inc. (b)	22,799	3,147
Information Technology Services (7.0%)		
Mastercard, Inc., Class A	89,707	7,900
Visa, Inc., Class A	74,727	5,542
		13,442
Internet & Catalog Retail (15.2%)		
Amazon.com, Inc. (b)	25,909	18,541
JD.com, Inc. ADR (China) (b)	80,799	1,715
Netflix, Inc. (b)	50,090	4,582
Priceline Group, Inc. (The) (b)	3,614	4,512
		29,350
Internet Software & Services (20.4%)		
Alphabet, Inc., Class C (b)	13,809	9,557
Facebook, Inc., Class A (b)	151,421	17,305
LinkedIn Corp., Class A (b)	30,041	5,685
Tencent Holdings Ltd. (China) (c)	105,600	2,406
Twitter, Inc. (b)	268,085	4,533
		39,486
Life Sciences Tools & Services (5.0%)		
Illumina, Inc. (b)	69,194	9,713
Pharmaceuticals (3.3%)		
Zoetis, Inc.	134,504	6,384
Semiconductors & Semiconductor Equipment (0.7%)		
NVIDIA Corp.	27,576	1,296
Software (10.7%)		
Mobileye N.V. (a)(b)	26,140	1,206
Salesforce.com, Inc. (b)	126,289	10,029
Splunk, Inc. (b)	52,106	2,823
Workday, Inc., Class A (b)	90,238	6,738
		20,796
Tech Hardware, Storage & Peripherals (6.7%)		
Apple, Inc.	136,215	13,022
Textiles, Apparel & Luxury Goods (1.5%)		
Michael Kors Holdings Ltd. (b)	60,265	$ 2,982
Total Common Stocks (Cost $114,743)		182,079
Preferred Stocks (3.9%)		
Electronic Equipment, Instruments & Components (0.6%)		
Magic Leap Series C (b)(d)(e)(f) (acquisition cost — $1,089; acquired 12/22/15)	47,281	1,098
Internet & Catalog Retail (3.1%)		
Airbnb, Inc. Series D (b)(d)(e)(f) (acquisition cost — $1,335; acquired 4/16/14)	32,784	2,968
Uber Technologies Series G (b)(d)(e)(f) (acquisition cost — $3,117; acquired 12/3/15)	63,916	3,117
		6,085
Internet Software & Services (0.2%)		
Dropbox, Inc. Series C (b)(d)(e)(f) (acquisition cost — $485; acquired 1/30/14)	25,401	303
Total Preferred Stocks (Cost $6,026)		7,486
	Notional Amount (000)	
Call Option Purchased (0.0%)		
Foreign Currency Option (0.0%)		
USD/CNY December 2016 @ CNY 7.60, Royal Bank of Scotland **(Cost $103)**	22,136	39
	Shares	
Short-Term Investments (3.4%)		
Securities held as Collateral on Loaned Securities (1.2%)		
Investment Company (1.0%)		
Morgan Stanley Institutional Liquidity Funds — Treasury Securities Portfolio — Institutional Class (See Note H)	1,974,457	1,974
	Face Amount (000)	**(000)**
Repurchase Agreements (0.2%)		
Barclays Capital, Inc., (0.42%, dated 6/30/16, due 7/1/16; proceeds $456; fully collateralized by a U.S. Government obligation; 2.00% due 8/15/25; valued at $465)	$ 456	456
Merrill Lynch & Co., Inc., (0.44%, dated 6/30/16, due 7/1/16; proceeds $19; fully collateralized by a U.S. Government agency security; 4.50% due 4/20/44; valued at $19)	19	19
		475
Total Securities held as Collateral on Loaned Securities (Cost $2,449)		2,449

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

Portfolio of Investments (cont'd)

Growth Portfolio

	Shares	Value (000)
Investment Company (2.2%)		
Morgan Stanley Institutional Liquidity Funds — Treasury Securities Portfolio — Institutional Class (See Note H) **(Cost $4,212)**	4,211,812	$ 4,212
Total Short-Term Investments (Cost $6,661)		6,661
Total Investments (101.4%) (Cost $127,533) Including $10,229 of Securities Loaned (g)(h)		196,265
Liabilities in Excess of Other Assets (-1.4%)		(2,728)
Net Assets (100.0%)		$193,537

(a) All or a portion of this security was on loan at June 30, 2016.

(b) Non-income producing security.

(c) Security trades on the Hong Kong exchange.

(d) Security has been deemed illiquid at June 30, 2016.

(e) At June 30, 2016, the Portfolio held fair valued securities valued at approximately $7,486,000, representing 3.9% of net assets. These securities have been fair valued as determined in good faith under procedures established by and under the general supervision of the Fund's Directors.

(f) Security cannot be offered for public resale without first being registered under the Securities Act of 1933 and related rules ("restricted security"). Acquisition date represents the day on which an enforceable right to acquire such security is obtained and is presented along with related cost in the security description. The Portfolio has registration rights for certain restricted securities. Any costs related to such registration are borne by the issuer. The aggregate value of restricted securities (excluding 144A holdings) at June 30, 2016, amounts to approximately $7,486,000 and represents 3.9% of net assets.

(g) The approximate fair value and percentage of net assets, $2,406,000 and 1.2%, respectively, represent the securities that have been fair valued under the fair valuation policy for international investments as described in Note A-1 within the Notes to the Financial Statements.

(h) At June 30, 2016, the aggregate cost for Federal income tax purposes approximates the aggregate cost for book purposes. The aggregate gross unrealized appreciation is approximately $77,356,000 and the aggregate gross unrealized depreciation is approximately $8,624,000 resulting in net unrealized appreciation of approximately $68,732,000.

ADR American Depositary Receipt.

CNY — Chinese Yuan Renminbi

USD — United States Dollar

Portfolio Composition*

Classification	Percentage of Total Investments
Other**	21.6%
Internet Software & Services	20.5
Internet & Catalog Retail	18.3
Software	10.7
Information Technology Services	7.0
Tech Hardware, Storage & Peripherals	6.7
Health Care Equipment & Supplies	5.2
Life Sciences Tools & Services	5.0
Diversified Financial Services	5.0
Total Investments	100.0%

* Percentages indicated are based upon total investments (excluding Securities held as Collateral on Loaned Securities) as of June 30, 2016.

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

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

Growth Portfolio

Statement of Assets and Liabilities

	June 30, 2016 (000)
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value[1] (Cost $121,347)	$190,079
Investment in Security of Affiliated Issuer, at Value (Cost $6,186)	6,186
Total Investments in Securities, at Value (Cost $127,533)	196,265
Receivable for Portfolio Shares Sold	194
Dividends Receivable	86
Receivable from Affiliate	1
Other Assets	17
Total Assets	196,563
Liabilities:	
Collateral on Securities Loaned, at Value	2,449
Payable for Advisory Fees	242
Payable for Servicing Fees	140
Payable for Portfolio Shares Redeemed	99
Payable for Professional Fees	24
Payable for Distribution Fees — Class II Shares	18
Payable for Custodian Fees	14
Payable for Administration Fees	13
Payable for Directors' Fees and Expenses	3
Payable for Transfer Agency Fees	2
Other Liabilities	22
Total Liabilities	3,026
Net Assets	$193,537
Net Assets Consist of:	
Paid-in-Capital	$123,895
Accumulated Net Investment Loss	(206)
Accumulated Net Realized Gain	1,116
Unrealized Appreciation (Depreciation) on:	
Investments	68,732
Net Assets	$193,537
CLASS I:	
Net Assets	$108,158
Net Asset Value, Offering and Redemption Price Per Share Applicable to 4,489,442 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 24.09
CLASS II:	
Net Assets	$ 85,379
Net Asset Value, Offering and Redemption Price Per Share Applicable to 3,686,316 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 23.16
[1] **Including:**	
Securities on Loan, at Value:	$ 10,229

Growth Portfolio

Statement of Operations

	Six Months Ended June 30, 2016 (000)
Investment Income:	
Dividends from Securities of Unaffiliated Issuers	$ 457
Income from Securities Loaned — Net	192
Dividends from Security of Affiliated Issuer (Note H)	10
Total Investment Income	659
Expenses:	
Advisory Fees (Note B)	475
Servicing Fees (Note D)	112
Distribution Fees — Class II Shares (Note E)	103
Administration Fees (Note C)	76
Professional Fees	47
Shareholder Reporting Fees	13
Custodian Fees (Note G)	9
Transfer Agency Fees (Note F)	6
Directors' Fees and Expenses	3
Pricing Fees	2
Other Expenses	12
Total Expenses	858
Rebate from Morgan Stanley Affiliate (Note H)	(3)
Net Expenses	855
Net Investment Loss	(196)
Realized Gain:	
Investments Sold	1,343
Foreign Currency Transactions	4
Net Realized Gain	1,347
Change in Unrealized Appreciation (Depreciation):	
Investments	(9,588)
Net Realized Gain and Change in Unrealized Appreciation (Depreciation)	(8,241)
Net Decrease in Net Assets Resulting from Operations	$(8,437)

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

Growth Portfolio

Statements of Changes in Net Assets

	Six Months Ended June 30, 2016 (unaudited) (000)	Year Ended December 31, 2015 (000)
Increase (Decrease) in Net Assets:		
Operations:		
Net Investment Loss	$ (196)	$ (967)
Net Realized Gain	1,347	32,193
Net Change in Unrealized Appreciation (Depreciation)	(9,588)	(7,529)
Net Increase (Decrease) in Net Assets Resulting from Operations	(8,437)	23,697
Distributions from and/or in Excess of:		
Class I:		
Net Realized Gain	(17,607)	(16,349)
Class II:		
Net Realized Gain	(14,329)	(11,479)
Total Distributions	(31,936)	(27,828)
Capital Share Transactions:[1]		
Class I:		
Subscribed	2,037	5,261
Distributions Reinvested	17,607	16,349
Redeemed	(8,876)	(22,524)
Class II:		
Subscribed	13,094	25,342
Distributions Reinvested	14,329	11,479
Redeemed	(13,562)	(25,479)
Net Increase in Net Assets Resulting from Capital Share Transactions	24,629	10,428
Total Increase (Decrease) in Net Assets	(15,744)	6,297
Net Assets:		
Beginning of Period	209,281	202,984
End of Period (Including Accumulated Net Investment Loss of $(206) and $(10))	$193,537	$209,281
[1] **Capital Share Transactions:**		
Class I:		
Shares Subscribed	73	171
Shares Issued on Distributions Reinvested	731	560
Shares Redeemed	(320)	(724)
Net Increase in Class I Shares Outstanding	484	7
Class II:		
Shares Subscribed	487	851
Shares Issued on Distributions Reinvested	619	406
Shares Redeemed	(503)	(847)
Net Increase in Class II Shares Outstanding	603	410

Financial Highlights

Growth Portfolio

	Class I					
	Six Months Ended June 30, 2016	Year Ended December 31,				
Selected Per Share Data and Ratios	(unaudited)	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$ 29.93	$ 30.73	$ 31.03	$ 21.94	$ 20.10	$ 20.70
Income (Loss) from Investment Operations:						
Net Investment Income (Loss)†	(0.01)	(0.11)	(0.06)	(0.03)	0.10	(0.02)
Net Realized and Unrealized Gain (Loss)	(1.15)	3.76	1.98	10.23	2.76	(0.56)
Total from Investment Operations	(1.16)	3.65	1.92	10.20	2.86	(0.58)
Distributions from and/or in Excess of:						
Net Investment Income	—	—	—	(0.12)	—	(0.02)
Net Realized Gain	(4.68)	(4.45)	(2.22)	(0.99)	(1.02)	—
Total Distributions	(4.68)	(4.45)	(2.22)	(1.11)	(1.02)	(0.02)
Net Asset Value, End of Period	$ 24.09	$ 29.93	$ 30.73	$ 31.03	$ 21.94	$ 20.10
Total Return ++	(3.87)%#	12.24%	6.36%	48.07%	14.38%	(2.80)%
Ratios and Supplemental Data:						
Net Assets, End of Period (Thousands)	$108,158	$119,883	$122,881	$142,052	$51,043	$52,279
Ratio of Expenses to Average Net Assets[(1)]	0.79%+*	0.80%+	0.77%+	0.82%+^	0.85%+	0.85%+
Ratio of Expenses to Average Net Assets Excluding Non Operating Expenses	N/A	N/A	0.80%+	N/A	N/A	N/A
Ratio of Net Investment Income (Loss) to Average Net Assets[(1)]	(0.10)%+*	(0.37)%+	(0.19)%+	(0.11)%+	0.45%+	(0.11)%+
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.00%§*	0.00%§	0.00%§	0.00%§	0.00%§	0.00%§
Portfolio Turnover Rate	13%#	33%	30%	32%	48%	30%
(1) Supplemental Information on the Ratios to Average Net Assets:						
Ratios Before Expense Limitation:						
Expenses to Average Net Assets	N/A	0.81%	0.85%	0.90%	0.88%	0.88%
Net Investment Income (Loss) to Average Net Assets	N/A	(0.38)%	(0.27)%	(0.19)%	0.42%	(0.14)%

† Per share amount is based on average shares outstanding.

++ Calculated based on the net asset value as of the last business day of the period. Performance does not reflect fees and expenses imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total return would be lower.

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

^ Effective September 9, 2013, the Adviser has agreed to limit the ratio of expenses to average net assets to the maximum ratio of 0.80% for Class I shares. Prior to September 9, 2013, the maximum ratio was 0.85% for Class I shares.

§ Amount is less than 0.005%.

Not Annualized.

* Annualized.

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

Financial Highlights

Growth Portfolio

	Class II					
	Six Months Ended June 30, 2016	Year Ended December 31,				
Selected Per Share Data and Ratios	(unaudited)	2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	$ 29.00	$ 29.97	$ 30.39	$ 21.50	$ 19.77	$ 20.39
Income (Loss) from Investment Operations:						
Net Investment Income (Loss)†	(0.05)	(0.18)	(0.13)	(0.09)	0.04	(0.07)
Net Realized and Unrealized Gain (Loss)	(1.11)	3.66	1.93	10.02	2.71	(0.55)
Total from Investment Operations	(1.16)	3.48	1.80	9.93	2.75	(0.62)
Distributions from and/or in Excess of:						
Net Investment Income	—	—	—	(0.05)	—	—
Net Realized Gain	(4.68)	(4.45)	(2.22)	(0.99)	(1.02)	—
Total Distributions	(4.68)	(4.45)	(2.22)	(1.04)	(1.02)	—
Net Asset Value, End of Period	$ 23.16	$ 29.00	$ 29.97	$ 30.39	$ 21.50	$ 19.77
Total Return ++	(3.99)%#	11.97%	6.09%	47.72%	14.05%	(3.04)%
Ratios and Supplemental Data:						
Net Assets, End of Period (Thousands)	$85,379	$89,398	$80,103	$78,501	$31,883	$31,258
Ratio of Expenses to Average Net Assets[(1)]	1.04%+*	1.05%+	1.02%+	1.07%+^	1.10%+	1.10%+
Ratio of Expenses to Average Net Assets Excluding Non Operating Expenses	N/A	N/A	1.05%+	N/A	N/A	N/A
Ratio of Net Investment Income (Loss) to Average Net Assets[(1)]	(0.35)%+*	(0.62)%+	(0.44)%+	(0.36)%+	0.20%+	(0.36)%+
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.00%§*	0.00%§	0.00%§	0.00%§	0.00%§	0.00%§
Portfolio Turnover Rate	13%#	33%	30%	32%	48%	30%
(1) Supplemental Information on the Ratios to Average Net Assets:						
Ratios Before Expense Limitation:						
Expenses to Average Net Assets	N/A	1.09%	1.20%	1.25%	1.23%	1.23%
Net Investment Income (Loss) to Average Net Assets	N/A	(0.66)%	(0.62)%	(0.54)%	0.07%	(0.49)%

† Per share amount is based on average shares outstanding.

++ Calculated based on the net asset value as of the last business day of the period. Performance does not reflect fees and expenses imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total return would be lower.

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

^ Effective September 9, 2013, the Adviser has agreed to limit the ratio of expenses to average net assets to the maximum ratio of 1.05% for Class II shares. Prior to September 9, 2013, the maximum ratio was 1.10% for Class II shares.

§ Amount is less than 0.005%.

Not Annualized.

* Annualized.

Notes to Financial Statements

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

The accompanying financial statements relate to the Growth Portfolio. The Portfolio seeks long-term capital appreciation by investing primarily in growth-oriented equity securities of large capitalization companies. The Portfolio offers two classes of shares — Class I and Class II. Both classes of shares have identical voting rights (except that shareholders of a Class have exclusive voting rights regarding any matter relating solely to that Class of shares), dividend, liquidation and other rights.

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

A. Significant Accounting Policies: The following significant accounting policies are in conformity with U.S. generally accepted accounting principles ("GAAP"). Such policies are consistently followed by the Fund in the preparation of its financial statements. GAAP may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

1. **Security Valuation:** (1) An equity portfolio security listed or traded on an exchange is valued at its latest reported sales price (or at the exchange official closing price if such exchange reports an official closing price), and if there were no sales on a given day and if there is no official exchange closing price for that day, the security is valued at the mean between the last reported bid and asked prices if such bid and asked prices are available on the relevant exchanges; (2) all other equity portfolio securities for which over-the-counter ("OTC") market quotations are readily available are valued at the latest reported sales price (or at the market official closing price if such market reports an official closing price), and if there was no trading in the security on a given day and if there is no official closing price from relevant markets for that day, the security is valued at the mean between the last reported bid and asked prices if such bid and asked prices are available on the relevant markets. Listed equity securities not traded on the valuation date with no reported bid and asked prices available on the exchange are valued at the mean between the current bid and asked prices obtained from one or more reputable brokers or dealers. An unlisted equity security that does not trade on the valuation date and for which bid and asked prices from the relevant markets are unavailable is valued at the mean between the current bid and asked prices obtained from one or more reputable brokers or dealers. In cases where a security is traded on more than one exchange, the security is valued on the exchange designated as the primary market; (3) listed options are valued at the last reported sales price on the exchange on which they are listed (or at the exchange official closing price if such exchange reports an official closing price). If an official closing price or last reported sales price is unavailable, the listed option should be fair valued at the mean between their latest bid and asked price. Unlisted options and swaps are valued by an outside pricing service approved by the Fund's Board of Directors (the "Directors") or quotes from a broker or dealer; (4) when market quotations are not readily available, including circumstances under which Morgan Stanley Investment Management Inc. (the "Adviser") determines that the closing price, last sale price or the mean between the last reported bid and asked prices are not reflective of a security's market value, portfolio securities are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Directors. Occasionally, developments affecting the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business of the New York Stock Exchange ("NYSE"). If developments occur during such periods that are expected to materially affect the value of such securities, such valuations may be adjusted to reflect the estimated fair value of such securities as of the close of the NYSE, as determined in good faith by the Directors or by the Adviser using a pricing service and/or procedures approved by the Directors; (5) quotations of foreign portfolio securities, other assets and liabilities and forward contracts stated in foreign currency are translated into U.S. dollar equivalents at the prevailing market rates prior to the close of the NYSE; (6) investments in mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value ("NAV") as of the close of each business day; and (7) short-term debt securities with remaining maturities of 60 days or less at the time of purchase may be valued at amortized cost, unless the Adviser determines such valuation does not reflect the securities' market value, in which case these securities will be valued at their fair market value determined by the Adviser.

Notes to Financial Statements (cont'd)

The Directors have responsibility for determining in good faith the fair value of the investments, and the Directors may appoint others, such as the Fund's Adviser or a valuation committee, to assist the Directors in determining fair value and to make the actual calculations pursuant to the fair valuation methodologies previously approved by the Directors. Under procedures approved by the Directors, the Fund's Adviser has formed a Valuation Committee whose members are approved by the Directors. The Valuation Committee provides administration and oversight of the Fund's valuation policies and procedures, which are reviewed at least annually by the Directors. These procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available. Under these procedures, the Valuation Committee convenes on a regular and ad hoc basis to review such securities and considers a number of factors, including valuation methodologies and significant unobservable valuation inputs, when arriving at fair value. The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The Valuation Committee employs various methods for calibrating these valuation approaches including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

2. Fair Value Measurement: Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC") 820, "Fair Value Measurement" ("ASC 820"), defines fair value as the value that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

- Level 1 – unadjusted quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs including the Fund's own assumptions in determining the fair value of investments. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

The following is a summary of the inputs used to value the Portfolio's investments as of June 30, 2016.

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets:				
Common Stocks				
Aerospace & Defense	$ 3,037	$ —	$ —	$ 3,037
Automobiles	8,521	—	—	8,521
Beverages	2,354	—	—	2,354
Biotechnology	1,732	—	—	1,732
Diversified Financial Services	9,654	—	—	9,654
Food Products	7,080	—	—	7,080

Notes to Financial Statements (cont'd)

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Common Stocks (cont'd)				
Health Care Equipment & Supplies	$ 10,083	$ —	$ —	$ 10,083
Health Care Technology	3,147	—	—	3,147
Information Technology Services	13,442	—	—	13,442
Internet & Catalog Retail	29,350	—	—	29,350
Internet Software & Services	37,080	2,406	—	39,486
Life Sciences Tools & Services	9,713	—	—	9,713
Pharmaceuticals	6,384	—	—	6,384
Semiconductors & Semiconductor Equipment	1,296	—	—	1,296
Software	20,796	—	—	20,796
Tech Hardware, Storage & Peripherals	13,022	—	—	13,022
Textiles, Apparel & Luxury Goods	2,982	—	—	2,982
Total Common Stocks	**179,673**	**2,406**	**—**	**182,079**
Preferred Stocks	—	—	7,486	7,486
Options Purchased	—	39	—	39
Short-Term Investments				
Investment Company	6,186	—	—	6,186
Repurchase Agreements	—	475	—	475
Total Short-Term Investments	**6,186**	**475**	**—**	**6,661**
Total Assets	**$185,859**	**$2,920**	**$7,486**	**$196,265**

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. The Portfolio recognizes transfers between the levels as of the end of the period. As of June 30, 2016, the Portfolio did not have any investments transfer between investment levels. At June 30, 2016, the fair value of certain securities were adjusted due to developments which occurred between the time of the close of the foreign markets on which they trade and the close of business on the NYSE which resulted in their Level 2 classification.

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value.

	Common Stock (000)	Preferred Stocks (000)
Beginning Balance	$ 823	$7,312
Purchases	—	—
Sales	(983)	—
Amortization of discount	—	—
Transfers in	—	—
Transfers out	—	—
Corporate actions	—	—
Change in unrealized appreciation (depreciation)	428	174
Realized gains (losses)	(268)	—
Ending Balance	$ —	$7,486
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2016	$ —	$ 174

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 as of June 30, 2016. Various valuation techniques were used in the valuation of certain investments and weighted based on the level of significance.

	Fair Value at June 30, 2016 (000)	Valuation Technique	Unobservable Input	Range		Selected Value	Impact to Valuation from an increase in input
Electronic Equipment, Instuments & Components							
Preferred Stock	$1,098	Discounted Cash Flow	Weighted Average Cost of Capital	27.0%	29.0%	28.0%	Decrease
			Perpetual Growth Rate	3.0%	4.0%	3.5%	Increase
		Market Comparable Companies	Enterprise Value/ Revenue	10.8x	24.1x	19.6x	Increase
			Discount for Lack of Marketability	20.0%	20.0%	20.0%	Decrease
Internet & Catalog Retail							
Preferred Stocks	$2,968	Discounted Cash Flow	Weighted Average Cost of Capital	16.0%	18.0%	17.0%	Decrease
			Perpetual Growth Rate	3.0%	4.0%	3.5%	Increase
		Market Comparable Companies	Enterprise Value/ Revenue	8.8x	14.5x	12.0x	Increase

Notes to Financial Statements (cont'd)

	Fair Value at June 30, 2016 (000)	Valuation Technique	Unobservable Input	Range		Selected Value	Impact to Valuation from an increase in input
Internet & Catalog Retail (cont'd)							
			Discount for Lack of Marketability	20.0%	20.0%	20.0%	Decrease
	$3,117	Market Transaction Method	Precedent Transaction	$48.77	$48.77	$48.77	Increase
Internet Software & Services							
Preferred Stock	$303	Discounted Cash Flow	Weighted Average Cost of Capital	18.0%	20.0%	19.0%	Decrease
			Perpetual Growth Rate	2.5%	3.5%	3.0%	Increase
		Market Comparable Companies	Enterprise Value/ Revenue	5.9x	16.2x	9.6x	Increase
			Discount for Lack of Marketability	20.0%	20.0%	20.0%	Decrease

3. Repurchase Agreements: The Portfolio may enter into repurchase agreements under which the Portfolio lends cash and takes possession of securities with an agreement that the counterparty will repurchase such securities. In connection with transactions in repurchase agreements, a bank as custodian for the Portfolio takes possession of the underlying securities which are held as collateral, with a market value at least equal to the amount of the repurchase transaction, including principal and accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to determine that the value of the collateral does not decrease below the repurchase price plus accrued interest as earned. If such a decrease occurs, additional collateral will be requested and, when received, will be added to the account to maintain full collateralization. In the event of default on the obligation to repurchase, the Portfolio has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the counterparty to the agreement, realization of the collateral proceeds may be subject to cost and delays. The Portfolio, along with other affiliated investment companies, may utilize a joint trading account for the purpose of entering into repurchase agreements.

4. Foreign Currency Translation and Foreign Investments: The books and records of the Portfolio are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars as follows:

— investments, other assets and liabilities at the prevailing rate of exchange on the valuation date;

— investment transactions and investment income at the prevailing rates of exchange on the dates of such transactions.

Although the net assets of the Portfolio are presented at the foreign exchange rates and market values at the close of the period, the Portfolio does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities held at period end. Similarly, the Portfolio does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) on investments in securities are included in the reported net realized and unrealized gains (losses) on investment transactions and balances. However, pursuant to U.S. Federal income tax regulations, gains and losses from certain foreign currency transactions and the foreign currency portion of gains and losses realized on sales and maturities of foreign denominated debt securities are treated as ordinary income for U.S. Federal income tax purposes.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from foreign currency forward exchange contracts, disposition of foreign currencies, currency gains (losses) realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Portfolio's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) in the Statement of Assets and Liabilities. The change in unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

Notes to Financial Statements (cont'd)

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

Governmental approval for foreign investments may be required in advance of making an investment under certain circumstances in some countries, and the extent of foreign investments in domestic companies may be subject to limitation in other countries. Foreign ownership limitations also may be imposed by the charters of individual companies to prevent, among other concerns, violations of foreign investment limitations. As a result, an additional class of shares (identified as "Foreign" in the Portfolio of Investments) may be created and offered for investment. The "local" and "foreign shares" market values may differ. In the absence of trading of the foreign shares in such markets, the Portfolio values the foreign shares at the closing exchange price of the local shares.

5. Derivatives: The Portfolio may, but is not required to, use derivative instruments for a variety of purposes, including hedging, risk management, portfolio management or to earn income. Derivatives are financial instruments whose value is based, in part, on the value of an underlying asset, interest rate, index or financial instrument. Prevailing interest rates and volatility levels, among other things, also affect the value of derivative instruments. A derivative instrument often has risks similar to its underlying asset and may have additional risks, including imperfect correlation between the value of the derivative and the underlying asset, risks of default by the counterparty to certain transactions, magnification of losses incurred due to changes in the market value of the securities, instruments, indices or interest rates to which the derivative instrument relates, risks that the transactions may not be liquid and risks arising from margin requirements. The use of derivatives involves risks that are different from, and possibly greater than, the risks associated with other portfolio investments. Derivatives may involve the use of highly specialized instruments that require investment techniques and risk analyses different from those associated with other portfolio investments. All of the Portfolio's holdings, including derivative instruments, are marked-to-market each day with the change in value reflected in unrealized appreciation (depreciation). Upon disposition, a realized gain or loss is recognized.

Certain derivative transactions may give rise to a form of leverage. Leverage magnifies the potential for gain and the risk of loss. Leverage associated with derivative transactions may cause the Portfolio to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, pursuant to applicable Securities and Exchange Commission rules and regulations, or may cause the Portfolio to be more volatile than if the Portfolio had not been leveraged. Although the Adviser seeks to use derivatives to further the Portfolio's investment objectives, there is no assurance that the use of derivatives will achieve this result.

Following is a description of the derivative instruments and techniques that the Portfolio used during the period and their associated risks:

Options: With respect to options, the Portfolio is subject to equity risk, interest rate risk and foreign currency exchange risk in the normal course of pursuing its investment objectives. If the Portfolio buys an option, it buys a legal contract giving it the right to buy or sell a specific amount of the underlying instrument or foreign currency, or futures contract on the underlying instrument or foreign currency, at an agreed-upon price typically in exchange for a premium paid by the Portfolio. The Portfolio may purchase and/or sell put and call options. Purchasing call options tends to increase the Portfolio's exposure to the underlying (or similar) instrument. Purchasing put options tends to decrease the Portfolio's exposure to the underlying (or similar) instrument. When entering into purchased option contracts, the Portfolio bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case, the Portfolio may not achieve the anticipated benefits of the purchased option contracts; however the risk of loss is limited to the premium paid. Purchased options are reported as part of "Total Investments in Securities" in the Statement of Assets and Liabilities. Premium paid for purchasing options which expired are treated as realized losses. If the Portfolio sells an option, it sells to another party the right to buy from or sell to the Portfolio a specific amount of the underlying instrument or foreign currency, or futures contract on the underlying instrument or foreign currency, at an agreed-upon price typically in exchange for a premium received by the Portfolio. When options are purchased OTC, the Portfolio bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Options may also be illiquid and the Portfolio may have difficulty closing out its position. A decision as

Notes to Financial Statements (cont'd)

to whether, when and how to use options involves the exercise of skill and judgment and even a well-conceived option transaction may be unsuccessful because of market behavior or unexpected events. The prices of options can be highly volatile and the use of options can lower total returns.

FASB ASC 815, "Derivatives and Hedging" ("ASC 815"), is intended to improve financial reporting about derivative instruments by requiring enhanced disclosures to enable investors to better understand how and why the Portfolio uses derivative instruments, how these derivative instruments are accounted for and their effects on the Portfolio's financial position and results of operations.

The following table sets forth the fair value of the Portfolio's derivative contracts by primary risk exposure as of June 30, 2016.

	Asset Derivatives Statement of Assets and Liabilities Location	Primary Risk Exposure	Value (000)
Option Purchased	Investments, at Value (Option Purchased)	Currency Risk	$39(a)

(a) Amounts are included in Investments in Securities in the Statement of Assets and Liabilities.

The following tables set forth by primary risk exposure the Portfolio's realized gains (losses) and change in unrealized appreciation (depreciation) by type of derivative contract for the six months ended June 30, 2016 in accordance with ASC 815.

Realized Gain (Loss)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Investments (Options Purchased)	$(107)(b)

(b) Amounts are included in Investments Sold in the Statement of Operations.

Change in Unrealized Appreciation (Depreciation)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Investments (Options Purchased)	$(432)(c)

(c) Amounts are included in Investments in the Statement of Operations.

At June 30, 2016, the Portfolio's derivative assets and liabilities are as follows:

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

Derivatives	Assets(d) (000)	Liabilities(d) (000)
Option Purchased	$39(a)	$—

(a) Amounts are included in Investments in Securities in the Statement of Assets and Liabilities.

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

The Portfolio typically enters into International Swaps and Derivatives Association, Inc. Master Agreements ("ISDA Master Agreements") or similar master agreements (collectively, "Master Agreements") with its contract counterparties for certain OTC derivatives in order to, among other things, reduce its credit risk to counterparties. ISDA Master Agreements include provisions for general obligations, representations, collateral and events of default or termination. Under an ISDA Master Agreement, the Portfolio typically may offset with the counterparty certain OTC derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment (close-out netting) in the event of default, termination and/or potential deterioration in the credit quality of the counterparty. Various Master Agreements govern the terms of certain transactions with counterparties, including transactions such as swap, forward, repurchase and reverse repurchase agreements. These Master Agreements typically attempt to reduce the counterparty risk associated with such transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Cross-termination provisions under Master Agreements typically provide that a default in connection with one transaction between the Portfolio and a counterparty gives the non-defaulting party the right to terminate any other transactions in place with the defaulting party to create one single net payment due to/due from the defaulting party and may be a feature in certain Master Agreements. In the event the Portfolio exercises its right to terminate a Master Agreement after a counterparty experiences a termination event as defined in the Master Agreement, the return of collateral with market value in excess of the Portfolio's net liability may be delayed or denied.

The following table presents derivative financial instruments that are subject to enforceable netting arrangements as of June 30, 2016.

Gross Amounts Not Offset in the Statement of Assets and Liabilities

Counterparty	Gross Asset Derivatives Presented in Statement of Assets and Liabilities (000)	Financial Instrument (000)	Collateral Received (000)	Net Amount (not less than $0) (000)
Royal Bank of Scotland	$39	$—	$—	$39

Notes to Financial Statements (cont'd)

For the six months ended June 30, 2016, the approximate average monthly amount outstanding for each derivative type is as follows:

Options Purchased:

Average monthly notional amount 30,364,000

6. Securities Lending: The Portfolio lends securities to qualified financial institutions, such as broker-dealers, to earn additional income. Any increase or decrease in the fair value of the securities loaned that might occur and any interest earned or dividends declared on those securities during the term of the loan would remain in the Portfolio. The Portfolio would receive cash or securities as collateral in an amount equal to or exceeding 100% of the current fair value of the loaned securities. The collateral is marked-to-market daily by State Street Bank and Trust Company ("State Street"), the securities lending agent, to ensure that a minimum of 100% collateral coverage is maintained.

Based on pre-established guidelines, the securities lending agent invests any cash collateral that is received in an affiliated money market portfolio and repurchase agreements. Securities lending income is generated from the earnings on the invested collateral and borrowing fees, less any rebates owed to the borrowers and compensation to the lending agent, and is recorded as "Income from Securities Loaned — Net" in the Portfolio's Statement of Operations. Risks in securities lending transactions are that a borrower may not provide additional collateral when required or return the securities when due, and that the value of the short-term investments will be less than the amount of cash collateral plus any rebate that is required to be returned to the borrower.

The Portfolio has the right under the lending agreement to recover the securities from the borrower on demand.

The following table presents financial instruments that are subject to enforceable netting arrangements as of June 30, 2016.

Gross Amounts Not Offset in the Statement of Assets and Liabilities

Gross Asset Amounts Presented in Statement of Assets and Liabilities (000)	Financial Instrument (000)	Collateral Received (000)	Net Amount (not less than $0) (000)
$10,229(e)	$—	$(10,229)(f)(g)	$0

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

(f) The Portfolio received cash collateral of approximately $2,449,000, which was subsequently invested in Repurchase Agreements and Morgan Stanley Institutional Liquidity Funds as reported in the Portfolio of Investments. In addition, the Portfolio received non-cash collateral of approximately $7,814,000 in the form of U.S. Government obligations, which the Portfolio cannot sell or repledge, and accordingly are not reflected in the Portfolio of Investments.

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

The Portfolio has adopted the disclosure provisions of FASB Accounting Standards Update No. 2014-11 ("ASU No. 2014-11"), "Transfers & Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures". ASU No. 2014-11 is intended to provide increased transparency about the types of collateral pledged in securities lending transactions and other similar transactions that are accounted for as secured borrowing.

The following table displays a breakdown of transactions accounted for as secured borrowings, the gross obligations by class of collateral pledged, and the remaining contractual maturity of those transactions as of June 30, 2016.

Remaining Contractual Maturity of the Agreements

	Overnight and Continuous (000)	<30 days (000)	Between 30 & 90 days (000)	>90 days (000)	Total (000)
Securities Lending Transactions					
Common Stocks	$ 2,449	$—	$—	$—	$ 2,449
Total Borrowings	**$2,449**	**$—**	**$—**	**$—**	**$2,449**
Gross amount of recognized liabilities for securities lending transactions					**$2,449**

7. Restricted Securities: The Portfolio invests in unregistered or otherwise restricted securities. The term "restricted securities" refers to securities that are unregistered or are held by control persons of the issuer and securities that are subject to contractual restrictions on their resale. As a result, restricted securities may be more difficult to value and the Portfolio may have difficulty disposing of such assets either in a timely manner or for a reasonable price. In order to dispose of an unregistered security, the Portfolio, where it has contractual rights to do so, may have to cause such security to be registered. A considerable period may elapse between the time the decision is made to sell the security and the time the security is registered so that the Portfolio could sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and acquirer of the securities. The Portfolio would, in either case, bear market risks during that

Notes to Financial Statements (cont'd)

period. Restricted securities are identified in the Portfolio of Investments.

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

9. **Security Transactions, Income and Expenses:** Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses on the sale of investment securities are determined on the specific identified cost method. Dividend income and other distributions are recorded on the ex-dividend date (except for certain foreign dividends which may be recorded as soon as the Portfolio is informed of such dividends) net of applicable withholding taxes. Interest income is recognized on the accrual basis except where collection is in doubt. Discounts are accreted and premiums are amortized over the life of the respective securities. Most expenses of the Fund can be directly attributed to a particular Portfolio. Expenses which cannot be directly attributed are apportioned among the Portfolios based upon relative net assets or other appropriate methods. Income, expenses (other than class specific expenses) and realized and unrealized gains or losses are allocated to each class of shares based upon their relative net assets.

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

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

First $1 billion	Next $1 billion	Next $1 billion	Over $3 billion
0.50%	0.45%	0.40%	0.35%

For the six months ended June 30, 2016, the advisory fee rate (net of rebate) was equivalent to an annual effective rate of 0.50% of the Portfolio's average daily net assets.

The Adviser has agreed to reduce its advisory fee and/or reimburse the Portfolio so that total annual portfolio operating expenses, excluding certain investment related expenses, taxes, interest and other extraordinary expenses (including litigation), will not exceed 0.80% for Class I shares and 1.05% for Class II shares. The fee waivers and/or expense reimbursements will continue for at least one year from the date of the Portfolio's prospectus or until such time as the Directors act to discontinue all or a portion of such waivers and/or reimbursements when they deem such action is appropriate. This arrangement had no effect during the most recent reporting period.

C. Administration Fees: The Adviser also serves as Administrator to the Fund and provides administrative services pursuant to an Administration Agreement for an annual fee, accrued daily and paid monthly, of 0.08% of the Portfolio's average daily net assets.

Under a Sub-Administration Agreement between the Administrator and State Street, State Street provides certain administrative services to the Fund. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Portfolio.

D. Servicing Fees: The Fund accrues daily and pays quarterly a servicing fee of up to 0.17% of the average daily value of shares of the Portfolio held in an insurance company's account. Certain insurance companies have entered into a servicing agreement with the Fund to provide administrative and other contract-owner related services on behalf of the Portfolio.

E. Distribution Fees: Morgan Stanley Distribution, Inc. ("MSDI" or the "Distributor"), a wholly-owned subsidiary of The Adviser and an indirect subsidiary of Morgan Stanley, serves as the Distributor of the Portfolio and provides the Portfolio's Class II shareholders with distribution services pursuant to a Distribution Plan (the "Plan") in accordance with Rule 12b-1 under the Act. Under the Plan, the Portfolio is authorized to pay the Distributor a distribution fee, which is accrued daily and paid monthly, at an annual rate of 0.25% of the Portfolio's average daily net assets attributable to Class II shares.

F. Dividend Disbursing and Transfer Agent: The Fund's dividend disbursing and transfer agent is Boston Financial Data Services, Inc. ("BFDS"). Pursuant to a Transfer Agency Agreement, the Fund pays BFDS a fee based on the number of classes, accounts and transactions relating to the Portfolios of the Fund.

G. Custodian Fees: State Street (the "Custodian") serves as Custodian for the Fund in accordance with a Custodian Agreement. The Custodian holds cash, securities, and other assets of the Fund as required by the Act. Custody fees are

Notes to Financial Statements (cont'd)

payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

H. Security Transactions and Transactions with Affiliates: For the six months ended June 30, 2016, purchases and sales of investment securities for the Portfolio, other than long-term U.S. Government securities and short-term investments, were approximately $23,734,000 and $26,450,000, respectively. There were no purchases and sales of long-term U.S. Government securities for the six months ended June 30, 2016.

The Portfolio invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds (the "Liquidity Funds"), an open-end management investment company managed by the Adviser, both directly and as a portion of the securities held as collateral on loaned securities. Advisory fees paid by the Portfolio are reduced by an amount equal to its pro-rata share of the advisory and administration fees paid by the Portfolio due to its investments in the Liquidity Funds. For the six months ended June 30, 2016, advisory fees paid were reduced by approximately $3,000 relating to the Portfolio's investment in the Liquidity Funds.

A summary of the Portfolio's transactions in shares of the Liquidity Funds during the six months ended June 30, 2016 is as follows:

Value December 31, 2015 (000)	Purchases at Cost (000)	Sales (000)	Dividend Income (000)	Value June 30, 2016 (000)
$12,180	$25,741	$31,735	$10	$6,186

The Portfolio is permitted to purchase and sell securities ("cross-trade") from and to other Morgan Stanley Funds as well as other funds and client accounts for which the Adviser or an affiliate of the Adviser serves as investment adviser, pursuant to procedures approved by the Directors in compliance with Rule 17a-7 under the Act (the "Rule"). Each cross-trade is executed at the current market price in compliance with provisions of the Rule. For the six months ended June 30, 2016, the Portfolio did not engage in any cross-trade transactions.

The Portfolio has an unfunded Deferred Compensation Plan (the "Compensation Plan"), which allows each independent Director to defer payment of all, or a portion, of the fees he or she receives for serving on the Board of Directors. Each eligible Director generally may elect to have the deferred amounts credited with a return equal to the total return on one or more of the Morgan Stanley funds that are offered as investment options under the Compensation Plan. Appreciation/depreciation and distributions received from these investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the NAV of the Portfolio.

I. Federal Income Taxes: It is the Portfolio's intention to continue to qualify as a regulated investment company and distribute all of its taxable and tax-exempt income. Accordingly, no provision for Federal income taxes is required in the financial statements.

The Portfolio may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued based on net investment income, net realized gains and net unrealized appreciation as such income and/or gains are earned. Taxes may also be based on transactions in foreign currency and are accrued based on the value of investments denominated in such currency.

FASB ASC 740-10, "Income Taxes — Overall", sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Management has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. If applicable, the Portfolio recognizes interest accrued related to unrecognized tax benefits in "Interest Expense" and penalties in "Other Expenses" in the Statement of Operations. The Portfolio files tax returns with the U.S. Internal Revenue Service, New York and various states. Each of the tax years in the four-year period ended December 31, 2015, remains subject to examination by taxing authorities.

The tax character of distributions paid may differ from the character of distributions shown in the Statements of Changes in Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during fiscal years 2015 and 2014 was as follows:

2015 Distributions Paid From:		2014 Distributions Paid From:	
Ordinary Income (000)	Long-Term Capital Gain (000)	Ordinary Income (000)	Long-Term Capital Gain (000)
$—	$27,828	$2,039	$13,021

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from GAAP. These book/tax differences are either considered temporary or permanent in nature.

Temporary differences are attributable to differing book and tax treatments for the timing of the recognition of gains (losses) on certain investment transactions and the timing of the deductibility of certain expenses.

Notes to Financial Statements (cont'd)

Permanent differences, primarily due to differing treatments of gains (losses) related to foreign currency transactions and a net operating loss, resulted in the following reclassifications among the components of net assets at December 31, 2015:

Accumulated Net Investment Loss (000)	Accumulated Undistributed Net Realized Gain (000)	Paid-in-Capital (000)
$966	$(350)	$(616)

At December 31, 2015, the components of distributable earnings for the Portfolio on a tax basis were as follows:

Undistributed Ordinary Income (000)	Undistributed Long-Term Capital Gain (000)
$—	$31,936

J. Credit Facility: As of April 4, 2016, the Fund and other Morgan Stanley funds participate in a $150,000,000 committed, unsecured revolving line of credit facility (the "facility") with State Street. This facility is to be used for temporary emergency purposes or funding of shareholder redemption requests. The interest rate on borrowings is based on the federal funds rate or one month libor rate plus a spread. The facility also has a commitment fee of 0.25% per annum based on the unused portion of the facility. During the period ended June 30, 2016, the Fund did not have any borrowings under the facility.

K. Other: At June 30, 2016, the Portfolio had record owners of 10% or greater. Investment activities of these shareholders could have a material impact on the Portfolio. The aggregate percentage of such owners was 72.9%.

Investment Advisory Agreement Approval (unaudited)

Nature, Extent and Quality of Services

The Board reviewed and considered the nature and extent of the investment advisory services provided by the Adviser (as defined herein) under the advisory agreement, including portfolio management, investment research and equity and fixed income securities trading. The Board also reviewed and considered the nature and extent of the non-advisory, administrative services provided by the Adviser under the administration agreement, including accounting, operations, clerical, bookkeeping, compliance, business management and planning, legal services and the provision of supplies, office space and utilities at the Adviser's expense. The Board also considered the Adviser's investment in personnel and infrastructure that benefits the Portfolio. (The advisory and administration agreements together are referred to as the "Management Agreement.") The Board also considered that the Adviser serves a variety of other investment advisory clients and has experience overseeing service providers. The Board also compared the nature of the services provided by the Adviser with similar services provided by non-affiliated advisers as reported to the Board by Broadridge Financial Solutions, Inc. ("Broadridge").

The Board reviewed and considered the qualifications of the portfolio managers, the senior administrative managers and other key personnel of the Adviser who provide the administrative and advisory services to the Portfolio. The Board determined that the Adviser's portfolio managers and key personnel are well qualified by education and/or training and experience to perform the services in an efficient and professional manner. The Board concluded that the nature and extent of the advisory and administrative services provided were necessary and appropriate for the conduct of the business and investment activities of the Portfolio and supported its decision to approve the Management Agreement.

Performance, Fees and Expenses of the Portfolio

The Board reviewed the performance, fees and expenses of the Portfolio compared to its peers, as determined by Broadridge, and to appropriate benchmarks where applicable. The Board discussed with the Adviser the performance goals and the actual results achieved in managing the Portfolio. When considering a fund's performance, the Board and the Adviser place emphasis on trends and longer-term returns (focusing on one-year, three-year and five-year performance, as of December 31, 2015, or since inception, as applicable). When a fund underperforms its benchmark and/or its peer group average, the Board and the Adviser discuss the causes of such underperformance and, where necessary, they discuss specific changes to investment strategy or investment personnel. The Board noted that the Portfolio's performance was better than its peer group average for the one-, three- and five-year periods. The Board discussed with the Adviser the level of the advisory and administration fees (together, the "management fee") for this Portfolio relative to comparable funds and/or other accounts advised by the Adviser and/or compared to its peers as determined by Broadridge. In addition to the management fee, the Board also reviewed the Portfolio's total expense ratio. The Board noted that the Portfolio's management fee and total expense ratio were lower than its peer group averages. After discussion, the Board concluded that the Portfolio's (i) performance was competitive with its peer group average; and (ii) management fee and total expense ratio were competitive with its peer group averages.

Economies of Scale

The Board considered the size and growth prospects of the Portfolio and how that relates to the Portfolio's total expense ratio and particularly the Portfolio's management fee rate, which includes breakpoints. In conjunction with its review of the Adviser's profitability, the Board discussed with the Adviser how a change in assets can affect the efficiency or effectiveness of managing the Portfolio and whether the management fee level is appropriate relative to current and projected asset levels and/or whether the management fee structure reflects economies of scale as asset levels change. The Board has determined that its review of the actual and/or potential economies of scale of the Portfolio supports its decision to approve the Management Agreement.

Profitability of the Adviser and Affiliates

The Board considered information concerning the costs incurred and profits realized by the Adviser and its affiliates during the last year from their relationship with the Portfolio and during the last two years from their relationship with the Morgan Stanley Fund Complex and reviewed with the Adviser the cost allocation methodology used to determine the profitability of the Adviser and affiliates. The Board has determined that its review of the analysis of the Adviser's expenses and profitability supports its decision to approve the Management Agreement.

Investment Advisory Agreement Approval (unaudited) (cont'd)

Other Benefits of the Relationship

The Board considered other direct and indirect benefits to the Adviser and/or its affiliates derived from their relationship with the Portfolio and other funds advised by the Adviser. These benefits may include, among other things, fees for trading, distribution and/or shareholder servicing and for transaction processing and reporting platforms used by securities lending agents, and research received by the Adviser generated from commission dollars spent on funds' portfolio trading. The Board reviewed with the Adviser these arrangements and the reasonableness of the Adviser's costs relative to the services performed. The Board has determined that its review of the other benefits received by the Adviser or its affiliates supports its decision to approve the Management Agreement.

Resources of the Adviser and Historical Relationship Between the Portfolio and the Adviser

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. The Board also reviewed and considered the historical relationship between the Portfolio and the Adviser, including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for managing the Portfolio's operations and the Board's confidence in the competence and integrity of the senior managers and key personnel of the Adviser. The Board concluded that the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement and that it is beneficial for the Portfolio to continue its relationship with the Adviser.

Other Factors and Current Trends

The Board considered the controls and procedures adopted and implemented by the Adviser and monitored by the Fund's Chief Compliance Officer and concluded that the conduct of business by the Adviser indicates a good faith effort on its part to adhere to high ethical standards in the conduct of the Portfolio's business.

General Conclusion

After considering and weighing all of the above factors, with various written materials and verbal information presented by the Adviser, the Board concluded that it would be in the best interest of the Portfolio and its shareholders to approve renewal of the Management Agreement for another year. In reaching this conclusion the Board did not give particular weight to any single piece of information or factor referenced above. The Board considered these factors and information over the course of the year and in numerous meetings, some of which were in executive session with only the independent Board members and their counsel present. It is possible that individual Board members may have weighed these factors, and the information presented, differently in reaching their individual decisions to approve the Management Agreement.

Director and Officer Information

Directors
Frank L. Bowman
Kathleen A. Dennis
Nancy C. Everett
Jakki L. Haussler
James F. Higgins
Dr. Manuel H. Johnson
Joseph J. Kearns
Michael F. Klein
Michael E. Nugent, *Chair of the Board*
W. Allen Reed
Fergus Reid

Officers
John H. Gernon
President and Principal Executive Officer
Stefanie V. Chang Yu
Chief Compliance Officer
Joseph C. Benedetti
Vice President
Mary E. Mullin
Secretary
Francis J. Smith
Treasurer and Principal Financial Officer

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

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

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

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

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

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

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

Reporting to Shareholders

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

Proxy Voting Policies and Procedures and Proxy Voting Record

You may obtain a copy of the Fund's Proxy Voting Policy and Procedures and information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, without charge, upon request, by calling toll free 1 (800) 548-7786 or by visiting our website at www.morganstanley.com/im. This information is also available on the SEC's website at www.sec.gov.

This report is submitted for the general information of the shareholders of the Portfolio. For more detailed information about the Portfolio, its fees and expenses and other pertinent information, please read its Prospectus. The Fund's Statement of Additional Information contains additional information about the Portfolio, including its Directors. It is available, without charge, by calling 1 (800) 548-7786.

This report is not authorized for distribution to prospective investors in the Portfolio unless preceded or accompanied by an effective Prospectus. Read the Prospectus carefully before investing.

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OppenheimerFunds®
The Right Way
to Invest

June 30, 2016

Oppenheimer
International Growth Fund/VA
A Series of Oppenheimer Variable Account Funds

Semiannual Report

SEMIANNUAL REPORT

Listing of Top Holdings

Fund Performance Discussion

Financial Statements

PORTFOLIO MANAGERS: George R. Evans, CFA, and Robert B. Dunphy, CFA

AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED 6/30/16

	Inception Date	6-Months	1-Year	5-Year	10-Year
Non-Service Shares	5/13/92	-2.59%	-5.59%	4.34%	5.17%
Service Shares	3/19/01	-2.72	-6.00	4.14	4.88
MSCI AC World ex-U.S. Index		-1.02	-10.24	0.10	1.87

Performance data quoted represents past performance, which does not guarantee future results. *The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, call us at 1.800.988.8287. The Fund's total returns should not be expected to be the same as the returns of other funds, whether or not both funds have the same portfolio managers and/or similar names. The Fund's total returns include changes in share price and reinvested distributions but do not include the charges associated with the separate account products that offer this Fund. Such performance would have been lower if such charges were taken into account.*

The Fund's performance is compared to the performance of the MSCI AC World ex-U.S. Index. The MSCI AC World ex-U.S. Index is designed to measure the equity market performance of developed and emerging markets and excludes the U.S. The Index is unmanaged and cannot be purchased directly by investors. While index comparisons may be useful to provide a benchmark for the Fund's performance, it must be noted that the Fund's investments are not limited to the investments comprising the Index. Index performance includes reinvestment of income, but does not reflect transaction costs, fees, expenses or taxes. Index performance is shown for illustrative purposes only as a benchmark for the Fund's performance, and does not predict or depict performance of the Fund. The Fund's performance reflects the effects of the Fund's business and operating expenses.

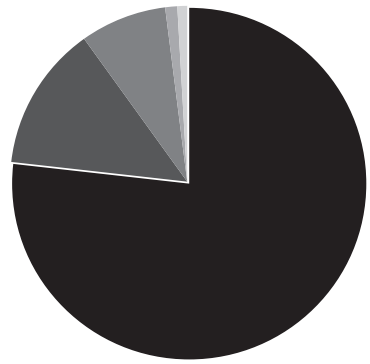
TOP HOLDINGS AND ALLOCATIONS

TOP TEN COMMON STOCK HOLDINGS

Dollarama, Inc.	1.9%
Nippon Telegraph & Telephone Corp.	1.8
Infineon Technologies AG	1.8
Heineken NV	1.4
Bunzl plc	1.4
Continental AG	1.4
Amadeus IT Holding SA, Cl. A	1.4
Keyence Corp.	1.3
James Hardie Industries plc	1.3
Vodafone Group plc	1.3

Portfolio holdings and allocations are subject to change. Percentages are as of June 30, 2016, and are based on net assets. For more current Fund holdings, please visit oppenheimerfunds.com.

REGIONAL ALLOCATION



Portfolio holdings and allocations are subject to change. Percentages are as of June 30, 2016, and are based on the total market value of investments.

Fund Performance Discussion

In a volatile market environment, the Fund's Non-Service shares generated a cumulative total return of -2.59%. On a relative basis, the Fund underperformed the MSCI AC World ex-U.S. Index (the "Index"), which returned -1.02%. The Fund's underperformance relative to the Index stemmed largely from an overweight position and stock selection in the consumer discretionary sector and an underweight position in the energy sector. Stock selection within the materials, information technology and telecommunication services sectors detracted from performance to a lesser degree. The Fund outperformed the Index most in the financials sector due to an underweight position. We are structurally and perennially underweight in the sector due to our bias against the business characteristics inherent in most financial companies. Financials stock prices reacted particularly negatively to the United Kingdom's ("UK") decision to exit the European Union ("EU"), commonly referred to as Brexit. The Fund also outperformed the Index in industrials as a result of stronger relative stock selection.

As we have often said before, volatility is our friend. We understand that it is uncomfortable for investors so we seek to dampen it in the Fund by investing in a large number of companies in relatively equal amounts. But down markets give us the opportunity to buy stocks at prices that we could not get when sentiment is optimistic. As the market has pulled back, we have bought more shares in companies we already own and taken the opportunity to acquire some new ones that we have coveted for some time. In addition, as long term, bottom up, micro-economic—as opposed to macroeconomic—stock pickers, we did not make changes to our portfolio in anticipation of any particular Brexit vote outcomes.

MARKET OVERVIEW

The first half of 2016 was a volatile time for global equity markets. China's slowing economy, falling crude oil prices, and the aggressive interest rate hike path indicated by the Federal Reserve (the "Fed") in its December 2015 communication, contributed to a tumultuous environment. March saw a temporary relief rally as communication from the Fed turned more accommodative in light of this weak start to the year. Oil prices and commodities started to pick up, but continued to experience volatility through the close of the reporting period. However, unanswered questions, including how quickly the Fed would raise interest rates and whether Britain would decide to exit the EU on its June 23 vote, made for an uncertain period. The UK surprised the markets by ultimately deciding to exit the EU. As a result, markets dropped sharply and remained volatile through the reporting period's end. See the Strategy & Outlook section of this report for more information on the Brexit and our views/outlook.

TOP INDIVIDUAL CONTRIBUTORS

Top contributors to the Fund's performance this period included Nippon Telegraph & Telephone Corporation, Dollarama, Inc. and CIMIC Group Ltd. Nippon Telegraph & Telephone Corporation is the incumbent telecommunications service company in Japan. It provides voice, data and video streaming services over both fixed and mobile networks. In addition, it is one of the largest providers of data warehouse services in the world. We have owned the company for nearly two years as part of our Data Deluge investment theme. The company continues to execute well on its development plans and the stock has continued to react favorably. Dollarama is the largest dollar store chain in Canada with more than 1,000 locations, with plans to expand well beyond that over the next several years. The stock price rose over the first half of the reporting period after the company announced fiscal fourth quarter sales rose 32% year over year, and same store sales rose 7.9% year over year. The company increased both its dividend and stock buyback program. Given the weakness of the Canadian economy, we believe consumers will remain highly value conscious. We believe Dollarama is well positioned for this. CIMIC Group is an Australian construction and engineering firm with considerable exposure to mining and infrastructure spending in Asia. The company has been working through a considerable restructuring in an effort to adapt to a far less robust environment both for mining and Asian infrastructure spending. The company released a quarterly report that showed some promise that these efforts are bearing fruit.

TOP INDIVIDUAL DETRACTORS

Detractors from performance this reporting period included William Hill plc, Essentra plc and Domino's Pizza Group plc. William Hill is a London-based bookmaker. Recent trends have been cyclically soft, especially for its online efforts, in addition to periodic regulatory noise, which affects the industry. We have been investors in the company for more than a dozen years and the returns have been good, despite recent weakness. We believe it has the potential to continue its long-term results. Essentra is an international supplier of specialty plastic packaging for health and personal care products, of fiber filters, and of customized protective components for use with industrial equipment. It also has a distribution business. During the reporting period, the company guided revenue and earnings expectations lower after losing a large filter customer. The stock price dropped as a result. In our opinion, the lower near-term revenue growth is fully reflected in the share price. We are positive on the longer-term outlook for the company and on its ability to trim expenses in the near term to maintain profitability at acceptable levels. Domino's Pizza Group is the master franchiser for Domino's Pizza stores in the UK, Ireland, Germany and Switzerland.

During the reporting period, the group acquired a significant stake in the Icelandic, Norwegian and Swedish franchises, with intent to become a majority owner. The company also announced a three for one stock split. After reaching new highs, the stock sold off in the wake of the Brexit vote, which acted as a catalyst for profit-taking. We remain owners.

STRATEGY & OUTLOOK

As expected, global markets had a negative reaction to the Brexit. The British exit from the EU may require companies to make adjustments in their operations, though the impact and timing will not be clear for some time. Furthermore, each company within each industry will not be affected in exactly the same way. Multi-national businesses always confront a wide variety of currency, regulatory, and trade restrictions. So, while the impact of Brexit is not yet clear, the issues it raises for companies are not. They deal with them as a routine part of managing global customer relationships and supply chains.

It has been our experience that exogenous shocks often provide opportunity. As Warren Buffett once noted, in the short run markets are a voting machine, and in the long run they are a weighing machine. Ultimately, the strength and durability of the economics of a business will drive the trajectory of its share price. This is unchanged by Brexit.

We want to remind investors that we are emphatically and insistently micro-economists. While we have opinions on macro-economic and political events, we do not base our investment decisions on them. Instead, we seek high-quality companies that are able to monetize long-term structural growth opportunities due to their meaningful and durable competitive advantages. We buy them when they are offered in the market at prices that we believe will enable us to realize a return on our capital above our hurdle rate. This is the discipline we will continue to follow.

The Fund's investment strategy and focus can change over time. The mention of specific fund holdings does not constitute a recommendation by OppenheimerFunds, Inc. or its affiliates.

Shares of Oppenheimer funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including the possible loss of the principal amount invested.

Fund Expenses

Fund Expenses. As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; distribution and service fees; and other Fund expenses. These examples are 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 examples are based on an investment of $1,000.00 invested at the beginning of the period and held for the entire 6-month period ended June 30, 2016.

Actual Expenses. The first section of the table provides information about actual account values and actual expenses. You may use the information in this section for the class of shares you hold, together with the amount you invested, to estimate the expense that you paid over the period. Simply divide your account value by $1,000.00 (for example, an $8,600.00 account value divided by $1,000.00 = 8.60), then multiply the result by the number in the first section under the heading entitled "Expenses Paid During 6 Months Ended June 30, 2016" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes.

The second section of the table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio for each class of shares, and an assumed rate of return of 5% per year for each class before expenses, which is not the 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 for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any charges associated with the separate accounts that offer this Fund. Therefore, the "hypothetical" lines of the table are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these separate account charges were included your costs would have been higher.

Actual	Beginning Account Value January 1, 2016	Ending Account Value June 30, 2016	Expenses Paid During 6 Months Ended June 30, 2016
Non-Service shares	$ 1,000.00	$ 974.10	$ 4.92
Service shares	1,000.00	972.80	6.15
Hypothetical (5% return before expenses)			
Non-Service shares	1,000.00	1,019.89	5.03
Service shares	1,000.00	1,018.65	6.29

Expenses are equal to the Fund's annualized expense ratio for that class, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period). Those annualized expense ratios, excluding indirect expenses from affiliated funds, based on the 6-month period ended June 30, 2016 are as follows:

Class	Expense Ratios
Non-Service shares	1.00%
Service shares	1.25

The expense ratios reflect voluntary and/or contractual waivers and/or reimbursements of expenses by the Fund's Manager. Some of these undertakings may be modified or terminated at any time, as indicated in the Fund's prospectus. The "Financial Highlights" tables in the Fund's financial statements, included in this report, also show the gross expense ratios, without such waivers or reimbursements and reduction to custodian expenses, if applicable.

	Shares	Value
Common Stocks—98.6%		
Consumer Discretionary—21.3%		
Auto Components—2.6%		
Continental AG	35,330	$ 6,639,503
Valeo SA	134,763	6,018,856
		12,658,359
Automobiles—1.8%		
Bayerische Motoren Werke AG	35,637	2,611,799
Hero MotoCorp Ltd.	130,054	6,089,085
		8,700,884
Diversified Consumer Services—0.7%		
Dignity plc	102,457	3,521,604
Hotels, Restaurants & Leisure—3.6%		
Carnival Corp.	137,270	6,067,334
Domino's Pizza Group plc	1,062,054	4,727,093
Whitbread plc	55,730	2,604,810
William Hill plc	1,056,291	3,658,645
		17,057,882
Household Durables—1.3%		
SEB SA	50,020	6,030,208
Media—3.6%		
Grupo Televisa SAB, Sponsored ADR	127,220	3,312,809
ProSiebenSat.1 Media SE[1]	105,321	4,598,913
SES SA, Cl. A, FDR	189,410	4,091,431
Sky plc	306,386	3,477,569
Technicolor SA	261,940	1,625,062
		17,105,784
Multiline Retail—2.7%		
Dollarama, Inc.	129,595	9,047,927
Hudson's Bay Co.	319,462	3,854,957
		12,902,884
Specialty Retail—0.8%		
Industria de Diseno Textil SA	120,883	4,031,142
Textiles, Apparel & Luxury Goods—4.2%		
Burberry Group plc	251,914	3,937,883
Cie Financiere Richemont SA	65,905	3,866,319
Hermes International	12,676	4,777,186
LVMH Moet Hennessy Louis Vuitton SE	27,410	4,150,343
Swatch Group AG (The)	10,866	3,158,765
		19,890,496
Consumer Staples—12.2%		
Beverages—2.7%		
Diageo plc	90,910	2,543,773
Heineken NV	74,595	6,892,796
Pernod Ricard SA	28,820	3,210,180
		12,646,749
Food & Staples Retailing—2.9%		
Alimentation Couche-Tard, Inc., Cl. B	96,145	4,128,739
CP ALL PCL	3,749,200	5,377,939
Spar Group Ltd. (The)	313,672	4,306,929
		13,813,607
Food Products—4.7%		
Aryzta AG[1]	101,343	3,723,980
Barry Callebaut AG[1]	3,869	4,751,808
Danone SA	48,866	3,445,672
Saputo, Inc.	188,015	5,583,912
Unilever plc	105,128	5,042,684
		22,548,056
Household Products—1.3%		
Reckitt Benckiser Group plc	59,097	5,945,491
Tobacco—0.6%		
Swedish Match AB	88,054	3,060,031
Energy—1.4%		
Energy Equipment & Services—0.4%		
Technip SA	35,261	$ 1,917,749
Oil, Gas & Consumable Fuels—1.0%		
Koninklijke Vopak NV	96,499	4,833,449
Financials—3.0%		
Capital Markets—1.7%		
ICAP plc	807,177	4,537,194
Tullett Prebon plc	261,864	1,055,273
UBS Group AG	203,387	2,631,544
		8,224,011
Commercial Banks—0.5%		
ICICI Bank Ltd., Sponsored ADR	340,495	2,444,754
Insurance—0.8%		
Prudential plc	208,769	3,556,549
Health Care—11.4%		
Biotechnology—2.5%		
CSL Ltd.	72,600	6,104,353
Grifols SA	258,769	5,843,600
		11,947,953
Health Care Equipment & Supplies—3.7%		
Coloplast AS, Cl. B	61,965	4,625,526
Essilor International SA	37,909	5,045,421
Sonova Holding AG	31,990	4,250,279
William Demant Holding AS[1]	189,460	3,684,538
		17,605,764
Health Care Providers & Services—0.7%		
Sonic Healthcare Ltd.	218,882	3,538,227
Life Sciences Tools & Services—1.0%		
Lonza Group AG[1]	28,847	4,780,335
Pharmaceuticals—3.5%		
Galenica AG	3,492	4,704,026
Novo Nordisk AS, Cl. B	112,338	6,041,207
Roche Holding AG	22,902	6,046,828
		16,792,061
Industrials—20.7%		
Aerospace & Defense—2.3%		
Airbus Group SE	93,920	5,453,785
Embraer SA	317,326	1,728,732
Rolls-Royce Holdings plc[1]	410,326	3,896,361
		11,078,878
Air Freight & Couriers—1.0%		
Royal Mail plc	697,154	4,726,185
Commercial Services & Supplies—2.8%		
Aggreko plc	166,902	2,866,525
Edenred	221,044	4,560,813
Prosegur Cia de Seguridad SA	925,430	5,603,049
		13,030,387
Construction & Engineering—1.3%		
Boskalis Westminster	77,962	2,689,089
CIMIC Group Ltd.	135,485	3,628,513
		6,317,602
Electrical Equipment—3.3%		
ABB Ltd.[1]	99,682	1,963,388
Legrand SA	76,570	3,950,626
Nidec Corp.	80,800	6,098,788
Schneider Electric SE	65,010	3,847,368
		15,860,170
Machinery—2.6%		
Aalberts Industries NV	190,097	5,734,194
Atlas Copco AB, Cl. A	195,534	5,063,053

	Shares	Value
Machinery (Continued)		
Weir Group plc (The)	84,652	$ 1,634,588
		12,431,835
Professional Services—3.0%		
Experian plc	259,473	4,928,577
Intertek Group plc	124,440	5,810,966
SGS SA	1,564	3,586,214
		14,325,757
Trading Companies & Distributors—4.4%		
Brenntag AG	110,286	5,329,537
Bunzl plc	222,481	6,881,448
Travis Perkins plc	206,602	4,133,173
Wolseley plc	88,790	4,601,559
		20,945,717
Information Technology—16.4%		
Communications Equipment—2.1%		
Nokia OYJ	948,403	5,396,378
Telefonaktiebolaget LM Ericsson, Cl. B	599,207	4,580,115
		9,976,493
Electronic Equipment, Instruments, & Components—2.8%		
Hoya Corp.	129,193	4,599,803
Keyence Corp.	9,506	6,411,347
Spectris plc	94,768	2,307,435
		13,318,585
Internet Software & Services—1.6%		
United Internet AG	78,726	3,248,257
Yahoo Japan Corp.	1,006,100	4,430,731
		7,678,988
IT Services—1.4%		
Amadeus IT Holding SA, Cl. A	145,026	6,353,371
Semiconductors & Semiconductor Equipment—3.6%		
ARM Holdings plc	274,730	4,161,050
ASML Holding NV	46,761	4,635,096
Infineon Technologies AG	591,639	8,502,137
		17,298,283
Software—4.4%		
AVEVA Group plc	65,424	1,476,843
Dassault Systemes	65,707	5,017,376
Gemalto NV	65,672	4,022,205
SAP SE	72,067	5,386,837
Software (Continued)		
Temenos Group AG[1]	105,085	$ 5,234,578
		21,137,839
Technology Hardware, Storage & Peripherals—0.5%		
Lenovo Group Ltd.	3,842,000	2,321,301
Materials—5.9%		
Chemicals—3.6%		
Essentra plc	449,566	3,085,949
Novozymes AS, Cl. B	114,251	5,505,827
Sika AG	1,135	4,747,884
Syngenta AG	9,734	3,741,519
		17,081,179
Construction Materials—1.3%		
James Hardie Industries plc	415,900	6,370,585
Containers & Packaging—1.0%		
CCL Industries, Inc., Cl. B	27,404	4,769,159
Telecommunication Services—6.3%		
Diversified Telecommunication Services—5.0%		
BT Group plc	869,308	4,800,187
Iliad SA	20,090	4,083,809
Inmarsat plc	238,860	2,563,801
Nippon Telegraph & Telephone Corp.	186,600	8,759,658
Telstra Corp. Ltd.	885,707	3,686,003
		23,893,458
Wireless Telecommunication Services—1.3%		
Vodafone Group plc	2,028,359	6,174,714
Total Common Stocks (Cost $351,557,024)		470,644,515
Preferred Stock—0.0%		
Zee Entertainment Enterprises Ltd., 6% Cum. Non-Cv. (Cost $12,272)	599,541	80,478
	Units	
Rights, Warrants and Certificates—0.0%		
MEI Pharma, Inc. Wts., Strike Price $1.19, Exp. 5/10/17[1] (Cost $35,548)	151,358	2,270
	Shares	
Investment Company—0.8%		
Oppenheimer Institutional Money Market Fund, Cl. E, 0.49%[2,3] (Cost $3,994,902)	3,994,902	3,994,902
Total Investments, at Value (Cost $355,599,746)	99.4%	474,722,165
Net Other Assets (Liabilities)	0.6	2,848,467
Net Assets	**100.0%**	**$ 477,570,632**

Footnotes to Statement of Investments

1. Non-income producing security.

2. Rate shown is the 7-day yield at period end.

3. Is or was an affiliate, as defined in the Investment Company Act of 1940, as amended, at or during the reporting period, by virtue of the Fund owning at least 5% of the voting securities of the issuer or as a result of the Fund and the issuer having the same investment adviser. Transactions during the reporting period in which the issuer was an affiliate are as follows:

	Shares December 31, 2015	Gross Additions	Gross Reductions	Shares June 30, 2016
Oppenheimer Institutional Money Market Fund, Cl. E	4,009,537	34,479,814	34,494,449	3,994,902

	Value	Income
Oppenheimer Institutional Money Market Fund, Cl. E	$ 3,994,902	$ 13,933

Distribution of investments representing geographic holdings, as a percentage of total investments at value, is as follows:

Geographic Holdings	Value	Percent
United Kingdom	$ 108,657,927	22.9%
France	67,225,883	14.2
Switzerland	57,187,468	12.0
Germany	36,316,984	7.6
Japan	30,300,326	6.4
Netherlands	28,806,829	6.1

Geographic Holdings (Continued)		Value	Percent
Canada	$	27,384,695	5.8%
Spain		21,831,163	4.6
Denmark		19,857,098	4.2
Australia		16,957,096	3.6
Sweden		12,703,200	2.7
United States		10,064,506	2.1
India		8,614,317	1.8
Ireland		6,370,585	1.3
Finland		5,396,378	1.1
Thailand		5,377,939	1.1
South Africa		4,306,929	0.9
Mexico		3,312,809	0.7
China		2,321,301	0.5
Brazil		1,728,732	0.4
Total	**$**	**474,722,165**	**100.0%**

See accompanying Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES June 30, 2016 Unaudited

Assets		
Investments, at value—see accompanying statement of investments:		
Unaffiliated companies (cost $351,604,844)	$	470,727,263
Affiliated companies (cost $3,994,902)		3,994,902
		474,722,165
Cash		499,613
Cash—foreign currencies (cost $3,300)		4
Receivables and other assets:		
Dividends		2,393,371
Shares of beneficial interest sold		632,722
Investments sold		80,583
Other		28,411
Total assets		478,356,869
Liabilities		
Payables and other liabilities:		
Shares of beneficial interest redeemed		338,941
Foreign capital gains tax		220,202
Investments purchased		140,071
Distribution and service plan fees		36,415
Trustees' compensation		20,425
Shareholder communications		5,959
Other		24,224
Total liabilities		786,237
Net Assets	**$**	**477,570,632**
Composition of Net Assets		
Par value of shares of beneficial interest	$	227,226
Additional paid-in capital		360,118,047
Accumulated net investment income		4,644,415
Accumulated net realized loss on investments and foreign currency transactions		(6,227,355)
Net unrealized appreciation on investments and translation of assets and liabilities denominated in foreign currencies		118,808,299
Net Assets	**$**	**477,570,632**
Net Asset Value Per Share		
Non-Service Shares:		
Net asset value, redemption price per share and offering price per share (based on net assets of $303,148,731 and 146,439,789 shares of beneficial interest outstanding)		$2.07
Service Shares:		
Net asset value, redemption price per share and offering price per share (based on net assets of $174,421,901 and 80,785,754 shares of beneficial interest outstanding)		$2.16

See accompanying Notes to Financial Statements.

STATEMENT OF OPERATIONS For the Six Months Ended June 30, 2016 Unaudited

Investment Income		
Dividends:		
Unaffiliated companies (net of foreign withholding taxes of $616,052)	$	7,592,170
Affiliated companies		13,933
Interest		35
Total investment income		7,606,138
Expenses		
Management fees		2,267,798
Distribution and service plan fees —Service shares		212,602
Transfer and shareholder servicing agent fees:		
Non-Service shares		152,976
Service shares		85,195
Shareholder communications:		
Non-Service shares		4,924
Service shares		2,754
Custodian fees and expenses		24,101
Trustees' compensation		11,300
Borrowing fees		4,252
Other		44,371
Total expenses		2,810,273
Less reduction to custodian expenses		(163)
Less waivers and reimbursements of expenses		(211,254)
Net expenses		2,598,856
Net Investment Income		5,007,282
Realized and Unrealized Gain (Loss)		
Net realized gain on:		
Investments from unaffiliated companies (net of foreign capital gains tax of $6,698)		718,512
Foreign currency transactions		5,340
Net realized gain		723,852
Net change in unrealized appreciation/depreciation on:		
Investments (net of foreign capital gains tax of $150,566)		(20,015,212)
Translation of assets and liabilities denominated in foreign currencies		1,877,831
Net change in unrealized appreciation/depreciation		(18,137,381)
Net Decrease in Net Assets Resulting from Operations	**$**	**(12,406,247)**

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
Operations		
Net investment income	$ 5,007,282	$ 5,013,190
Net realized gain	723,852	12,349,329
Net change in unrealized appreciation/depreciation	(18,137,381)	(2,159,966)
Net increase (decrease) in net assets resulting from operations	(12,406,247)	15,202,553
Dividends and/or Distributions to Shareholders		
Dividends from net investment income:		
Non-Service shares	(3,398,645)	(4,005,137)
Service shares	(1,459,515)	(1,505,303)
	(4,858,160)	(5,510,440)
Distributions from net realized gain:		
Non-Service shares	(7,229,895)	(24,445,588)
Service shares	(4,021,530)	(11,368,323)
	(11,251,425)	(35,813,911)
Beneficial Interest Transactions		
Net increase (decrease) in net assets resulting from beneficial interest transactions:		
Non-Service shares	4,171,901	(24,199,401)
Service shares	15,075,211	32,889,329
	19,247,112	8,689,928
Net Assets		
Total decrease	(9,268,720)	(17,431,870)
Beginning of period	486,839,352	504,271,222
End of period (including accumulated net investment income of $4,644,415 and $4,495,293, respectively)	**$ 477,570,632**	**$ 486,839,352**

See accompanying Notes to Financial Statements.

Non-Service Shares	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 30, 2011[1]
Per Share Operating Data						
Net asset value, beginning of period	$ 2.20	$ 2.31	$ 2.57	$ 2.07	$ 1.72	$ 1.87
Income (loss) from investment operations:						
Net investment income[2]	0.02	0.03	0.03	0.03	0.03	0.02
Net realized and unrealized gain (loss)	(0.08)	0.06	(0.21)	0.50	0.35	(0.15)
Total from investment operations	(0.06)	0.09	(0.18)	0.53	0.38	(0.13)
Dividends and/or distributions to shareholders:						
Dividends from net investment income	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)	(0.02)
Distributions from net realized gain	(0.05)	(0.17)	(0.05)	0.00	0.00	0.00
Total dividends and/or distributions to shareholders	(0.07)	(0.20)	(0.08)	(0.03)	(0.03)	(0.02)
Net asset value, end of period	**$ 2.07**	**$ 2.20**	**$ 2.31**	**$ 2.57**	**$ 2.07**	**$ 1.72**
Total Return, at Net Asset Value[3]	(2.59)%	3.43%	(7.22)%	25.87%	22.22%	(7.16)%
Ratios/Supplemental Data						
Net assets, end of period (in thousands)	$ 303,149	$ 317,547	$ 358,756	$ 458,038	$ 348,449	$ 364,221
Average net assets (in thousands)	$ 307,172	$ 343,347	$ 400,556	$ 404,859	$ 332,018	$ 406,974
Ratios to average net assets:[4]						
Net investment income	2.18%	1.08%	1.13%	1.24%	1.68%	1.21%
Expenses excluding interest and fees from borrowings	1.09%	1.08%	1.07%	1.09%	1.13%	1.09%
Interest and fees from borrowings	0.00%[5]	0.00%[5]	0.00%	0.00%	0.00%	0.00%
Total expenses[6]	1.09%	1.08%	1.07%	1.09%	1.13%	1.09%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Portfolio turnover rate	6%	24%	41%	32%	22%	25%

1. December 30, 2011 represents the last business day of the Fund's reporting period. See Note 2 of the accompanying Notes.
2. Per share amounts calculated based on the average shares outstanding during the period.
3. Assumes an initial investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Total returns are not annualized for periods less than one full year. Total return information does not reflect expenses that apply at the separate account level or to related insurance products. Inclusion of these charges would reduce the total return figures for all periods shown. Returns do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.
4. Annualized for periods less than one full year.
5. Less than 0.005%.
6. Total expenses including indirect expenses from affiliated fund fees and expenses were as follows:

Six Months Ended June 30, 2016	1.09%
Year Ended December 31, 2015	1.08%
Year Ended December 31, 2014	1.07%
Year Ended December 31, 2013	1.09%
Year Ended December 31, 2012	1.13%
Year Ended December 30, 2011	1.09%

See accompanying Notes to Financial Statements.

Service Shares	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 30, 2011[1]
Per Share Operating Data						
Net asset value, beginning of period	$ 2.29	$ 2.40	$ 2.66	$ 2.14	$ 1.78	$ 1.94
Income (loss) from investment operations:						
Net investment income[2]	0.02	0.02	0.02	0.02	0.03	0.02
Net realized and unrealized gain (loss)	(0.08)	0.06	(0.21)	0.53	0.35	(0.17)
Total from investment operations	(0.06)	0.08	(0.19)	0.55	0.38	(0.15)
Dividends and/or distributions to shareholders:						
Dividends from net investment income	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)
Distributions from net realized gain	(0.05)	(0.17)	(0.05)	0.00	0.00	0.00
Total dividends and/or distributions to shareholders	(0.07)	(0.19)	(0.07)	(0.03)	(0.02)	(0.01)
Net asset value, end of period	**$ 2.16**	**$ 2.29**	**$ 2.40**	**$ 2.66**	**$ 2.14**	**$ 1.78**
Total Return, at Net Asset Value[3]	(2.72)%	3.11%	(7.15)%	25.71%	21.68%	(7.61)%
Ratios/Supplemental Data						
Net assets, end of period (in thousands)	$ 174,422	$ 169,292	$ 145,515	$ 118,060	$ 68,997	$ 57,276
Average net assets (in thousands)	$ 171,069	$ 165,226	$ 128,694	$ 88,647	$ 63,118	$ 62,359
Ratios to average net assets:[4]						
Net investment income	1.97%	0.79%	0.85%	0.89%	1.43%	0.96%
Expenses excluding interest and fees from borrowings	1.34%	1.33%	1.32%	1.34%	1.38%	1.34%
Interest and fees from borrowings	0.00%[5]	0.00%[5]	0.00%	0.00%	0.00%	0.00%
Total expenses[6]	1.34%	1.33%	1.32%	1.34%	1.38%	1.34%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Portfolio turnover rate	6%	24%	41%	32%	22%	25%

1. December 30, 2011 represents the last business day of the Fund's reporting period. See Note 2 of the accompanying Notes.
2. Per share amounts calculated based on the average shares outstanding during the period.
3. Assumes an initial investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Total returns are not annualized for periods less than one full year. Total return information does not reflect expenses that apply at the separate account level or to related insurance products. Inclusion of these charges would reduce the total return figures for all periods shown. Returns do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.
4. Annualized for periods less than one full year.
5. Less than 0.005%.
6. Total expenses including indirect expenses from affiliated fund fees and expenses were as follows:

Six Months Ended June 30, 2016	1.34%
Year Ended December 31, 2015	1.33%
Year Ended December 31, 2014	1.32%
Year Ended December 31, 2013	1.34%
Year Ended December 31, 2012	1.38%
Year Ended December 30, 2011	1.34%

See accompanying Notes to Financial Statements.

1. Organization

Oppenheimer International Growth Fund/VA (the "Fund"), is a separate series of Oppenheimer Variable Account Funds, which is registered under the Investment Company Act of 1940 ("1940 Act"), as amended, as a diversified open-end management investment company. The Fund's investment objective is to seek capital appreciation. The Fund's investment adviser is OFI Global Asset Management, Inc. ("OFI Global" or the "Manager"), a wholly-owned subsidiary of OppenheimerFunds, Inc. ("OFI" or the "Sub-Adviser"). The Manager has entered into a sub-advisory agreement with OFI. Shares of the Fund are sold only to separate accounts of life insurance companies.

The Fund offers two classes of shares. Both classes are sold at their offering price, which is the net asset value per share, to separate investment accounts of participating insurance companies as an underlying investment for variable life insurance policies, variable annuity contracts or other investment products. The class of shares designated as Service shares is subject to a distribution and service plan. Both classes of shares have identical rights and voting privileges with respect to the Fund in general and exclusive voting rights on matters that affect that class alone. Earnings, net assets and net asset value per share may differ due to each class having its own expenses, such as transfer and shareholder servicing agent fees and shareholder communications, directly attributable to that class.

The following is a summary of significant accounting policies followed in the Fund's preparation of financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

2. Significant Accounting Policies

Security Valuation. All investments in securities are recorded at their estimated fair value, as described in Note 3.

Reporting Period End Date. The last day of the Fund's reporting period is the last day the New York Stock Exchange was open for trading during the period. The Fund's financial statements have been presented through that date to maintain consistency with the Fund's net asset value calculations used for shareholder transactions.

Foreign Currency Translation. The Fund's accounting records are maintained in U.S. dollars. The values of securities denominated in foreign currencies and amounts related to the purchase and sale of foreign securities and foreign investment income are translated into U.S. dollars as of the close of the New York Stock Exchange (the "Exchange"), normally 4:00 P.M. Eastern time, on each day the Exchange is open for trading. Foreign exchange rates may be valued primarily using a reliable bank, dealer or service authorized by the Board of Trustees.

Reported net realized gains and losses from foreign currency transactions arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, exchange rate fluctuations between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized appreciation and depreciation on the translation of assets and liabilities denominated in foreign currencies arise from changes in the values of assets and liabilities, including investments in securities at fiscal period end, resulting from changes in exchange rates.

The effect of changes in foreign currency exchange rates on investments is separately identified from the fluctuations arising from changes in market values of securities held and reported with all other foreign currency gains and losses in the Fund's Statement of Operations.

Allocation of Income, Expenses, Gains and Losses. Income, expenses (other than those attributable to a specific class), gains and losses are allocated on a daily basis to each class of shares based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

Dividends and Distributions to Shareholders. Dividends and distributions to shareholders, which are determined in accordance with income tax regulations and may differ from U.S. GAAP, are recorded on the ex-dividend date. Income and capital gain distributions, if any, are declared and paid annually or at other times as deemed necessary by the Manager.

The tax character of distributions is determined as of the Fund's fiscal year end. Therefore, a portion of the Fund's distributions made to shareholders prior to the Fund's fiscal year end may ultimately be categorized as a tax return of capital.

Investment Income. Dividend income is recorded on the ex-dividend date or upon ex-dividend notification in the case of certain foreign dividends where the ex-dividend date may have passed. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income is recognized on an accrual basis. Discount and premium, which are included in interest income on the Statement of Operations, are amortized or accreted daily.

Custodian Fees. "Custodian fees and expenses" in the Statement of Operations may include interest expense incurred by the Fund on any cash overdrafts of its custodian account during the period. Such cash overdrafts may result from the effects of failed trades in portfolio securities and from cash outflows resulting from unanticipated shareholder redemption activity. The Fund pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by the Fund, at a rate equal to the Federal Funds Rate plus 0.50%. The "Reduction to custodian expenses" line item, if applicable, represents earnings on cash balances maintained by the Fund during the period. Such interest expense and other custodian fees may be paid with these earnings.

Security Transactions. Security transactions are recorded on the trade date. Realized gains and losses on securities sold are determined on the basis of identified cost.

2. Significant Accounting Policies (Continued)

Indemnifications. The Fund's organizational documents provide current and former Trustees and officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Fund. In the normal course of business, the Fund may also enter into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would be dependent on future claims that may be made against the Fund. The risk of material loss from such claims is considered remote.

Federal Taxes. The Fund intends to comply with provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its investment company taxable income to shareholders. Therefore, no federal income or excise tax provision is required. The Fund files income tax returns in U.S. federal and applicable state jurisdictions. The statute of limitations on the Fund's tax return filings generally remains open for the three preceding fiscal reporting period ends. The Fund has analyzed its tax positions for the fiscal year ended December 31, 2015, including open tax years, and does not believe there are any uncertain tax positions requiring recognition in the Fund's financial statements.

During the fiscal year ended December 31, 2015, the Fund did not utilize any capital loss carryforward to offset capital gains realized in that fiscal year. Capital loss carryforwards with no expiration, if any, must be utilized prior to those with expiration dates. Capital losses with no expiration will be carried forward to future years if not offset by gains.

At period end, it is estimated that the Fund will not have any capital loss carryforwards. The estimated capital loss carryforward represents the carryforward as of the end of the last fiscal year, increased or decreased by capital losses or gains realized in the first six months of the current fiscal year. During the reporting period, it is estimated that the Fund will not utilize any capital loss carryforward to offset realized capital gains.

Net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of dividends and distributions made during the fiscal year from net investment income or net realized gains are determined in accordance with federal income tax requirements, which may differ from the character of net investment income or net realized gains presented in those financial statements in accordance with U.S. GAAP. Also, due to timing of dividends and distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or net realized gain was recorded by the Fund.

The aggregate cost of securities and other investments and the composition of unrealized appreciation and depreciation of securities and other investments for federal income tax purposes at period end are noted in the following table. The primary difference between book and tax appreciation or depreciation of securities and other investments, if applicable, is attributable to the tax deferral of losses or tax realization of financial statement unrealized gain or loss.

Federal tax cost of securities	$ 362,640,893
Federal tax cost of other investments	3,300
Total federal tax cost	**$ 362,644,193**
Gross unrealized appreciation	$ 159,883,780
Gross unrealized depreciation	(48,116,630)
Net unrealized appreciation	**$ 111,767,150**

Certain foreign countries impose a tax on capital gains which is accrued by the Fund based on unrealized appreciation, if any, on affected securities. The tax is paid when the gain is realized.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP 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.

3. Securities Valuation

The Fund calculates the net asset value of its shares as of 4:00 P.M. Eastern time, on each day the New York Stock Exchange (the "Exchange") is open for trading, except in the case of a scheduled early closing of the Exchange, in which case the Fund will calculate net asset value of the shares as of the scheduled early closing time of the Exchange.

The Fund's Board has adopted procedures for the valuation of the Fund's securities and has delegated the day-to-day responsibility for valuation determinations under those procedures to the Manager. The Manager has established a Valuation Committee which is responsible for determining a "fair valuation" for any security for which market quotations are not "readily available." The Valuation Committee's fair valuation determinations are subject to review, approval and ratification by the Fund's Board at its next regularly scheduled meeting covering the calendar quarter in which the fair valuation was determined.

Valuation Methods and Inputs

Securities are valued using unadjusted quoted market prices, when available, as supplied primarily by third party pricing services or dealers.

The following methodologies are used to determine the market value or the fair value of the types of securities described below:

Securities traded on a registered U.S. securities exchange (including exchange-traded derivatives other than futures and futures options) are valued based on the last sale price of the security reported on the principal exchange on which it is traded, prior to the time when the Fund's assets are valued. In the absence of a sale, the security is valued at the mean between the bid and asked price on the principal exchange or, if not available from the principal exchange, obtained from two dealers. If bid and asked prices are not available from either the exchange or two dealers, the security is valued

3. Securities Valuation (Continued)

by using one of the following methodologies (listed in order of priority): (1) a bid from the principal exchange, (2) the mean between the bid and asked price as provided by a single dealer, or (3) a bid from a single dealer. A security of a foreign issuer traded on a foreign exchange, but not listed on a registered U.S. securities exchange, is valued based on the last sale price on the principal exchange on which the security is traded, as identified by the third party pricing service used by the Manager, prior to the time when the Fund's assets are valued. If the last sale price is unavailable, the security is valued at the most recent official closing price on the principal exchange on which it is traded. If the last sales price or official closing price for a foreign security is not available, the security is valued at the mean between the bid and asked price per the exchange or, if not available from the exchange, obtained from two dealers. If bid and asked prices are not available from either the exchange or two dealers, the security is valued by using one of the following methodologies (listed in order of priority): (1) a bid from the exchange, (2) the mean between the bid and asked price as provided by a single dealer, or (3) a bid from a single dealer.

Shares of a registered investment company that are not traded on an exchange are valued at that investment company's net asset value per share.

Corporate and government debt securities (of U.S. or foreign issuers) and municipal debt securities, event-linked bonds, loans, mortgage-backed securities, collateralized mortgage obligations, and asset-backed securities are valued at the mean between the "bid" and "asked" prices utilizing evaluated prices obtained from third party pricing services or broker-dealers who may use matrix pricing methods to determine the evaluated prices.

Short-term money market type debt securities with a remaining maturity of sixty days or less are valued at cost adjusted by the amortization of discount or premium to maturity (amortized cost), which approximates market value. Short-term debt securities with a remaining maturity in excess of sixty days are valued at the mean between the "bid" and "asked" prices utilizing evaluated prices obtained from third party pricing services or broker-dealers.

A description of the standard inputs that may generally be considered by the third party pricing vendors in determining their evaluated prices is provided below.

Security Type	Standard inputs generally considered by third-party pricing vendors
Corporate debt, government debt, municipal, mortgage-backed and asset-backed securities	Reported trade data, broker-dealer price quotations, benchmark yields, issuer spreads on comparable securities, the credit quality, yield, maturity, and other appropriate factors.
Loans	Information obtained from market participants regarding reported trade data and broker-dealer price quotations.
Event-linked bonds	Information obtained from market participants regarding reported trade data and broker-dealer price quotations.

If a market value or price cannot be determined for a security using the methodologies described above, or if, in the "good faith" opinion of the Manager, the market value or price obtained does not constitute a "readily available market quotation," or a significant event has occurred that would materially affect the value of the security, the security is fair valued either (i) by a standardized fair valuation methodology applicable to the security type or the significant event as previously approved by the Valuation Committee and the Fund's Board or (ii) as determined in good faith by the Manager's Valuation Committee. The Valuation Committee considers all relevant facts that are reasonably available, through either public information or information available to the Manager, when determining the fair value of a security. Fair value determinations by the Manager are subject to review, approval and ratification by the Fund's Board at its next regularly scheduled meeting covering the calendar quarter in which the fair valuation was determined. Those fair valuation standardized methodologies include, but are not limited to, valuing securities at the last sale price or initially at cost and subsequently adjusting the value based on: changes in company specific fundamentals, changes in an appropriate securities index, or changes in the value of similar securities which may be further adjusted for any discounts related to security-specific resale restrictions. When possible, such methodologies use observable market inputs such as unadjusted quoted prices of similar securities, observable interest rates, currency rates and yield curves. The methodologies used for valuing securities are not necessarily an indication of the risks associated with investing in those securities nor can it be assured that the Fund can obtain the fair value assigned to a security if it were to sell the security.

To assess the continuing appropriateness of security valuations, the Manager, or its third party service provider who is subject to oversight by the Manager, regularly compares prior day prices, prices on comparable securities, and sale prices to the current day prices and challenges those prices exceeding certain tolerance levels with the third party pricing service or broker source. For those securities valued by fair valuations, whether through a standardized fair valuation methodology or a fair valuation determination, the Valuation Committee reviews and affirms the reasonableness of the valuations based on such methodologies and fair valuation determinations on a regular basis after considering all relevant information that is reasonably available.

Classifications

Each investment asset or liability of the Fund is assigned a level at measurement date based on the significance and source of the inputs to its valuation. Various data inputs are used in determining the value of each of the Fund's investments as of the reporting period end. These data inputs are categorized in the following hierarchy under applicable financial accounting standards:

1) Level 1-unadjusted quoted prices in active markets for identical assets or liabilities (including securities actively traded on a securities exchange)
2) Level 2-inputs other than unadjusted quoted prices that are observable for the asset or liability (such as unadjusted quoted prices for similar assets and market corroborated inputs such as interest rates, prepayment speeds, credit risks, etc.)
3) Level 3-significant unobservable inputs (including the Manager's own judgments about assumptions that market participants would use in pricing

3. Securities Valuation (Continued)

the asset or liability).

The inputs used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

The Fund classifies each of its investments in those investment companies which are publicly offered as Level 1. Investment companies that are not publicly offered are measured using net asset value as a practical expedient, and are not classified in the fair value hierarchy.

The table below categorizes amounts that are included in the Fund's Statement of Assets and Liabilities at period end based on valuation input level:

	Level 1— Unadjusted Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Value
Assets Table				
Investments, at Value:				
Common Stocks				
Consumer Discretionary	$ 22,283,027	$ 79,616,216	$ —	$ 101,899,243
Consumer Staples	9,712,651	48,301,283	—	58,013,934
Energy	—	6,751,198	—	6,751,198
Financials	2,444,754	11,780,560	—	14,225,314
Health Care	—	54,664,340	—	54,664,340
Industrials	—	98,716,531	—	98,716,531
Information Technology	—	78,084,860	—	78,084,860
Materials	4,769,159	23,451,764	—	28,220,923
Telecommunication Services	—	30,068,172	—	30,068,172
Preferred Stock	80,478	—	—	80,478
Rights, Warrants and Certificates	—	2,270	—	2,270
Investment Company	3,994,902	—	—	3,994,902
Total Assets	**$ 43,284,971**	**$ 431,437,194**	**$ —**	**$ 474,722,165**

Forward currency exchange contracts and futures contracts, if any, are reported at their unrealized appreciation/depreciation at measurement date, which represents the change in the contract's value from trade date. All additional assets and liabilities included in the above table are reported at their market value at measurement date.

4. Investments and Risks

Risks of Foreign Investing. The Fund may invest in foreign securities which are subject to special risks. Securities traded in foreign markets may be less liquid and more volatile than those traded in U.S. markets. Foreign issuers are usually not subject to the same accounting and disclosure requirements that U.S. companies are subject to, which may make it difficult for the Fund to evaluate a foreign company's operations or financial condition. A change in the value of a foreign currency against the U.S. dollar will result in a change in the U.S. dollar value of investments denominated in that foreign currency and in the value of any income or distributions the Fund may receive on those investments. The value of foreign investments may be affected by exchange control regulations, foreign taxes, higher transaction and other costs, delays in the settlement of transactions, changes in economic or monetary policy in the United States or abroad, expropriation or nationalization of a company's assets, or other political and economic factors. In addition, due to the inter-relationship of global economies and financial markets, changes in political and economic factors in one country or region could adversely affect conditions in another country or region. Investments in foreign securities may also expose the Fund to time-zone arbitrage risk. Foreign securities may trade on weekends or other days when the Fund does not price its shares. At times, the Fund may emphasize investments in a particular country or region and may be subject to greater risks from adverse events that occur in that country or region. Foreign securities and foreign currencies held in foreign banks and securities depositories may be subject to limited or no regulatory oversight.

Investments in Affiliated Funds. The Fund is permitted to invest in other mutual funds advised by the Manager ("Affiliated Funds"). Affiliated Funds are open-end management investment companies registered under the 1940 Act, as amended. The Manager is the investment adviser of, and the Sub-Adviser provides investment and related advisory services to, the Affiliated Funds. When applicable, the Fund's investments in Affiliated Funds are included in the Statement of Investments. Shares of Affiliated Funds are valued at their net asset value per share. As a shareholder, the Fund is subject to its proportional share of the Affiliated Funds' expenses, including their management fee. The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investment in the Affiliated Funds.

Each of the Affiliated Funds in which the Fund invests has its own investment risks, and those risks can affect the value of the Fund's investments and therefore the value of the Fund's shares. To the extent that the Fund invests more of its assets in one Affiliated Fund than in another, the Fund will have greater exposure to the risks of that Affiliated Fund.

Investment in Oppenheimer Institutional Money Market Fund. The Fund is permitted to invest daily available cash balances in a money market Affiliated Fund. The Fund may invest the available cash in Class E shares of Oppenheimer Institutional Money Market Fund ("IMMF") to seek current income while preserving liquidity or for defensive purposes. IMMF is regulated as a money market fund under the Investment Company Act of 1940, as amended.

4. Investments and Risks (Continued)

Equity Security Risk. Stocks and other equity securities fluctuate in price. The value of the Fund's portfolio may be affected by changes in the equity markets generally. Equity markets may experience significant short-term volatility and may fall sharply at times. Different markets may behave differently from each other and U.S. equity markets may move in the opposite direction from one or more foreign stock markets. Adverse events in any part of the equity or fixed-income markets may have unexpected negative effects on other market segments.

The prices of individual equity securities generally do not all move in the same direction at the same time and a variety of factors can affect the price of a particular company's securities. These factors may include, but are not limited to, poor earnings reports, a loss of customers, litigation against the company, general unfavorable performance of the company's sector or industry, or changes in government regulations affecting the company or its industry.

5. Market Risk Factors

The Fund's investments in securities and/or financial derivatives may expose the Fund to various market risk factors:

Commodity Risk. Commodity risk relates to the change in value of commodities or commodity indexes as they relate to increases or decreases in the commodities market. Commodities are physical assets that have tangible properties. Examples of these types of assets are crude oil, heating oil, metals, livestock, and agricultural products.

Credit Risk. Credit risk relates to the ability of the issuer of debt to meet interest and principal payments, or both, as they come due. In general, lower-grade, higher-yield debt securities are subject to credit risk to a greater extent than lower-yield, higher-quality securities.

Equity Risk. Equity risk relates to the change in value of equity securities as they relate to increases or decreases in the general market.

Foreign Exchange Rate Risk. Foreign exchange rate risk relates to the change in the U.S. dollar value of a security held that is denominated in a foreign currency. The U.S. dollar value of a foreign currency denominated security will decrease as the dollar appreciates against the currency, while the U.S. dollar value will increase as the dollar depreciates against the currency.

Interest Rate Risk. Interest rate risk refers to the fluctuations in value of fixed-income securities resulting from the inverse relationship between price and yield. For example, an increase in general interest rates will tend to reduce the market value of already issued fixed-income investments, and a decline in general interest rates will tend to increase their value. In addition, debt securities with longer maturities, which tend to have higher yields, are subject to potentially greater fluctuations in value from changes in interest rates than obligations with shorter maturities.

Volatility Risk. Volatility risk refers to the magnitude of the movement, but not the direction of the movement, in a financial instrument's price over a defined time period. Large increases or decreases in a financial instrument's price over a relative time period typically indicate greater volatility risk, while small increases or decreases in its price typically indicate lower volatility risk.

6. Shares of Beneficial Interest

The Fund has authorized an unlimited number of $0.001 par value shares of beneficial interest of each class. Transactions in shares of beneficial interest were as follows:

	Six Months Ended June 30, 2016		Year Ended December 31, 2015	
	Shares	Amount	Shares	Amount
Non-Service Shares				
Sold	8,941,085	$ 19,050,267	25,785,184	$ 60,862,122
Dividends and/or distributions reinvested	4,989,924	10,628,540	12,263,244	28,450,725
Redeemed	(11,901,469)	(25,506,906)	(48,734,993)	(113,512,248)
Net increase (decrease)	**2,029,540**	**$ 4,171,901**	**(10,686,565)**	**$ (24,199,401)**
Service Shares				
Sold	10,244,631	$ 22,831,385	20,290,959	$ 49,094,495
Dividends and/or distributions reinvested	2,468,940	5,481,045	5,341,754	12,873,626
Redeemed	(5,936,049)	(13,237,219)	(12,264,866)	(29,078,792)
Net increase	**6,777,522**	**$ 15,075,211**	**13,367,847**	**$ 32,889,329**

7. Purchases and Sales of Securities

The aggregate cost of purchases and proceeds from sales of securities, other than short-term obligations and investments in IMMF, for the reporting period were as follows:

	Purchases	Sales
Investment securities	$32,406,856	$27,355,413

8. Fees and Other Transactions with Affiliates

Management Fees. Under the investment advisory agreement, the Fund pays the Manager a management fee based on the daily net assets of the Fund at an annual rate as shown in the following table:

8. Fees and Other Transactions with Affiliates (Continued)

Fee Schedule	
Up to $250 million	1.00%
Next $250 million	0.90
Next $500 million	0.85
Over $1 billion	0.82

The Fund's effective management fee for the reporting period was 0.95% of average annual net assets before any applicable waivers.

Sub-Adviser Fees. The Manager has retained the Sub-Adviser to provide the day-to-day portfolio management of the Fund. Under the Sub-Advisory Agreement, the Manager pays the Sub-Adviser an annual fee in monthly installments, equal to a percentage of the investment management fee collected by the Manager from the Fund, which shall be calculated after any investment management fee waivers. The fee paid to the Sub-Adviser is paid by the Manager, not by the Fund.

Transfer Agent Fees. OFI Global (the "Transfer Agent") serves as the transfer and shareholder servicing agent for the Fund. The Fund pays the Transfer Agent a fee based on annual net assets. Fees incurred and average net assets for each class with respect to these services are detailed in the Statement of Operations and Financial Highlights, respectively.

Sub-Transfer Agent Fees. The Transfer Agent has retained Shareholder Services, Inc., a wholly-owned subsidiary of OFI (the "Sub-Transfer Agent"), to provide the day-to-day transfer agent and shareholder servicing of the Fund. Under the Sub-Transfer Agency Agreement, the Transfer Agent pays the Sub-Transfer Agent an annual fee in monthly installments, equal to a percentage of the transfer agent fee collected by the Transfer Agent from the Fund, which shall be calculated after any applicable fee waivers. The fee paid to the Sub-Transfer Agent is paid by the Transfer Agent, not by the Fund.

Trustees' Compensation. The Fund's Board of Trustees ("Board") has adopted a compensation deferral plan for Independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Fund. For purposes of determining the amount owed to the Trustees under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of the Fund or in other Oppenheimer funds selected by the Trustees. The Fund purchases shares of the funds selected for deferral by the Trustees in amounts equal to his or her deemed investment, resulting in a Fund asset equal to the deferred compensation liability. Such assets are included as a component of "Other" within the asset section of the Statement of Assets and Liabilities. Deferral of Trustees' fees under the plan will not affect the net assets of the Fund and will not materially affect the Fund's assets, liabilities or net investment income per share. Amounts will be deferred until distributed in accordance with the compensation deferral plan.

Distribution and Service Plan for Service Shares. The Fund has adopted a Distribution and Service Plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act for Service shares to pay OppenheimerFunds Distributor, Inc. (the "Distributor"), for distribution related services, personal service and account maintenance for the Fund's Service shares. Under the Plan, payments are made periodically at an annual rate of 0.25% of the daily net assets of Service shares of the Fund. The Distributor currently uses all of those fees to compensate sponsors of the insurance product that offers Fund shares, for providing personal service and maintenance of accounts of their variable contract owners that hold Service shares. These fees are paid out of the Fund's assets on an on-going basis and increase operating expenses of the Service shares, which results in lower performance compared to the Fund's shares that are not subject to a service fee. Fees incurred by the Fund under the Plan are detailed in the Statement of Operations.

Waivers and Reimbursements of Expenses. The Manager has contractually agreed to limit the Fund's expenses after payments, waivers and/or reimbursements and reduction to custodian expenses, excluding expenses incurred directly or indirectly by the Fund as a result of investments in other investment companies, wholly-owned subsidiaries and pooled investment vehicles; so that those expenses, as percentages of daily net assets, will not exceed the annual rate of 1.00% for Non-Service shares and 1.25% for Service shares. The expense limitations do not include interest and fees from borrowing, and other expenses not incurred in the ordinary course of the Fund's business. During the reporting period, the Manager waived fees and/or reimbursed the Fund $133,638 and $74,542 for Non-Service and Service shares, respectively.

The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investment in IMMF. During the reporting period, the Manager waived fees and/or reimbursed the Fund $3,074 for IMMF management fees.

Waivers and/or reimbursements may be modified or terminated as set forth according to the terms in the prospectus.

9. Borrowings and Other Financing

Joint Credit Facility. A number of mutual funds managed by the Manager participate in a $1.28 billion revolving credit facility (the "Facility") intended to provide short-term financing, if necessary, subject to certain restrictions in connection with atypical redemption activity. Expenses and fees related to the Facility are paid by the participating funds and are disclosed separately or as other expenses on the Statement of Operations. The Fund did not utilize the Facility during the reporting period.

10. Pending Litigation

In 2009, several putative class action lawsuits were filed and later consolidated before the U.S. District Court for the District of Colorado against

10. Pending Litigation (Continued)

OppenheimerFunds, Inc. ("OFI"), OppenheimerFunds Distributor, Inc. ("OFDI"), and Oppenheimer Rochester California Municipal Fund, a fund advised by OFI Global Asset Management, Inc. and distributed by the Distributor (the "California Fund"), in connection with the California Fund's investment performance. The plaintiffs asserted claims against OFI, OFDI and certain present and former trustees and officers of the California Fund under the federal securities laws, alleging, among other things, that the disclosure documents of the California Fund contained misrepresentations and omissions and the investment policies of the California Fund were not followed. Plaintiffs in the suit filed an amended complaint and defendants filed a motion to dismiss. In 2011, the court issued an order which granted in part and denied in part the defendants' motion to dismiss. In 2012, plaintiffs filed a motion, which defendants opposed, to certify a class and appoint class representatives and class counsel. In March 2015, the court granted plaintiffs' motion for class certification. In May 2015, the U.S. Court of Appeals for the Tenth Circuit vacated the class certification order and remanded the matter to the district court for further proceedings. In October 2015, the district court reaffirmed its order and determined that the suit will proceed as a class action. In December 2015, the Tenth Circuit denied defendants' petition to appeal the district court's reaffirmed class certification order.

OFI and OFDI believe the suit is without merit; that it is premature to render any opinion as to the likelihood of an outcome unfavorable to them in the suit; and that no estimate can yet be made as to the amount or range of any potential loss. Furthermore, OFI believes that the suit should not impair the ability of OFI or OFDI to perform their respective duties to the Fund and that the outcome of the suit should not have any material effect on the operations of any of the Oppenheimer funds.

PORTFOLIO PROXY VOTING POLICIES AND GUIDELINES; UPDATES TO STATEMENTS OF INVESTMENTS Unaudited

The Fund has adopted Portfolio Proxy Voting Policies and Guidelines under which the Fund votes proxies relating to securities ("portfolio proxies") held by the Fund. A description of the Fund's Portfolio Proxy Voting Policies and Guidelines is available (i) without charge, upon request, by calling the Fund toll-free at 1.800.525.7048, (ii) on the Fund's website at www.oppenheimerfunds.com, and (iii) on the SEC's website at www.sec.gov. In addition, the Fund is required to file Form N-PX, with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. The Fund's voting record is available (i) without charge, upon request, by calling the Fund toll-free at 1.800.525.7048, and (ii) in the Form N-PX filing on the SEC's website at www.sec.gov.

The Fund files its complete schedule of portfolio holdings with the SEC for the first quarter and the third quarter of each fiscal year on Form N-Q. The Fund's Form N-Q filings are available on the SEC's website at www.sec.gov. Those forms 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 1-800-SEC-0330.

DISTRIBUTION SOURCES Unaudited

For any distribution that took place over the Fund's reporting period, the table below details on a per-share basis the percentage of the Fund's total distribution payment amount that was derived from the following sources: net income, net profit from the sale of securities, and other capital sources. This information is based upon income and capital gains using generally accepted accounting principles as of the date of each distribution. Because the Fund is actively managed, the relative amount of the Fund's total distributions derived from various sources over the calendar year may change. Please note that this information should not be used for tax reporting purposes as the tax character of distributable income may differ from the amounts used for this notification. You will receive IRS tax forms in the first quarter of each calendar year detailing the actual amount of the taxable and non-taxable portion of distributions paid to you during the tax year.

For the most current information, please go to oppenheimerfunds.com. Select your Fund, then the 'Detailed' tab; where 'Dividends' are shown, the Fund's latest pay date will be followed by the sources of any distribution, updated daily.

Fund Name	Pay Date	Net Income	Net Profit from Sale	Other Capital Sources
Oppenheimer International Growth Fund/VA	6/21/16	32.5%	45.6%	21.9%

OPPENHEIMER INTERNATIONAL GROWTH FUND/VA

A Series of Oppenheimer Variable Account Funds

Trustees and Officers	Sam Freedman, Chairman of the Board of Trustees and Trustee Jon S. Fossel, Trustee Richard F. Grabish, Trustee Beverly L. Hamilton, Trustee Victoria J. Herget, Trustee Robert J. Malone, Trustee F. William Marshall, Jr., Trustee Karen L. Stuckey, Trustee James D. Vaughn, Trustee Arthur P. Steinmetz, Trustee, President and Principal Executive Officer George R. Evans, Vice President Robert B. Dunphy, Vice President Cynthia Lo Bessette, Secretary and Chief Legal Officer Jennifer Sexton, Vice President and Chief Business Officer Mary Ann Picciotto, Chief Compliance Officer and Chief Anti-Money Laundering Officer Brian S. Petersen, Treasurer and Principal Financial & Accounting Officer
Manager	OFI Global Asset Management, Inc.
Sub-Adviser	OppenheimerFunds, Inc.
Distributor	OppenheimerFunds Distributor, Inc.
Transfer and Shareholder Servicing Agent	OFI Global Asset Management, Inc.
Sub-Transfer Agent	Shareholder Services, Inc. DBA OppenheimerFunds Services
Independent Registered Public Accounting Firm	KPMG LLP
Legal Counsel	Ropes & Gray LLP

Before investing in any of the Oppenheimer funds, investors should carefully consider a fund's investment objectives, risks, charges and expenses. Fund prospectuses and summary prospectuses contain this and other information about the funds, and may be obtained by asking your financial advisor, or calling us at 1.800.988.8287. Read prospectuses and summary prospectuses carefully before investing.

The financial statements included herein have been taken from the records of the Fund without examination of those records by the independent registered public accounting firm.

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OppenheimerFunds®
The Right Way
to Invest

PIMCO

Semiannual Report

June 30, 2016

PIMCO Variable Insurance Trust

PIMCO CommodityRealReturn® Strategy Portfolio

Share Classes

- Institutional
- M
- Administrative
- Advisor

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This material is authorized for use only when preceded or accompanied by the current PIMCO Variable Insurance Trust (the "Trust") prospectus for the Portfolio. (The variable product prospectus may be obtained by contacting your Investment Consultant.)

Dear PIMCO Variable Insurance Trust Shareholder,

Please find enclosed the Semiannual Report for the PIMCO Variable Insurance Trust covering the six-month reporting period ended June 30, 2016. The following pages contain specific details about the Portfolio's investment performance and a discussion of the factors that most affected performance over the reporting period.

Outside of the reporting period, PIMCO announced on July 19, 2016 that the firm's Managing Directors have selected Emmanuel (Manny) Roman as PIMCO's next Chief Executive Officer. PIMCO's current CEO Douglas Hodge will assume a new role as Managing Director and Senior Advisor when Mr. Roman joins PIMCO on November 1st.

The announcement of Mr. Roman as PIMCO's CEO is the culmination of a process undertaken by the firm to hire a senior executive who would add leadership and strategic insights combined with a deep appreciation of PIMCO's diversified global businesses, investment process and focus on superior investment performance and client-service. Mr. Roman's appointment has the full support of the firm's leadership including Mr. Hodge, PIMCO's President Jay Jacobs, the firm's Executive Committee and its Managing Directors. Mr. Roman has nearly 30 years of experience in the investment industry, with expertise in fixed income and proven executive leadership, most recently as CEO of Man Group PLC, one of the world's largest publicly-traded alternative asset managers and a leader in liquid, high-alpha investment strategies.

Highlights of the financial markets during the six-month fiscal reporting period include:

- The first segment of the reporting period through mid-February 2016 was marked by ongoing concerns over the global impact of a slowdown in the Chinese economy, which drove commodity prices and inflation expectations generally lower. By March, a recovery in the price of oil and expectations of lower interest rates for longer supported a rally in risk assets. The Bank of Japan ("BOJ") and the People's Bank of China, for example, indicated their intent for further policy easing, with the BOJ resorting to a negative interest rate policy in February 2016. The European Central Bank ("ECB") also resorted to unconventional monetary policy with additional easing measures and an expansion of its quantitative easing program by shifting its focus toward domestic credit, pushing government sovereign yields into negative territory. In June 2016, the ECB began purchasing corporate bonds to help invigorate economic growth and stimulate inflation in the region.
- In the U.S., concerns regarding the global impact of tightening financial conditions and renewed U.S. dollar strength kept the Federal Reserve ("Fed") on hold at their June 2016 meeting, after having slightly raised interest rates at their December 2015 meeting. In addition, the U.S. dollar appreciated against most European and emerging market currencies, while falling against the Japanese yen. The U.S. interest rate yield curve flattened as the ten-year U.S. Treasury yield rallied to all-time lows and short-term interest rates rose with the initial Fed rate hike in December 2015. Revised first quarter 2016 U.S. gross domestic product ("GDP") data released in late June was marginally stronger as retail sales, housing and consumer sentiment data indicated an improving economy.
- Market movements and news headlines at the end of the reporting period were dominated by the unexpected outcome of the U.K. referendum on June 23, 2016. Initial investor reaction to the Brexit vote was largely "risk-off" as various assets re-priced to the surprise outcome, with U.S. Treasuries, the Japanese yen and gold headlining a safe-haven rally. However, aside from the Pound Sterling and European and Japanese equities, most asset classes generally recovered in the ensuing week as investors reassessed the impact of the Brexit vote on global growth expectations.
- U.S. Treasuries, as represented by the Barclays U.S. Treasury Index, returned 5.37% for the reporting period. Yields declined across the majority of the U.S. Treasury yield curve as a more dovish tone from the Fed coupled with the surprise result of the U.K. referendum pushed expectations for policy normalization further into the future. The benchmark ten-year U.S. Treasury note yielded 1.49% at the end of the reporting period, down from 2.27% on December 31, 2015. The Barclays U.S. Aggregate Index, a widely used index of U.S. investment-grade bonds, returned 5.31% for the reporting period.
- U.S. Treasury Inflation-Protected Securities ("TIPS"), as represented by the Barclays U.S. TIPS Index, returned 6.24% over the reporting period. U.S. real interest rates followed nominal yields sharply lower as concerns surrounding China's growth prospects early in the reporting period coupled with uncertainty over the U.K. referendum created a strong flight-to-quality bid and more tempered expectations for near-term Fed rate hikes.

Despite posting positive absolute returns, U.S. TIPS were outpaced by comparable nominal U.S. Treasuries as market-based inflation expectations ended the period lower. U.S. breakeven inflation rates were pressured lower by low headline inflation data and outsized demand for safe-haven nominal U.S. Treasuries.

- Diversified commodities, as represented by the Bloomberg Commodity Index Total Return, returned 13.25% over the reporting period. Prices on broad commodities rebounded, led higher primarily by energy and precious metal prices. Crude oil prices rose markedly after reaching multi-year lows in January 2016, driven higher by strong demand and production outages. Within precious metals, gold prices were the beneficiary of strong safe-haven demand around risk-off events, particularly in June 2016 following the U.K.'s historic vote to leave the European Union. Agriculture commodity prices also advanced over the period, led by sugar prices which rallied on Brazilian rainfall, Indian import demand as well as strength in the Brazilian real.
- Agency mortgage-backed securities ("MBS"), as represented by the Barclays U.S. MBS Fixed Rate Index, returned 3.11% over the reporting period and underperformed like-duration U.S. Treasuries amid headwinds from heavy supply and refinancing concerns. Non-Agency MBS prices were higher and spreads tightened, as the sector continued to benefit from favorable technicals and stable fundamentals. Positive representation and warranty settlement developments also benefited the sector.
- U.S. investment grade credit, as represented by the Barclays U.S. Credit Index, returned 7.54% over the reporting period, as falling credit yields and a commodity-fueled rally drove returns over the reporting period. Developed market global high yield bonds, as measured by the BofA Merrill Lynch Developed Markets High Yield Constrained Index (USD Hedged), returned 8.02% over the reporting period. Strong performance from commodity sectors and risk-on sentiment drove returns, as asset sales and equity issuance strengthened balance sheets. Meanwhile, high yield bond mutual funds saw strong inflows, as investors continued to seek higher-yielding instruments.
- Emerging market ("EM") external debt, as represented by the JPMorgan Emerging Markets Bond Index (EMBI) Global, returned 10.90% over the reporting period. EM local bonds, as represented by the JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged), returned 14.02% over the reporting period. The slowdown in China continued apace, though policymakers have used expanded credit availability and a gradual depreciation of the Chinese currency to soften the landing. Higher commodity prices and improving terms of trade helped EM currencies broadly gain during the reporting period.
- Global equity markets showed mixed performance amid a period marked by economic uncertainty, increased volatility and concerns around the U.K. referendum. U.S. equities, as represented by the S&P 500 Index, returned 3.84% over the reporting period. EM equities, as represented by the MSCI Emerging Markets Index (Net Dividends in USD), returned 6.41% over the same period. In contrast, developed market equities outside the U.S., as represented by the MSCI EAFE Net Dividend Index (USD Unhedged), declined 4.42% over the reporting period.

Thank you once again for the trust you have placed in us. We value your commitment and will continue to work diligently to meet your broad investment and investment solution needs.

Sincerely,

Brent R. Harris

Brent R. Harris
Chairman of the Board,
PIMCO Variable Insurance Trust

August 22, 2016

Past performance is no guarantee of future results. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an unmanaged index.

Important Information About the PIMCO CommodityRealReturn® Strategy Portfolio

PIMCO Variable Insurance Trust (the "Trust") is an open-end management investment company currently consisting of twenty separate investment portfolios, including the PIMCO CommodityRealReturn® Strategy Portfolio (the "Portfolio"). The Portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies ("Variable Contracts"). Individuals may not purchase shares of the Portfolio directly. Shares of the Portfolio also may be sold to qualified pension and retirement plans outside of the separate account context.

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates may trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities and other instruments held by the Portfolio are likely to decrease in value. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). In addition, changes in interest rates can be sudden and unpredictable, and there is no guarantee that Fund management will anticipate such movement accurately. The Portfolio may lose money as a result of movements in interest rates.

As of the date of this report, interest rates in the U.S. and many parts of the world, including certain European countries, are near historically low levels. As such, bond funds may currently face an increased exposure to the risks associated with a rising interest rate environment. This is especially true as the Fed ended its quantitative easing program and has begun, and may continue, to raise interest rates. Further, while bond markets have steadily grown over the past three decades, dealer inventories of corporate bonds are near historic lows in relation to market size. As a result, there has been a significant reduction in the ability of dealers to "make markets."

Bond funds and individual bonds with a longer duration (a measure used to determine the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets or negatively impact the Portfolio's performance or cause the Portfolio to incur losses. As a result, the Portfolio may experience increased shareholder redemptions which, among other things, could further reduce the net assets of the Portfolio.

The Portfolio may be subject to various risks as described in the Portfolio's prospectus. Some of these risks may include, but are not limited to, the following: interest rate risk, call risk, credit risk, high yield risk, market risk, issuer risk, liquidity risk, derivatives risk, commodity risk, equity risk, mortgage-related and other asset-backed securities risk, foreign (non-U.S.) investment risk, emerging markets risk, sovereign debt risk, currency risk, leveraging risk, management risk, tax risk, subsidiary risk, and short sale risk. A complete description of these and other risks is contained in the Portfolio's prospectus.

The Portfolio may use derivative instruments as part of an investment strategy, as described below, or for hedging purposes. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, leverage risk, management risk and the risk that the Portfolio may not be able to close out a position when it would be most advantageous to do so. Certain derivative transactions may have a leveraging effect on the Portfolio. For example, a small investment in a derivative instrument may have a significant impact on the Portfolio's exposure to interest rates, currency exchange rates or other investments. As a result, a relatively small price movement in an asset, instrument, or component of the index underlying a derivative instrument may cause an immediate and substantial loss or gain, which translates into heightened volatility for the Portfolio. The Portfolio may engage in such transactions regardless of whether the Portfolio owns the asset, instrument or components of the index underlying the derivative instrument. The Portfolio may invest a significant portion of its assets in these types of instruments. If it does, the Portfolio's investment exposure could far exceed the value of its portfolio securities and its investment performance could be primarily dependent upon securities it does not own. Investing in foreign (non-U.S.) securities may entail risk due to foreign (non-U.S.) economic and political developments; this risk may be increased when investing in emerging markets. For example, if the Portfolio invests in emerging market debt, it may face increased exposure to interest rate, liquidity, volatility, and redemption risk due to the specific economic, political, geographical, or legal background of the foreign (non-U.S.) issuer.

High yield bonds typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher-rated bonds. Further, markets for lower-rated bonds are typically less liquid than for higher-rated bonds, and public information is usually less abundant in markets for lower-rated bonds. Thus, high yield investments increase the chance that the Portfolio will lose money. The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio. Mortgage-related and asset-backed securities represent interests in "pools" of mortgages or other assets such as consumer loans or receivables. As a general matter, mortgage-related and asset-backed securities are subject to interest rate risk, extension risk, prepayment risk, and credit risk. These risks largely stem from the fact that returns on mortgage-related and asset-backed securities depend on the ability of the underlying assets to generate cash flow.

The geographical classification of foreign (non-U.S.) securities in this report are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.

The Portfolio will seek to gain exposure to the commodity markets primarily through investments in leveraged or unleveraged commodity index-linked notes, which are derivative debt instruments with principal and/or coupon payments linked to the performance of commodity indices, and through investments in the PIMCO Cayman Commodity Portfolio I Ltd. (the "Subsidiary"), a wholly-owned subsidiary (as discussed below). The Portfolio may also invest in commodity-linked notes with principal and/or coupon payments linked to the value of particular commodities or commodity futures contracts, or a subset of commodities or commodity futures contracts. These notes are sometimes referred to as "structured notes" because the terms of these notes may be structured by the issuer and the purchaser of the notes. The value of these notes will rise or fall in response to changes in the underlying commodity or related index of investments. These notes expose the Portfolio economically to movements in commodity prices. The Portfolio is intended for long-term investors and an investment in the Portfolio should be no more than a small part of a typical diversified portfolio. The Portfolio's share price is expected to be more volatile than that of other funds. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, changes in interest rates, or factors affecting a particular industry or commodity, such as weather, disease, embargoes, and international economic, political and regulatory developments. These notes also are subject to risks, such as credit, market and interest rate risks, that in general affect the values of debt securities. In addition, these notes are often leveraged, increasing the volatility of each note's market value relative to changes in the underlying commodity, commodity futures contract or commodity index. Therefore, at maturity of the note, the Portfolio may receive more or less principal than it originally invested. The Portfolio might receive interest payments on the note that are more or less than the stated coupon interest payments. The Portfolio may also gain exposure to the commodity markets indirectly by investing in its Subsidiary, which will primarily invest in different commodity-linked derivative instruments than the Portfolio, including swap agreements, commodity options, futures and options on futures.

On the Portfolio Summary page in this Shareholder Report, the Average Annual Total Return table and Cumulative Returns chart measure performance assuming that any dividend and capital gain distributions were reinvested. The Cumulative Returns chart reflects only Administrative Class performance. Performance for Institutional Class, Class M and Advisor Class shares, if applicable, may be higher or lower based on each class's expense ratios. The Portfolio's total annual operating expense ratios on the Portfolio Summary page are as of the currently effective prospectus, as supplemented to date. The Portfolio measures its performance against a broad-based securities market index ("benchmark index"). The benchmark index does not take into account fees, expenses, or taxes. The Portfolio's past performance, before and after taxes, is not necessarily an indication of how the Portfolio will perform in the future.

The following table discloses the inception dates of the Portfolio and its respective share classes along with the Portfolio's diversification status as of period end:

Portfolio Name	Portfolio Inception	Institutional Class	Class M	Administrative Class	Advisor Class	Diversification Status
PIMCO CommodityRealReturn® Strategy Portfolio	06/30/04	04/30/12	11/10/14	06/30/04	02/28/06	Diversified

An investment in the Portfolio is not a bank deposit and is not guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. It is possible to lose money on investments in the Portfolio.

The Trustees are responsible generally for overseeing the management of the Trust. The Trustees authorize the Trust to enter into service agreements with the Adviser, the Distributor, the Administrator and other service providers in order to provide, and in some cases authorize service providers to procure through other parties, necessary or desirable services on behalf of the Trust and the Portfolio. Shareholders are not parties to or third-party beneficiaries of such service agreements. Neither this Portfolio's prospectus nor summary prospectus, the Trust's Statement of Additional Information ("SAI"), any contracts filed as exhibits to the Trust's registration statement, nor any other communications, disclosure documents or regulatory filings (including this report) from or on behalf of the Trust or the Portfolio creates a contract between or among any shareholder of the Portfolio, on the one hand, and the Trust, the Portfolio, a service provider to the Trust or the Portfolio, and/or the Trustees or officers of the Trust, on the other hand. The Trustees (or the Trust and its officers, service providers or other delegates acting under authority of the Trustees) may amend the most recent prospectus or use a new prospectus, summary prospectus or SAI with respect to the Portfolio or the Trust, and/or amend, file and/or issue any other communications, disclosure documents or regulatory filings, and may amend or enter into any contracts to which the Trust or the Portfolio is a party, and interpret the investment objective(s), policies, restrictions and contractual provisions applicable to the Portfolio, without shareholder input or approval, except in circumstances in which shareholder approval is specifically

required by law (such as changes to fundamental investment policies) or where a shareholder approval requirement is specifically disclosed in the Trust's then-current prospectus or SAI.

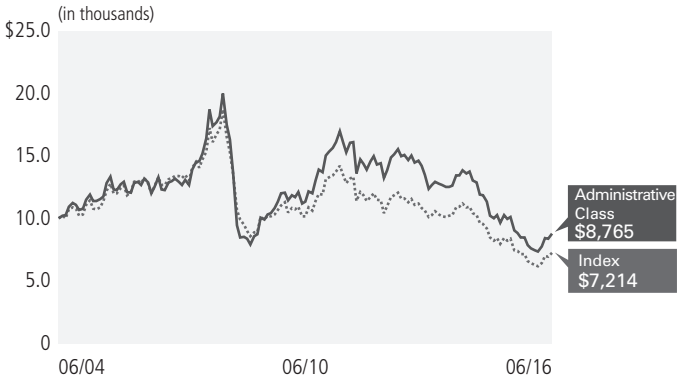
PIMCO has adopted written proxy voting policies and procedures ("Proxy Policy") as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Proxy Policy has been adopted by the Trust as the policies and procedures that PIMCO will use when voting proxies on behalf of the Portfolio. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of the Portfolio, and information about how the Portfolio voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Trust at (888) 87-PIMCO, on the Portfolio's website at pvit.pimco-funds.com, and on the Securities and Exchange Commission's ("SEC") website at www.sec.gov.

The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A copy of the Trust's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and is available without charge, upon request, by calling the Trust at (888) 87-PIMCO and on the Portfolio's website at pvit.pimco-funds.com. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

The Trust is distributed by PIMCO Investments LLC, 1633 Broadway, New York, New York 10019.

PIMCO CommodityRealReturn® Strategy Portfolio (Consolidated)

Cumulative Returns Through June 30, 2016



$10,000 invested at the end of the month when the Portfolio's Administrative Class commenced operations.

Allocation Breakdown†

U.S. Treasury Obligations	60.1%
Short-Term Instruments‡	16.5%
Sovereign Issues	6.9%
Corporate Bonds & Notes	6.1%
U.S. Government Agencies	5.5%
Other	4.9%

† % of Investments, at value as of 06/30/2016. Financial derivative instruments, if any, are excluded.

‡ Includes Central Funds used for Cash Management Purposes.

Average Annual Total Return for the period ended June 30, 2016

		6 Months*	1 Year	5 Years	10 Years	Inception**
	PIMCO CommodityRealReturn® Strategy Portfolio Institutional Class	16.09%	(12.87)%	—	—	(11.07)%
	PIMCO CommodityRealReturn® Strategy Portfolio Class M	15.77%	(13.30)%	—	—	(16.33)%
—	PIMCO CommodityRealReturn® Strategy Portfolio Administrative Class	15.97%	(13.08)%	(10.50)%	(3.58)%	(1.09)%
	PIMCO CommodityRealReturn® Strategy Portfolio Advisor Class	15.89%	(13.08)%	(10.59)%	(3.68)%	(3.16)%
.....	Bloomberg Commodity Index Total Return±	13.25%	(13.32)%	(10.82)%	(5.59)%	(2.68)%***

All Portfolio returns are net of fees and expenses.

* Cumulative return.

** For class inception dates please refer to the Important Information.

*** Average annual total return since 06/30/2004.

± Bloomberg Commodity Index Total Return is an unmanaged index composed of futures contracts on 20 physical commodities. The index is designed to be a highly liquid and diversified benchmark for commodities as an asset class.

It is not possible to invest directly in an unmanaged index.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. The Portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. For performance current to the most recent month-end, visit http://pvit.pimco-funds.com.

The Portfolio's total annual operating expense ratio as stated in the Portfolio's current prospectus, which includes the Acquired Fund Fees and Expenses (Underlying PIMCO Fund Expenses), as supplemented to date, is 1.02% for Institutional Class shares, 1.47% for Class M shares, 1.17% for Administrative Class shares, and 1.27% for Advisor Class shares.

Investment Objective and Strategy Overview

» PIMCO CommodityRealReturn® Strategy Portfolio seeks maximum real return, consistent with prudent investment management, by investing under normal circumstances in commodity-linked derivative instruments backed by a portfolio of inflation-indexed securities and other Fixed Income Instruments. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. The Portfolio invests in commodity-linked derivative instruments, including commodity index-linked notes, swap agreements, commodity options, futures and options on futures, that provide exposure to the investment returns of the commodities markets without investing directly in physical commodities.

Portfolio Insights

Following are key factors impacting the Portfolio's performance during the reporting period:

» Exposure to commodities, through an investment in total return swaps on the Portfolio's commodity benchmark index, benefited absolute performance, as this index posted positive returns.

» The Portfolio's construction, which uses U.S. Treasury Inflation-Protected Securities ("TIPS") as collateral for the commodities exposure, benefited relative performance as TIPS outperformed the assumed U.S. Treasury Bill collateral rate embedded in the Bloomberg Commodity Index.

» An overweight to TIPS benefited relative performance, as U.S. TIPS posted positive returns.

» An underweight to long-term U.K. breakeven inflation spreads (or the yield differential between U.K. nominal gilts and like-maturity U.K. index-linked gilts) benefited relative performance, as 30-year breakeven inflation spreads fell.

» An underweight to U.K. nominal duration (or sensitivity to changes in market interest rates) detracted from relative performance, as yields fell.

» An underweight to U.S. nominal duration expressed via interest rate swaps detracted from relative performance, as interest rate swap yields fell across most maturities.

Expense Example PIMCO CommodityRealReturn® Strategy Portfolio (Consolidated)

Example

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees (if applicable), and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of $1,000 invested at the beginning of the period and held from January 1, 2016 to June 30, 2016 unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use the information in these rows, 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 = 8.60), then multiply the result by the number in the appropriate column for your share class, in the column titled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other portfolios. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other portfolios.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different portfolios. In addition, if these transactional costs were included, your costs would have been higher.

Expense ratios may vary period to period because of various factors, such as an increase in expenses that are not covered by the management fees such as fees and expenses of the independent trustees and their counsel, extraordinary expenses and interest expense.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (01/01/16)	Ending Account Value (06/30/16)	Expenses Paid During Period*	Beginning Account Value (01/01/16)	Ending Account Value (06/30/16)	Expenses Paid During Period*	Net Annualized Expense Ratio**
Institutional Class	$ 1,000.00	$ 1,160.90	$ 5.55	$ 1,000.00	$ 1,019.32	$ 5.18	1.05%
Class M	1,000.00	1,157.70	7.91	1,000.00	1,017.12	7.40	1.50
Administrative Class	1,000.00	1,159.70	6.34	1,000.00	1,018.58	5.92	1.20
Advisor Class	1,000.00	1,158.90	6.86	1,000.00	1,018.10	6.42	1.30

* Expenses Paid During Period are equal to the net annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 179/366 (to reflect the one-half year period). Overall fees and expenses of investing in the Portfolio will be higher because the example does not reflect variable contract fees and expenses.

** Net Annualized Expense Ratio is reflective of any applicable contractual fee waivers and/or expense reimbursements or voluntary fee waivers. Details regarding fee waivers can be found in Note 9 in the Notes to Financial Statements.

Selected Per Share Data for the Year or Period Ended:	Net Asset Value Beginning of Year or Period	Net Investment Income[a]	Net Realized/ Unrealized Gain (Loss)	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Capital Gains	Tax Basis Return of Capital	Total Distributions[b]
Institutional Class								
01/01/2016 - 06/30/2016+	$ 6.89	$ 0.06	$ 1.05	$ 1.11	$ (0.04)	$ 0.00	$ 0.00	$ (0.04)
12/31/2015~	9.68	0.04	(2.63)	(2.59)	(0.20)	0.00	0.00	(0.20)
12/31/2014~	11.92	0.12	(2.30)	(2.18)	(0.06)	0.00	0.00	(0.06)
12/31/2013~	14.20	0.12	(2.16)	(2.04)	(0.24)	0.00	0.00	(0.24)
04/30/2012 - 12/31/2012~	14.80	0.28	(0.02)	0.26	(0.36)	(0.50)	0.00	(0.86)
Class M								
01/01/2016 - 06/30/2016+	6.89	0.05	1.03	1.08	(0.02)	0.00	0.00	(0.02)
12/31/2015~	9.72	0.03	(2.66)	(2.63)	(0.20)	0.00	0.00	(0.20)
11/10/2014 - 12/31/2014~	11.18	0.08	(1.52)	(1.44)	(0.02)	0.00	0.00	(0.02)
Administrative Class								
01/01/2016 - 06/30/2016+	6.91	0.05	1.05	1.10	(0.03)	0.00	0.00	(0.03)
12/31/2015~	9.72	0.02	(2.63)	(2.61)	(0.20)	0.00	0.00	(0.20)
12/31/2014~	11.96	0.12	(2.32)	(2.20)	(0.04)	0.00	0.00	(0.04)
12/31/2013~	14.26	0.06	(2.14)	(2.08)	(0.22)	0.00	0.00	(0.22)
12/31/2012~	14.40	0.28	0.48	0.76	(0.40)	(0.50)	0.00	(0.90)
12/31/2011~	18.02	0.26	(1.42)	(1.16)	(2.46)	0.00	0.00	(2.46)
Advisor Class								
01/01/2016 - 06/30/2016+	6.99	0.05	1.06	1.11	(0.03)	0.00	0.00	(0.03)
12/31/2015~	9.82	0.01	(2.64)	(2.63)	(0.20)	0.00	0.00	(0.20)
12/31/2014~	12.10	0.10	(2.34)	(2.24)	(0.04)	0.00	0.00	(0.04)
12/31/2013~	14.42	0.06	(2.16)	(2.10)	(0.22)	0.00	0.00	(0.22)
12/31/2012~	14.54	0.28	0.46	0.74	(0.36)	(0.50)	0.00	(0.86)
12/31/2011~	18.12	0.24	(1.40)	(1.16)	(2.42)	0.00	0.00	(2.42)

\+ Unaudited
* Annualized
~ A one for two reverse share split, effective August 7, 2015, has been retroactively applied. See Note 13 in the Notes to Financial Statements.
[a] Per share amounts based on average number of shares outstanding during the year or period.
[b] The tax characterization of distributions is determined in accordance with federal income tax regulations. The actual tax characterization of distributions paid are determined at the end of the fiscal year. See Note 2(d) in the Notes to Financial Statements for more information.

Net Asset Value End of Year or Period	Total Return	Net Assets End of Year or Period (000s)	Ratio of Expenses to Average Net Assets	Ratio of Expenses to Average Net Assets Excluding Waivers	Ratio of Expenses to Average Net Assets Excluding Interest Expense	Ratio of Expenses to Average Net Assets Excluding Interest Expense and Waivers	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate
$ 7.96	16.09%	$ 2,907	1.05%*	1.19%*	0.74%*	0.88%*	1.70%*	82%
6.89	(25.57)	2,513	0.91	1.02	0.74	0.85	0.46	162
9.68	(18.35)	2,233	0.78	0.91	0.74	0.87	1.08	151
11.92	(14.55)	1,252	0.82	0.94	0.74	0.86	0.92	57
14.20	1.75	166	0.85*	0.99*	0.74*	0.88*	2.92*	77
7.95	15.77	458	1.50*	1.64*	1.19*	1.33*	1.46*	82
6.89	(25.91)	306	1.36	1.47	1.19	1.30	0.38	162
9.72	(12.91)	23	1.23*	1.36*	1.19*	1.32*	0.61*	151
7.98	15.97	269,625	1.20*	1.34*	0.89*	1.03*	1.56*	82
6.91	(25.70)	241,100	1.06	1.17	0.89	1.00	0.22	162
9.72	(18.42)	302,303	0.93	1.06	0.89	1.02	0.94	151
11.96	(14.70)	487,230	0.97	1.09	0.89	1.01	0.54	57
14.26	5.39	572,477	1.00	1.14	0.89	1.03	1.93	77
14.40	(7.56)	571,808	0.91	1.05	0.89	1.03	1.51	523
8.07	15.89	130,742	1.30*	1.44*	0.99*	1.13*	1.51*	82
6.99	(25.66)	106,999	1.16	1.27	0.99	1.10	0.14	162
9.82	(18.62)	125,905	1.03	1.16	0.99	1.12	0.85	151
12.10	(14.71)	141,675	1.07	1.19	0.99	1.11	0.44	57
14.42	5.12	148,581	1.10	1.24	0.99	1.13	1.84	77
14.54	(7.54)	132,255	1.01	1.15	0.99	1.13	1.42	523

Consolidated Statement of Assets and Liabilities PIMCO CommodityRealReturn® Strategy Portfolio (Unaudited)

(Amounts in thousands, except per share amounts)	June 30, 2016
Assets:	
Investments, at value	
Investments in securities*	$ 554,796
Investments in Affiliates	41,101
Financial Derivative Instruments	
Exchange-traded or centrally cleared	921
Over the counter	7,102
Cash	1
Deposits with counterparty	2,790
Foreign currency, at value	661
Receivable for investments sold	11,302
Receivable for investments sold on a delayed-delivery basis	62
Receivable for TBA investments sold	66,040
Receivable for Portfolio shares sold	572
Interest and/or dividends receivable	1,755
Dividends receivable from Affiliates	9
Reimbursement receivable from PIMCO	50
Other assets	8
Total Assets	687,170
Liabilities:	
Borrowings & Other Financing Transactions	
Payable for sale-buyback transactions	$ 176,739
Payable for short sales	7,817
Financial Derivative Instruments	
Exchange-traded or centrally cleared	612
Over the counter	9,954
Payable for investments purchased	502
Payable for investments in Affiliates purchased	9
Payable for TBA investments purchased	85,332
Deposits from counterparty	628
Payable for Portfolio shares redeemed	1,492
Accrued investment advisory fees	196
Accrued supervisory and administrative fees	97
Accrued distribution fees	26
Accrued servicing fees	34
Total Liabilities	283,438
Net Assets	$ 403,732
Net Assets Consist of:	
Paid in capital	394,864
(Overdistributed) net investment income	(1,807)
Accumulated undistributed net realized gain	8,389
Net unrealized appreciation	2,286
Net Assets	$ 403,732
Net Assets:	
Institutional Class	$ 2,907
Class M	458
Administrative Class	269,625
Advisor Class	130,742
Shares Issued and Outstanding:	
Institutional Class	365
Class M	58
Administrative Class	33,772
Advisor Class	16,205
Net Asset Value Per Share Outstanding:	
Institutional Class	$ 7.96
Class M	7.95
Administrative Class	7.98
Advisor Class	8.07
Cost of investments in securities	$ 546,766
Cost of investments in Affiliates	$ 41,097
Cost of foreign currency held	$ 642
Proceeds received on short sales	$ 7,790
Cost or premiums of financial derivative instruments, net	$ 144
* Includes repurchase agreements of:	$ 50,597

Consolidated Statement of Operations PIMCO CommodityRealReturn® Strategy Portfolio (Unaudited)

(Amounts in thousands)	Six Months Ended June 30, 2016
Investment Income:	
Interest	$ 4,860
Dividends from Investments in Affiliates	36
Total Income	4,896
Expenses:	
Investment advisory fees	1,040
Supervisory and administrative fees	513
Distribution and/or servicing fees - Class M	1
Servicing fees - Administrative Class	179
Distribution and/or servicing fees - Advisor Class	139
Trustee fees	2
Interest expense	545
Total Expenses	2,419
Waiver and/or Reimbursement by PIMCO	(246)
Net Expenses	2,173
Net Investment Income	2,723
Net Realized Gain (Loss):	
Investments in securities	(2,155)
Investments in Affiliates	(11)
Exchange-traded or centrally cleared financial derivative instruments	(6,602)
Over the counter financial derivative instruments	48,089
Foreign currency	548
Net Realized Gain	39,869
Net Change in Unrealized Appreciation (Depreciation):	
Investments in securities	19,336
Investments in Affiliates	24
Exchange-traded or centrally cleared financial derivative instruments	(1,194)
Over the counter financial derivative instruments	(5,222)
Foreign currency assets and liabilities	(10)
Net Change in Unrealized Appreciation	12,934
Net Increase in Net Assets Resulting from Operations	$ 55,526

Consolidated Statements of Changes in Net Assets PIMCO CommodityRealReturn® Strategy Portfolio

(Amounts in thousands)	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
Increase (Decrease) in Net Assets from:		
Operations:		
Net investment income	$ 2,723	$ 793
Net realized gain (loss)	39,869	(147,080)
Net change in unrealized appreciation	12,934	30,345
Net Increase (Decrease) in Net Assets Resulting from Operations	55,526	(115,942)
Distributions to Shareholders:		
From net investment income		
Institutional Class	(13)	(124)
Class M	(1)	(4)
Administrative Class	(1,065)	(12,616)
Advisor Class	(451)	(5,255)
Total Distributions[(a)]	(1,530)	(17,999)
Portfolio Share Transactions:		
Net increase (decrease) resulting from Portfolio share transactions**	(1,182)	54,395
Total Increase (Decrease) in Net Assets	52,814	(79,546)
Net Assets:		
Beginning of year or period	350,918	430,464
End of year or period*	$ 403,732	$ 350,918
* Including (overdistributed) net investment income of:	$ (1,807)	$ (3,000)

**See Note 13 in the Notes to Financial Statements.

(a) The tax characterization of distributions is determined in accordance with federal income tax regulations. The actual tax characterization of distributions paid are determined at the end of the fiscal year. See Note 2(d) in the Notes to Financial Statements for more information.

Consolidated Statement of Cash Flows PIMCO CommodityRealReturn® Strategy Portfolio

(Amounts in thousands†)	Six Months Ended June 30, 2016
Cash Flows Provided by Operating Activities:	
Net increase in net assets resulting from operations	$ 55,526
Adjustments to Reconcile Net Increase in Net Assets from Operations to Net Cash Provided by Operating Activities:	
Purchases of long-term securities	(413,440)
Proceeds from sales of long-term securities	392,110
(Purchases) from sales of short-term portfolio investments, net	(44,398)
(Increase) in deposits with counterparty	(1,309)
Decrease in receivable for investments sold	76,883
Decrease in interest and/or dividends receivable	280
Decrease in dividends receivable from Affiliates	7
(Payments on) exchange-traded or centrally cleared financial derivative instruments	(8,089)
Proceeds from over the counter financial derivative instruments	47,180
Increase in payable for investments purchased	85,714
(Decrease) in deposits from counterparty	(6,052)
Increase in accrued investment advisory fees	21
Increase in accrued supervisory and administrative fees	10
Increase in accrued distribution fees	2
(Increase) in reimbursement receivable from PIMCO	(26)
Proceeds from short sales transactions, net	1,094
Proceeds from foreign currency transactions	538
(Decrease) in other liabilities	(2)
Net Realized (Gain) Loss	
Investments in securities	2,155
Investments in Affiliates	11
Exchange-traded or centrally cleared financial derivative instruments	6,602
Over the counter financial derivative instruments	(48,089)
Foreign currency	(548)
Net Change in Unrealized (Appreciation) Depreciation	
Investments in securities	(19,336)
Investments in Affiliates	(24)
Exchange-traded or centrally cleared financial derivative instruments	1,194
Over the counter financial derivative instruments	5,222
Foreign currency assets and liabilities	10
Net amortization (accretion) on investments	327
Net Cash Provided by Operating Activities	133,573
Cash Flows (Used for) Financing Activities:	
Proceeds from shares sold	44,659
Payments on shares redeemed	(44,525)
Cash dividend paid*	0
Proceeds from reverse repurchase agreements	39,160
Payments on reverse repurchase agreements	(42,808)
Proceeds from sale-buyback transactions	1,906,722
Payments on sale-buyback transactions	(2,037,134)
Net Cash (Used for) Financing Activities	(133,926)
Net (Decrease) in Cash and Foreign Currency	(353)
Cash and Foreign Currency:	
Beginning of period	1,015
End of period	$ 662
* Reinvestment of distributions	$ 1,530
Supplemental Disclosure of Cash Flow Information:	
Interest expense paid during the period	$ 750

† A zero balance may reflect actual amounts rounding to less than one thousand.

Consolidated Schedule of Investments PIMCO CommodityRealReturn® Strategy Portfolio

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 137.4%			
CORPORATE BONDS & NOTES 9.0%			
BANKING & FINANCE 7.2%			
Ally Financial, Inc.			
2.750% due 01/30/2017	$	2,000	$ 2,018
3.250% due 02/13/2018		1,350	1,353
6.250% due 12/01/2017		300	315
Banca Monte dei Paschi di Siena SpA			
4.875% due 09/15/2054	EUR	200	224
Bank of America N.A.			
1.750% due 06/05/2018	$	2,500	2,517
Bank of New York Mellon Corp.			
1.498% due 08/17/2020		600	603
Barclays Bank PLC			
7.625% due 11/21/2022		2,000	2,156
Barclays PLC			
8.000% due 12/15/2020 (e)	EUR	200	208
Citigroup, Inc.			
1.157% due 05/01/2017	$	6,800	6,802
Credit Agricole S.A.			
7.500% due 06/23/2026 (e)	GBP	1,000	1,200
Credit Suisse Group Funding Guernsey Ltd.			
3.800% due 09/15/2022	$	1,100	1,106
Depfa ACS Bank			
3.875% due 11/14/2016	EUR	100	113
Goldman Sachs Group, Inc.			
1.853% due 09/15/2020	$	1,600	1,598
2.432% due 02/25/2021		1,200	1,225
3.500% due 01/23/2025		200	206
HSBC Holdings PLC			
2.950% due 05/25/2021		200	202
JPMorgan Chase & Co.			
2.153% due 03/01/2021		4,800	4,911
Lloyds Bank PLC			
1.750% due 05/14/2018		900	898
Mitsubishi UFJ Financial Group, Inc.			
2.553% due 03/01/2021		600	618
Unibail-Rodamco SE			
1.403% due 04/16/2019		800	796
			29,069
INDUSTRIALS 0.8%			
Aetna, Inc.			
1.307% due 12/08/2017		300	300
2.400% due 06/15/2021		200	205
Cisco Systems, Inc.			
1.254% due 02/21/2018		800	805
Hellenic Railways Organization S.A.			
4.028% due 03/17/2017	EUR	800	851
Hewlett Packard Enterprise Co.			
2.450% due 10/05/2017	$	450	456
Hyundai Capital America			
2.000% due 07/01/2019		400	403
			3,020
UTILITIES 1.0%			
AT&T, Inc.			
1.051% due 03/30/2017		3,150	3,152
Petrobras Global Finance BV			
4.875% due 03/17/2020		1,000	940
6.625% due 01/16/2034	GBP	100	100
			4,192
Total Corporate Bonds & Notes (Cost $36,858)			**36,281**
U.S. GOVERNMENT AGENCIES 8.2%			
Fannie Mae			
0.803% due 05/25/2042	$	6	6
1.133% due 02/25/2041		584	589
1.610% due 10/01/2044	$	7	$ 7
2.185% due 01/01/2036		61	64
2.336% due 07/01/2035		24	25
2.557% due 05/25/2035		51	54
2.653% due 11/01/2034		35	37
2.655% due 11/01/2035		17	18
Fannie Mae, TBA			
3.000% due 08/01/2046		9,000	9,324
3.500% due 08/01/2031 - 08/01/2046		17,000	17,919
Freddie Mac			
0.672% due 02/15/2019		61	61
0.713% due 08/25/2031		1	2
0.892% due 08/15/2033 - 09/15/2042		2,272	2,281
1.610% due 02/25/2045		81	83
2.240% due 09/01/2036 †		245	259
2.339% due 07/01/2036 †		198	209
2.406% due 10/01/2036 †		88	92
2.574% due 01/01/2034		7	7
NCUA Guaranteed Notes			
0.915% due 10/07/2020		542	544
1.006% due 12/08/2020		1,043	1,045
Small Business Administration			
5.510% due 11/01/2027		302	342
Total U.S. Government Agencies (Cost $32,777)			**32,968**
U.S. TREASURY OBLIGATIONS 88.6%			
U.S. Treasury Bonds			
3.000% due 11/15/2045		10	11
2.500% due 02/15/2046		7,990	8,328
3.000% due 05/15/2045 †		80	92
U.S. Treasury Floating Rate Notes			
0.450% due 04/30/2018 †		2,083	2,084
U.S. Treasury Inflation Protected Securities (d)			
0.125% due 04/15/2018 (g)†		94,278	95,719
0.125% due 04/15/2019 (g)(i)		12,261	12,526
0.125% due 04/15/2020 (g)(k)		12,452	12,746
0.125% due 01/15/2022 (g)		8,033	8,197
0.125% due 07/15/2022		4,369	4,473
0.125% due 01/15/2023 (g)(k)		2,591	2,628
0.125% due 07/15/2024 (g)		8,664	8,763
0.375% due 07/15/2023		4,215	4,364
0.375% due 07/15/2025 (k)		30	31
0.375% due 07/15/2025 †		2,925	3,015
0.625% due 07/15/2021 (g)		53,930	56,831
0.625% due 01/15/2024 (g)		6,459	6,771
0.625% due 02/15/2043 (k)		291	284
0.750% due 02/15/2042 (k)		762	766
1.000% due 02/15/2046		2,322	2,512
1.250% due 07/15/2020 (g)		24,319	26,159
1.375% due 01/15/2020		5,150	5,503
1.375% due 02/15/2044 (k)		2,463	2,855
1.375% due 02/15/2044 †		103	119
1.625% due 01/15/2018 (k)		457	474
1.875% due 07/15/2019		4,426	4,791
2.125% due 01/15/2019 (i)(k)		2,340	2,511
2.125% due 02/15/2040 (k)		410	537
2.125% due 02/15/2041 (k)		164	217
2.375% due 01/15/2017 †		2,254	2,297
2.375% due 01/15/2025		6,790	8,117
2.375% due 01/15/2027		1,412	1,735
2.500% due 01/15/2029 (k)†		1,827	2,319
2.500% due 01/15/2029		4,312	5,472
2.625% due 07/15/2017 (g)†		53,210	55,404
3.625% due 04/15/2028 (k)		59	82
3.875% due 04/15/2029 (k)		757	1,092
3.875% due 04/15/2029 †		146	210
U.S. Treasury Notes			
1.625% due 05/15/2026		4,500	4,558
2.000% due 02/15/2025 (k)		3,110	3,255
Total U.S. Treasury Obligations (Cost $352,577)			**357,848**
NON-AGENCY MORTGAGE-BACKED SECURITIES 3.5%			
Banc of America Mortgage Trust			
2.858% due 11/25/2034	$	83	$ 80
3.246% due 06/25/2035		126	122
Banc of America Re-REMIC Trust			
5.676% due 06/24/2050		187	188
BCAP LLC Trust			
5.207% due 03/26/2037		403	389
5.250% due 08/26/2037		773	800
Bear Stearns Adjustable Rate Mortgage Trust			
2.380% due 08/25/2035		25	25
2.843% due 01/25/2035		326	321
2.897% due 03/25/2035		92	90
2.924% due 03/25/2035		19	20
3.090% due 03/25/2035		76	77
3.144% due 01/25/2035		345	348
Citigroup Mortgage Loan Trust, Inc.			
2.430% due 09/25/2035		48	48
2.730% due 10/25/2035		450	444
2.760% due 09/25/2035		54	54
3.028% due 09/25/2037 ^		538	491
Commercial Mortgage Trust			
5.543% due 12/11/2049		100	101
Countrywide Alternative Loan Trust			
0.623% due 05/25/2047		1,619	1,340
0.643% due 12/20/2046 ^		1,506	1,099
6.000% due 02/25/2037 ^		238	160
Countrywide Home Loan Mortgage Pass-Through Trust			
2.934% due 11/19/2033		4	3
3.002% due 08/25/2034 ^		32	27
Credit Suisse Mortgage Capital Certificates			
5.383% due 02/15/2040		254	256
Eurosail PLC			
0.874% due 06/13/2045	GBP	10	13
1.524% due 06/13/2045		401	454
First Horizon Alternative Mortgage Securities Trust			
2.684% due 06/25/2034	$	15	15
GreenPoint Mortgage Funding Trust			
0.723% due 11/25/2045		11	10
GS Mortgage Securities Trust			
3.849% due 12/10/2043		459	478
GSR Mortgage Loan Trust			
2.990% due 01/25/2035		63	60
HarborView Mortgage Loan Trust			
0.679% due 03/19/2036		60	43
HomeBanc Mortgage Trust			
0.783% due 10/25/2035		143	133
IndyMac Mortgage Loan Trust			
3.240% due 11/25/2035 ^		144	132
JPMorgan Commercial Mortgage-Backed Securities Trust			
5.927% due 06/18/2049		200	202
JPMorgan Mortgage Trust			
2.785% due 08/25/2035		86	85
2.928% due 07/25/2035		60	60
2.954% due 02/25/2035		128	122
LB-UBS Commercial Mortgage Trust			
5.866% due 09/15/2045		146	152
Marche Mutui SRL			
0.175% due 02/25/2055	EUR	108	118
2.001% due 01/27/2064		180	201
MASTR Adjustable Rate Mortgages Trust			
2.924% due 11/21/2034	$	42	43
Mellon Residential Funding Corp. Mortgage Pass-Through Certificates			
1.182% due 09/15/2030		168	165
Merrill Lynch Mortgage Investors Trust			
2.228% due 10/25/2035		169	164
Merrill Lynch/Countrywide Commercial Mortgage Trust			
5.700% due 09/12/2049		95	99
Morgan Stanley Capital Trust			
6.102% due 06/11/2049		18	18
RBSSP Resecuritization Trust			
2.357% due 10/25/2035		1,535	1,550

See Accompanying Notes

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Residential Accredit Loans, Inc. Trust			
1.797% due 09/25/2045	$	163	$ 132
Royal Bank of Scotland Capital Funding Trust			
6.297% due 12/16/2049		328	337
Sequoia Mortgage Trust			
0.648% due 07/20/2036		361	327
Structured Adjustable Rate Mortgage Loan Trust			
1.810% due 01/25/2035		18	14
2.830% due 02/25/2034		21	21
3.025% due 12/25/2034		103	100
Structured Asset Mortgage Investments Trust			
1.108% due 10/19/2034		23	22
Vornado DP LLC Trust			
4.004% due 09/13/2028		1,500	1,607
WaMu Mortgage Pass-Through Certificates Trust			
1.207% due 05/25/2047		282	235
2.621% due 12/25/2035		207	191
2.868% due 08/25/2035		27	25
Wells Fargo Mortgage-Backed Securities Trust			
2.830% due 03/25/2036 ^		189	180
2.885% due 06/25/2033		66	65
Total Non-Agency Mortgage-Backed Securities (Cost $13,364)			**14,056**

ASSET-BACKED SECURITIES 3.7%

Aquilae CLO PLC			
0.187% due 01/17/2023	EUR	60	66
Asset-Backed Securities Corp. Home Equity Loan Trust			
0.618% due 03/25/2036	$	231	218
Carlyle Global Market Strategies CLO Ltd.			
2.024% due 01/20/2025		400	400
Cavalry CLO Ltd.			
1.983% due 01/17/2024		200	199
CIFC Funding Ltd.			
0.890% due 05/10/2021		767	762
Cordatus CLO PLC			
0.165% due 07/25/2024	EUR	305	334
0.968% due 01/30/2024	GBP	174	228
Countrywide Asset-Backed Certificates			
0.633% due 07/25/2036	$	70	70
4.329% due 04/25/2036		132	135
Credit-Based Asset Servicing and Securitization LLC			
0.566% due 07/25/2037		18	11
Dryden Leveraged Loan CDO			
0.881% due 04/12/2020		270	270
Eaton Vance CDO PLC			
0.045% due 02/22/2027	EUR	63	69
0.890% due 03/25/2026	$	88	87
0.954% due 02/22/2027		836	823
0.970% due 03/25/2026		162	159
Elm CLO Ltd.			
2.033% due 01/17/2023		1,932	1,944
First Franklin Mortgage Loan Trust			
1.133% due 11/25/2035		1,069	1,069
GSAMP Trust			
0.523% due 12/25/2036		67	35
Morgan Stanley Mortgage Loan Trust			
6.000% due 07/25/2047 ^	$	123	$ 93
OHA Credit Partners Ltd.			
2.056% due 11/20/2023		200	200
OneMain Financial Issuance Trust			
2.470% due 09/18/2024		2,900	2,910
Penta CLO S.A.			
0.067% due 06/04/2024	EUR	235	259
SLM Student Loan Trust			
0.678% due 04/25/2019	$	1,706	1,696
2.138% due 04/25/2023		2,495	2,496
Structured Asset Securities Corp. Mortgage Loan Trust			
1.957% due 04/25/2035		343	325
Symphony CLO Ltd.			
0.866% due 05/15/2019		294	294
Wood Street CLO BV			
0.117% due 03/29/2021	EUR	7	8
Total Asset-Backed Securities (Cost $14,946)			**15,160**

SOVEREIGN ISSUES 10.2%

Athens Urban Transportation Organisation			
4.851% due 09/19/2016		100	110
Autonomous Community of Catalonia			
4.950% due 02/11/2020		100	116
Brazil Letras do Tesouro Nacional			
0.000% due 10/01/2016 (b)	BRL	55,330	16,646
0.000% due 01/01/2017 (b)		17,000	4,956
France Government International Bond			
1.850% due 07/25/2027 (d)	EUR	641	924
2.250% due 07/25/2020 (d)		744	941
Italy Buoni Poliennali Del Tesoro			
1.700% due 09/15/2018 (d)		303	352
2.350% due 09/15/2024 (d)		1,576	2,012
3.100% due 09/15/2026 (d)		106	146
Japan Government International Bond			
0.100% due 03/10/2026 (d)	JPY	109,503	1,138
0.300% due 09/20/2016		160,000	1,551
Mexico Government International Bond			
4.000% due 11/15/2040 (d)	MXN	1,116	67
4.000% due 11/08/2046 (d)		19,671	1,193
4.500% due 12/04/2025 (d)		23,194	1,449
4.500% due 11/22/2035 (d)		16,321	1,040
4.750% due 06/14/2018		9,975	545
New Zealand Government International Bond			
2.000% due 09/20/2025 (d)	NZD	2,065	1,539
New Zealand Government International Bond			
5.500% due 04/15/2023		1,800	1,564
Republic of Greece Government International Bond			
3.000% due 02/24/2023	EUR	5	4
3.000% due 02/24/2025		5	4
3.000% due 02/24/2026		18	14
3.000% due 02/24/2029		45	33
3.000% due 02/24/2030		39	28
3.000% due 02/24/2031		45	32
3.000% due 02/24/2032		38	27
3.000% due 02/24/2033	EUR	28	$ 20
3.000% due 02/24/2034		21	15
3.000% due 02/24/2035		5	3
3.000% due 02/24/2037		71	48
3.000% due 02/24/2038		71	48
3.000% due 02/24/2040		14	9
3.000% due 02/24/2041		7	5
3.000% due 02/24/2042		49	33
United Kingdom Gilt			
0.125% due 03/22/2024 (d)(g)	GBP	1,628	2,487
0.125% due 03/22/2044 (d)		464	912
0.125% due 03/22/2046 (d)		497	1,003
Total Sovereign Issues (Cost $38,862)			**41,014**

SHORT-TERM INSTRUMENTS 14.2%

REPURCHASE AGREEMENTS (f) 12.5%

			50,597

JAPAN TREASURY BILLS 0.8%

(0.300%) due 08/15/2016 (b)(c)	JPY	350,000	3,391

U.S. TREASURY BILLS 0.9%

0.239% due 07/21/2016 - 11/03/2016 (a)(b)(i)†	$	3,483	3,481
Total Short-Term Instruments (Cost $57,382)			**57,469**
Total Investments in Securities (Cost $546,766)			**554,796**

	SHARES	
INVESTMENTS IN AFFILIATES 10.2%		
SHORT-TERM INSTRUMENTS 10.2%		
CENTRAL FUNDS USED FOR CASH MANAGEMENT PURPOSES 10.2%		
PIMCO Short-Term Floating NAV Portfolio III	4,158,339	41,101
Total Short-Term Instruments (Cost $41,097)		**41,101**
Total Investments in Affiliates (Cost $41,097)		**41,101**
Total Investments 147.6% (Cost $587,863)		$ **595,897**
Financial Derivative Instruments (h)(j) (0.6)% (Cost or Premiums, net $144)		**(2,543)**
Other Assets and Liabilities, net (47.0)%		**(189,622)**
Net Assets 100.0%		$ **403,732**

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*, EXCEPT NUMBER OF CONTRACTS AND UNITS):

***** A zero balance may reflect actual amounts rounding to less than one thousand.

† All or a portion of this security is owned by PIMCO Cayman Commodity Portfolio I, Ltd., which is a 100% owned subsidiary of the Portfolio.

^ Security is in default.

(a) Coupon represents a weighted average yield to maturity.

(b) Zero coupon security.

(c) Coupon represents a yield to maturity.

(d) Principal amount of security is adjusted for inflation.

(e) Perpetual maturity; date shown, if applicable, represents next contractual call date.

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(f) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received (1)
BOS	0.800% †	06/30/2016	07/01/2016	$ 2,800	U.S. Treasury Bonds 3.750% due 11/15/2043	$ (2,872)	$ 2,800	$ 2,800
DEU	0.800 †	06/30/2016	07/01/2016	23,600	U.S. Treasury Bonds 3.125% due 02/15/2043	(24,110)	23,600	23,600
SAL	0.800 †	06/30/2016	07/01/2016	23,600	U.S. Treasury Notes 1.375% due 09/30/2020	(24,129)	23,600	23,601
SSB	0.010 †	06/30/2016	07/01/2016	597	U.S. Treasury Notes 0.750% - 1.000% due 12/31/2017 - 05/15/2018	(617)	597	597
Total Repurchase Agreements						**$ (51,728)**	**$ 50,597**	**$ 50,598**

(1) Includes accrued interest.

SALE-BUYBACK TRANSACTIONS:

Counterparty	Borrowing Rate (2)	Borrowing Date	Maturity Date	Amount Borrowed (2)	Payable for Sale-Buyback Transactions (3)
BPG	0.660%	04/07/2016	07/07/2016	$ (33,927)	$ (33,980)
	0.790	07/01/2016	07/06/2016	(11,192)	(11,192)
BPS	0.720	04/21/2016	07/20/2016	GBP (1,780)	(2,567)
MSC	0.750	06/23/2016	07/05/2016	$ (37,847)	(37,854)
TDM	0.540	05/04/2016	07/06/2016	(31,100)	(31,127)
	0.610	04/25/2016	07/14/2016	(55,519)	(55,582)
	0.620	04/08/2016	07/08/2016	(4,431)	(4,437)
Total Sale-Buyback Transactions					**$ (176,739)**

(2) The average amount of borrowings outstanding during the period ended June 30, 2016 was $(178,982) at a weighted average interest rate of 0.584%. Average borrowings includes reverse repurchase agreements, of which there were none open at period end.

(3) Payable for sale-buyback transactions includes $(24) of deferred price drop.

SHORT SALES:

SHORT SALES ON U.S. GOVERNMENT AGENCIES

Description	Coupon	Maturity Date	Principal Amount	Proceeds	Payable for Short Sales
Fannie Mae, TBA	4.000%	07/01/2046	$ 1,000	$ (1,066)	$ (1,072)
Fannie Mae, TBA	5.500	07/01/2046	6,000	(6,724)	(6,745)
Total Short Sales				**$ (7,790)**	**$ (7,817)**

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received)/pledged as of June 30, 2016:

(g) Securities with an aggregate market value of $177,873 have been pledged as collateral under the terms of the following master agreements as of June 30, 2016.

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral (Received)/Pledged	Net Exposure (4)
PIMCO CommodityRealReturn® Strategy Portfolio Global/Master Repurchase Agreement						
SSB	$ 597	$ 0	$ 0	$ 597	$ (166)	$ 431
Master Securities Forward Transaction Agreement						
BPG	0	0	(45,172)	(45,172)	45,403	231
BPS	0	0	(2,567)	(2,567)	2,217	(350)
MSC	0	0	(37,854)	(37,854)	38,078	224
TDM	0	0	(91,146)	(91,146)	91,906	760

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral (Received)/Pledged	Net Exposure [4]
PIMCO Cayman Commodity Portfolio I, Ltd. (Subsidiary)						
Global/Master Repurchase Agreement						
BOS	$ 2,800	$ 0	$ 0	$ 2,800	$ (2,872)	$ (72)
DEU	23,600	0	0	23,600	(24,110)	(510)
SAL	23,601	0	0	23,601	(24,129)	(528)
SSB	0	0	0	0	(451)	(451)
Total Borrowings and Other Financing Transactions	**$ 50,598**	**$ 0**	**$ (176,739)**			

[4] Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. The Portfolio and Subsidiary are recognized as two separate legal entities. As such, exposure cannot be netted. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS

Remaining Contractual Maturity of the Agreements

	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
Sale-Buyback Transactions					
Sovereign Issues	$ 0	$ (2,567)	$ 0	$ 0	$ (2,567)
U.S. Treasury Obligations	0	(174,172)	0	0	(174,172)
Total Borrowings	**$ 0**	**$ (176,739)**	**$ 0**	**$ 0**	**$ (176,739)**
Gross amount of recognized liabilities for sale-buyback financing transactions					**$ (176,739)**

(h) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

PURCHASED OPTIONS:

OPTIONS ON COMMODITY FUTURES CONTRACTS

Description	Strike Price	Expiration Date	# of Contracts	Cost	Market Value
Call - NYMEX Crude December Futures †	$ 55.000	11/15/2017	5	$ 17	$ 35
Call - NYMEX Crude December Futures †	56.000	11/15/2017	6	20	40
Call - NYMEX Crude December Futures †	61.000	11/15/2017	3	9	14
				$ 46	$ 89
Total Purchased Options				**$ 46**	**$ 89**

WRITTEN OPTIONS:

OPTIONS ON COMMODITY FUTURES CONTRACTS

Description	Strike Price	Expiration Date	# of Contracts	Premiums (Received)	Market Value
Call - NYB Cotton September Futures †	$ 69.000	08/19/2016	1	$ 0	$ 0
Call - NYB Cotton September Futures †	70.000	08/19/2016	1	(1)	0
Call - NYMEX Crude December Futures †	51.000	11/16/2016	5	(9)	(22)
Call - NYMEX Crude December Futures †	53.000	11/16/2016	6	(12)	(21)
Call - NYMEX Crude December Futures †	55.000	11/16/2016	3	(6)	(8)
Call - NYMEX Crude September Futures †	55.000	08/17/2016	4	(4)	(2)
Call - NYMEX Crude September Futures †	56.000	08/17/2016	4	(3)	(2)
Call - NYMEX Gasoline December Futures †	165.000	11/25/2016	5	(15)	(10)
Call - NYMEX Gasoline November Futures †	165.000	10/26/2016	1	(2)	(2)
Call - NYMEX Gasoline November Futures †	170.000	10/26/2016	1	(2)	(1)
Put - NYMEX Natural Gas August Futures †	2.350	07/26/2016	1	0	0
Call - NYMEX Natural Gas August Futures †	3.000	07/26/2016	4	(2)	(4)
Call - NYMEX Natural Gas August Futures †	3.100	07/26/2016	1	0	(1)
Put - NYMEX Natural Gas December Futures †	2.250	11/25/2016	17	(21)	(3)
Put - NYMEX Natural Gas December Futures †	2.350	11/25/2016	16	(21)	(4)
Put - NYMEX Natural Gas September Futures †	2.200	08/26/2016	3	(2)	0
Put - NYMEX Natural Gas September Futures †	2.250	08/26/2016	3	(1)	0
Put - NYMEX Natural Gas September Futures †	2.300	08/26/2016	1	(1)	0
				$ (102)	$ (80)
Total Written Options				**$ (102)**	**$ (80)**

FUTURES CONTRACTS:

Description	Type	Expiration Month	# of Contracts	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
90-Day Eurodollar December Futures	Long	12/2016	134	$ 60	$ 5	$ 0
90-Day Eurodollar December Futures	Short	12/2017	134	(90)	0	(7)
Aluminum October Futures †	Short	10/2016	24	(8)	0	0
Arabica Coffee December Futures †	Short	12/2016	3	(25)	0	(1)
Arabica Coffee March Futures †	Short	03/2017	2	(5)	0	(1)
Arabica Coffee May Futures †	Long	05/2017	2	5	1	0
Brent (ICE) Calendar Swap Futures April Futures †	Short	04/2017	1	0	2	0
Brent (ICE) Calendar Swap Futures August Futures †	Short	08/2017	1	(1)	1	0
Brent (ICE) Calendar Swap Futures December Futures †	Short	12/2017	1	(2)	1	0
Brent (ICE) Calendar Swap Futures February Futures †	Short	02/2017	1	1	2	0
Brent (ICE) Calendar Swap Futures January Futures †	Short	01/2017	1	1	2	0
Brent (ICE) Calendar Swap Futures July Futures †	Short	07/2017	1	(1)	1	0
Brent (ICE) Calendar Swap Futures June Futures †	Short	06/2017	1	(1)	2	0
Brent (ICE) Calendar Swap Futures March Futures †	Short	03/2017	1	0	2	0
Brent (ICE) Calendar Swap Futures May Futures †	Short	05/2017	1	0	2	0
Brent (ICE) Calendar Swap Futures November Futures †	Short	11/2017	1	(1)	1	0
Brent (ICE) Calendar Swap Futures October Futures †	Short	10/2017	1	(1)	1	0
Brent (ICE) Calendar Swap Futures September Futures †	Short	09/2017	1	(1)	1	0
Brent Crude December Futures †	Short	10/2016	7	2	19	0
Brent Crude December Futures †	Long	10/2017	54	179	0	(81)
Brent Crude June Futures †	Short	04/2017	5	(1)	8	0
Brent Crude June Futures †	Short	04/2018	17	(131)	22	0
Brent Crude March Futures †	Long	01/2017	5	5	0	(11)
Brent Crude March Futures †	Short	01/2018	5	0	8	0
Brent Crude November Futures †	Short	09/2016	1	0	2	0
Brent Crude October Futures †	Long	08/2016	1	0	0	(4)
Brent Crude September Futures †	Long	07/2016	8	(2)	0	(16)
Brent Crude September Futures †	Short	07/2017	30	(284)	47	0
Brent Crude September Futures †	Long	07/2018	1	0	0	0
Call Options Strike @ EUR 168.000 on Euro-Bund 10-Year Bond August Futures	Short	07/2016	23	1	2	0
Call Options Strike @ EUR 170.000 on Euro-Bund 10-Year Bond September Futures	Short	08/2016	12	2	1	0
Call Options Strike @ EUR 181.000 on Euro-Bund 10-Year Bond September Futures	Long	08/2016	52	0	0	0
Call Options Strike @ USD 55.000 on Brent Crude September Futures †	Short	07/2016	4	2	1	0
Call Options Strike @ USD 60.000 on Brent Crude December Futures †	Long	10/2016	1	(1)	0	0
Call Options Strike @ USD 60.000 on Brent Crude January Futures †	Long	11/2016	2	(1)	0	(1)
Call Options Strike @ USD 61.000 on Brent Crude January Futures †	Long	11/2016	3	(3)	0	(1)
Call Options Strike @ USD 62.000 on Brent Crude December Futures †	Long	10/2016	1	(1)	0	0
Chicago Ethanol (Platts) December Futures †	Long	12/2016	5	19	0	0
Cocoa December Futures †	Long	12/2016	13	31	0	(2)
Cocoa July Futures †	Short	07/2016	8	(18)	2	0
Cocoa March Futures †	Long	03/2017	15	(42)	0	(10)
Cocoa March Futures †	Short	03/2017	2	(3)	0	0
Cocoa May Futures †	Long	05/2017	2	3	0	0
Cocoa September Futures †	Short	09/2016	15	8	11	0
Cocoa September Futures †	Short	09/2016	5	0	0	0
Copper October Futures †	Long	10/2016	5	1	0	0
Copper September Futures †	Short	09/2016	2	(6)	0	(1)
Corn December Futures †	Long	12/2016	26	(43)	0	(15)
Corn July Futures †	Short	07/2017	3	6	1	0
Corn March Futures †	Long	03/2017	5	(19)	0	(3)
Corn May Futures May Futures †	Long	05/2017	3	(7)	0	(2)
Corn September Futures †	Short	09/2016	56	136	34	0
Cotton No. 2 December Futures †	Short	12/2016	4	3	3	0
Cotton No. 2 March Futures †	Long	03/2017	4	2	0	(3)
Euro-Bobl September Futures	Short	09/2016	13	(19)	0	0
Euro-BTP Italy Government Bond September Futures	Short	09/2016	16	(35)	0	(17)
Euro-Bund 10-Year Bond September Futures	Short	09/2016	17	(50)	0	(5)
Euro-OAT France Government 10-Year Bond September Futures	Short	09/2016	6	(19)	0	(4)
Euro-Rapeseed November Futures †	Long	10/2016	11	4	2	(1)
European Gasoil Crack Spread Swap April Futures †	Long	04/2017	1	0	1	0
European Gasoil Crack Spread Swap December Futures †	Short	12/2017	1	0	0	(1)
European Gasoil Crack Spread Swap June Futures †	Long	06/2017	1	0	1	0
European Gasoil Crack Spread Swap May Futures †	Long	05/2017	1	0	1	0
European Gasoil Crack Spread Swap November Futures †	Short	11/2017	1	0	0	(1)
European Gasoil Crack Spread Swap October Futures †	Short	10/2017	1	0	0	(1)
Gas Oil December Futures †	Long	12/2016	4	3	0	(3)

Description	Type	Expiration Month	# of Contracts	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Gas Oil December Futures †	Long	12/2017	16	$ 79	$ 0	$ (9)
Gas Oil June Futures †	Short	06/2017	8	(41)	5	0
Gas Oil June Futures †	Short	06/2018	8	(37)	4	0
Gas Oil October Futures †	Short	10/2016	9	5	6	0
Gas Oil September Futures †	Short	09/2016	4	(2)	3	0
Gold 100 oz. December Futures †	Short	12/2016	2	(21)	1	0
Gold 100 oz. October Futures †	Short	10/2016	21	(98)	13	0
Hard Red Spring Wheat December Futures †	Long	12/2016	3	(4)	0	0
Hard Red Winter Wheat December Futures †	Long	12/2016	2	(4)	0	0
Hard Red Winter Wheat July Futures †	Long	07/2017	3	(1)	0	0
Hard Red Winter Wheat September Futures †	Long	09/2016	5	(14)	1	0
Henry Hub Natural Gas April Futures †	Long	03/2017	30	39	3	0
Henry Hub Natural Gas March Futures †	Short	02/2017	31	(50)	0	(3)
Henry Hub Natural Gas Swap April Futures †	Long	03/2017	64	75	6	0
Henry Hub Natural Gas Swap April Futures †	Long	03/2018	28	16	1	0
Henry Hub Natural Gas Swap March Futures †	Short	02/2017	64	(94)	0	(5)
Henry Hub Natural Gas Swap March Futures †	Long	02/2018	8	12	1	0
Henry Hub Natural Gas Swap October Futures †	Short	09/2017	36	(42)	0	(4)
Japan Government 10-Year Bond September Futures	Short	09/2016	1	(9)	1	(1)
Lead October Futures †	Long	10/2016	8	4	0	0
Live Cattle December Futures †	Short	12/2016	1	0	0	0
Live Cattle February Futures †	Long	02/2017	1	0	0	0
LLS (Argus) versus WTI Spread Calendar Swap August Futures †	Long	08/2016	3	(1)	0	0
LLS (Argus) versus WTI Spread Calendar Swap December Futures †	Long	12/2016	3	(1)	0	0
LLS (Argus) versus WTI Spread Calendar Swap July Futures †	Long	07/2016	3	0	0	0
LLS (Argus) versus WTI Spread Calendar Swap November Futures †	Long	11/2016	3	(1)	0	0
LLS (Argus) versus WTI Spread Calendar Swap October Futures †	Long	10/2016	3	(1)	0	0
LLS (Argus) versus WTI Spread Calendar Swap September Futures †	Long	09/2016	3	(1)	0	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap April Futures †	Short	04/2017	6	0	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap August Futures †	Short	08/2017	6	(3)	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap December Futures †	Short	12/2017	6	(8)	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap February Futures †	Short	02/2017	6	0	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap January Futures †	Short	01/2017	6	1	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap July Futures †	Short	07/2017	6	(2)	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap June Futures †	Short	06/2017	6	(1)	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap March Futures †	Short	03/2017	6	0	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap May Futures †	Short	05/2017	6	0	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap November Futures †	Short	11/2017	6	(7)	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap October Futures †	Short	10/2017	6	(5)	1	0
Mont Belvieu Ethane 5 Decimal (OPIS) Swap September Futures †	Short	09/2017	6	(4)	1	0
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap April Futures †	Long	04/2017	6	4	0	(3)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap August Futures †	Long	08/2017	6	7	0	(3)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap December Futures †	Long	12/2017	6	13	0	(3)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap February Futures †	Long	02/2017	6	15	0	(4)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap January Futures †	Long	01/2017	6	17	0	(4)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap July Futures †	Long	07/2017	6	6	0	(3)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap June Futures †	Long	06/2017	3	1	0	(2)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap March Futures †	Long	03/2017	9	13	0	(5)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap May Futures †	Long	05/2017	6	4	0	(3)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap November Futures †	Long	11/2017	6	11	0	(3)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap October Futures †	Long	10/2017	6	10	0	(3)
Mont Belvieu LDH Propane 5 Decimal (OPIS) Swap September Futures †	Long	09/2017	6	8	0	(3)
Natural Gas April Futures †	Long	03/2017	34	139	14	0
Natural Gas April Futures †	Long	03/2018	6	8	1	0
Natural Gas December Futures †	Short	11/2016	7	(22)	0	(3)
Natural Gas January Futures †	Short	12/2016	25	(57)	0	(9)
Natural Gas June Futures †	Long	05/2017	13	9	5	0
Natural Gas March Futures †	Short	02/2017	24	(109)	0	(8)
Natural Gas March Futures †	Short	02/2018	6	(14)	0	(2)
Natural Gas May Futures †	Long	04/2017	2	1	1	0
Natural Gas October Futures †	Short	09/2016	17	(32)	0	(10)
Natural Gas September Futures †	Long	08/2016	6	3	4	0
New York Harbor ULSD August Futures †	Long	07/2016	3	(4)	0	(7)
New York Harbor ULSD Crack Spread April Futures †	Long	04/2017	1	0	0	0
New York Harbor ULSD Crack Spread December Futures †	Short	12/2017	1	0	0	0
New York Harbor ULSD Crack Spread June Futures †	Long	06/2017	1	0	0	0
New York Harbor ULSD Crack Spread May Futures †	Long	05/2017	1	0	0	0
New York Harbor ULSD Crack Spread November Futures †	Short	11/2017	1	0	0	0
New York Harbor ULSD Crack Spread October Futures †	Short	10/2017	1	1	0	0
New York Harbor ULSD December Futures †	Long	11/2016	3	1	0	(6)
New York Harbor ULSD October Futures †	Short	09/2016	6	7	13	0

Description	Type	Expiration Month	# of Contracts	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
New York Harbor ULSD September Futures †	Short	08/2016	3	$ 1	$ 7	$ 0
Nickel October Futures †	Long	10/2016	5	0	0	0
Platinum October Futures †	Long	10/2016	42	74	23	0
Put Options Strike @ GBP 98.000 on United Kingdom 90-Day LIBOR Sterling December Futures	Short	12/2016	371	7	0	0
Put Options Strike @ GBP 98.000 on United Kingdom 90-Day LIBOR Sterling June Futures	Short	06/2017	113	2	0	0
Put Options Strike @ GBP 98.500 on United Kingdom 90-Day LIBOR Sterling December Futures	Long	12/2016	371	(38)	0	0
Put Options Strike @ GBP 98.500 on United Kingdom 90-Day LIBOR Sterling June Futures	Long	06/2017	113	(6)	0	(1)
RBOB Gasoline April Futures †	Long	03/2017	2	(4)	0	(3)
RBOB Gasoline August Futures †	Short	07/2016	3	12	5	0
RBOB Gasoline December Futures †	Short	11/2016	3	2	2	0
RBOB Gasoline June Futures †	Short	05/2017	2	5	3	0
RBOB Gasoline November Futures †	Long	10/2016	2	(5)	0	(3)
RBOB Gasoline October Futures †	Short	09/2016	2	6	5	0
RBOB Gasoline September Futures †	Short	08/2016	1	4	1	0
Silver December Futures †	Short	12/2016	4	(42)	0	(4)
Soybean August Futures †	Short	08/2016	2	0	0	(3)
Soybean March Futures †	Long	03/2017	14	24	22	0
Soybean May Futures †	Long	05/2017	13	58	18	0
Soybean Meal August Futures †	Long	08/2016	6	2	6	0
Soybean Meal October Futures †	Short	10/2016	6	(2)	0	(6)
Soybean November Futures †	Short	11/2016	4	(5)	0	(8)
Soybean Oil December Futures †	Short	12/2016	1	0	0	0
Soybean Oil March Futures †	Long	03/2017	1	(1)	0	0
Sugar No. 11 March Futures †	Long	02/2017	21	5	0	(14)
Sugar No. 11 October Futures	Long	09/2016	2	1	0	(2)
Sugar No. 11 October Futures †	Short	09/2016	4	2	3	0
U.S. Treasury 5-Year Note September Futures	Long	09/2016	4	9	0	0
U.S. Treasury 10-Year Note September Futures	Long	09/2016	296	1,058	0	(23)
U.S. Treasury 30-Year Bond September Futures	Short	09/2016	68	(657)	45	0
Wheat December Futures †	Short	12/2016	35	101	0	0
Wheat July Futures †	Short	07/2017	3	1	0	0
Wheat September Futures †	Short	09/2016	5	13	0	0
White Sugar August Futures †	Long	07/2016	1	9	0	(1)
White Sugar October Futures †	Long	09/2016	1	1	0	(1)
WTI Crude December Futures †	Short	11/2016	17	(6)	27	0
WTI Crude December Futures †	Short	11/2017	52	(304)	74	0
WTI Crude December Futures †	Short	11/2018	4	2	4	0
WTI Crude June Futures †	Short	05/2017	6	5	9	0
WTI Crude June Futures †	Short	05/2018	2	(13)	3	0
WTI Crude March Futures †	Long	02/2017	6	8	0	(10)
WTI Crude March Futures †	Long	02/2018	33	190	0	(45)
WTI Crude November Futures †	Short	10/2016	4	1	6	0
WTI Crude September Futures †	Long	08/2016	8	(7)	0	(13)
WTI Crude September Futures †	Long	08/2017	35	342	0	(52)
Zinc October Futures †	Long	10/2016	3	1	0	0
Total Futures Contracts				**$ 328**	**$ 548**	**$ (487)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CREDIT INDICES - BUY PROTECTION [1]

Index/Tranches	Fixed (Pay) Rate	Maturity Date	Notional Amount [2]	Market Value [3]	Unrealized (Depreciation)	Variation Margin Asset	Variation Margin Liability
CDX.HY-26 5-Year Index	(5.000)%	06/20/2021	$ 2,200	$ (74)	$ (31)	$ 0	$ (10)

(1) If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(3) The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Pay	3-Month CAD-Bank Bill *	0.900%	04/17/2018	CAD 7,700	$ 3	$ 1	$ 0	$ 0
Receive	3-Month USD-LIBOR	1.500	12/16/2017	$ 9,800	(117)	(52)	0	(2)
Receive	3-Month USD-LIBOR *	0.996	04/05/2018	5,900	(13)	(14)	0	(1)
Pay	3-Month USD-LIBOR	1.250	06/15/2018	11,000	113	119	3	0
Pay	3-Month USD-LIBOR	2.000	12/16/2020	3,500	163	153	0	0
Pay	3-Month USD-LIBOR	2.250	12/16/2022	25,700	1,822	1,645	0	(17)
Receive	3-Month USD-LIBOR *	3.000	09/16/2025	7,400	(443)	(421)	15	0
Receive	3-Month USD-LIBOR	2.233	09/16/2025	2,300	(193)	(193)	4	0
Receive	3-Month USD-LIBOR	2.225	09/16/2025	1,300	(108)	(109)	2	0
Receive	3-Month USD-LIBOR	2.350	10/02/2025	4,700	(435)	(405)	9	0
Receive	3-Month USD-LIBOR *	2.800	10/28/2025	39,000	(1,933)	(1,730)	79	0
Receive	3-Month USD-LIBOR *	2.500	02/22/2026	25,200	(839)	(758)	52	0
Receive	3-Month USD-LIBOR *	2.400	03/16/2026	8,050	(227)	(197)	17	0
Receive	3-Month USD-LIBOR *	2.300	04/21/2026	4,700	(108)	(88)	10	0
Receive	3-Month USD-LIBOR *	2.300	04/27/2026	5,700	(130)	(108)	12	0
Receive	3-Month USD-LIBOR	2.250	06/15/2026	1,900	(160)	(60)	4	0
Receive	3-Month USD-LIBOR *†	1.750	12/21/2026	19,400	(558)	(283)	40	0
Receive	6-Month GBP-LIBOR *	1.500	09/21/2026	GBP 6,840	(423)	(471)	0	(13)
Receive	6-Month GBP-LIBOR *	1.750	03/15/2047	310	(57)	(55)	0	(2)
Receive	6-Month JPY-LIBOR	1.500	12/21/2045	JPY 130,000	(505)	(195)	29	0
Pay	28-Day MXN-TIIE	6.710	09/20/2029	MXN 10,300	20	(2)	7	0
					$ (4,128)	$ (3,223)	$ 283	$ (35)
Total Swap Agreements					**$ (4,202)**	**$ (3,254)**	**$ 283**	**$ (45)**

* This security has a forward starting effective date. See Note 2(a) in the Notes to Financial Statements for further information.

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of June 30, 2016:

(i) Securities with an aggregate market value of $2,757 and cash of $2,712 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of June 30, 2016.

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset [1]			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
PIMCO CommodityRealReturn® Strategy Portfolio [2]	$ 0	$ 56	$ 282	$ 338	$ 0	$ (61)	$ (45)	$ (106)
PIMCO Cayman Commodity Portfolio I, Ltd. (Subsidiary) [2]	89	493	1	583	(80)	(426)	0	(506)
Total Exchange-Traded or Centrally Cleared	**$ 89**	**$ 549**	**$ 283**	**$ 921**	**$ (80)**	**$ (487)**	**$ (45)**	**$ (612)**

[1] Unsettled variation margin asset of $1 for closed futures is outstanding at period end.

[2] The Portfolio and Subsidiary are recognized as two separate legal entities. As such, exposure cannot be netted. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

(j) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered	Currency to be Received	Unrealized Appreciation/ (Depreciation) Asset	Unrealized Appreciation/ (Depreciation) Liability
BOA	07/2016	GBP 4,322	$ 6,337	$ 584	$ 0
	07/2016	$ 5,486	GBP 4,123	3	0
	08/2016	GBP 4,123	$ 5,487	0	(3)
	08/2016 †	$ 860	EUR 754	0	(23)
	10/2016	BRL 16,110	$ 4,035	0	(844)
	01/2017	CNH 3,313	480	0	(13)
BPS	07/2016	BRL 3,460	1,015	0	(62)
	07/2016	$ 1,078	BRL 3,460	0	(1)
	08/2016	EUR 3,219	$ 3,552	0	(25)
	08/2016	$ 1,008	BRL 3,460	60	0
	08/2016 †	96	EUR 87	1	0

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Liability
	10/2016	BRL	12,600	$	3,368	$ 0	$ (448)
	01/2017		2,700		622	0	(174)
CBK	07/2016		4,400		1,175	0	(195)
	07/2016	JPY	10,900		102	0	(4)
	07/2016	$	1,371	BRL	4,400	0	(1)
	08/2016	AUD	509	$	372	0	(7)
	08/2016 †	EUR	1,017		1,142	12	0
	08/2016	GBP	122		165	2	0
	08/2016	$	5,609	EUR	4,964	0	(93)
	08/2016		701	MXN	12,698	0	(10)
	10/2016	BRL	1,010	$	245	0	(61)
	01/2017	CNH	2,688		387	0	(13)
DUB	01/2017	BRL	3,300		763	0	(211)
GLM	08/2016	EUR	13,016		14,870	406	0
	08/2016	NZD	4,115		2,795	0	(137)
	10/2016	BRL	8,700		2,170	0	(465)
	01/2017		6,000		1,404	0	(366)
HUS	07/2016		3,600		961	0	(159)
	07/2016	$	1,021	BRL	3,600	100	0
JPM	07/2016	BRL	3,460	$	1,078	1	0
	07/2016	GBP	962		1,361	80	0
	07/2016	JPY	520,000		4,925	0	(111)
	07/2016	$	951	BRL	3,460	127	0
	07/2016		1,411	GBP	1,008	4	(73)
	08/2016	CAD	390	$	304	2	0
	08/2016 †	EUR	65		73	1	0
	08/2016	MXN	58,404		3,225	46	0
	08/2016 †	$	308	CAD	395	0	(2)
	08/2016 †		891	EUR	792	0	(11)
	10/2016	BRL	16,900	$	4,046	0	(1,073)
	01/2017		5,000		1,176	0	(298)
MSB	07/2016		5,270		1,642	1	0
	07/2016	JPY	116,800		1,060	0	(71)
	07/2016	$	1,451	BRL	5,270	189	0
	10/2016	BRL	10	$	2	0	(1)
SCX	07/2016	$	6,356	JPY	647,700	0	(84)
	08/2016	JPY	647,700	$	6,363	85	0
	01/2017	CNH	5,653		822	0	(19)
SOG	08/2016 †	EUR	96		107	1	0
TDM	01/2017	BRL	3,300		754	0	(219)
UAG	08/2016	CNH	23,696		3,621	71	0
	08/2016	$	212	EUR	189	0	(2)
Total Forward Foreign Currency Contracts						**$ 1,776**	**$ (5,279)**

PURCHASED OPTIONS:

FOREIGN CURRENCY OPTIONS

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Cost	Market Value
DUB	Call - OTC USD versus JPY	JPY 111.500	07/07/2016	$ 800	$ 5	$ 0
FBF	Call - OTC USD versus JPY	111.500	07/07/2016	1,130	12	0
					$ 17	$ 0

INTEREST RATE SWAPTIONS

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Cost	Market Value
CBK	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.500%	07/05/2016	$ 61,500	$ 21	$ 0
	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.250	12/27/2016	37,100	32	3
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.000	12/21/2016	3,600	30	30
	Put - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.780	07/21/2016	6,600	14	1
DUB	Call - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.150	06/15/2018	1,700	170	209
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.150	06/15/2018	1,700	170	139
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.860	10/23/2018	2,900	198	104

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Cost	Market Value
FBF	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	3.400%	12/05/2016	$ 6,900	$ 50	$ 1
GLM	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.150	07/05/2016	42,100	13	0
	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.250	07/05/2016	165,800	57	0
	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.250	12/27/2016	71,400	63	6
	Call - OTC 2-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.100	09/28/2016	14,900	51	46
JPM	Put - OTC 10-Year Interest Rate Swap	3-Month JPY-LIBOR	Receive	0.300	11/14/2016	JPY 520,000	21	12
MYC	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.000	12/13/2016	$ 4,800	41	37
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.605	10/17/2018	1,900	175	97
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.608	11/15/2018	600	60	32
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.590	12/10/2018	600	63	33
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.600	03/29/2019	2,700	255	164
NGF	Call - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.150	06/15/2018	700	70	86
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.150	06/15/2018	700	70	57
RYL	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.250	07/05/2016	71,900	23	0
	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.000	08/08/2016	67,700	24	0
							$ 1,671	$ 1,057

INTEREST RATE-CAPPED OPTIONS

Counterparty	Description	Exercise Rate	Floating Rate Index	Expiration Date	Notional Amount	Cost	Market Value
FAR	Call - OTC 2-Year Interest Rate Floor	1.600%	3-Month USD-LIBOR	12/06/2019	$ 17,100	$ 239	$ 281
NGF	Call - OTC 2-Year Interest Rate Floor	1.600	3-Month USD-LIBOR	12/06/2019	17,200	239	283
						$ 478	$ 564

OPTIONS ON COMMODITY FUTURES CONTRACTS

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Cost	Market Value
JPM	Call - OTC Brent Crude Spread December Futures †	$ 60.000	12/31/2016	$ 6	$ 14	$ 12

OPTIONS ON SECURITIES

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Cost	Market Value
FAR	Put - OTC Fannie Mae 3.500% due 09/01/2046	$ 92.000	09/07/2016	$ 16,000	$ 1	$ 0
Total Purchased Options					$ 2,181	$ 1,633

WRITTEN OPTIONS:

CREDIT DEFAULT SWAPTIONS ON CREDIT INDICES

Counterparty	Description	Buy/Sell Protection	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BPS	Put - OTC iTraxx Europe 25 5-Year Index	Sell	1.250%	09/21/2016	EUR 2,000	$ (7)	$ (3)
JPM	Call - OTC CDX.IG-26 5-Year Index	Buy	0.750	07/20/2016	$ 3,700	(3)	(3)
	Put - OTC CDX.IG-26 5-Year Index	Sell	1.000	07/20/2016	3,700	(5)	(1)
	Put - OTC CDX.IG-26 5-Year Index	Sell	1.200	09/21/2016	2,000	(3)	(1)
	Call - OTC iTraxx Europe 25 5-Year Index	Buy	0.700	07/20/2016	EUR 8,000	(10)	(3)
	Put - OTC iTraxx Europe 25 5-Year Index	Sell	1.000	07/20/2016	8,000	(13)	(6)
						$ (41)	$ (17)

FOREIGN CURRENCY OPTIONS

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BPS	Call - OTC EUR versus USD	$ 1.140	07/01/2016	EUR 1,810	$ (7)	$ 0
	Put - OTC USD versus JPY	JPY 101.200	09/15/2016	$ 2,470	(25)	(39)
DUB	Put - OTC USD versus JPY	104.800	07/07/2016	800	(6)	(13)
FBF	Put - OTC USD versus JPY	104.800	07/07/2016	1,130	(5)	(18)
JPM	Call - OTC EUR versus USD	$ 1.165	09/15/2016	EUR 2,070	(18)	(7)
	Call - OTC USD versus MXN	MXN 19.000	08/11/2016	$ 1,610	(18)	(15)
MSB	Put - OTC EUR versus USD	$ 1.085	08/03/2016	EUR 1,850	(8)	(8)
					$ (87)	$ (100)

INFLATION-CAPPED OPTIONS

Counterparty	Description	Initial Index	Floating Rate	Expiration Date [1]	Notional Amount	Premiums (Received)	Market Value
BPS	Floor - OTC YOY CPURNSA Index	233.049	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	03/01/2018	$ 700	$ (6)	$ (2)
CBK	Floor - OTC CPURNSA Index	216.687	Maximum of [(1 + 0.000%) [10] - (Final Index/Initial Index)] or 0	04/07/2020	12,100	(108)	(1)
	Floor - OTC CPURNSA Index	217.965	Maximum of [(1 + 0.000%) [10] - (Final Index/Initial Index)] or 0	09/29/2020	1,000	(13)	0
DUB	Floor - OTC YOY CPURNSA Index	233.546	Maximum of [(1 + 0.000%) - (Final Index/Initial Index)] or 0	01/22/2018	900	(9)	(2)
GLM	Cap - OTC CPALEMU Index	100.152	Maximum of [(Final Index/Initial Index - 1) - 3.000%] or 0	06/22/2035	1,200	(54)	(9)
JPM	Cap - OTC CPURNSA Index	234.781	Maximum of [(Final Index/Initial Index - 1) - 4.000%] or 0	05/16/2024	600	(4)	0
	Floor - OTC YOY CPURNSA Index	234.812	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	03/24/2020	4,600	(52)	(44)
	Floor - OTC YOY CPURNSA Index	238.654	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	10/02/2020	2,000	(37)	(23)
						$ (283)	$ (81)

[1] YOY options may have a series of expirations.

INTEREST RATE SWAPTIONS

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BRC	Put - OTC 5-Year Interest Rate Swap *	6-Month GBP-LIBOR	Pay	2.185%	08/12/2016	GBP 700	$ (4)	$ 0
CBK	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.400	07/21/2016	$ 6,500	(8)	0
	Call - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	1.850	07/25/2016	3,700	(6)	(18)
	Put - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Pay	2.250	07/25/2016	3,700	(6)	(1)
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	0.770	12/21/2016	7,200	(29)	(29)
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.230	07/21/2016	1,300	(6)	(1)
DUB	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.500	10/23/2018	14,500	(204)	(95)
FBF	Call - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	2.400	12/05/2016	6,900	(55)	(189)
GLM	Call - OTC 2-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	0.890	09/28/2016	29,800	(52)	(45)
	Call - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	1.850	07/18/2016	7,400	(23)	(30)
MYC	Call - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	2.000	07/25/2016	1,600	(5)	(15)
	Put - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Pay	2.500	07/25/2016	600	(3)	0
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	0.765	12/13/2016	9,600	(41)	(36)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.250	10/17/2018	8,800	(175)	(79)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.250	11/15/2018	2,800	(60)	(27)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.250	12/10/2018	2,800	(63)	(28)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.300	03/29/2019	12,800	(257)	(144)
							$ (997)	$ (737)

* The underlying security has a forward starting effective date. See Note 2(a) in the Notes to Financial Statements for further information.

INTEREST RATE-CAPPED OPTIONS

Counterparty	Description	Exercise Rate	Floating Rate Index	Expiration Date	Notional Amount	Premiums (Received)	Market Value
FAR	Call - OTC 2-Year Interest Rate Floor	0.943%	3-Month USD-LIBOR	12/06/2019	$ 34,200	$ (239)	$ (269)
NGF	Call - OTC 2-Year Interest Rate Floor	0.943	3-Month USD-LIBOR	12/06/2019	34,400	(239)	(271)
						$ (478)	$ (540)

OPTIONS ON COMMODITY FUTURES CONTRACTS

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BPS	Call - OTC Platgold Spread July Future †	$ 230.000	07/15/2016	$ 0	$ (1)	$ 0
	Put - OTC Platgold Spread July Future †	330.000	07/15/2016	0	(1)	(1)
	Call - OTC Platgold Spread July Future †	175.000	07/28/2016	0	(3)	0
JPM	Call - OTC Gasoline December Futures †	165.000	12/31/2016	3	(16)	(11)
					$ (21)	$ (12)

OPTIONS ON INDICES

Counterparty	Description	Strike Value	Expiration Date	Notional Amount	Premiums (Received)	Market Value
GST	Call - OTC SPGCENP Index †	0.702	09/16/2016	$ 850	$ (3)	$ 0
	Call - OTC SPGCEP Index †	1.495	08/18/2016	1,500	(5)	0
	Call - OTC SPGCICP Index †	0.729	08/04/2016	5,130	(20)	0

Counterparty	Description	Strike Value	Expiration Date	Notional Amount	Premiums (Received)	Market Value
	Call - OTC SPGCIP Index †	0.760	08/18/2016	$ 1,700	$ (7)	$ 0
	Call - OTC SPGCNGP Index †	1.742	08/04/2016	850	(2)	0
	Call - OTC SPGCNP Index †	1.681	08/18/2016	1,000	(2)	0
					$ (39)	$ 0
Total Written Options					**$ (1,946)**	**$ (1,487)**

TRANSACTIONS IN WRITTEN CALL AND PUT OPTIONS FOR THE PERIOD ENDED JUNE 30, 2016:

	Balance at Beginning of Period	Sales	Closing Buys	Expirations	Exercised	Balance at End of Period
# of Contracts	95	548	(234)	(154)	(178)	77
Notional Amount in $	$ 115,945	$ 296,963	$ (52,160)	$ (54,805)	$ (69,000)	$ 236,943
Notional Amount in AUD	AUD 0	AUD 880	AUD (880)	AUD 0	AUD 0	AUD 0
Notional Amount in EUR	EUR 1,400	EUR 33,550	EUR (3,700)	EUR (6,320)	EUR 0	EUR 24,930
Notional Amount in GBP	GBP 0	GBP 700	GBP 0	GBP 0	GBP 0	GBP 700
Premiums	$ (1,165)	$ (2,214)	$ 695	$ 333	$ 303	$ (2,048)

SWAP AGREEMENTS:

COMMODITY FORWARD SWAPS

Counterparty	Pay/Receive	Underlying Reference Commodity	Fixed Price Per Unit	Maturity Date	# of Units	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BPS	Receive	EURMARGIN 2Q3Q16 †	$ 6.630	09/30/2016	18,000	$ 27	$ (39)	$ 0	$ (12)
	Pay	EURMARGIN 2Q3Q16 †	6.400	09/30/2016	3,000	0	1	1	0
	Receive	EURMARGIN 4Q16 †	4.850	12/31/2016	6,000	(3)	(1)	0	(4)
	Receive	EURMARGIN CAL16 †	6.400	12/31/2016	19,800	(9)	(14)	0	(23)
	Receive	EURMARGIN CAL17 †	5.850	12/31/2017	4,800	0	(4)	0	(4)
	Pay	GOLDLNPM Index †	1,103.500	09/14/2016	300	(7)	(58)	0	(65)
	Receive	PLATGOLD Index †	338.750	01/06/2017	100	0	4	4	0
	Receive	PLTMLNPM Index †	960.100	09/14/2016	300	4	15	19	0
GST	Receive	EURMARGIN CAL16 †	5.700	12/31/2016	7,200	0	(4)	0	(4)
	Pay	GOLDLNPM Index †	1,102.000	07/11/2016	200	0	(43)	0	(43)
	Receive	OREXIO 4Q16 †	35.500	12/31/2016	2,700	8	25	33	0
	Receive	PLTMLNPM Index †	860.470	07/11/2016	200	0	32	32	0
JPM	Receive	EURMARGIN 2Q3Q16 †	7.690	09/30/2016	6,000	0	(11)	0	(11)
	Receive	EURMARGIN 4Q16 †	3.700	12/31/2016	48,000	0	24	24	0
	Receive	EURMARGIN CAL17 †	5.850	12/31/2017	1,200	0	(1)	0	(1)
MAC	Pay	Aluminum September Futures †	1,603.000	09/19/2016	25	0	(1)	0	(1)
	Receive	NAPGASFO CAL17 †	16.100	12/31/2017	12,000	(13)	1	0	(12)
	Pay	Zinc September Futures †	1,981.000	09/19/2016	25	0	(3)	0	(3)
MYC	Receive	EURMARGIN CAL17 †	5.780	12/31/2017	4,800	0	(3)	0	(3)
	Receive	EURMARGIN CAL17 †	5.800	12/31/2017	2,400	0	(2)	0	(2)
SOG	Receive	EURMARGIN 4Q16 †	4.580	12/31/2016	6,000	0	(2)	0	(2)
						$ 7	$ (84)	$ 113	$ (190)

CREDIT DEFAULT SWAPS ON CORPORATE AND SOVEREIGN ISSUES - SELL PROTECTION [2]

Counterparty	Reference Entity	Fixed Receive Rate	Maturity Date	Implied Credit Spread at June 30, 2016 [3]	Notional Amount [4]	Premiums (Received)	Unrealized Appreciation	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BOA	Italy Government International Bond	1.000%	03/20/2019	1.022%	$ 1,100	$ (19)	$ 19	$ 0	$ 0
	Volkswagen International Finance NV	1.000	12/20/2016	0.339	EUR 60	(1)	1	0	0
						$ (20)	$ 20	$ 0	$ 0

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION [2]

Counterparty	Index/Tranches	Fixed Receive Rate	Maturity Date	Notional Amount [4]	Premiums (Received)	Unrealized Appreciation	Swap Agreements, at Value [5] Asset	Swap Agreements, at Value [5] Liability
DUB	CMBX.NA.AAA.8 Index	0.500%	10/17/2057	$ 800	$ (42)	$ 12	$ 0	$ (30)
GST	CMBX.NA.AAA.8 Index	0.500	10/17/2057	300	(17)	6	0	(11)
					$ (59)	$ 18	$ 0	$ (41)

[2] If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

[3] Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

[4] The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

[5] The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

INTEREST RATE SWAPS

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BOA	Pay	1-Month GBP-UKRPI	3.430%	06/15/2030	GBP 600	$ 0	$ 73	$ 73	$ 0
	Receive	3-Month USD-CPURNSA Index	1.715	04/15/2017	$ 11,400	0	35	35	0
	Receive	3-Month USD-CPURNSA Index	1.010	10/16/2017	1,300	0	8	8	0
	Receive	3-Month USD-CPURNSA Index	1.580	05/23/2018	8,600	0	(5)	0	(5)
	Receive	3-Month USD-CPURNSA Index	1.565	06/07/2018	600	0	0	0	0
	Receive	3-Month USD-CPURNSA Index	1.493	06/30/2021	2,300	0	11	11	0
	Receive	3-Month USD-CPURNSA Index	1.730	08/26/2025	300	0	(5)	0	(5)
BPS	Pay	1-Month GBP-UKRPI	3.400	06/15/2030	GBP 800	4	86	90	0
	Receive	3-Month EUR-EXT-CPI Index	0.550	10/15/2017	EUR 100	0	(1)	0	(1)
	Receive	3-Month EUR-EXT-CPI Index	0.806	04/15/2021	600	0	(2)	0	(2)
	Receive	3-Month EUR-EXT-CPI Index	1.090	06/15/2026	200	0	(2)	0	(2)
	Receive	3-Month USD-CPURNSA Index	1.560	11/05/2016	$ 1,400	0	(23)	0	(23)
	Receive	3-Month USD-CPURNSA Index	1.825	11/29/2016	1,700	0	(40)	0	(40)
	Receive	3-Month USD-CPURNSA Index	2.250	07/15/2017	8,700	20	(506)	0	(486)
CBK	Pay	1-Month GBP-UKRPI	3.190	04/15/2030	GBP 1,500	0	99	99	0
	Pay	1-Month GBP-UKRPI	3.350	05/15/2030	1,400	0	147	147	0
	Pay	1-Month GBP-UKRPI	3.430	06/15/2030	700	0	85	85	0
	Pay	1-Month GBP-UKRPI	3.140	04/15/2031	100	0	1	1	0
	Pay	3-Month EUR-EXT-CPI Index	0.830	05/15/2018	EUR 3,700	0	(4)	0	(4)
	Receive	3-Month EUR-EXT-CPI Index	0.655	08/15/2018	100	0	(1)	0	(1)
	Receive	3-Month EUR-EXT-CPI Index	0.640	09/15/2018	200	0	(2)	0	(2)
	Receive	3-Month EUR-EXT-CPI Index	0.650	10/15/2018	200	0	(2)	0	(2)
	Receive	3-Month EUR-EXT-CPI Index	0.806	04/15/2021	1,850	0	(6)	0	(6)
	Receive	3-Month EUR-EXT-CPI Index	0.875	05/15/2021	2,800	0	(16)	0	(16)
	Pay	3-Month EUR-EXT-CPI Index	1.178	05/15/2026	700	0	12	12	0
	Receive	3-Month EUR-EXT-CPI Index	1.090	06/15/2026	200	0	(2)	0	(2)
DUB	Pay	1-Month GBP-UKRPI	3.325	08/15/2030	GBP 800	2	68	70	0
	Pay	1-Month GBP-UKRPI	3.100	06/15/2031	400	0	(3)	0	(3)
	Receive	3-Month EUR-EXT-CPI Index	0.580	10/15/2017	EUR 300	0	(2)	0	(2)
	Receive	3-Month EUR-EXT-CPI Index	0.570	10/15/2017	100	0	(1)	0	(1)
	Receive	3-Month EUR-EXT-CPI Index	0.605	09/15/2018	200	0	(1)	0	(1)
	Receive	3-Month EUR-EXT-CPI Index	0.650	10/15/2018	600	0	(5)	0	(5)
	Receive	3-Month EUR-EXT-CPI Index	0.806	04/15/2021	300	0	(1)	0	(1)
	Receive	3-Month EUR-EXT-CPI Index	1.090	06/15/2026	200	0	(2)	0	(2)
	Receive	3-Month USD-CPURNSA Index	2.500	07/15/2022	$ 1,200	10	(166)	0	(156)
	Receive	3-Month USD-CPURNSA Index	2.560	05/08/2023	13,100	0	(1,788)	0	(1,788)
FBF	Pay	1-Month GBP-UKRPI	3.353	05/15/2030	GBP 300	0	32	32	0
	Pay	1-Month GBP-UKRPI	3.140	04/15/2031	100	0	1	1	0
	Receive	3-Month EUR-EXT-CPI Index	0.615	09/15/2018	EUR 200	0	(2)	0	(2)
GLM	Pay	1-Month GBP-UKRPI	3.400	06/15/2030	GBP 500	2	54	56	0
	Pay	1-Month GBP-UKRPI	3.325	08/15/2030	3,940	(12)	355	343	0
	Pay	1-Month GBP-UKRPI	3.358	04/15/2035	300	0	36	36	0

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
	Receive	1-Month GBP-UKRPI	3.145%	05/15/2046	GBP 590	$ 10	$ (17)	$ 0	$ (7)
	Receive	1-Month GBP-UKRPI	3.120	06/15/2046	500	0	9	9	0
	Receive	3-Month EUR-EXT-CPI Index	0.650	09/15/2018	EUR 100	0	(1)	0	(1)
	Receive	3-Month EUR-EXT-CPI Index	1.090	06/15/2026	200	0	(2)	0	(2)
	Receive	3-Month USD-CPURNSA Index	2.415	02/12/2017	$ 2,900	0	(151)	0	(151)
JPM	Pay	1-Month GBP-UKRPI	3.400	06/15/2030	GBP 100	0	11	11	0
	Pay	1-Month GBP-UKRPI	3.275	09/15/2030	600	0	44	44	0
	Receive	3-Month EUR-EXT-CPI Index	0.580	10/15/2017	EUR 400	0	(3)	0	(3)
MYC	Pay	1-Month GBP-UKRPI	3.320	05/15/2030	GBP 1,200	0	116	116	0
	Receive	3-Month EUR-EXT-CPI Index	0.806	04/15/2021	EUR 810	0	(3)	0	(3)
	Receive	3-Month USD-CPURNSA Index	1.533	11/07/2016	$ 13,500	1	(217)	0	(216)
UAG	Receive	3-Month EUR-EXT-CPI Index	0.525	10/15/2017	EUR 900	0	(5)	0	(5)
	Receive	3-Month EUR-EXT-CPI Index	0.610	09/15/2018	400	0	(3)	0	(3)
						$ 37	$ (1,707)	$ 1,279	$ (2,949)

TOTAL RETURN SWAPS ON COMMODITY INDICES

Counterparty	Pay/Receive [6]	Underlying Reference	# of Units	Financing Rate	Maturity Date	Notional Amount		Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BOA	Receive	BCOMTR Index †	232,579	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	$ 41,520	$ 0	$ 173	$ 173	$ 0
BPS	Receive	BCOMF1T Index †	20,831	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	7,218	0	(1)	0	(1)
	Receive	BCOMTR Index †	101,813	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	18,184	0	76	76	0
CBK	Receive	BCOMF1T Index †	105	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	36	0	0	0	0
	Receive	BCOMTR Index †	278,752	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	49,762	0	208	208	0
	Receive	BCOMTR2 Index †	56,759	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	11,090	0	45	45	0
	Receive	BCOMTREXW Index †	226,188	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	19,876	0	73	73	0
	Receive	CVICCGD2 Index †	20,374	0.050%	08/15/2016	2,153	0	0	0	0
	Receive	CVICCGD3 Index †	19,312	0.050%	08/15/2016	2,157	0	0	0	0
FBF	Receive	BCOMTR Index †	125,200	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	22,350	0	93	93	0
GLM	Receive	BCOMF1T Index †	8,360	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	2,897	0	16	16	0
	Receive	BCOMTR Index †	50,917	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	9,090	0	38	38	0
	Receive	BCOMTR11A Index †	140,382	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	33,447	0	143	143	0
	Pay	SPGCINP Index †	973	-0.050%	08/15/2016	141	0	(5)	0	(5)
JPM	Receive	BCOMF1T Index †	672	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	233	0	1	1	0
	Receive	BCOMTR Index †	162,543	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	29,017	0	121	121	0
	Receive	JMABCTNE Index †	23,274	0.150%	08/15/2016	2,613	0	2	2	0
	Receive	JMABDEWE Index †	5,533	0.300%	08/15/2016	5,403	0	268	268	0
	Receive	JMABFNJ1 Index †	100,972	0.700%	08/15/2016	10,199	0	115	115	0
	Receive	JMABNICP Index †	12,178	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	5,601	0	105	105	0
MAC	Receive	BCOMTR Index †	51,498	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	9,193	0	38	38	0
	Receive	BCOMTR1 Index †	113,048	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	11,226	0	47	47	0
	Receive	BCOMTR2 Index †	64,987	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	6,197	0	25	25	0
MYC	Receive	BCOMTR1 Index †	232,041	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	45,818	0	191	191	0
	Receive	BCOMTR2 Index †	410,300	3-Month U.S. Treasury Bill rate plus a specified spread	08/15/2016	79,499	0	323	323	0
								$ 2,095	$ 2,101	$ (6)

[6] Receive represents that the Portfolio receives payments for any positive return on the underlying reference. The Portfolio makes payments for any negative return on such underlying reference. Pay represents that the Portfolio receives payments for any negative return on the underlying reference. The Portfolio makes payments for any positive return on such underlying reference.

VOLATILITY SWAPS

Counterparty	Pay/Receive Volatility	Reference Entity	Volatility Strike	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value	
								Asset	Liability
BPS	Pay	NYMEX Natural Gas August Futures (7)†	15.288%	07/26/2016	$ 17	$ 0	$ 0	$ 0	$ 0
	Pay	NYMEX Natural Gas August Futures (7)†	16.120	07/26/2016	17	0	0	0	0
GST	Pay	GOLDLNPM Index (7)†	3.901	05/04/2017	150	0	0	0	0
	Pay	GOLDLNPM Index (7)†	4.000	05/08/2017	250	0	1	1	0
	Pay	GOLDLNPM Index (7)†	7.784	03/24/2020	358	0	8	8	0
	Pay	GOLDLNPM Index (7)†	7.840	04/06/2020	178	0	4	4	0
	Pay	GOLDLNPM Index (7)†	6.250	04/08/2020	1,550	0	9	9	0
	Pay	GOLDLNPM Index (7)†	7.840	04/09/2020	179	0	4	4	0
	Pay	GOLDLNPM Index (7)†	7.896	04/14/2020	178	0	4	4	0
	Pay	GOLDLNPM Index (7)†	6.250	04/16/2020	3,100	0	18	18	0
	Pay	GOLDLNPM Index (7)†	7.981	04/22/2020	1,416	0	32	32	0
	Pay	GOLDLNPM Index (7)†	8.585	04/27/2020	1,024	0	29	29	0
	Pay	GOLDLNPM Index (7)†	8.703	04/28/2020	339	0	10	10	0
	Pay	GOLDLNPM Index (7)†	7.023	07/29/2020	943	0	21	21	0
	Pay	GOLDLNPM Index (7)†	7.840	09/09/2020	179	0	3	3	0
	Pay	LME Copper December Futures (7)†	5.244	12/07/2016	59	0	0	0	0
JPM	Pay	GOLDLNPM Index (7)†	10.890	04/29/2020	303	0	15	15	0
	Pay	GOLDLNPM Index (7)†	11.156	05/07/2020	599	0	32	32	0
	Pay	GOLDLNPM Index (7)†	9.000	07/24/2020	333	0	10	10	0
	Pay	NYMEX Natural Gas August Futures (7)†	16.000	07/26/2016	33	0	0	0	0
	Pay	Sugar No. 11 October Futures (7)†	12.603	07/25/2016	38	0	(1)	0	(1)
MAC	Pay	LME Copper October Futures (7)†	5.221	10/05/2016	59	0	0	0	0
	Pay	Sugar No. 11 October Futures (7)†	12.960	09/15/2016	37	0	(1)	0	(1)
						$ 0	$ 198	$ 200	$ (2)
Total Swap Agreements						**$ (35)**	**$ 540**	**$ 3,693**	**$ (3,188)**

(7) Variance Swap

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of June 30, 2016:

(k) Securities with an aggregate market value of $4,322 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of June 30, 2016.

Counterparty	Financial Derivative Assets				Financial Derivative Liabilities				Net Market Value of OTC Derivatives	Collateral (Received)/ Pledged	Net Exposure (8)
	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter			
PIMCO CommodityRealReturn® Strategy Portfolio											
BOA	$ 587	$ 0	$ 127	$ 714	$ (867)	$ 0	$ (10)	$ (877)	$ (163)	$ 0	$ (163)
BPS	60	0	90	150	(710)	(44)	(554)	(1,308)	(1,158)	1,046	(112)
CBK	12	34	344	390	(384)	(50)	(33)	(467)	(77)	0	(77)
DUB	0	452	70	522	(211)	(110)	(1,989)	(2,310)	(1,788)	1,867	79
FAR	0	281	0	281	0	(269)	0	(269)	12	0	12
FBF	0	1	33	34	0	(207)	(2)	(209)	(175)	12	(163)
GLM	406	52	444	902	(968)	(84)	(161)	(1,213)	(311)	0	(311)
GST	0	0	0	0	0	0	(11)	(11)	(11)	0	(11)
HUS	100	0	0	100	(159)	0	0	(159)	(59)	0	(59)
JPM	260	12	55	327	(1,565)	(103)	(3)	(1,671)	(1,344)	1,059	(285)
MSB	190	0	0	190	(72)	(8)	0	(80)	110	0	110
MYC	0	363	116	479	0	(329)	(219)	(548)	(69)	156	87
NGF	0	426	0	426	0	(271)	0	(271)	155	0	155
SCX	85	0	0	85	(103)	0	0	(103)	(18)	69	51
TDM	0	0	0	0	(219)	0	0	(219)	(219)	0	(219)
UAG	71	0	0	71	(2)	0	(8)	(10)	61	0	61
PIMCO Cayman Commodity Portfolio I, Ltd. (Subsidiary)											
BOA	0	0	173	173	(16)	0	0	(16)	157	(375)	(218)
BPS	1	0	100	101	0	(1)	(109)	(110)	(9)	0	(9)
CBK	2	0	326	328	0	0	0	0	328	(750)	(422)
FBF	0	0	93	93	0	0	0	0	93	4	97
GLM	0	0	197	197	0	0	(5)	(5)	192	(430)	(238)
GST	0	0	208	208	0	0	(47)	(47)	161	0	161
JPM	1	12	693	706	(3)	(11)	(13)	(27)	679	(688)	(9)

Counterparty	Financial Derivative Assets: Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Financial Derivative Liabilities: Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral (Received)/ Pledged	Net Exposure [8]
MAC	$ 0	$ 0	$ 110	$ 110	$ 0	$ 0	$ (17)	$ (17)	$ 93	$ 0	$ 93
MYC	0	0	514	514	0	0	(5)	(5)	509	(3,150)	(2,641)
SOG	1	0	0	1	0	0	(2)	(2)	(1)	0	(1)
Total Over the Counter	**$ 1,776**	**$ 1,633**	**$ 3,693**	**$ 7,102**	**$ (5,279)**	**$ (1,487)**	**$ (3,188)**	**$ (9,954)**			

[8] Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC derivatives can only be netted across transactions governed under the same master agreement with the same legal entity. The Portfolio and Subsidiary are recognized as two separate legal entities. As such, exposure cannot be netted. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting agreements.

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Portfolio's derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Portfolio.

Fair Values of Financial Derivative Instruments on the Consolidated Statement of Assets and Liabilities as of June 30, 2016:

	Derivatives not accounted for as hedging instruments: Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest RateContracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Purchased Options	$ 89	$ 0	$ 0	$ 0	$ 0	$ 89
Futures	495	0	0	0	54	549
Swap Agreements	0	0	0	0	283	283
	$ 584	$ 0	$ 0	$ 0	$ 337	$ 921
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 1,776	$ 0	$ 1,776
Purchased Options	12	0	0	0	1,621	1,633
Swap Agreements	2,414	0	0	0	1,279	3,693
	$ 2,426	$ 0	$ 0	$ 1,776	$ 2,900	$ 7,102
	$ 3,010	$ 0	$ 0	$ 1,776	$ 3,237	$ 8,023
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Written Options	$ 80	$ 0	$ 0	$ 0	$ 0	$ 80
Futures	429	0	0	0	58	487
Swap Agreements	0	10	0	0	35	45
	$ 509	$ 10	$ 0	$ 0	$ 93	$ 612
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 5,279	$ 0	$ 5,279
Written Options	12	17	0	100	1,358	1,487
Swap Agreements	198	41	0	0	2,949	3,188
	$ 210	$ 58	$ 0	$ 5,379	$ 4,307	$ 9,954
	$ 719	$ 68	$ 0	$ 5,379	$ 4,400	$ 10,566

The effect of Financial Derivative Instruments on the Consolidated Statement of Operations for the period ended June 30, 2016:

	Derivatives not accounted for as hedging instruments: Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest RateContracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Purchased Options	$ 13	$ 0	$ 0	$ 0	$ (8)	$ 5
Written Options	67	0	0	0	19	86
Futures	(631)	0	0	0	(46)	(677)
Swap Agreements	0	(20)	0	0	(5,996)	(6,016)
	$ (551)	$ (20)	$ 0	$ 0	$ (6,031)	$ (6,602)

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest RateContracts	Total
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (711)	$ 0	$ (711)
Purchased Options	(19)	0	0	0	(464)	(483)
Written Options	102	18	0	87	456	663
Swap Agreements	49,011	43	22	3	(459)	$ 48,620
	$ 49,094	$ 61	$ 22	$ (621)	$ (467)	$ 48,089
	$ 48,543	$ 41	$ 22	$ (621)	$ (6,498)	$ 41,487
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Purchased Options	$ 56	$ 0	$ 0	$ 0	$ (2)	$ 54
Written Options	(11)	0	0	0	0	(11)
Futures	296	0	0	0	127	423
Swap Agreements	0	(18)	0	0	(1,642)	(1,660)
	$ 341	$ (18)	$ 0	$ 0	$ (1,517)	$ (1,194)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (3,952)	$ 0	$ (3,952)
Purchased Options	(2)	0	0	(17)	(320)	(339)
Written Options	20	20	0	(38)	(106)	(104)
Swap Agreements	(2,190)	34	(22)	0	1,351	(827)
	$ (2,172)	$ 54	$ (22)	$ (4,007)	$ 925	$ (5,222)
	$ (1,831)	$ 36	$ (22)	$ (4,007)	$ (592)	$ (6,416)

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of June 30, 2016 in valuing the Portfolio's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 06/30/2016
Investments in Securities, at Value				
Corporate Bonds & Notes				
Banking & Finance	$ 0	$ 29,069	$ 0	$ 29,069
Industrials	0	3,020	0	3,020
Utilities	0	4,192	0	4,192
U.S. Government Agencies	0	32,968	0	32,968
U.S. Treasury Obligations	0	357,848	0	357,848
Non-Agency Mortgage-Backed Securities	0	14,056	0	14,056
Asset-Backed Securities	0	15,160	0	15,160
Sovereign Issues	0	41,014	0	41,014
Short-Term Instruments				
Repurchase Agreements	0	50,597	0	50,597
Japan Treasury Bills	0	3,391	0	3,391
U.S. Treasury Bills	0	3,481	0	3,481
	$ 0	$ 554,796	$ 0	$ 554,796
Investments in Affiliates, at Value				
Short-Term Instruments				
Central Funds Used for Cash Management Purposes	$ 41,101	$ 0	$ 0	$ 41,101
Total Investments	$ 41,101	$ 554,796	$ 0	$ 595,897

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 06/30/2016
Short Sales, at Value - Liabilities				
U.S. Government Agencies	$ 0	$ (7,817)	$ 0	$ (7,817)
U.S. Treasury Obligations	0	0	0	0
	$ 0	$ (7,817)	$ 0	$ (7,817)
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	637	283	0	920
Over the counter	0	7,090	12	7,102
	$ 637	$ 7,373	$ 12	$ 8,022
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	(567)	(45)	0	(612)
Over the counter	0	(9,942)	(12)	(9,954)
	$ (567)	$ (9,987)	$ (12)	$ (10,566)
Totals	$ 41,171	$ 544,365	$ 0	$ 585,536

There were no significant transfers between Levels 1, 2, or 3 during the period ended June 30, 2016.

1. ORGANIZATION

PIMCO Variable Insurance Trust (the "Trust") was established as a Delaware business trust on October 3, 1997. The Trust is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust is designed to be used as an investment vehicle by separate accounts of insurance companies that fund variable annuity contracts and variable life insurance policies and by qualified pension and retirement plans. Information presented in these financial statements pertains to the Institutional Class, Class M, Administrative Class and Advisor Class shares of the PIMCO CommodityRealReturn® Strategy Portfolio (the "Portfolio") offered by the Trust. Pacific Investment Management Company LLC ("PIMCO") serves as the investment adviser (the "Adviser") for the Portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Portfolio is treated as an investment company under the reporting requirements of U.S. GAAP. 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 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.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled 15 days or more after the trade date. Realized gains (losses) from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Portfolio is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date, with the exception of securities with a forward starting effective date, where interest income is recorded on the accrual basis from effective date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized appreciation (depreciation) on investments on the Consolidated Statement of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain (loss) on investments on the Consolidated Statement of Operations. Paydown gains (losses) on mortgage-related and other asset-backed securities are recorded as components of interest income on the Consolidated Statement of Operations. Income or short-term capital gain distributions received from registered investment companies are recorded as dividend income. Long-term capital gain distributions received from registered investment companies are recorded as realized gains.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is probable.

(b) Cash and Foreign Currency The functional and reporting currency for the Portfolio is the U.S. dollar. The market values of foreign securities, currency holdings and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the current exchange rates each business day. Purchases and sales of securities and income and expense items denominated in foreign currencies, if any, are translated into U.S. dollars at the exchange rate in effect on the transaction date. The Portfolio does not separately report the effects of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized gain (loss) and net change in unrealized appreciation (depreciation) from investments on the Consolidated Statement of Operations. The Portfolio may invest in foreign currency-denominated securities and may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through a forward foreign currency contract (see Financial Derivative Instruments, if any). Realized foreign exchange gains (losses) arising from sales of spot foreign currencies, currency gains (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 are included in net realized gain (loss) on foreign currency transactions on the Consolidated Statement of Operations. Net unrealized foreign exchange gains (losses) arising 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 are included in net change in unrealized appreciation (depreciation) on foreign currency assets and liabilities on the Consolidated Statement of Operations.

(c) Multiclass Operations Each class offered by the Trust has equal rights as to assets and voting privileges (except that shareholders of a class have exclusive voting rights regarding any matter relating solely to

that class of shares). Income and non-class specific expenses are allocated daily to each class on the basis of the relative net assets. Realized and unrealized capital gains (losses) are allocated daily based on the relative net assets of each class of the Portfolio. Class specific expenses, where applicable, currently include supervisory and administrative and distribution and servicing fees. Under certain circumstances, the per share net asset value ("NAV") of a class of the Portfolio's shares may be different from the per share NAV of another class of shares as a result of the different daily expense accruals applicable to each class of shares.

(d) Dividends and Distributions to Shareholders Dividends from net investment income, if any, are declared and distributed to shareholders quarterly. Net realized capital gains earned by the Portfolio, if any, will be distributed no less frequently than once each year.

Income dividends and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Examples of events that give rise to timing differences include wash sales, straddles and capital loss carryforwards. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. Examples of transactions that may cause character differences include the treatment of paydowns on mortgage-backed securities, swaps, foreign currency transactions and contingent debt instruments. As a result, income dividends and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on the Portfolio's annual financial statements presented under U.S. GAAP.

Distributions classified as a tax basis return of capital, if any, are reflected on the Consolidated Statements of Changes in Net Assets and have been recorded to paid in capital. In addition, other amounts have been reclassified between undistributed (overdistributed) net investment income (loss), accumulated undistributed (overdistributed) net realized gain (loss) and/or paid in capital to more appropriately conform financial accounting to tax characterizations of dividend distributions.

(e) Consolidated Statement of Cash Flows U.S. GAAP requires entities providing financial statements that report both financial position and results of operations to also provide a Consolidated Statement of Cash Flows for each period for which results of operations are provided, but exempts investment companies meeting certain conditions. One of the conditions is that substantially all of the entity's investments were carried at fair value during the period and classified as Level 1 or Level 2 in the fair value hierarchy in accordance with the requirements of U.S. GAAP. Another condition is that the entity had little or no debt, based on the average debt outstanding during the period, in relation to average total assets. Portfolios with certain degrees of borrowing activity, typically through the use of reverse repurchase agreements or sale-buyback transactions, have been determined to be at a level requiring a Consolidated Statement of Cash Flows. The Consolidated Statement of Cash Flows has been prepared using the indirect method which requires net increase (decrease) in net assets resulting from operations to be adjusted to reconcile to net cash flows from operating activities.

(f) New Accounting Pronouncements In August 2014, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU"), ASU 2014-15 requiring management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern. The ASU is effective prospectively for annual periods ending after December 15, 2016, and interim periods thereafter. At this time, management is evaluating the implications of these changes on the financial statements.

In May 2015, the FASB issued ASU 2015-07 which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. The ASU is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. The ASU did not have an impact on the Portfolio's financial statements.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The price of the Portfolio's shares is based on the Portfolio's NAV. The NAV of the Portfolio, or each of its share classes, as applicable, is determined by dividing the total value of portfolio investments and other assets attributable to the Portfolio or class, less any liabilities, by the total number of shares outstanding of the Portfolio or class.

On each day that the New York Stock Exchange ("NYSE") is open, Portfolio shares are ordinarily valued as of the close of regular trading ("NYSE Close"). Information that becomes known to the Portfolio or its agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. The Portfolio reserves the right to change the time its NAV is calculated if the Portfolio closes earlier, or as permitted by the SEC.

For purposes of calculating NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Portfolio's approved pricing services, quotation reporting systems and other third-party sources (together, "Pricing Services"). The Portfolio will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. A foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the Adviser to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services or other pricing sources. With respect to any portion of the Portfolio's assets that are invested in one or more open-end management investment companies (other than exchange-traded funds ("ETFs")), the Portfolio's NAV will be calculated based upon the NAVs of such investments.

If a foreign (non-U.S.) equity security's value has materially changed after the close of the security's primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees of the Trust (the "Board"). Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, the Portfolio may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, the Portfolio may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. The Portfolio may utilize modeling tools provided by third-party vendors to determine fair values of non-U.S. securities. Foreign (non-U.S.) exchanges may permit trading in foreign (non-U.S.) equity securities on days when the Trust is not open for business, which may result in the Portfolio's portfolio investments being affected when shareholders are unable to buy or sell shares.

Senior secured floating rate loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a Pricing Service. Senior secured floating rate loans for which an active secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a senior secured floating rate loan at fair value, the factors considered may include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the value of such investments and, in turn, the NAV of the Portfolio's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of investments traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the Trust is not open for business. As a result, to the extent that the Portfolio holds foreign (non-U.S.) investments, the value of those investments may change at times when shareholders are unable to buy or sell shares and the value of such investments will be reflected in the Portfolio's next calculated NAV.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to the Adviser the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board ("Valuation Oversight Committee"), generally based on recommendations provided by the Adviser. Market

quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations ("Broker Quotes"), Pricing Services' prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Portfolio's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Adviser the responsibility for monitoring significant events that may materially affect the values of the Portfolio's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When a Portfolio uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Trust's policy is intended to result in a calculation of the Portfolio's NAV that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that a Portfolio could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by a Portfolio may differ from the value that would be realized if the securities were sold. The Portfolio's use of fair valuation may also help to deter "stale price arbitrage" as discussed under the "Frequent or Excessive Purchases, Exchanges and Redemptions" section in the Portfolio's prospectus.

(b) Fair Value Hierarchy U.S. GAAP describes fair value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- Level 1 — Inputs using (unadjusted) quoted prices in active markets or exchanges for identical assets and liabilities.
- Level 2 — Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- Level 3 — Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers into and out of Level 3, if material, are disclosed in the Notes to Consolidated Schedule of Investments for the Portfolio.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to realized gain (loss), unrealized appreciation (depreciation), purchases and sales, accrued discounts (premiums), and transfers into and out of the Level 3 category during the period. The end of period timing recognition is used for the transfers between Levels of the Portfolio's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Consolidated Schedule of Investments for the Portfolio.

(c) Valuation Techniques and the Fair Value Hierarchy
Level 1 and Level 2 trading assets and trading liabilities, at fair value The valuation methods (or "techniques") and significant inputs used in determining the fair values of portfolio securities or other assets and liabilities categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The Pricing Services' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Fixed income securities purchased on a delayed-delivery basis or as a repurchase commitment in a sale-buyback transaction are marked to market daily until settlement at the forward settlement date and are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage-related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Common stocks, ETFs, exchange-traded notes and financial derivative instruments, such as futures contracts, rights and warrants, or options on futures that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy.

Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using Pricing Services that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Investments in registered open-end investment companies (other than ETFs) will be valued based upon the NAVs of such investments and are categorized as Level 1 of the fair value hierarchy. Investments in unregistered open-end investment companies will be calculated based upon the NAVs of such investments and are considered Level 1 provided that the NAVs are observable, calculated daily and are the value at which both purchases and sales will be conducted. Investments in privately held investment funds with significant restrictions on redemption where the inputs to the NAVs are observable will be valued based upon the NAVs of such investments and are categorized as Level 2 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost of such short-term debt instrument is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. Prior to July 31, 2015, short-term debt investments having a maturity of 60 days or less and repurchase agreements were generally valued at amortized cost which approximates fair value. Short-term debt instruments having a remaining maturity of 60 days or less are categorized as Level 2 of the fair value hierarchy.

Equity exchange-traded options and over the counter financial derivative instruments, such as forward foreign currency contracts, options contracts, or swap agreements, derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. Other than swap agreements, which are valued using a broker-dealer bid quotation or on market-based prices provided by Pricing Services or other pricing sources, these contracts are normally valued on the basis of quotes obtained from a quotation reporting system, established market makers or Pricing Services (normally determined as of the NYSE Close). Depending on the product and the terms of the transaction, financial derivative instruments can be valued by Pricing Services using a series of techniques, including simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as quoted prices, issuer details, indices, bid/ask spreads, interest rates, implied volatilities, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps listed or traded on a multilateral or trade facility platform, such as a registered exchange, are valued at the daily settlement price determined by the respective exchange (if available). For centrally cleared credit default swaps, the clearing facility requires its members to provide actionable price levels across complete term structures. These levels along with external third-party prices are used to produce daily settlement prices. These securities are categorized as Level 2 of the fair value hierarchy. Centrally cleared interest rate swaps are valued using a pricing model that references the underlying rates including the overnight index swap rate and London Interbank Offered Rate ("LIBOR") forward rate to produce the daily settlement price. These securities are categorized as Level 2 of the fair value hierarchy.

Level 3 trading assets and trading liabilities, at fair value When a fair valuation method is applied by the Adviser that uses significant unobservable inputs, investments will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy.

The validity of the fair value is reviewed by the Adviser on a periodic basis and may be amended in accordance with the Trust's valuation procedures.

4. SECURITIES AND OTHER INVESTMENTS

(a) Investments in Affiliates

The Portfolio may invest in the PIMCO Short-Term Floating NAV Portfolio III ("Central Fund") to the extent permitted by the Act and rules thereunder. The Central Fund is a registered investment company created for use solely by the series of the Trust and other series of registered investment companies advised by the Adviser, in connection with their cash management activities. The main investments of the Central Fund are money market and short maturity fixed income instruments. The Central Fund may incur expenses related to its investment activities, but does not pay Investment Advisory Fees or Supervisory and Administrative Fees to the Adviser. The Central Fund is considered to be affiliated with the Portfolio. The table below shows the Portfolio's transactions in and earnings from investments in the affiliated Fund for the period ended June 30, 2016 (amounts in thousands†):

Investments in PIMCO Short-Term Floating NAV Portfolio III

Market Value 12/31/2015	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 06/30/2016	Dividend Income [1]	Realized Net Capital Gain Distributions [1]
$ 6,627	$ 281,936	$ (247,475)	$ (11)	$ 24	$ 41,101	$ 36	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

(1) The tax characterization of distributions is determined in accordance with Federal income tax regulations. The actual tax characterization of distributions paid are determined at the end of the fiscal year. See Note 2(d) in the Notes to Financial Statements for more information.

(b) Investments in Securities

Delayed-Delivery Transactions The Portfolio may purchase or sell securities on a delayed-delivery basis. These transactions involve a commitment by the Portfolio to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery transactions are outstanding, the Portfolio will designate or receive as collateral liquid assets in an amount sufficient to meet the purchase price or respective obligations. When purchasing a security on a delayed-delivery basis, the Portfolio assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and takes such fluctuations into account when determining its NAV. The Portfolio may dispose of or renegotiate a delayed-delivery transaction after it is entered into, which may result in a realized gain (loss). When the Portfolio has sold a security on a delayed-delivery basis, the Portfolio does not participate in future gains (losses) with respect to the security.

Inflation-Indexed Bonds The Portfolio may invest in inflation-indexed bonds. Inflation-indexed bonds are fixed income securities whose principal value is periodically adjusted to the rate of inflation. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond will be included as interest income on the Consolidated Statement of Operations, even though investors do not receive their principal until maturity.

Mortgage-Related and Other Asset-Backed Securities The Portfolio may invest in mortgage-related and other asset-backed securities that directly or indirectly represent a participation in, or are secured by and payable from, loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. These securities provide a monthly payment which consists of both interest and principal. Interest may be determined by fixed or adjustable rates. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. The timely payment of principal and interest of certain mortgage-related securities is guaranteed with the full faith and credit of the U.S. Government. Pools created and guaranteed by non-governmental issuers, including government-sponsored corporations, may be supported by various forms of insurance or guarantees, but there can be no assurance that private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. Many of the risks of investing in mortgage-related securities secured by commercial mortgage loans reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make lease payments, and the ability of a property to attract and retain tenants. These securities may be less liquid and may exhibit greater price volatility than other types of mortgage-related or other asset-backed securities. Other asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

Collateralized Debt Obligations ("CDOs") include Collateralized Bond Obligations ("CBOs"), Collateralized Loan Obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Portfolio invests. In addition to the normal risks associated with fixed income securities discussed elsewhere in this report and the Portfolio's prospectus and statement of additional information (e.g., prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a structured financing changes based on multiples of changes in interest rates or inversely to changes in interest rates)), CBOs, CLOs and other CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the Portfolio may invest in CBOs, CLOs, or other CDOs that are subordinate to other classes, and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

Collateralized Mortgage Obligations ("CMOs") are debt obligations of a legal entity that are collateralized by whole mortgage loans or private mortgage bonds and divided into classes. CMOs are structured into multiple classes, often referred to as "tranches," with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including prepayments. CMOs may be less liquid and may exhibit greater price volatility than other types of mortgage-related or asset-backed securities.

U.S. Government Agencies or Government-Sponsored Enterprises The Portfolio may invest in securities of U.S. Government agencies or government-sponsored enterprises. U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae"), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the "U.S. Treasury"); and others, such as those of the Federal National Mortgage Association ("FNMA" or "Fannie Mae"), are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations. U.S. Government securities may include zero coupon securities. Zero coupon securities do not distribute interest on a current basis and tend to be subject to a greater risk than interest-paying securities.

Government-related guarantors (*i.e.,* not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). FNMA is a government-sponsored corporation. FNMA purchases conventional (*i.e.,* not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC issues Participation Certificates ("PCs"), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

The Portfolio may engage in strategies where it seeks to extend the expiration or maturity of a position, such as a To Be Announced ("TBA") security on an underlying asset, by closing out the position before expiration and opening a new position with respect to the same underlying asset with a later expiration date. TBA securities purchased or sold are reflected on the Consolidated Statement of Assets and Liabilities as an asset or liability, respectively.

5. BORROWINGS AND OTHER FINANCING TRANSACTIONS

The following disclosures contain information on the Portfolio's ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by the Portfolio. The location of these instruments in the Portfolio's financial statements is described below. For a detailed description of credit and counterparty risks that can be associated with borrowings and other financing transactions, please see Note 7, Principal Risks.

(a) Repurchase Agreements The Portfolio may engage in repurchase agreements. Under the terms of a typical repurchase agreement, the Portfolio purchases an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Portfolio to resell, the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held by the Portfolio's custodian or designated subcustodians under tri-party repurchase agreements. The market value of the collateral must be equal to or exceed the total

amount of the repurchase obligations, including interest. Repurchase agreements, if any, including accrued interest, are included on the Consolidated Statement of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Consolidated Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for the receipt of collateral, which may result in interest expense to the Portfolio.

(b) Sale-Buybacks The Portfolio may enter into financing transactions referred to as 'sale-buybacks'. A sale-buyback transaction consists of a sale of a security by the Portfolio to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. The Portfolio is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. The agreed-upon proceeds for securities to be repurchased by the Portfolio are reflected as a liability on the Consolidated Statement of Assets and Liabilities. The Portfolio will recognize net income represented by the price differential between the price received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the 'price drop'. A price drop consists of (i) the foregone interest and inflationary income adjustments, if any, the Portfolio would have otherwise received had the security not been sold and (ii) the negotiated financing terms between the Portfolio and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Consolidated Statement of Operations. Interest payments based upon negotiated financing terms made by the Portfolio to counterparties are recorded as a component of interest expense on the Consolidated Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by the Adviser or will otherwise cover its obligations under sale-buyback transactions.

(c) Short Sales The Portfolio may enter into short sales transactions. A short sale is a transaction in which the Portfolio sells securities it may not own in anticipation of a decline in the fair value of the securities. Securities sold in short sale transactions and the interest payable on such securities, if any, are reflected as a liability on the Consolidated Statement of Assets and Liabilities. The Portfolio is obligated to deliver securities at the trade price at the time the short position is covered. Possible losses from short sales may be unlimited, whereas losses from purchases cannot exceed the total amount invested.

6. FINANCIAL DERIVATIVE INSTRUMENTS

The following disclosures contain information on how and why the Portfolio uses financial derivative instruments, and how financial derivative instruments affect the Portfolio's financial position, results of operations and cash flows. The location and fair value amounts of these instruments on the Consolidated Statement of Assets and Liabilities and the net realized gain (loss) and net change in unrealized appreciation (depreciation) on the Consolidated Statement of Operations, each categorized by type of financial derivative contract and related risk exposure, are included in a table in the Notes to Consolidated Schedule of Investments. The financial derivative instruments outstanding as of period end and the amounts of net realized gain (loss) and net change in unrealized appreciation (depreciation) on financial derivative instruments during the period, as disclosed in the Notes to Consolidated Schedule of Investments, serve as indicators of the volume of financial derivative activity for the Portfolio.

(a) Forward Foreign Currency Contracts The Portfolio may enter into forward foreign currency contracts in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of the Portfolio's securities or as a part of an investment strategy. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. Forward foreign currency contracts are marked to market daily, and the change in value is recorded by the Portfolio as an unrealized gain (loss). Realized gains (losses) are equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed and are recorded upon delivery or receipt of the currency. These contracts may involve market risk in excess of the unrealized gain (loss) reflected on the Consolidated Statement of Assets and Liabilities. In addition, the Portfolio could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar. To mitigate such risk, cash or securities may be exchanged as collateral pursuant to the terms of the underlying contracts.

(b) Futures Contracts The Portfolio may enter into futures contracts. The Portfolio may use futures contracts to manage its exposure to the securities markets or to movements in interest rates and currency values. The primary risks associated with the use of futures contracts are the imperfect correlation between the change in market value of the securities held by the Portfolio and the prices of futures contracts and the possibility of an illiquid market. Futures contracts are valued based upon their quoted daily settlement prices. Upon entering into a futures contract, the Portfolio is required to deposit with its futures broker an amount of cash, U.S. Government and Agency Obligations, or select sovereign debt, in accordance with the initial margin requirements of the broker or exchange. Futures contracts are marked to market daily and based on such movements in the price of the

contracts, an appropriate payable or receivable for the change in value may be posted or collected by the Portfolio ("Futures Variation Margin"). Gains (losses) are recognized but not considered realized until the contracts expire or close. Futures contracts involve, to varying degrees, risk of loss in excess of the Futures Variation Margin included within exchange traded or centrally cleared financial derivative instruments on the Consolidated Statement of Assets and Liabilities.

(c) Options Contracts The Portfolio may write or purchase options to enhance returns or to hedge an existing position or future investment. The Portfolio may write call and put options on securities and financial derivative instruments it owns or in which it may invest. Writing put options tends to increase the Portfolio's exposure to the underlying instrument. Writing call options tends to decrease the Portfolio's exposure to the underlying instrument. When the Portfolio writes a call or put, an amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. These liabilities are included on the Consolidated Statement of Assets and Liabilities. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying futures, swap, security or currency transaction to determine the realized gain (loss). Certain options may be written with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The Portfolio as a writer of an option has no control over whether the underlying instrument may be sold ("call") or purchased ("put") and as a result bears the market risk of an unfavorable change in the price of the instrument underlying the written option. There is the risk the Portfolio may not be able to enter into a closing transaction because of an illiquid market.

The Portfolio may also purchase put and call options. Purchasing call options tends to increase the Portfolio's exposure to the underlying instrument. Purchasing put options tends to decrease the Portfolio's exposure to the underlying instrument. The Portfolio pays a premium which is included as an asset on the Consolidated Statement of Assets and Liabilities and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. Certain options may be purchased with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain (loss) when the underlying transaction is executed.

Credit Default Swaptions The Portfolio may write or purchase credit default swaptions to hedge exposure to the credit risk of an investment without making a commitment to the underlying instrument. A credit default swaption is an option to sell or buy credit protection to a specific reference by entering into a pre-defined swap agreement by some specified date in the future.

Foreign Currency Options The Portfolio may write or purchase foreign currency options. Purchasing foreign currency options gives the Portfolio the right, but not the obligation to buy or sell the currency with specified amounts of currency and a rate of exchange that may be exercised by a certain date. These options may be used as a short or long hedge against possible variations in foreign exchange rates or to gain exposure to foreign currencies.

Inflation-Capped Options The Portfolio may write or purchase inflation-capped options to enhance returns or for hedging opportunities. The purpose of purchasing inflation-capped options is to protect the Portfolio from inflation erosion above a certain rate on a given notional exposure. A floor can be used to give downside protection to investments in inflation-linked products.

Interest Rate-Capped Options The Portfolio may write or purchase interest rate-capped options to enhance returns or for hedging opportunities. The purpose of purchasing interest rate-capped options is to protect the Portfolio from floating rate risk above a certain rate on a given notional exposure. A floor can be used to give downside protection to investments in interest rate linked products.

Interest Rate Swaptions The Portfolio may write or purchase interest rate swaptions which are options to enter into a pre-defined swap agreement by some specified date in the future. The writer of the swaption becomes the counterparty to the swap if the buyer exercises. The interest rate swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed-rate payer upon exercise.

Options on Commodity Futures Contracts The Portfolio may write or purchase options on commodity futures contracts ("Commodity Option"). The underlying instrument for the Commodity Option is not the commodity itself, but rather a futures contract for that commodity. The exercise of a Commodity Option will not include physical delivery of the underlying commodity but will result in a cash transfer amount of the difference between the current market value of the underlying futures contract and the strike price. For an option that is in-the-money, the Portfolio will normally offset its position rather than exercise the option to retain any remaining time value.

Options on Indices The Portfolio may write or purchase options on indices ("Index Option"). An Index Option uses a specified index as the underlying instrument for the option contract. The exercise for an Index

Option will not include physical delivery of the underlying index but will result in a cash transfer of the amount of the difference between the settlement price of the underlying index and the strike price.

Options on Securities The Portfolio may write or purchase options on securities. An option uses a specified security as the underlying instrument for the option contract. The Portfolio may write or purchase options to enhance returns or to hedge an existing position or future investment.

(d) Swap Agreements The Portfolio may invest in swap agreements. Swap agreements are bilaterally negotiated agreements between the Portfolio and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over the counter market ("OTC swaps") or may be cleared through a third party, known as a central counterparty or derivatives clearing organization ("Centrally Cleared Swaps"). The Portfolio may enter into asset, credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements to manage its exposure to credit, currency, interest rate, commodity, equity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Centrally Cleared Swaps are marked to market daily based upon valuations as determined from the underlying contract or in accordance with the requirements of the central counterparty or derivatives clearing organization. Changes in market value, if any, are reflected as a component of net change in unrealized appreciation (depreciation) on the Consolidated Statement of Operations. Daily changes in valuation of centrally cleared swaps ("Swap Variation Margin"), if any, are disclosed within centrally cleared financial derivative instruments on the Consolidated Statement of Assets and Liabilities. OTC swap payments received or paid at the beginning of the measurement period are included on the Consolidated Statement of Assets and Liabilities and represent premiums paid or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). Upfront premiums received (paid) are initially recorded as liabilities (assets) and subsequently marked to market to reflect the current value of the swap. These upfront premiums are recorded as realized gain (loss) on the Consolidated Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain (loss) on the Consolidated Statement of Operations. Net periodic payments received or paid by the Portfolio are included as part of realized gain (loss) on the Consolidated Statement of Operations.

For purposes of applying the Portfolio's investment policies and restrictions, swap agreements are generally valued by the Portfolio at market value. In the case of a credit default swap (see below), however, in applying certain of the Portfolio's investment policies and restrictions, the Portfolio will value the credit default swap at its notional value or its full exposure value (*i.e.,* the sum of the notional amount for the contract plus the market value), but may value the credit default swap at market value for purposes of applying certain of the Portfolio's other investment policies and restrictions. For example, the Portfolio may value credit default swaps at full exposure value for purposes of the Portfolio's credit quality guidelines (if any) because such value reflects the Portfolio's actual economic exposure during the term of the credit default swap agreement. In this context, both the notional amount and the market value may be positive or negative depending on whether the Portfolio is selling or buying protection through the credit default swap. The manner in which certain securities or other instruments are valued by the Portfolio for purposes of applying investment policies and restrictions may differ from the manner in which those investments are valued by other types of investors.

Entering into swap agreements involves, to varying degrees, elements of interest, credit, market and documentation risk in excess of the amounts recognized on the Consolidated Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

The Portfolio's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that amount is positive. The risk may be mitigated by having a master netting arrangement between the Portfolio and the counterparty and by the posting of collateral to the Portfolio to cover the Portfolio's exposure to the counterparty.

Commodity Forward Swap Agreements The Portfolio may invest in commodity forward swap agreements ("Commodity Forwards") to gain or mitigate exposure to the underlying referenced commodity. Commodity Forwards involve commitments between two parties where cash flows are exchanged at a future date based on the difference between a fixed and variable price with respect to the number of units of the commodity. At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the fixed and variable price of the underlying commodity multiplied by the number of units. To the extent the difference between the fixed and variable price of the underlying referenced commodity exceeds or falls

short of the offsetting payment obligation, the Portfolio will receive a payment from or make a payment to the counterparty.

Credit Default Swap Agreements A Portfolio may use credit default swaps on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues to provide a measure of protection against defaults of the issuers (*i.e.,* to reduce risk where a Portfolio owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default. Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event that the referenced entity, obligation or index, as specified in the swap agreement, undergoes a certain credit event. As a seller of protection on credit default swap agreements, the Portfolio will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, the Portfolio would effectively add leverage to its portfolio because, in addition to its total net assets, the Portfolio would be subject to investment exposure on the notional amount of the swap.

If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are estimated by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event).

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset-backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name's weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. The Portfolio may use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect. Credit default swaps on indices are instruments for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues as of period end, if any, are disclosed in the Notes to Consolidated Schedule of Investments. They serve as an indicator of the current status of payment/performance risk and represent the likelihood or risk of default for the reference entity. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that the Portfolio as a seller of protection could be required to make under a

credit default swap agreement equals the notional amount of the agreement. Notional amounts of each individual credit default swap agreement outstanding as of period end for which the Portfolio is the seller of protection are disclosed in the Notes to Consolidated Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Portfolio for the same referenced entity or entities.

Interest Rate Swap Agreements The Portfolio is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. Because the Portfolio holds fixed rate bonds, the value of these bonds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Portfolio may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by the Portfolio with another party for their respective commitment to pay or receive interest on the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap", (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor", (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the buyer pays an upfront fee in consideration for the right to early terminate the swap transaction in whole, at zero cost and at a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different segments of money markets.

Total Return Swap Agreements The Portfolio may enter into total return swap agreements to gain or mitigate exposure to the underlying reference asset. Total return swap agreements involve commitments where single or multiple cash flows are exchanged based on the price of an underlying reference asset and on a fixed or variable interest rate. Total return swap agreements may involve commitments to pay interest in exchange for a market-linked return. One counterparty pays out the total return of a specific reference asset, which may include an underlying equity, index, or bond, and in return receives a fixed or variable rate. At the maturity date, a net cash flow is exchanged where the total return is equivalent to the return of the underlying reference less a financing rate, if any. As a receiver, the Portfolio would receive payments based on any net positive total return and would owe payments in the event of a net negative total return. As the payer, the Portfolio would owe payments on any net positive total return, and would receive payments in the event of a net negative total return.

Volatility Swap Agreements The Portfolio also may enter into forward volatility agreements, also known as volatility swaps. In a volatility swap, the counterparties agree to make payments in connection with changes in the volatility (*i.e.,* the magnitude of change over a specified period of time) of an underlying referenced instrument, such as a currency, rate, index, security or other financial instrument. Volatility swaps permit the parties to attempt to hedge volatility risk and/or take positions on the projected future volatility of an underlying referenced instrument. For example, the Portfolio may enter into a volatility swap in order to take the position that the referenced instrument's volatility will increase over a particular period of time. If the referenced instrument's volatility does increase over the specified time, the Portfolio will receive payment from its counterparty based upon the amount by which the referenced instrument's realized volatility level exceeds a volatility level agreed upon by the parties. If the referenced instrument's volatility does not increase over the specified time, the Portfolio will make a payment to the counterparty based upon the amount by which the referenced instrument's realized volatility level falls below the volatility level agreed upon by the parties. At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the realized price volatility of the referenced instrument and the strike multiplied by the notional amount. As a receiver of the realized price volatility, the Portfolio would receive the payoff amount when the realized price volatility of the referenced instrument is greater than the strike and would owe the payoff amount when the volatility is less than the strike. As a payer of the realized price volatility, the Portfolio would owe the payoff amount when the realized price volatility of the referenced instrument is greater than the strike and would receive the payoff amount when the volatility is less than the strike. Payments on a volatility swap will be greater if they are based upon the mathematical square of volatility (*i.e.,* the measured volatility multiplied by itself, which is referred to as "variance"). This type of volatility swap is frequently referred to as a variance swap.

7. PRINCIPAL RISKS

In the normal course of business, the Portfolio trades financial instruments and enters into financial transactions where risk of potential loss exists due to such things as changes in the market (market risk) or failure or inability of the other party to a transaction to perform (credit and counterparty risk). See below for a detailed description of select principal risks. For a more comprehensive list of

potential risks the Portfolio may be subject to, please see the Important Information About the Portfolio.

Market Risks The Portfolio's investments in financial derivative instruments and other financial instruments expose the Portfolio to various risks such as, but not limited to, interest rate, foreign (non-U.S.) currency, equity and commodity risks.

Interest rate risk is the risk that fixed income securities and other instruments held by the Portfolio will decline in value because of an increase in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by the Portfolio is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and the Portfolio may lose money if these changes are not anticipated by the Portfolio's management. The Portfolio may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. In addition, any hedges may not work as intended.

Duration is a measure used to determine the sensitivity of a security's price to changes in interest rates that incorporates a security's yield, coupon, final maturity and call features, among other characteristics. Convexity is an additional measure of interest rate sensitivity that measures the rate of change of duration in response to changes in interest rates. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). At present, the U.S. and many parts of the world, including certain European countries, are experiencing near historically low interest rates. The Portfolio may be subject to heightened interest rate risk because the Fed has ended its quantitative easing program and has begun, and may continue, to raise interest rates. Further, while bond markets have steadily grown over the past three decades, dealer "market making" ability has not kept pace and in some cases has decreased. Given the importance of intermediary "market making" in creating a robust and active market, fixed income securities are currently facing increased volatility and liquidity risks. All of these factors, collectively and/or individually, could cause the Portfolio to lose value. If the Portfolio lost enough value, the Portfolio could face increased shareholder redemptions, which could force the Portfolio to liquidate investments at disadvantageous times or prices, thereby adversely affecting the Portfolio.

To the extent that the Portfolio may invest in securities and instruments that are economically tied to Russia, the Portfolio is subject to various risks such as, but not limited to political, economic, legal, market and currency risks. The risks include uncertain political and economic policies, short-term market volatility, poor accounting standards, corruption and crime, an inadequate regulatory system, and unpredictable taxation. Investments in Russia are particularly subject to the risk that further economic sanctions may be imposed by the United States and/or other countries. Such sanctions — which may impact companies in many sectors, including energy, financial services and defense, among others — may negatively impact the Portfolio's performance and/or ability to achieve its investment objective. The Russian securities market, as compared to U.S. markets, has significant price volatility, less liquidity, a smaller market capitalization and a smaller number of traded securities. Adverse currency exchange rates are a risk and there may be a lack of available currency hedging instruments. Investments in Russia may be subject to the risk of nationalization or expropriation of assets. Oil, natural gas, metals, and timber account for a significant portion of Russia's exports, leaving the country vulnerable to swings in world prices.

If the Portfolio invests directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies, or in financial derivative instruments that provide exposure to foreign (non-U.S.) currencies, it will be subject to the risk that those currencies will decline in value relative to the base currency of the Portfolio, or, in the case of hedging positions, that the Portfolio's base currency will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, the Portfolio's investments in foreign currency-denominated securities may reduce the Portfolio's returns.

The market values of equities, such as common stocks and preferred securities or equity related investments such as futures and options, have historically risen and fallen in periodic cycles and may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Different types of equity securities may react differently to these developments. Equity securities and equity related investments generally have greater market price volatility than fixed income securities.

The Portfolio's investments in commodity-linked financial derivative instruments may subject the Portfolio to greater market price volatility than investments in traditional securities. The value of commodity-linked

financial derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

Credit and Counterparty Risks The Portfolio will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. The Portfolio minimizes concentrations of credit risk by undertaking transactions with a large number of customers and counterparties on recognized and reputable exchanges, where applicable. Over the counter ("OTC") derivative transactions are subject to the risk that a counterparty to the transaction will not fulfill its contractual obligations to the other party, as many of the protections afforded to centrally cleared derivative transactions might not be available for OTC derivative transactions. For financial derivative instruments traded on exchanges or clearinghouses, the primary credit risk is the creditworthiness of the Portfolio's clearing broker or the exchange or clearinghouse itself. The Portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a financial derivative instruments contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities and financial derivative instruments are subject to varying degrees of credit risk, which may be reflected in credit ratings.

Similar to credit risk, the Portfolio may be exposed to counterparty risk, or the risk that an institution or other entity with which the Portfolio has unsettled or open transactions will default. PIMCO, as the Adviser, minimizes counterparty risks to the Portfolio through a number of ways. Prior to entering into transactions with a new counterparty, the PIMCO Counterparty Risk Committee conducts an extensive credit review of such counterparty and must approve the use of such counterparty. Furthermore, pursuant to the terms of the underlying contract, to the extent that unpaid amounts owed to the Portfolio exceed a predetermined threshold, such counterparty shall advance collateral to the Portfolio in the form of cash or securities equal in value to the unpaid amount owed to the Portfolio. The Portfolio may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to the Portfolio subsequently decreases, the Portfolio would be required to return to the counterparty all or a portion of the collateral previously advanced. PIMCO's attempts to minimize counterparty risk may, however, be unsuccessful.

All transactions in listed securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once the Portfolio has received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

Master Netting Arrangements The Portfolio may be subject to various netting arrangements ("Master Agreements") with select counterparties. Master Agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow the Portfolio to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty. For financial reporting purposes the Consolidated Statement of Assets and Liabilities generally presents derivative assets and liabilities on a gross basis, which reflects the full risks and exposures prior to netting.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under most Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other forms of AAA rated paper or sovereign securities may be used depending on the terms outlined in the applicable Master Agreement. Securities and cash pledged as collateral are reflected as assets on the Consolidated Statement of Assets and Liabilities as either a component of Investments at value (securities) or Deposits with counterparty. Cash collateral received is not typically held in a segregated account and as such is reflected as a liability on the Consolidated Statement of Assets and Liabilities as Deposits from counterparty. The market value of any securities received as collateral is not reflected as a component of NAV. The Portfolio's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively "Master Repo Agreements") govern repurchase, reverse repurchase, and sale-buyback transactions between the Portfolio and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of

transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Consolidated Schedule of Investments.

Master Securities Forward Transaction Agreements ("Master Forward Agreements") govern certain forward settling transactions, such as To-Be-Announced securities, delayed-delivery or sale-buyback transactions by and between the Portfolio and select counterparties. The Master Forward Agreements maintain provisions for, among other things, transaction initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral. The market value of forward settling transactions, collateral pledged or received, and the net exposure by counterparty as of period end is disclosed in the Notes to Consolidated Schedule of Investments.

Customer Account Agreements and related addenda govern cleared derivatives transactions such as futures, options on futures, and cleared OTC derivatives. Such transactions require posting of initial margin as determined by each relevant clearing agency which is segregated in an account at a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC"). In the United States, counterparty risk may be reduced as creditors of an FCM cannot have a claim to Portfolio assets in the segregated account. Portability of exposure reduces risk to the Portfolio. Variation margin, or changes in market value, are exchanged daily, but may not be netted between futures and cleared OTC derivatives unless the parties have agreed to a separate arrangement in respect of portfolio margining. The market value or accumulated unrealized appreciation (depreciation), initial margin posted, and any unsettled variation margin as of period end is disclosed in the Notes to Consolidated Schedule of Investments.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes ("ISDA Master Agreements") govern bilateral OTC derivative transactions entered into by the Portfolio with select counterparties. ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral posting and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements. In limited circumstances, the ISDA Master Agreement may contain additional provisions that add counterparty protection beyond coverage of existing daily exposure if the counterparty has a decline in credit quality below a predefined level. These amounts, if any, may be segregated with a third-party custodian. The market value of OTC financial derivative instruments, collateral received or pledged, and net exposure by counterparty as of period end are disclosed in the Notes to Consolidated Schedule of Investments.

8. BASIS FOR CONSOLIDATION

PIMCO Cayman Commodity Portfolio I, Ltd. (the "Commodity Subsidiary"), a Cayman Islands exempted company, was incorporated as a wholly owned subsidiary acting as an investment vehicle for the Portfolio in order to effect certain investments for the Portfolio consistent with the Portfolio's investment objectives and policies as specified in its prospectus and statement of additional information. The Portfolio's investment portfolio has been consolidated and includes the portfolio holdings of the Portfolio and the Commodity Subsidiary. The consolidated financial statements include the accounts of the Portfolio and the Commodity Subsidiary. All inter-company transactions and balances have been eliminated. A subscription agreement was entered into between the Portfolio and the Commodity Subsidiary, comprising the entire issued share capital of the Commodity Subsidiary, with the intent that the Portfolio will remain the sole shareholder and retain all rights. Under the Memorandum and Articles of Association, shares issued by the Commodity Subsidiary confer upon a shareholder the right to receive notice of, to attend and to vote at general meetings of the Commodity Subsidiary and shall confer upon the shareholder rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Commodity Subsidiary. See the table below for details regarding the structure, incorporation and relationship as of period end of the Commodity Subsidiary to the Portfolio (amounts in thousands):

Date of Incorporation	07/21/2006
Subscription Agreement	08/01/2006
Consolidated Portfolio Net Assets	$ 402,732
Subsidiary % of Portfolio Net Assets	23.0%
Subsidiary Financial Statement Information	
Total assets	$ 93,605
Total liabilities	1,048
Net assets	$ 92,557
Total income	293
Net investment income (loss)	27
Net realized gain (loss)	48,858
Net change in unrealized appreciation (depreciation)	(1,540)
Increase (decrease) in net assets resulting from operations	$ 47,345

9. FEES AND EXPENSES

(a) Investment Advisory Fee PIMCO is a majority-owned subsidiary of Allianz Asset Management of America L.P. ("Allianz Asset Management") and serves as the Adviser to the Trust, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Portfolio at an annual rate based on average daily net assets (the "Investment Advisory Fee"). The Investment Advisory Fee for all classes is charged at an annual rate of 0.49%.

(b) Supervisory and Administrative Fee PIMCO serves as administrator (the "Administrator") and provides supervisory and administrative services to the Trust for which it receives a monthly supervisory and administrative fee based on each share class's average daily net assets (the "Supervisory and Administrative Fee"). As the Administrator, PIMCO bears the costs of various third-party services, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs.

The Supervisory and Administrative Fee for all classes, as applicable, is charged at the annual rate as noted in the following table:

	Supervisory and Administrative Fee
Institutional Class	0.25%
Class M	0.25%
Administrative Class	0.25%
Advisor Class	0.25%

(c) Distribution and Servicing Fees PIMCO Investments LLC ("PI"), a wholly-owned subsidiary of PIMCO, serves as the distributor ("Distributor") of the Trust's shares. The Trust has adopted an Administrative Services Plan with respect to the Administrative Class shares of the Portfolio pursuant to Rule 12b-1 under the Act (the "Administrative Plan"). Under the terms of the Administrative Plan, the Trust is permitted to compensate the Distributor, out of the Administrative Class assets of the Portfolio, in an amount up to 0.15% on an annual basis of the average daily net assets of that class, for providing or procuring through financial intermediaries administrative, recordkeeping and investor services for Administrative Class shareholders of the Portfolio.

The Trust has adopted a separate Distribution and Servicing Plan for each of the Advisor Class and Class M shares of the Portfolio (the "Distribution and Servicing Plans"). The Distribution and Servicing Plans have been adopted pursuant to Rule 12b-1 under the Act. The Distribution and Servicing Plans permit the Portfolio to compensate the Distributor for providing or procuring through financial intermediaries distribution, administrative, recordkeeping, shareholder and/or related services with respect to Advisor Class and Class M shares. The Distribution and Servicing Plans permit the Portfolio to make total payments at an annual rate of up to 0.25% of its average daily net assets attributable to its Advisor Class or Class M shares, respectively. The Distribution and Servicing Plan for Class M shares also permits the Portfolio to compensate the Distributor for providing or procuring administrative, recordkeeping, and other investor services at an annual rate of up to 0.20% of its average daily net assets attributable to its Class M shares.

	Distribution Fee	Servicing Fee
Class M	0.25%	0.20%
Administrative Class	—	0.15%
Advisor Class	0.25%	—

(d) Portfolio Expenses PIMCO provides or procures supervisory and administrative services for shareholders and also bears the costs of various third-party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Trust is responsible for the following expenses: (i) taxes and governmental fees; (ii) brokerage fees and commissions and other portfolio transaction expenses; (iii) the costs of borrowing money, including interest expense; (iv) fees and expenses of the Trustees who are not "interested persons" of PIMCO or the Trust, and any counsel retained exclusively for their benefit; (v) extraordinary expense, including costs of litigation and indemnification expenses; (vi) organizational expenses; and (vii) any expenses allocated or allocable to a specific class of shares, which include service fees payable with respect to the Administrative Class Shares, and may include certain other expenses as permitted by the Trust's Multi-Class Plan adopted pursuant to Rule 18f-3 under the Act and subject to review and approval by the Trustees. The ratio of expenses to average net assets per share class, as disclosed on the Financial Highlights, may differ from the annual portfolio operating expenses per share class.

Each Trustee, other than those affiliated with PIMCO or its affiliates, receives an annual retainer of $35,000, plus $3,600 for each Board meeting attended in person, $750 for each committee meeting attended and $750 for each Board meeting attended telephonically, plus reimbursement of related expenses. In addition, the audit committee chair receives an additional annual retainer of $5,000, the valuation oversight committee lead receives an additional annual retainer of $3,250 (to the extent there are co-leads of the valuation oversight committee, the annual retainer will be split evenly between the co-leads, so that each co-lead individually receives an additional retainer of $1,625) and the governance committee chair receives an additional annual retainer of $1,500. The Lead Independent Trustee receives an annual retainer of $3,500.

These expenses are allocated on a pro rata basis to each Portfolio of the Trust according to its respective net assets except PIMCO All Asset Portfolio. The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Administrator, all of whom receive remuneration for their services to the Trust from the Administrator or its affiliates.

(e) Acquired Fund Fees and Expenses The Commodity Subsidiary has entered into a separate contract with PIMCO for the management of the Commodity Subsidiary's portfolio pursuant to which the Commodity Subsidiary pays PIMCO a management fee and administrative services fee at the annual rates of 0.49% and 0.20%, respectively, of its net assets. PIMCO has contractually agreed to waive the Investment Advisory Fee and the Supervisory and Administrative Fee it receives from the Portfolio in an amount equal to the management fee and

administrative services fee, respectively, paid to PIMCO by the Commodity Subsidiary. This waiver may not be terminated by PIMCO and will remain in effect for as long as PIMCO's contract with the Commodity Subsidiary is in place. The waiver is reflected on the Consolidated Statement of Operations as a component of Waiver and/or Reimbursement by PIMCO. For the period ended June 30, 2016, the amount was $245,763.

10. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties. Fees payable to these parties are disclosed in Note 9, Fees and Expenses, and the accrued related party fee amounts are disclosed on the Consolidated Statement of Assets and Liabilities.

The Portfolio is permitted to purchase or sell securities from or to certain related affiliated portfolios under specified conditions outlined in procedures adopted by the Board. The procedures have been designed to ensure that any purchase or sale of securities by the Portfolio from or to another fund or portfolio that are, or could be, considered an affiliate, or an affiliate of 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 under the Act. Further, as defined under the procedures, each transaction is effected at the current market price. During the period ended June 30, 2016, the Portfolio engaged in purchases and sales of securities pursuant to Rule 17a-7 under the Act (amounts in thousands):

Purchases	Sales
$ 9,745	$ 2,314

11. GUARANTEES AND INDEMNIFICATIONS

Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Portfolio. Additionally, in the normal course of business, the Portfolio enters into contracts that contain a variety of indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts.

12. PURCHASES AND SALES OF SECURITIES

The length of time the Portfolio has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Portfolio is known as "portfolio turnover." The Portfolio may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover may involve correspondingly greater transaction costs to the Portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The transaction costs and tax effects associated with portfolio turnover may adversely affect the Portfolio's performance. The portfolio turnover rates are reported in the Financial Highlights.

Purchases and sales of securities (excluding short-term investments) for the period ended June 30, 2016, were as follows (amounts in thousands):

U S Government/ Agency		All Other	
Purchases	Sales	Purchases	Sales
$ 365,496	$ 321,957	$ 46,171	$ 54,959

13. SHARES OF BENEFICIAL INTEREST

The Portfolio may issue an unlimited number of shares of beneficial interest with a $0.001 par value. Changes in shares of beneficial interest were as follows (shares and amounts in thousands):

	Six Months Ended 06/30/2016		Year Ended 12/31/2015	
	Shares	Amount	Shares~	Amount
Receipts for shares sold				
Institutional Class	38	$ 267	201	$ 1,746
Class M	20	137	48	414
Administrative Class	3,823	27,580	10,540	87,701
Advisor Class	2,075	15,193	3,748	32,173
Issued as reinvestment of distributions				
Institutional Class	2	13	14	124
Class M	0	1	1	4
Administrative Class	143	1,065	1,437	12,616
Advisor Class	60	451	592	5,255

	Six Months Ended 06/30/2016		Year Ended 12/31/2015	
	Shares	Amount	Shares~	Amount
Cost of shares redeemed				
Institutional Class	(40)	$ (279)	(81)	$ (686)
Class M	(6)	(45)	(7)	(60)
Administrative Class	(5,077)	(36,425)	(8,191)	(69,298)
Advisor Class	(1,248)	(9,140)	(1,833)	(15,594)
Net increase (decrease) resulting from Portfolio share transactions	(210)	$ (1,182)	6,469	$ 54,395

~ A one for two reverse share split, effective August 7, 2015, has been retroactively applied.

As of June 30, 2016, one shareholder owned 10% or more of the Portfolio's total outstanding shares comprising 16% of the Portfolio, and the shareholder is a related party of the Portfolio. Related parties may include, but are not limited to, the investment manager and its affiliates, affiliated broker dealers, fund of funds and directors or employees of the Trust or Adviser.

14. REGULATORY AND LITIGATION MATTERS

The Portfolio is not named as a defendant in any material litigation or arbitration proceedings and is not aware of any material litigation or claim pending or threatened against it.

PIMCO has received a Wells Notice from the staff of the U.S. Securities and Exchange Commission ("SEC") that relates to the PIMCO Total Return Active Exchange-Traded Fund ("BOND"), a series of PIMCO ETF Trust. The notice indicates the staff's preliminary determination to recommend that the SEC commence a civil action against PIMCO stemming from a non-public investigation relating to BOND. A Wells Notice is neither a formal allegation of wrongdoing nor a finding that any law was violated.

This matter principally pertains to the valuation of smaller sized positions in non-agency mortgage-backed securities purchased by BOND between its inception on February 29, 2012 and June 30, 2012, BOND's performance disclosures for that period, and PIMCO's compliance policies and procedures related to these matters.

The Wells process provides PIMCO with the opportunity to demonstrate to the SEC staff why it believes its conduct was appropriate, in keeping with industry standards, and that no action should be taken. PIMCO believes that this matter is unlikely to have a material adverse effect on any Portfolio or on PIMCO's ability to provide investment management services to any Portfolio.

The foregoing speaks only as of the date of this report.

15. FEDERAL INCOME TAX MATTERS

The Portfolio intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the "Code") and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

The Portfolio may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Adviser has reviewed the Portfolio's tax positions for all open tax years. As of June 30, 2016, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Portfolio files U.S. tax returns. While the statute of limitations remains open to examine the Portfolio's U.S. tax returns filed for the fiscal years ending in 2013-2015, no examinations are in progress or anticipated at this time. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

The Portfolio may gain exposure to the commodities markets primarily through index-linked notes, and may invest in other commodity-linked derivative investments, including commodity swap agreements, options, futures contracts, options on futures contracts and foreign funds investing in similar commodity-linked derivatives.

One of the requirements for favorable tax treatment as a regulated investment company under the Code is that the Portfolio must derive at least 90% of its gross income from certain qualifying sources of income. The IRS has issued a revenue ruling which holds that income derived from commodity index-linked swaps is not qualifying income under Subchapter M of the Code. The IRS has also issued private letter rulings in which the IRS specifically concluded that income from certain commodity index-linked notes is qualifying income. The IRS has also issued private rulings in which the IRS specifically concluded that income derived from investment in a subsidiary, which invests primarily in commodity-linked swaps, will also be qualifying income. Based on the reasoning in such rulings, the Portfolio will continue to seek to gain exposure to the commodity markets primarily through investments in commodity-linked notes and through investments in its Subsidiary.

It should be noted, however, that the IRS currently has suspended the issuance of such rulings pending further review. There can be no assurance that the IRS will not change its position that income derived from commodity-linked notes and wholly-owned subsidiaries is qualifying income. Furthermore, the tax treatment of commodity-linked notes, other commodity-linked derivatives, and the Portfolio's investments in its Subsidiary may otherwise be adversely affected by future legislation, Treasury Regulations and/or guidance issued by the IRS. Such developments could affect the character, timing and/or amount of the Portfolio's taxable income or any distributions made by the Portfolio or result in the inability of the Portfolio to operate as described in its Prospectus.

If, during a taxable year, the Commodity Subsidiary's taxable losses (and other deductible items) exceed its income and gains, the net loss will not pass through to the Portfolio as a deductible amount for income tax purposes. In the event that the Commodity Subsidiary's taxable gains exceed its losses and other deductible items during a taxable year, the net gain will pass through to the Portfolio as income for Federal income tax purposes.

Shares of the Portfolio currently are sold to segregated asset accounts ("Separate Accounts") of insurance companies that fund variable annuity contracts and variable life insurance policies ("Variable Contracts"). Please refer to the prospectus for the Separate Account and Variable Contract for information regarding Federal income tax treatment of distributions to the Separate Account.

Under the Regulated Investment Company Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

As of December 31, 2015, the Portfolio had the following post-effective capital losses with no expiration (amounts in thousands):

	Short-Term	Long-Term
PIMCO CommodityRealReturn® Strategy Portfolio	$ 9,795	$ 16,179

As of June 30, 2016, the aggregate cost and the net unrealized appreciation (depreciation) of investments for federal income tax purposes are as follows (amounts in thousands†):

Federal Tax Cost	Aggregate Gross Unrealized Appreciation	Aggregate Gross Unrealized (Depreciation)	Net Unrealized Appreciation (Depreciation) (1)
$ 611,143	$ 0	$ (15,246)	$ (15,246)

(1) Primary differences, if any, between book and tax net unrealized appreciation (depreciation) are attributable to wash sale loss deferrals for federal income tax purposes.

† A zero balance may reflect actual amounts rounding to less than one thousand.

Glossary: (abbreviations that may be used in the preceding statements) (Unaudited)

Counterparty Abbreviations:

BOA	Bank of America N.A.	**FBF**	Credit Suisse International	**NGF**	Nomura Global Financial Products, Inc.
BOS	Banc of America Securities LLC	**GLM**	Goldman Sachs Bank USA	**RYL**	Royal Bank of Scotland Group PLC
BPG	BNP Paribas Securities Corp.	**GST**	Goldman Sachs International	**SAL**	Citigroup Global Markets, Inc.
BPS	BNP Paribas S.A.	**HUS**	HSBC Bank USA N.A.	**SCX**	Standard Chartered Bank
BRC	Barclays Bank PLC	**JPM**	JPMorgan Chase Bank N.A.	**SOG**	Societe Generale
CBK	Citibank N.A.	**MAC**	Macquarie Bank Limited	**SSB**	State Street Bank and Trust Co.
DEU	Deutsche Bank Securities, Inc.	**MSB**	Morgan Stanley Bank N.A.	**TDM**	TD Securities (USA) LLC
DUB	Deutsche Bank AG	**MSC**	Morgan Stanley & Co., Inc.	**UAG**	UBS AG Stamford
FAR	Wells Fargo Bank National Association	**MYC**	Morgan Stanley Capital Services, Inc.		

Currency Abbreviations:

AUD	Australian Dollar	**EUR**	Euro	**MXN**	Mexican Peso
BRL	Brazilian Real	**GBP**	British Pound	**NZD**	New Zealand Dollar
CAD	Canadian Dollar	**JPY**	Japanese Yen	**USD or ($)**	United States Dollar
CNH	Chinese Renminbi (Offshore)				

Exchange Abbreviations:

ICE	IntercontinentalExchange®	**NYB**	ICE Futures U.S. Softs	**OTC**	Over the Counter
LME	London Metal Exchange	**NYMEX**	New York Mercantile Exchange		

Index/Spread Abbreviations:

BCOM	Bloomberg Commodity Index	**CPURNSA**	Consumer Price All Urban Non-Seasonally Adjusted Index	**PLTMLNPM**	London Platinum & Palladium Market PM Fix
BCOMTR	Bloomberg Commodity Index Total Return	**EURMARGIN**	European Refined Margin	**SPGCENP**	S&P GSCI Energy Official Close Index ER
BCOMTREXW	Bloomberg Commodity Ex-Chicago SRW Wheat Total Return Index	**EXT-CPI**	Excluding Tobacco-Non-revised Consumer Price Index	**SPGCICP**	S&P Goldman Sachs Commodity Copper Excess Return Index
CDX.HY	Credit Derivatives Index - High Yield	**GOLDLNPM**	London Gold Market Fixing Ltd. PM	**SPGCNGP**	S&P Goldman Sachs Commodity Natural Gas Index
CDX.IG	Credit Derivatives Index - Investment Grade	**JMABFNJ1**	JPMorgan FNJ 1 Index	**UKRPI**	United Kingdom Retail Price Index
CMBX	Commercial Mortgage-Backed Index	**JMABNICP**	JPMorgan Nic P Custom Index	**ULSD**	Ultra-Low Sulfur Diesel
CPALEMU	Euro Area All Items Non-Seasonally Adjusted Index	**OREXIO**	Iron Ore Spread		

Other Abbreviations:

CDO	Collateralized Debt Obligation	**oz.**	Ounce	**TIIE**	Tasa de Interés Interbancaria de Equilibrio "Equilibrium Interbank Interest Rate"
CLO	Collateralized Loan Obligation	**RBOB**	Reformulated Blendstock for Oxygenate Blending	**WTI**	West Texas Intermediate
LIBOR	London Interbank Offered Rate	**REMIC**	Real Estate Mortgage Investment Conduit	**YOY**	Year-Over-Year
NCUA	National Credit Union Administration				

General Information

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Pacific Investment Management Company LLC
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Newport Beach, CA 92660

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PIMCO Investments LLC
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801 Pennsylvania Avenue
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Transfer Agent
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Legal Counsel
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Washington, D.C. 20006

Independent Registered Public Accounting Firm
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1100 Walnut Street, Suite 1300
Kansas City, MO 64106

This report is submitted for the general information of the shareholders of the PIMCO Variable Insurance Trust.

pvit.pimco-funds.com

PIMCO

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PIMCO

Semiannual Report

June 30, 2016

PIMCO Variable Insurance Trust

Share Classes

- Institutional
- M
- Administrative
- Advisor

PIMCO All Asset Portfolio

A company of Allianz

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This material is authorized for use only when preceded or accompanied by the current PIMCO Variable Insurance Trust (the "Trust") prospectus for the Portfolio. (The variable product prospectus may be obtained by contacting your Investment Consultant.)

Dear PIMCO Variable Insurance Trust Shareholder,

Please find enclosed the Semiannual Report for the PIMCO Variable Insurance Trust covering the six-month reporting period ended June 30, 2016. The following pages contain specific details about the Portfolio's investment performance and a discussion of the factors that most affected performance over the reporting period.

Outside of the reporting period, PIMCO announced on July 19, 2016 that the firm's Managing Directors have selected Emmanuel (Manny) Roman as PIMCO's next Chief Executive Officer. PIMCO's current CEO Douglas Hodge will assume a new role as Managing Director and Senior Advisor when Mr. Roman joins PIMCO on November 1st.

The announcement of Mr. Roman as PIMCO's CEO is the culmination of a process undertaken by the firm to hire a senior executive who would add leadership and strategic insights combined with a deep appreciation of PIMCO's diversified global businesses, investment process and focus on superior investment performance and client-service. Mr. Roman's appointment has the full support of the firm's leadership including Mr. Hodge, PIMCO's President Jay Jacobs, the firm's Executive Committee and its Managing Directors. Mr. Roman has nearly 30 years of experience in the investment industry, with expertise in fixed income and proven executive leadership, most recently as CEO of Man Group PLC, one of the world's largest publicly-traded alternative asset managers and a leader in liquid, high-alpha investment strategies.

Highlights of the financial markets during the six-month fiscal reporting period include:

- The first segment of the reporting period through mid-February 2016 was marked by ongoing concerns over the global impact of a slowdown in the Chinese economy, which drove commodity prices and inflation expectations generally lower. By March, a recovery in the price of oil and expectations of lower interest rates for longer supported a rally in risk assets. The Bank of Japan ("BOJ") and the People's Bank of China, for example, indicated their intent for further policy easing, with the BOJ resorting to a negative interest rate policy in February 2016. The European Central Bank ("ECB") also resorted to unconventional monetary policy with additional easing measures and an expansion of its quantitative easing program by shifting its focus toward domestic credit, pushing government sovereign yields into negative territory. In June 2016, the ECB began purchasing corporate bonds to help invigorate economic growth and stimulate inflation in the region.
- In the U.S., concerns regarding the global impact of tightening financial conditions and renewed U.S. dollar strength kept the Federal Reserve ("Fed") on hold at their June 2016 meeting, after having slightly raised interest rates at their December 2015 meeting. In addition, the U.S. dollar appreciated against most European and emerging market currencies, while falling against the Japanese yen. The U.S. interest rate yield curve flattened as the ten-year U.S. Treasury yield rallied to all-time lows and short-term interest rates rose with the initial Fed rate hike in December 2015. Revised first quarter 2016 U.S. gross domestic product ("GDP") data released in late June was marginally stronger as retail sales, housing and consumer sentiment data indicated an improving economy.
- Market movements and news headlines at the end of the reporting period were dominated by the unexpected outcome of the U.K. referendum on June 23, 2016. Initial investor reaction to the Brexit vote was largely "risk-off" as various assets re-priced to the surprise outcome, with U.S. Treasuries, the Japanese yen and gold headlining a safe-haven rally. However, aside from the Pound Sterling and European and Japanese equities, most asset classes generally recovered in the ensuing week as investors reassessed the impact of the Brexit vote on global growth expectations.
- U.S. Treasuries, as represented by the Barclays U.S. Treasury Index, returned 5.37% for the reporting period. Yields declined across the majority of the U.S. Treasury yield curve as a more dovish tone from the Fed coupled with the surprise result of the U.K. referendum pushed expectations for policy normalization further into the future. The benchmark ten-year U.S. Treasury note yielded 1.49% at the end of the reporting period, down from 2.27% on December 31, 2015. The Barclays U.S. Aggregate Index, a widely used index of U.S. investment-grade bonds, returned 5.31% for the reporting period.
- U.S. Treasury Inflation-Protected Securities ("TIPS"), as represented by the Barclays U.S. TIPS Index, returned 6.24% over the reporting period. U.S. real interest rates followed nominal yields sharply lower as concerns surrounding China's growth prospects early in the reporting period coupled with uncertainty over the U.K. referendum created a strong flight-to-quality bid and more tempered expectations for near-term Fed rate hikes.

Despite posting positive absolute returns, U.S. TIPS were outpaced by comparable nominal U.S. Treasuries as market-based inflation expectations ended the period lower. U.S. breakeven inflation rates were pressured lower by low headline inflation data and outsized demand for safe-haven nominal U.S. Treasuries.

- Diversified commodities, as represented by the Bloomberg Commodity Index Total Return, returned 13.25% over the reporting period. Prices on broad commodities rebounded, led higher primarily by energy and precious metal prices. Crude oil prices rose markedly after reaching multi-year lows in January 2016, driven higher by strong demand and production outages. Within precious metals, gold prices were the beneficiary of strong safe-haven demand around risk-off events, particularly in June 2016 following the U.K.'s historic vote to leave the European Union. Agriculture commodity prices also advanced over the period, led by sugar prices which rallied on Brazilian rainfall, Indian import demand as well as strength in the Brazilian real.
- Agency mortgage-backed securities ("MBS"), as represented by the Barclays U.S. MBS Fixed Rate Index, returned 3.11% over the reporting period and underperformed like-duration U.S. Treasuries amid headwinds from heavy supply and refinancing concerns. Non-Agency MBS prices were higher and spreads tightened, as the sector continued to benefit from favorable technicals and stable fundamentals. Positive representation and warranty settlement developments also benefited the sector.
- U.S. investment grade credit, as represented by the Barclays U.S. Credit Index, returned 7.54% over the reporting period, as falling credit yields and a commodity-fueled rally drove returns over the reporting period. Developed market global high yield bonds, as measured by the BofA Merrill Lynch Developed Markets High Yield Constrained Index (USD Hedged), returned 8.02% over the reporting period. Strong performance from commodity sectors and risk-on sentiment drove returns, as asset sales and equity issuance strengthened balance sheets. Meanwhile, high yield bond mutual funds saw strong inflows, as investors continued to seek higher-yielding instruments.
- Emerging market ("EM") external debt, as represented by the JPMorgan Emerging Markets Bond Index (EMBI) Global, returned 10.90% over the reporting period. EM local bonds, as represented by the JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged), returned 14.02% over the reporting period. The slowdown in China continued apace, though policymakers have used expanded credit availability and a gradual depreciation of the Chinese currency to soften the landing. Higher commodity prices and improving terms of trade helped EM currencies broadly gain during the reporting period.
- Global equity markets showed mixed performance amid a period marked by economic uncertainty, increased volatility and concerns around the U.K. referendum. U.S. equities, as represented by the S&P 500 Index, returned 3.84% over the reporting period. EM equities, as represented by the MSCI Emerging Markets Index (Net Dividends in USD), returned 6.41% over the same period. In contrast, developed market equities outside the U.S., as represented by the MSCI EAFE Net Dividend Index (USD Unhedged), declined 4.42% over the reporting period.

Thank you once again for the trust you have placed in us. We value your commitment and will continue to work diligently to meet your broad investment and investment solution needs.

Sincerely,

Brent R. Harris

Brent R. Harris
Chairman of the Board,
PIMCO Variable Insurance Trust
August 22, 2016

Past performance is no guarantee of future results. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an unmanaged index.

Important Information About the PIMCO All Asset Portfolio

PIMCO Variable Insurance Trust (the "Trust") is an open-end management investment company currently consisting of twenty separate investment portfolios, including the PIMCO All Asset Portfolio (the "Portfolio"). The Portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies ("Variable Contracts"). Individuals may not purchase shares of the Portfolio directly. Shares of the Portfolio also may be sold to qualified pension and retirement plans outside of the separate account context.

The Portfolio is a "fund of funds," which is a term used to describe mutual funds that pursue their investment objective by investing in other mutual funds instead of investing directly in stocks or bonds of other issuers. Under normal circumstances, the Portfolio invests substantially all of its assets in Institutional Class or, as applicable, Class M shares of any funds of the PIMCO Funds and PIMCO Equity Series, affiliated open-end investment companies, except funds of funds, and shares of any actively-managed funds of the PIMCO ETF Trust, an affiliated investment company (collectively, "Underlying PIMCO Funds"). The cost of investing in these Funds will generally be higher than the cost of investing in a mutual fund that invests directly in individual stocks and bonds.

In an environment where interest rates may trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities and other instruments held by the Portfolio are likely to decrease in value. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). In addition, changes in interest rates can be sudden and unpredictable, and there is no guarantee that Fund management will anticipate such movement accurately. The Portfolio may lose money as a result of movements in interest rates.

As of the date of this report, interest rates in the U.S. and many parts of the world, including certain European countries, are near historically low levels. As such, bond funds may currently face an increased exposure to the risks associated with a rising interest rate environment. This is especially true as the Fed ended its quantitative easing program and has begun, and may continue, to raise interest rates. Further, while bond markets have steadily grown over the past three decades, dealer inventories of corporate bonds are near historic lows in relation to market size. As a result, there has been a significant reduction in the ability of dealers to "make markets."

Bond funds and individual bonds with a longer duration (a measure used to determine the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets, or negatively impact the Portfolio's performance, or cause the Portfolio to incur losses. As a result, the Portfolio may experience increased shareholder redemptions, which among other things, could further reduce the net assets of the Portfolio.

The Portfolio may be subject to various risks as described in the Portfolio's prospectus. Some of these risks may include, but are not limited to, the following: allocation risk, fund of funds risk, market trading risk, municipal project-specific risk, municipal bond risk, interest rate risk, call risk, credit risk, high yield risk, distressed company risk, market risk, issuer risk, liquidity risk, derivatives risk, futures contract risk, model risk, commodity risk, equity risk, mortgage-related and other asset-backed securities risk, foreign (non-U.S.) investment risk, real estate risk, emerging markets risk, sovereign debt risk, currency risk, leveraging risk, smaller company risk, issuer non-diversification risk, management risk, short sale risk, tax risk, subsidiary risk, value investing risk, arbitrage risk and convertible securities risk. A complete description of these and other risks is contained in the Portfolio's prospectus.

An Underlying PIMCO Fund may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, leverage risk, management risk and the risk that the Underlying PIMCO Fund may not be able to close out a position when it would be most advantageous to do so. Certain derivative transactions may have a leveraging effect on an Underlying PIMCO Fund. For example, a small investment in a derivative instrument may have a significant impact on an Underlying PIMCO Fund's exposure to interest rates, currency exchange rates or other investments. As a result, a relatively small price movement in an asset, instrument or component of the index underlying a derivative instrument may cause an immediate and substantial loss or gain in the Underlying PIMCO Fund, which translates into heightened volatility for the Portfolio. An Underlying PIMCO Fund may engage in such transactions regardless of whether the Fund owns the asset, instrument or components of the index underlying the derivative instrument. An Underlying PIMCO Fund may invest a significant portion of its assets in these types of instruments. If it does, the Underlying PIMCO Fund's investment exposure could far exceed the value of its portfolio securities and its investment performance could be primarily dependent upon securities it does not own. An Underlying PIMCO Fund's investment in foreign (non-U.S.) securities may entail risk due to foreign (non-U.S.) economic and political developments; this risk may be increased when investing in emerging markets. For example, if an Underlying PIMCO Fund invests in emerging market debt, it may face increased exposure to interest rate, liquidity, volatility, and redemption risk due to the specific economic, political, geographical, or legal background of the foreign (non-U.S.) issuer.

High yield bonds typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher-rated bonds. Further, markets for lower-rated bonds are typically less liquid than for higher-rated bonds, and public information is usually less abundant in markets for lower-rated bonds. Thus, high yield investments increase the chance that the Portfolio will lose money. The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio. Mortgage-related and asset-backed securities represent interests in "pools" of mortgages or other assets such as consumer loans or receivables. As a general matter, mortgage-related and asset-backed securities are subject to interest rate risk, extension risk, prepayment risk, and credit risk. These risks largely stem from the fact that returns on mortgage-related and asset-backed securities depend on the ability of the underlying assets to generate cash flow.

The geographical classification of foreign (non-U.S.) securities in this report are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.

On the Portfolio Summary page in this Shareholder Report, the Average Annual Total Return table and Cumulative Returns chart measure performance assuming that any dividend and capital gain distributions were reinvested. The Cumulative Returns chart reflects only Administrative Class performance. Performance for Institutional Class, Class M and Advisor Class shares, if applicable, may be higher or lower based on each class's expense ratios. The Portfolio's total annual operating expense ratios on the Portfolio Summary page are as of the currently effective prospectus, as supplemented to date. The Portfolio measures its performance against a broad-based securities market index ("benchmark index"). The benchmark index does not take into account fees, expenses, or taxes. The Portfolio's past performance, before and after taxes, is not necessarily an indication of how the Portfolio will perform in the future.

The following table discloses the inception dates of the Portfolio and its respective share classes along with the Portfolio's diversification status as of period end:

Portfolio Name	Portfolio Inception	Institutional Class	Class M	Administrative Class	Advisor Class	Diversification Status
PIMCO All Asset Portfolio	04/30/03	01/31/06	04/30/04	04/30/03	04/30/04	Diversified

An investment in the Portfolio is not a bank deposit and is not guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. It is possible to lose money on investments in the Portfolio.

The Trustees are responsible generally for overseeing the management of the Trust. The Trustees authorize the Trust to enter into service agreements with the Adviser, the Distributor, the Administrator and other service providers in order to provide, and in some cases authorize service providers to procure through other parties, necessary or desirable services on behalf of the Trust and the Portfolio. Shareholders are not parties to or third-party beneficiaries of such service agreements. Neither this Portfolio's prospectus nor summary prospectus, the Trust's Statement of Additional Information ("SAI"), any contracts filed as exhibits to the Trust's registration statement, nor any other communications, disclosure documents or regulatory filings (including this report) from or on behalf of the Trust or the Portfolio creates a contract between or among any shareholder of the Portfolio, on the one hand, and the Trust, the Portfolio, a service provider to the Trust or the Portfolio, and/or the Trustees or officers of the Trust, on the other hand. The Trustees (or the Trust and its officers, service providers or other delegates acting under authority of the Trustees) may amend the most recent prospectus or use a new prospectus, summary prospectus or SAI with respect to the Portfolio or the Trust, and/or amend, file and/or issue any other communications, disclosure documents or regulatory filings, and may amend or enter into any contracts to which the Trust or the Portfolio is a party, and interpret the investment objective(s), policies, restrictions and contractual provisions applicable to the Portfolio, without shareholder input or approval, except in circumstances in which shareholder approval is specifically required by law (such as changes to fundamental investment policies) or where a shareholder approval requirement is specifically disclosed in the Trust's then-current prospectus or SAI.

PIMCO has adopted written proxy voting policies and procedures ("Proxy Policy") as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Proxy Policy has been adopted by the Trust as the policies and procedures that PIMCO will use when voting proxies on behalf of the Portfolio. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of the Portfolio, and information about how the Portfolio voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Trust at (888) 87-PIMCO, on the Portfolio's website at pvit.pimco-funds.com, and on the Securities and Exchange Commission's ("SEC") website at www.sec.gov.

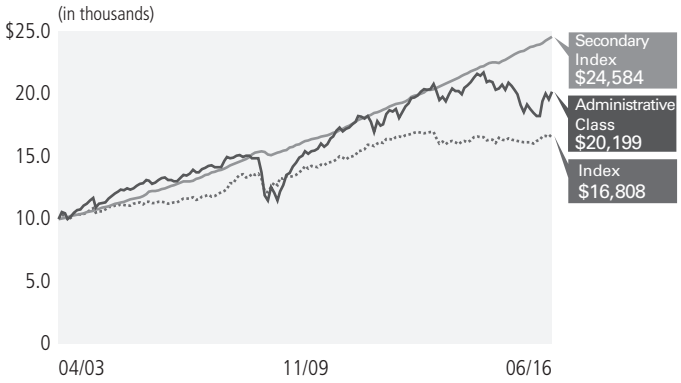
The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A

copy of the Trust's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and is available without charge, upon request, by calling the Trust at (888) 87-PIMCO and on the Portfolio's website at pvit.pimco-funds.com. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

The Trust is distributed by PIMCO Investments LLC, 1633 Broadway, New York, New York 10019.

PIMCO All Asset Portfolio

Cumulative Returns Through June 30, 2016



$10,000 invested at the end of the month when the Portfolio's Administrative Class commenced operations.

Top 10 Holdings as of 06/30/2016[1§]

PIMCO RAE Low Volatility PLUS EMG Fund	11.6%
PIMCO Emerging Markets Currency Fund	10.8%
PIMCO Income Fund	7.5%
PIMCO RAE Worldwide Long/ Short PLUS Fund	7.3%
PIMCO Emerging Local Bond Fund	7.0%
PIMCO RAE Fundamental PLUS EMG Fund	6.1%
PIMCO High Yield Spectrum Fund	4.3%
PIMCO RAE Fundamental Emerging Markets Fund	4.2%
PIMCO RAE Low Volatility PLUS International Fund	3.6%
PIMCO Total Return Fund	3.4%

[1] % of Investments, at value.

[§] Top 10 Holdings and % of Investments excludes securities sold short, financial derivative instruments, and short-term instruments, if any.

Investment Objective and Strategy Overview

» PIMCO All Asset Portfolio seeks maximum real return, consistent with preservation of real capital and prudent investment management, by investing under normal circumstances substantially all of its assets in Institutional Class or Class M shares of any funds of the PIMCO Funds and PIMCO Equity Series, affiliated open-end investment companies, except other funds of funds, and shares of any actively-managed funds of the PIMCO ETF Trust, an affiliated investment company (collectively, the "Underlying PIMCO Funds"). The Portfolio invests its assets in shares of the Underlying PIMCO Funds and does not invest directly in stocks or bonds of other issuers. Research Affiliates, LLC, the Portfolio's asset allocation sub-adviser, determines how the Portfolio allocates and reallocates its assets among the Underlying PIMCO Funds. In doing so, the asset allocation sub-adviser seeks concurrent exposure to a broad spectrum of asset classes. The Portfolio will not invest in the Short Strategy Underlying PIMCO Funds, which seek to gain a negative exposure to an asset class such as equities or commodities. In addition to investing in the Underlying PIMCO Funds, at the discretion of PIMCO and without shareholder approval, the Portfolio may invest in additional Underlying PIMCO Funds created in the future.

Average Annual Total Return for the period ended June 30, 2016

		6 Months*	1 Year	5 Years	10 Years	Inception**
	PIMCO All Asset Portfolio Institutional Class	9.30%	(0.28)%	2.46%	4.67%	4.28%
	PIMCO All Asset Portfolio Class M	9.12%	(0.63)%	2.02%	4.21%	4.87%
—	PIMCO All Asset Portfolio Administrative Class	9.21%	(0.43)%	2.31%	4.52%	5.48%
	PIMCO All Asset Portfolio Advisor Class	9.18%	(0.53)%	2.21%	4.42%	5.08%
·····	Barclays U.S. TIPS: 1-10 Year Index±	4.97%	3.33%	1.55%	4.02%	4.02%***
—	Consumer Price Index + 500 Basis Points±±	3.25%	6.05%	6.31%	6.75%	7.06%***

All Portfolio returns are net of fees and expenses.

* Cumulative return.

** For class inception dates please refer to the Important Information.

*** Average annual total return since 04/30/2003.

± Barclays U.S. TIPS: 1-10 Year Index is an unmanaged market index comprised of U.S. Treasury Inflation-Protected Securities having a maturity of at least 1 year and less than 10 years.

±± CPI + 500 Basis Points benchmark is created by adding 5% to the annual percentage change in the Consumer Price Index ("CPI"). This index reflects seasonally adjusted returns. The Consumer Price Index is an unmanaged index representing the rate of inflation of the U.S. consumer prices as determined by the U.S. Bureau of Labor Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time.

It is not possible to invest directly in an unmanaged index.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. The Portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. For performance current to the most recent month-end, visit http://pvit.pimco-funds.com.

The Portfolio's total annual operating expense ratio as stated in the Portfolio's current prospectus, which includes the Acquired Fund Fees and Expenses (Underlying PIMCO Fund Expenses), as supplemented to date, is 1.255% for Institutional Class shares, 1.705% for Class M shares, 1.405% for Administrative Class shares, and 1.505% for Advisor Class shares.

Portfolio Insights

Following are key factors impacting the Portfolio's performance during the reporting period:

» Exposure to emerging market equities, primarily through the Fundamental Emerging Markets Fund, the PIMCO RAE Fundamental PLUS EMG Fund and the PIMCO RAE Low Volatility PLUS EMG Fund, benefited performance, as these Underlying PIMCO Funds gained value.

» Exposure to emerging market bonds and currencies, primarily through the PIMCO Emerging Local Bond Fund and the PIMCO Emerging Markets Currency Fund, benefited performance, as these Underlying PIMCO Funds gained value.

» Commodities exposure, primarily through the PIMCO CommoditiesPLUS® Strategy Fund and the PIMCO CommodityRealReturn Strategy Fund®, benefited performance, as these Underlying PIMCO Funds gained value.

» Allocations to alternative strategies, primarily through the PIMCO RAE Worldwide Long/ Short PLUS Fund, benefited performance, as this Underlying PIMCO Fund gained value.

» Credit exposure, primarily through the PIMCO High Yield Fund and the PIMCO High Yield Spectrum Fund, benefited performance, as these Underlying PIMCO Funds gained value.

» Holdings of U.S. Treasury Inflation-Protected Securities, primarily through the PIMCO Real Return Asset Fund, benefited performance, as this Underlying PIMCO Fund gained value.

Example

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees (if applicable), and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of $1,000 invested at the beginning of the period and held from January 1, 2016 to June 30, 2016 unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use the information in these rows, 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 = 8.60), then multiply the result by the number in the appropriate column for your share class, in the column titled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other portfolios. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other portfolios.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different portfolios. In addition, if these transactional costs were included, your costs would have been higher.

Expense ratios may vary period to period because of various factors, such as an increase in expenses that are not covered by the management fees such as fees and expenses of the independent trustees and their counsel, extraordinary expenses and interest expense.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (01/01/16)	Ending Account Value (06/30/16)	Expenses Paid During Period*	Beginning Account Value (01/01/16)	Ending Account Value (06/30/16)	Expenses Paid During Period*	Net Annualized Expense Ratio**
Institutional Class	$ 1,000.00	$ 1,093.00	$ 1.36	$ 1,000.00	$ 1,023.16	$ 1.31	0.27%
Class M	1,000.00	1,091.20	3.66	1,000.00	1,020.96	3.53	0.72
Administrative Class	1,000.00	1,092.10	2.12	1,000.00	1,022.42	2.05	0.42
Advisor Class	1,000.00	1,091.80	2.63	1,000.00	1,021.93	2.55	0.52

* Expenses Paid During Period are equal to the net annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 179/366 (to reflect the one-half year period). Overall fees and expenses of investing in the Portfolio will be higher because the example does not reflect variable contract fees and expenses.

** Net Annualized Expense Ratio is reflective of any applicable contractual fee waivers and/or expense reimbursements or voluntary fee waivers. Details regarding fee waivers can be found in Note 6 in the Notes to Financial Statements.

Selected Per Share Data for the Year or Period Ended:	Net Asset Value Beginning of Year or Period	Net Investment Income[a]	Net Realized/ Unrealized Gain (Loss)	Total from Investment Operations	Dividends from Net Investment Income	Tax Basis Return of Capital	Total Distributions[b]
Institutional Class							
01/01/2016 - 06/30/2016+	$ 9.19	$ 0.09	$ 0.76	$ 0.85	$ (0.08)	$ 0.00	$ (0.08)
12/31/2015	10.47	0.33	(1.26)	(0.93)	(0.34)	(0.01)	(0.35)
12/31/2014	10.98	0.47	(0.38)	0.09	(0.60)	0.00	(0.60)
12/31/2013	11.48	0.50	(0.46)	0.04	(0.54)	0.00	(0.54)
12/31/2012	10.52	0.77	0.80	1.57	(0.61)	0.00	(0.61)
12/31/2011	11.06	0.79	(0.56)	0.23	(0.77)	0.00	(0.77)
Class M							
01/01/2016 - 06/30/2016+	9.25	0.07	0.77	0.84	(0.06)	0.00	(0.06)
12/31/2015	10.53	0.30	(1.27)	(0.97)	(0.30)	(0.01)	(0.31)
12/31/2014	11.04	0.42	(0.38)	0.04	(0.55)	0.00	(0.55)
12/31/2013	11.54	0.48	(0.50)	(0.02)	(0.48)	0.00	(0.48)
12/31/2012	10.52	0.60	0.92	1.52	(0.50)	0.00	(0.50)
12/31/2011	11.06	0.67	(0.48)	0.19	(0.73)	0.00	(0.73)
Administrative Class							
01/01/2016 - 06/30/2016+	9.10	0.09	0.75	0.84	(0.08)	0.00	(0.08)
12/31/2015	10.36	0.32	(1.24)	(0.92)	(0.33)	(0.01)	(0.34)
12/31/2014	10.88	0.45	(0.39)	0.06	(0.58)	0.00	(0.58)
12/31/2013	11.38	0.51	(0.49)	0.02	(0.52)	0.00	(0.52)
12/31/2012	10.43	0.65	0.89	1.54	(0.59)	0.00	(0.59)
12/31/2011	10.98	0.73	(0.51)	0.22	(0.77)	0.00	(0.77)
Advisor Class							
01/01/2016 - 06/30/2016+	9.19	0.08	0.76	0.84	(0.07)	0.00	(0.07)
12/31/2015	10.47	0.31	(1.26)	(0.95)	(0.32)	(0.01)	(0.33)
12/31/2014	10.98	0.43	(0.37)	0.06	(0.57)	0.00	(0.57)
12/31/2013	11.48	0.48	(0.47)	0.01	(0.51)	0.00	(0.51)
12/31/2012	10.49	0.62	0.92	1.54	(0.55)	0.00	(0.55)
12/31/2011	11.11	0.70	(0.48)	0.22	(0.84)	0.00	(0.84)

\+ Unaudited

* Annualized

[a] Per share amounts based on average number of shares outstanding during the year or period.

[b] The tax characterization of distributions is determined in accordance with federal income tax regulations. The actual tax characterization of distributions paid are determined at the end of the fiscal year. See Note 2(c) in the Notes to Financial Statements for more information.

Net Asset Value End of Year or Period	Total Return	Net Assets End of Year or Period (000s)	Ratio of Expenses to Average Net Assets	Ratio of Expenses to Average Net Assets Excluding Waivers	Ratio of Expenses to Average Net Assets Excluding Interest Expense	Ratio of Expenses to Average Net Assets Excluding Interest Expense and Waivers	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate
$ 9.96	9.30%	$ 5,258	0.265%*	0.425%*	0.265%*	0.425%*	2.02%*	40%
9.19	(8.95)	4,811	0.285	0.425	0.285	0.425	3.25	41
10.47	0.72	9,688	0.275	0.425	0.275	0.425	4.24	98
10.98	0.43	10,082	0.295	0.425	0.295	0.425	4.39	61
11.48	15.11	12,252	0.345	0.425	0.345	0.425	6.86	26
10.52	2.08	5,432	0.355	0.425	0.355	0.425	7.12	55
10.03	9.12	64,441	0.715*	0.875*	0.715*	0.875*	1.56*	40
9.25	(9.32)	68,206	0.735	0.875	0.735	0.875	2.88	41
10.53	0.24	86,496	0.725	0.875	0.725	0.875	3.70	98
11.04	(0.10)	105,517	0.745	0.875	0.745	0.875	4.24	61
11.54	14.64	103,612	0.795	0.875	0.795	0.875	5.33	26
10.52	1.66	78,108	0.805	0.875	0.805	0.875	6.07	55
9.86	9.21	531,848	0.415*	0.575*	0.415*	0.575*	1.87*	40
9.10	(8.99)	537,330	0.435	0.575	0.435	0.575	3.15	41
10.36	0.47	722,608	0.425	0.575	0.425	0.575	4.01	98
10.88	0.27	824,590	0.445	0.575	0.445	0.575	4.51	61
11.38	14.95	829,972	0.495	0.575	0.495	0.575	5.81	26
10.43	1.95	525,561	0.505	0.575	0.505	0.505	6.62	55
9.96	9.18	231,578	0.515*	0.675*	0.515*	0.675*	1.78*	40
9.19	(9.19)	226,532	0.535	0.675	0.535	0.675	3.02	41
10.47	0.46	328,716	0.525	0.675	0.525	0.675	3.86	98
10.98	0.11	406,398	0.545	0.675	0.545	0.675	4.25	61
11.48	14.81	478,073	0.595	0.675	0.595	0.675	5.58	26
10.49	1.92	347,082	0.605	0.675	0.605	0.675	6.30	55

Statement of Assets and Liabilities PIMCO All Asset Portfolio

(Unaudited)

(Amounts in thousands, except per share amounts)	June 30, 2016
Assets:	
Investments, at value	
Investments in securities*	$ 1,002
Investments in Affiliates	833,491
Receivable for investments in Affiliates sold	6,464
Receivable for Portfolio shares sold	275
Dividends receivable from Affiliates	1,424
Reimbursement receivable from PIMCO	98
Total Assets	842,754
Liabilities:	
Payable for investments in Affiliates purchased	$ 8,888
Payable for Portfolio shares redeemed	320
Accrued investment advisory fees	118
Accrued supervisory and administrative fees	169
Accrued distribution fees	70
Accrued servicing fees	64
Total Liabilities	9,629
Net Assets	$ 833,125
Net Assets Consist of:	
Paid in capital	1,082,589
Undistributed net investment income	1,065
Accumulated undistributed net realized (loss)	(220,724)
Net unrealized (depreciation)	(29,805)
Net Assets	$ 833,125
Net Assets:	
Institutional Class	$ 5,258
Class M	64,441
Administrative Class	531,848
Advisor Class	231,578
Shares Issued and Outstanding:	
Institutional Class	528
Class M	6,427
Administrative Class	53,940
Advisor Class	23,245
Net Asset Value Per Share Outstanding:	
Institutional Class	$ 9.96
Class M	10.03
Administrative Class	9.86
Advisor Class	9.96
Cost of investments in securities	$ 1,002
Cost of investments in Affiliates	$ 863,296
* Includes repurchase agreements of:	$ 1,002

See Accompanying Notes

Statement of Operations PIMCO All Asset Portfolio

(Unaudited)

(Amounts in thousands)	Six Months Ended June 30, 2016
Investment Income:	
Dividends from Investments in Affiliates	$ 9,120
Total Income	9,120
Expenses:	
Investment advisory fees	697
Supervisory and administrative fees	996
Distribution and/or servicing fees - Class M	145
Servicing fees - Administrative Class	383
Distribution and/or servicing fees - Advisor Class	272
Total Expenses	2,493
Waiver and/or Reimbursement by PIMCO	(638)
Net Expenses	1,855
Net Investment Income	7,265
Net Realized (Loss):	
Investments in Affiliates	(51,811)
Net Realized (Loss)	(51,811)
Net Change in Unrealized Appreciation:	
Investments in Affiliates	115,821
Net Change in Unrealized Appreciation	115,821
Net Increase in Net Assets Resulting from Operations	$ 71,275

See Accompanying Notes

Statements of Changes in Net Assets PIMCO All Asset Portfolio

(Amounts in thousands†)	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
(Decrease) in Net Assets from:		
Operations:		
Net investment income	$ 7,265	$ 31,478
Net realized (loss)	(51,811)	(25,647)
Net change in unrealized appreciation (depreciation)	115,821	(94,915)
Net Increase (Decrease) in Net Assets Resulting from Operations	71,275	(89,084)
Distributions to Shareholders:		
From net investment income		
Institutional Class	(43)	(247)
Class M	(410)	(2,185)
Administrative Class	(4,094)	(19,826)
Advisor Class	(1,653)	(8,100)
Tax basis return of capital		
Institutional Class	0	(9)
Class M	0	(89)
Administrative Class	0	(729)
Advisor Class	0	(317)
Total Distributions[a]	(6,200)	(31,502)
Portfolio Share Transactions:		
Net (decrease) resulting from Portfolio share transactions**	(68,829)	(190,043)
Total (Decrease) in Net Assets	(3,754)	(310,629)
Net Assets:		
Beginning of period	836,879	1,147,508
End of period*	$ 833,125	$ 836,879
* Including undistributed net investment income of:	$ 1,065	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

** See Note 10 in the Notes to Financial Statements.

[a] The tax characterization of distributions is determined in accordance with federal income tax regulations. The actual tax characterization of distributions paid are determined at the end of the fiscal year. See Note 2(c) in the Notes to Financial Statements for more information.

		MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 0.1%		
SHORT-TERM INSTRUMENTS 0.1%		
REPURCHASE AGREEMENTS (b) 0.1%		
		$ 1,002
Total Short-Term Instruments (Cost $1,002)		**1,002**
Total Investments in Securities (Cost $1,002)		**1,002**
	SHARES	
INVESTMENTS IN AFFILIATES 100.1%		
MUTUAL FUNDS (a) 99.6%		
PIMCO CommoditiesPLUS® Strategy Fund	4,268,757	25,954
PIMCO CommodityRealReturn Strategy Fund®	1,041,208	7,570
PIMCO Diversified Income Fund	447,068	4,712
PIMCO Emerging Local Bond Fund	7,858,216	58,072
PIMCO Emerging Markets Currency Fund	10,175,920	89,853
PIMCO Extended Duration Fund	375,077	3,537
PIMCO High Yield Fund	2,834,815	24,181
PIMCO High Yield Spectrum Fund	3,788,897	35,767
PIMCO Income Fund	5,255,212	62,485
PIMCO Investment Grade Corporate Bond Fund	2,299,262	24,027
PIMCO Long Duration Total Return Fund	564,074	6,735
PIMCO Long-Term Credit Fund	186,032	2,242
PIMCO Long-Term U.S. Government Fund	1,511,297	10,322
PIMCO Low Duration Fund	1,131,810	$ 11,182
PIMCO Mortgage Opportunities Fund	576,348	6,380
PIMCO RAE Fundamental Advantage PLUS Fund	1,943,827	19,147
PIMCO RAE Fundamental Emerging Markets Fund	4,038,512	35,256
PIMCO RAE Fundamental PLUS EMG Fund	6,179,152	50,546
PIMCO RAE Fundamental PLUS International Fund	1,603,395	11,929
PIMCO RAE Low Volatility PLUS EMG Fund	11,679,636	97,058
PIMCO RAE Low Volatility PLUS Fund	457,238	5,391
PIMCO RAE Low Volatility PLUS International Fund	3,173,928	30,248
PIMCO RAE Worldwide Fundamental Advantage PLUS Fund	2,101,061	18,595
PIMCO RAE Worldwide Long/Short PLUS Fund	6,135,016	60,614
PIMCO Real Return Asset Fund	2,945,893	25,040
PIMCO Real Return Fund	133,483	1,482
PIMCO RealEstateRealReturn Strategy Fund	1,497,214	12,771
PIMCO Senior Floating Rate Fund	1,843,616	17,975
PIMCO StocksPLUS® International Fund (U.S. Dollar Hedged)	3,235,750	21,453
PIMCO StocksPLUS® International Fund (Unhedged)	412,609	2,203
PIMCO Total Return Fund	2,741,937	28,269
PIMCO TRENDS Managed Futures Strategy Fund	230,298	2,220
PIMCO Unconstrained Bond Fund	1,612,840	$ 16,628
Total Mutual Funds (Cost $859,418)		**829,844**
EXCHANGE-TRADED FUNDS 0.1%		
PIMCO Global Advantage® Inflation-Linked Bond Active Exchange-Traded Fund	20,000	844
Total Exchange-Traded Funds (Cost $1,076)		**844**
SHORT-TERM INSTRUMENTS 0.4%		
MUTUAL FUNDS 0.4%		
PIMCO Government Money Market Fund (a)	2,701,566	2,702
CENTRAL FUNDS USED FOR CASH MANAGEMENT PURPOSES 0.0%		
PIMCO Short-Term Floating NAV Portfolio III	10,166	101
Total Short-Term Instruments (Cost $2,802)		**2,803**
Total Investments in Affiliates (Cost $863,296)		**833,491**
Total Investments 100.2% (Cost $864,298)		**$ 834,493**
Other Assets and Liabilities, net (0.2) %		**(1,368)**
Net Assets 100.0%		**$ 833,125**

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*):

* A zero balance may reflect actual amounts rounding to less than one thousand.

(a) Institutional Class Shares of each Fund.

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(b) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received (1)
SSB	0.010%	06/30/2016	07/01/2016	$ 1,002	U.S. Treasury Notes 1.000% due 05/15/2018	$ (1,024)	$ 1,002	$ 1,002
Total Repurchase Agreements						**$ (1,024)**	**$ 1,002**	**$ 1,002**

(1) Includes accrued interest.

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received) as of June 30, 2016:

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral (Received)	Net Exposure [2]
Global/Master Repurchase Agreement						
SSB	$ 1,002	$ 0	$ 0	$ 1,002	$ (1,024)	$ (22)
Total Borrowings and Other Financing Transactions	**$ 1,002**	**$ 0**	**$ 0**			

[2] Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 5, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of June 30, 2016 in valuing the Portfolio's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 06/30/2016
Investments in Securities, at Value				
Short-Term Instruments				
Repurchase Agreements	$ 0	$ 1,002	$ 0	$ 1,002
	$ 0	$ 1,002	$ 0	$ 1,002

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 06/30/2016
Investments in Affiliates, at Value				
Mutual Funds	$ 829,844	$ 0	$ 0	$ 829,844
Exchange-Traded Funds	844	0	0	844
Short-Term Instruments				
Mutual Funds	2,702	0	0	2,702
Central Funds Used for Cash Management Purposes	101	0	0	101
	$ 833,491	$ 0	$ 0	$ 833,491
Total Investments	$ 833,491	$ 1,002	$ 0	$ 834,493

There were no significant transfers between Levels 1, 2, or 3 during the period ended June 30, 2016.

1. ORGANIZATION

PIMCO Variable Insurance Trust (the "Trust") was established as a Delaware business trust on October 3, 1997. The Trust is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust is designed to be used as an investment vehicle by separate accounts of insurance companies that fund variable annuity contracts and variable life insurance policies and by qualified pension and retirement plans. Information presented in these financial statements pertains to the Institutional Class, Class M, Administrative Class and Advisor Class shares of the PIMCO All Asset Portfolio (the "Portfolio") offered by the Trust. Pacific Investment Management Company LLC ("PIMCO") serves as the investment adviser (the "Adviser") for the Portfolio. Research Affiliates, LLC ("Research Affiliates") serves as the asset allocation sub-adviser to the Portfolio.

The Portfolio may invest substantially all of its assets in Institutional Class, or as applicable, Class M shares of any funds of the PIMCO Funds and PIMCO Equity Series, except other fund of funds, and shares of any actively-managed funds of the PIMCO ETF Trust (the "Underlying PIMCO Funds"). The Portfolio's investment in a particular Underlying PIMCO Fund normally will not exceed 50% of its total assets. The Portfolio's combined investments in the Equity-Related Underlying PIMCO Funds (as set forth in the Portfolio's current prospectus) normally will not exceed 50% of its total assets. In addition, the Portfolio's combined investments in the Inflation-Related Underlying PIMCO Funds (as set forth in the Portfolio's current prospectus), which seek to gain exposure to an asset class such as U.S. Treasury Inflation-Protected Securities ("TIPS"), commodities, or real estate, normally will not exceed 75% of its total assets.

The Portfolio's assets are not allocated according to a predetermined blend of shares of the Underlying PIMCO Funds. Instead, when making allocation decisions among the Underlying PIMCO Funds, the Portfolio's asset allocation sub-adviser considers various quantitative and qualitative data relating to the U.S. and foreign economies and securities markets. Such data includes projected growth trends in the U.S. and foreign economies, forecasts for interest rates and the relationship between short and long-term interest rates (yield curve), current and projected trends in inflation, relative valuation levels in the equity and fixed income markets and various segments within those markets, the outlook and projected growth of various industrial sectors, information relating to business cycles, borrowing needs and the cost of capital, political trends data relating to trade balances and labor information. The Portfolio's asset allocation sub-adviser has the flexibility to reallocate the Portfolio's assets among any or all of the asset class exposures represented by the Underlying PIMCO Funds based on its ongoing analyses of the equity, fixed income and commodity markets. While these analyses are performed daily, material shifts in asset class exposures typically take place over longer periods of time.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Portfolio is treated as an investment company under the reporting requirements of U.S. GAAP. 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 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.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Realized gains (losses) from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Portfolio is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date, with the exception of securities with a forward starting effective date, where interest income is recorded on the accrual basis from effective date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized appreciation (depreciation) on investments on the Statement of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain (loss) on investments on the Statement of Operations. Income or short-term capital gain distributions received from registered investment companies are recorded as dividend income. Long-term capital gain distributions received from registered investment companies are recorded as realized gains.

(b) Multiclass Operations Each class offered by the Trust has equal rights as to assets and voting privileges (except that shareholders of a class have exclusive voting rights regarding any matter relating solely to that class of shares). Income and non-class specific expenses are allocated daily to each class on the basis of the relative net assets. Realized and unrealized capital gains (losses) are allocated daily based on the relative net assets of each class of the Portfolio. Class specific expenses, where applicable, currently include supervisory and administrative and distribution and servicing fees. Under certain circumstances, the per share net asset value ("NAV") of a class of the Portfolio's shares may be different from the per share NAV of another class of shares as a result of the different daily expense accruals applicable to each class of shares.

(c) Dividends and Distributions to Shareholders Dividends from net investment income, if any, are declared and distributed to shareholders quarterly. Net realized capital gains earned by the Portfolio, if any, will be distributed no less frequently than once each year.

Income dividends and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Examples of events that give rise to timing differences include wash sales, straddles and capital loss carryforwards. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. Examples of transactions that may cause character differences include the treatment of paydowns on mortgage-backed securities, swaps, foreign currency transactions and contingent debt instruments. As a result, income dividends and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on the Portfolio's annual financial statements presented under U.S. GAAP.

Distributions classified as a tax basis return of capital, if any, are reflected on the Statements of Changes in Net Assets and have been recorded to paid in capital. In addition, other amounts have been reclassified between undistributed (overdistributed) net investment income (loss), accumulated undistributed (overdistributed) net realized gain (loss) and/or paid in capital to more appropriately conform financial accounting to tax characterizations of dividend distributions.

(d) New Accounting Pronouncements In August 2014, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU"), ASU 2014-15 requiring management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern. The ASU is effective prospectively for annual periods ending after December 15, 2016, and interim periods thereafter. At this time, management is evaluating the implications of these changes on the financial statements.

In May 2015, the FASB issued ASU 2015-07 which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. The ASU is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. The ASU did not have an impact on the Portfolio's financial statements.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The price of the Portfolio's shares is based on the Portfolio's NAV. The NAV of the Portfolio, or each of its share classes, as applicable, is determined by dividing the total value of portfolio investments and other assets attributable to the Portfolio or class, less any liabilities, by the total number of shares outstanding of the Portfolio or class. On each day that the New York Stock Exchange ("NYSE") is open, Portfolio and Underlying PIMCO Fund shares are ordinarily valued as of the close of regular trading ("NYSE Close"). Information that becomes known to the Portfolio or an Underlying PIMCO Fund or its agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. The Portfolio reserves the right to change the time its NAV is calculated if the Portfolio closes earlier, or as permitted by the SEC.

The assets of the Portfolio consist of shares of the Underlying PIMCO Funds, which are valued at their respective NAVs at the time of valuation of the Portfolio's shares. For purposes of calculating the NAV of the Underlying PIMCO Funds, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Portfolio's approved pricing services, quotation reporting systems and other third-party sources (together, "Pricing Services"). The Portfolio will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. A foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the Adviser to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures

are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services or other pricing sources. With respect to any portion of an Underlying PIMCO Fund's assets that are invested in one or more open-end management investment companies (other than exchange-traded funds ("ETFs")), the Underlying PIMCO Fund's NAV will be calculated based upon the NAVs of such investments.

If a foreign (non-U.S.) equity security's value has materially changed after the close of the security's primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees of the Trust (the "Board"). Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, the Portfolio may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, the Portfolio may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. The Portfolio may utilize modeling tools provided by third-party vendors to determine fair values of non-U.S. securities. Foreign (non-U.S.) exchanges may permit trading in foreign (non-U.S.) equity securities on days when the Trust is not open for business, which may result in the Portfolio's portfolio investments being affected when shareholders are unable to buy or sell shares.

Senior secured floating rate loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a Pricing Service. Senior secured floating rate loans for which an active secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a senior secured floating rate loan at fair value, the factors considered may include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the value of such investments and, in turn, the NAV of an Underlying PIMCO Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of investments traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the Trust is not open for business. As a result, to the extent that the Portfolio invests in Underlying PIMCO Funds that hold foreign (non-U.S.) investments, the value of those investments may change at times when shareholders are unable to buy or sell shares and the value of such investments will be reflected in the Portfolio's next calculated NAV.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to the Adviser the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board ("Valuation Oversight Committee"), generally based on recommendations provided by the Adviser. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations ("Broker Quotes"), Pricing Services' prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of an Underlying PIMCO Fund's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Adviser the responsibility for monitoring significant events that may materially affect the values of the Portfolio's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When an Underlying PIMCO Fund uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Trust's policy is intended to result in a calculation of the Portfolio's and Underlying PIMCO Funds' NAVs that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that an Underlying PIMCO Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance,

in a forced or distressed sale). The prices used by an Underlying PIMCO Fund may differ from the value that would be realized if the securities were sold. An Underlying PIMCO Fund's use of fair valuation may also help to deter "stale price arbitrage" as discussed under the "Frequent or Excessive Purchases, Exchanges and Redemptions" section in the Portfolio's prospectus.

(b) Fair Value Hierarchy U.S. GAAP describes fair value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- Level 1 — Inputs using (unadjusted) quoted prices in active markets or exchanges for identical assets and liabilities.
- Level 2 — Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- Level 3 — Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers into and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments for the Portfolio.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to realized gain (loss), unrealized appreciation (depreciation), purchases and sales, accrued discounts (premiums), and transfers into and out of the Level 3 category during the period. The end of period timing recognition is used for the transfers between Levels of the Portfolio's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for the Portfolio.

The validity of the fair value is reviewed by the Adviser on a periodic basis and may be amended in accordance with the Trust's valuation procedures.

4. SECURITIES AND OTHER INVESTMENTS

(a) Investments in Affiliates

The Portfolio invests under normal circumstances substantially all of its assets in Underlying PIMCO Funds which are considered to be affiliated with the Portfolio. The Portfolio may invest in the PIMCO Short-Term Floating NAV Portfolio III ("Central Fund") to the extent permitted by the Act and rules thereunder. The Central Fund is a registered investment company created for use solely by the series of the Trust and other series of registered investment companies advised by the Adviser, in connection with their cash management activities. The main investments of the Central Fund are money market and short maturity fixed income instruments. The Central Fund may incur expenses related to its investment activities, but does not pay Investment Advisory Fees or Supervisory and Administrative Fees to the Adviser. The Central Fund is considered to be affiliated with the Portfolio. The table below shows the Portfolio's transactions in and earnings from investments in the affiliated Funds for the period ended June 30, 2016 (amounts in thousands†):

Underlying PIMCO Funds	Market Value 12/31/2015	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 06/30/2016	Dividend Income [1]	Realized Net Capital Gain Distributions [1]
PIMCO CommoditiesPLUS® Strategy Fund	$ 14,202	$ 21,259	$ (15,608)	$ (10,272)	$ 16,373	$ 25,954	$ 50	$ 0
PIMCO CommodityRealReturn Strategy Fund®	13,781	24	(7,932)	(5,072)	6,769	7,570	25	0
PIMCO Credit Absolute Return Fund	2,312	0	(2,259)	(211)	158	0	0	0
PIMCO Diversified Income Fund	2,003	2,557	0	0	152	4,712	63	0
PIMCO Emerging Local Bond Fund	69,277	4,812	(23,430)	(11,927)	19,340	58,072	1,843	0
PIMCO Emerging Markets Bond Fund	2,751	11	(2,701)	(266)	205	0	12	0
PIMCO Emerging Markets Corporate Bond Fund	671	3	(663)	(117)	106	0	3	0
PIMCO Emerging Markets Currency Fund	99,737	4,571	(19,910)	(4,452)	9,907	89,853	1,253	0
PIMCO Extended Duration Fund	0	4,153	(968)	68	284	3,537	13	0

Underlying PIMCO Funds	Market Value 12/31/2015	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 06/30/2016	Dividend Income [1]	Realized Net Capital Gain Distributions [1]
PIMCO Floating Income Fund	$ 2,777	$ 9	$ (2,658)	$ (139)	$ 11	$ 0	$ 13	$ 0
PIMCO Foreign Bond Fund (Unhedged)	2,222	2	(2,202)	(411)	389	0	2	0
PIMCO Global Advantage® Inflation-Linked Bond Active Exchange-Traded Fund	801	0	0	0	43	844	0	0
PIMCO Global Advantage® Strategy Bond Fund	7,546	8	(7,498)	(469)	413	0	14	0
PIMCO Government Money Market Fund	0	103,603	(100,901)	0	0	2,702	1	0
PIMCO High Yield Fund	22,805	15,064	(14,747)	(1,189)	2,248	24,181	779	0
PIMCO High Yield Spectrum Fund	29,850	5,815	(1,283)	(57)	1,442	35,767	1,008	0
PIMCO Income Fund	52,982	10,978	(2,323)	4	844	62,485	1,629	0
PIMCO Investment Grade Corporate Bond Fund	17,097	6,998	(1,260)	(57)	1,249	24,027	414	0
PIMCO Long Duration Total Return Fund	11,316	8,261	(13,368)	(474)	1,000	6,735	96	0
PIMCO Long-Term Credit Fund	7,115	87	(5,204)	(212)	456	2,242	87	0
PIMCO Long-Term U.S. Government Fund	28	12,317	(2,750)	127	600	10,322	36	0
PIMCO Low Duration Active Exchange-Traded Fund	1,564	0	(1,551)	(39)	26	0	3	0
PIMCO Low Duration Fund	36,566	96,067	(121,442)	(124)	115	11,182	101	0
PIMCO Money Market Fund	2,700	82,883	(85,583)	0	0	0	0	0
PIMCO Mortgage Opportunities Fund	6,200	100	0	0	80	6,380	100	0
PIMCO RAE Fundamental Advantage PLUS Fund	22,741	6,039	(9,983)	(2,667)	3,017	19,147	0	0
PIMCO RAE Fundamental Emerging Markets Fund	0	32,659	(166)	(14)	2,777	35,256	0	0
PIMCO RAE Fundamental PLUS EMG Fund	36,810	7,456	(777)	(60)	7,117	50,546	137	0
PIMCO RAE Fundamental PLUS International Fund	12,468	8,356	(9,160)	(3,117)	3,382	11,929	30	0
PIMCO RAE Fundamental PLUS Small Fund	2,559	0	(2,247)	(627)	315	0	0	0
PIMCO RAE Low Volatility PLUS EMG Fund	76,054	12,157	(2,678)	(517)	12,042	97,058	249	0
PIMCO RAE Low Volatility PLUS Fund	11,431	0	(6,534)	(303)	797	5,391	0	0
PIMCO RAE Low Volatility PLUS International Fund	36,065	3,003	(10,624)	(940)	2,744	30,248	67	0
PIMCO RAE Worldwide Fundamental Advantage PLUS Fund	31,212	3,439	(16,072)	(3,042)	3,058	18,595	0	0
PIMCO RAE Worldwide Long/Short PLUS Fund	66,170	6,427	(17,754)	(1,592)	7,363	60,614	189	0
PIMCO Real Return Asset Fund	57,277	87	(37,035)	(1,252)	5,963	25,040	88	0
PIMCO Real Return Fund	8,344	1,463	(8,389)	(801)	865	1,482	7	0
PIMCO RealEstateRealReturn Strategy Fund	18,790	28	(7,225)	(898)	2,076	12,771	28	0
PIMCO Senior Floating Rate Fund	17,333	5,870	(5,440)	(271)	483	17,975	281	0
PIMCO Short-Term Floating NAV Portfolio III	102	2,701	(2,702)	0	0	101	0	0
PIMCO StocksPLUS® International Fund (U.S. Dollar Hedged)	441	21,148	(709)	(35)	608	21,453	71	0
PIMCO StocksPLUS® International Fund (Unhedged)	1	4,018	(2,000)	34	150	2,203	0	0
PIMCO Total Return Fund	15,199	17,721	(5,032)	(225)	606	28,269	241	0
PIMCO TRENDS Managed Futures Strategy Fund	2,116	0	0	0	104	2,220	0	0
PIMCO Unconstrained Bond Fund	17,417	1,910	(2,648)	(195)	144	16,628	187	0
Totals	**$ 838,833**	**$ 514,064**	**$ (583,416)**	**$ (51,811)**	**$ 115,821**	**$ 833,491**	**$ 9,120**	**$ 0**

† A zero balance may reflect actual amounts rounding to less than one thousand.

(1) The tax characterization of distributions is determined in accordance with Federal income tax regulations. The actual tax characterization of distributions paid are determined at the end of the fiscal year. See Note 2(c) in the Notes to Financial Statements for more information.

(b) Investments in Securities

Exchange Traded Funds The Portfolio (and certain Underlying PIMCO Funds) may invest in ETFs, which typically are index-based investment companies that hold substantially all of their assets in securities representing their specific index, but may also be actively-managed investment companies. Shares of ETFs trade throughout the day on an exchange and represent an investment in a portfolio of securities and other assets. As a shareholder of another investment company, the Portfolio (and Underlying PIMCO Funds) would bear their pro rata portion of the other investment company's expenses, including advisory fees, in addition to the expenses the Portfolio (and Underlying PIMCO Funds) bear directly in connection with their own operations. Investments in ETFs entail certain risks; in particular, investments in index ETFs involve the risk that the ETF's performance may not track the performance of the index the ETF is designed to track.

(c) Repurchase Agreements The Portfolio may engage in repurchase agreements. Under the terms of a typical repurchase agreement, the Portfolio purchases an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Portfolio to resell, the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held by the Portfolio's custodian or designated subcustodians under tri-party repurchase agreements. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Repurchase agreements, if any, including accrued interest, are included on the Statement of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for the receipt of collateral, which may result in interest expense to the Portfolio.

5. PRINCIPAL RISKS

In the normal course of business, the Portfolio (or Underlying PIMCO Funds) trade financial instruments and enter into financial transactions where risk of potential loss exists due to such things as changes in the market (market risk) or failure or inability of the other party to a transaction to perform (credit and counterparty risk). See below for a detailed description of select principal risks. For a more comprehensive list of potential risks the Portfolio may be subject to, please see the Important Information About the Portfolio.

Investments in Mutual Funds To the extent that the Portfolio invests substantially all of its assets in Underlying PIMCO Funds, the risks associated with investing in the Portfolio will be closely related to the risks associated with the securities and other investments held by the Underlying PIMCO Funds. The ability of the Portfolio to achieve its investment objective may depend upon the ability of the Underlying PIMCO Funds to achieve their respective investment objectives. There can be no assurance that the investment objective of any Underlying PIMCO Fund will be achieved. The NAV of the Portfolio will fluctuate in response to changes in the respective NAV of the Underlying PIMCO Funds in which it invests. The extent to which the investment performance and risks associated with the Portfolio correlate to those of a particular Underlying PIMCO Fund will depend upon the extent to which the assets of the Portfolio are allocated from time to time for investment in the Underlying PIMCO Funds, which will vary. Investing in Underlying PIMCO Funds involves certain additional expenses and tax results that would not be present in a direct investment in the Underlying PIMCO Funds.

The Portfolio's investment performance depends upon how its assets are allocated and reallocated according to the Portfolio's asset allocation targets and ranges. A principal risk of investing in the Portfolio is that the Portfolio's asset allocation sub-adviser will make less than optimal or poor asset allocation decisions. The asset allocation sub-adviser attempts to identify investment allocations for the Underlying PIMCO Funds that will provide consistent, quality performance for the Portfolio, but there is no guarantee that such allocation techniques will produce the desired results.

Market Risks The Portfolio's (or Underlying PIMCO Funds') investments in financial derivative instruments and other financial instruments expose the Portfolio to various risks such as, but not limited to, interest rate, foreign (non-U.S.) currency, equity and commodity risks.

The market values of equities, such as common stocks and preferred securities or equity related investments such as futures and options, have historically risen and fallen in periodic cycles and may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Different types of equity securities may react differently to these developments. Equity securities and equity related investments generally have greater market price volatility than fixed income securities.

Interest rate risk is the risk that fixed income securities and other instruments held by the Portfolio (or Underlying PIMCO Funds) will decline in value because of an increase in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by the Portfolio (or Underlying PIMCO Funds) is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and the Portfolio (or Underlying PIMCO Funds) may lose money if these changes are not anticipated by Portfolio (or Underlying PIMCO Funds) management. The Portfolio (or Underlying PIMCO Funds) may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. In addition, any hedges may not work as intended.

Duration is a measure used to determine the sensitivity of a security's price to changes in interest rates that incorporates a security's yield, coupon, final maturity and call features, among other characteristics. Convexity is an additional measure of interest rate sensitivity that measures the rate of change of duration in response to changes in interest rates. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). At present, the U.S. and many parts of the world, including certain European countries, are

experiencing near historically low interest rates. The Portfolio may be subject to heightened interest rate risk because the Fed has ended its quantitative easing program and has begun, and may continue, to raise interest rates. Further, while bond markets have steadily grown over the past three decades, dealer "market making" ability has not kept pace and in some cases has decreased. Given the importance of intermediary "market making" in creating a robust and active market, fixed income securities are currently facing increased volatility and liquidity risks. All of these factors, collectively and/or individually, could cause the Portfolio (or Underlying PIMCO Funds) to lose value. If the Portfolio (or Underlying PIMCO Funds) lost enough value, the Portfolio (or Underlying PIMCO Funds) could face increased shareholder redemptions, which could force the Portfolio (or Underlying PIMCO Funds) to liquidate investments at disadvantageous times or prices, thereby adversely affecting the Portfolio (or Underlying PIMCO Funds).

To the extent that the Portfolio (or Underlying PIMCO Funds) may invest in securities and instruments that are economically tied to Russia, the Portfolio (or Underlying PIMCO Funds) is subject to various risks such as, but not limited to political, economic, legal, market and currency risks. The risks include uncertain political and economic policies, short-term market volatility, poor accounting standards, corruption and crime, an inadequate regulatory system, and unpredictable taxation. Investments in Russia are particularly subject to the risk that further economic sanctions may be imposed by the United States and/or other countries. Such sanctions — which may impact companies in many sectors, including energy, financial services and defense, among others — may negatively impact the Portfolio's (or Underlying PIMCO Funds') performance and/or ability to achieve its investment objective. The Russian securities market, as compared to U.S. markets, has significant price volatility, less liquidity, a smaller market capitalization and a smaller number of traded securities. Adverse currency exchange rates are a risk and there may be a lack of available currency hedging instruments. Investments in Russia may be subject to the risk of nationalization or expropriation of assets. Oil, natural gas, metals, and timber account for a significant portion of Russia's exports, leaving the country vulnerable to swings in world prices.

If the Portfolio (or Underlying PIMCO Funds) invests directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies, or in financial derivative instruments that provide exposure to foreign (non-U.S.) currencies, it will be subject to the risk that those currencies will decline in value relative to the base currency of the Portfolio (or Underlying PIMCO Funds), or, in the case of hedging positions, that the Portfolio's (or Underlying PIMCO Funds') base currency will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, the Portfolio's (or Underlying PIMCO Funds') investments in foreign currency-denominated securities may reduce the Portfolio's (or Underlying PIMCO Funds') returns.

The Portfolio's (or Underlying PIMCO Funds') investments in commodity-linked financial derivative instruments may subject the Portfolio (or Underlying PIMCO Funds) to greater market price volatility than investments in traditional securities. The value of commodity-linked financial derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

Credit and Counterparty Risks The Portfolio (or Underlying PIMCO Funds) will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. The Portfolio (or Underlying PIMCO Funds) minimizes concentrations of credit risk by undertaking transactions with a large number of customers and counterparties on recognized and reputable exchanges where applicable. Over the counter ("OTC") derivative transactions are subject to the risk that a counterparty to the transaction will not fulfill its contractual obligations to the other party, as many of the protections afforded to centrally cleared derivative transactions might not be available for OTC derivative transactions. For financial derivative instruments traded on exchanges or clearinghouses, the primary credit risk is the creditworthiness of the Portfolio's clearing broker or the exchange or clearinghouse itself. The Portfolio (or Underlying PIMCO Funds) could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a financial derivative instruments contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities and financial derivative instruments are subject to varying degrees of credit risk, which may be reflected in credit ratings.

Similar to credit risk, the Portfolio (or Underlying PIMCO Funds) may be exposed to counterparty risk, or the risk that an institution or other entity with which the Portfolio (or Underlying PIMCO Funds) has unsettled or open transactions will default. PIMCO, as the Adviser, minimizes counterparty risks to the Portfolio (or Underlying PIMCO Funds) through a number of ways. Prior to entering into transactions with a new counterparty, the PIMCO Counterparty Risk Committee conducts an extensive credit review of such counterparty and must approve the use of such counterparty. Furthermore, pursuant to the terms of the underlying contract, to the extent that unpaid amounts owed to the Portfolio (or Underlying PIMCO Funds) exceed a

predetermined threshold, such counterparty shall advance collateral to the Portfolio (or Underlying PIMCO Funds) in the form of cash or securities equal in value to the unpaid amount owed to the Portfolio (or Underlying PIMCO Funds). The Portfolio (or Underlying PIMCO Funds) may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to the Portfolio (or Underlying PIMCO Funds) subsequently decreases, the Portfolio (or Underlying PIMCO Funds) would be required to return to the counterparty all or a portion of the collateral previously advanced. PIMCO's attempts to minimize counterparty risk may, however, be unsuccessful.

All transactions in listed securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once the Portfolio (or Underlying PIMCO Funds) has received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

Master Netting Arrangements The Portfolio may be subject to various netting arrangements ("Master Agreements") with select counterparties. Master Agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow the Portfolio to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty. For financial reporting purposes the Statement of Assets and Liabilities generally presents derivative assets and liabilities on a gross basis, which reflects the full risks and exposures prior to netting.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under most Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other forms of AAA rated paper or sovereign securities may be used depending on the terms outlined in the applicable Master Agreement. Securities and cash pledged as collateral are reflected as assets on the Statement of Assets and Liabilities as either a component of Investments at value (securities) or Deposits with counterparty. Cash collateral received is not typically held in a segregated account and as such is reflected as a liability on the Statement of Assets and Liabilities as Deposits from counterparty. The market value of any securities received as collateral is not reflected as a component of NAV. The Portfolio's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively "Master Repo Agreements") govern repurchase, reverse repurchase, and sale-buyback transactions between the Portfolio and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

Master Securities Forward Transaction Agreements ("Master Forward Agreements") govern certain forward settling transactions, such as To-Be-Announced securities, delayed-delivery or sale-buyback transactions by and between the Portfolio and select counterparties. The Master Forward Agreements maintain provisions for, among other things, transaction initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral. The market value of forward settling transactions, collateral pledged or received, and the net exposure by counterparty as of period end is disclosed in the Notes to Schedule of Investments.

Customer Account Agreements and related addenda govern cleared derivatives transactions such as futures, options on futures, and cleared OTC derivatives. Such transactions require posting of initial margin as determined by each relevant clearing agency which is segregated in an account at a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC"). In the United States, counterparty risk may be reduced as creditors of an FCM cannot have a claim to Portfolio assets in the segregated account. Portability of exposure reduces risk to the Portfolio. Variation margin, or changes in market value, are exchanged daily, but may not be netted between futures and cleared OTC derivatives unless the parties have agreed to a separate arrangement in respect of portfolio margining. The market value or accumulated unrealized appreciation (depreciation), initial margin posted, and any unsettled variation margin as of period end is disclosed in the Notes to Schedule of Investments.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes ("ISDA Master Agreements") govern bilateral OTC derivative transactions entered into by the

Portfolio with select counterparties. ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral posting and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements. In limited circumstances, the ISDA Master Agreement may contain additional provisions that add counterparty protection beyond coverage of existing daily exposure if the counterparty has a decline in credit quality below a predefined level. These amounts, if any, may be segregated with a third-party custodian. The market value of OTC financial derivative instruments, collateral received or pledged, and net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

6. FEES AND EXPENSES

(a) Investment Advisory Fee PIMCO is a majority-owned subsidiary of Allianz Asset Management of America L.P. ("Allianz Asset Management") and serves as the Adviser to the Trust, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Portfolio at an annual rate based on average daily net assets (the "Investment Advisory Fee"). The Investment Advisory Fee for all classes is charged at an annual rate of 0.175%.

(b) Supervisory and Administrative Fee PIMCO serves as administrator (the "Administrator") and provides supervisory and administrative services to the Trust for which it receives a monthly supervisory and administrative fee based on each share class's average daily net assets (the "Supervisory and Administrative Fee"). As the Administrator, PIMCO bears the costs of various third-party services, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs.

The Supervisory and Administrative Fee for all classes, as applicable, is charged at the annual rate as noted in the following table:

	Supervisory and Administrative Fee
Institutional Class	0.25%
Class M	0.25%
Administrative Class	0.25%
Advisor Class	0.25%

(c) Distribution and Servicing Fees PIMCO Investments LLC ("PI"), a wholly-owned subsidiary of PIMCO, serves as the distributor ("Distributor") of the Trust's shares. The Trust has adopted an Administrative Services Plan with respect to the Administrative Class shares of the Portfolio pursuant to Rule 12b-1 under the Act (the "Administrative Plan"). Under the terms of the Administrative Plan, the Trust is permitted to compensate the Distributor, out of the Administrative Class assets of the Portfolio, in an amount up to 0.15% on an annual basis of the average daily net assets of that class, for providing or procuring through financial intermediaries administrative, recordkeeping and investor services for Administrative Class shareholders of the Portfolio.

The Trust has adopted a separate Distribution and Servicing Plan for each of the Advisor Class and Class M shares of the Portfolio (the "Distribution and Servicing Plans"). The Distribution and Servicing Plans have been adopted pursuant to Rule 12b-1 under the Act. The Distribution and Servicing Plans permit the Portfolio to compensate the Distributor for providing or procuring through financial intermediaries distribution, administrative, recordkeeping, shareholder and/or related services with respect to Advisor Class and Class M shares. The Distribution and Servicing Plans permit the Portfolio to make total payments at an annual rate of up to 0.25% of its average daily net assets attributable to its Advisor Class or Class M shares, respectively. The Distribution and Servicing Plan for Class M shares also permits the Portfolio to compensate the Distributor for providing or procuring administrative, recordkeeping, and other investor services at an annual rate of up to 0.20% of its average daily net assets attributable to its Class M shares.

	Distribution Fee	Servicing Fee
Class M	0.25%	0.20%
Administrative Class	—	0.15%
Advisor Class	0.25%	—

(d) Portfolio Expenses PIMCO provides or procures supervisory and administrative services for shareholders and also bears the costs of various third-party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Trust is responsible for the following expenses: (i) taxes and governmental fees; (ii) brokerage fees and commissions and other portfolio transaction expenses; (iii) the costs of borrowing money, including interest expense; (iv) fees and expenses of the Trustees who are not "interested persons" of PIMCO or the Trust, and any counsel retained exclusively for their benefit; (v) extraordinary expense, including costs of litigation and indemnification expenses; (vi) organizational expenses; and (vii) any expenses allocated or allocable to a specific class of shares, which include service fees payable with respect to the Administrative Class Shares, and may include certain other expenses as permitted by the Trust's Multi-Class Plan adopted pursuant to Rule 18f-3 under the Act and subject to review and approval by the Trustees. The ratio of expenses to average net assets per share class, as disclosed on the Financial Highlights, may differ from the annual portfolio operating expenses per share class.

Each Trustee, other than those affiliated with PIMCO or its affiliates, receives an annual retainer of $35,000, plus $3,600 for each Board meeting attended in person, $750 for each committee meeting attended and $750 for each Board meeting attended telephonically,

plus reimbursement of related expenses. In addition, the audit committee chair receives an additional annual retainer of $5,000, the valuation oversight committee lead receives an additional annual retainer of $3,250 (to the extent there are co-leads of the valuation oversight committee, the annual retainer will be split evenly between the co-leads, so that each co-lead individually receives an additional retainer of $1,625) and the governance committee chair receives an additional annual retainer of $1,500. The Lead Independent Trustee receives an annual retainer of $3,500.

These expenses are allocated on a pro rata basis to each Portfolio of the Trust according to its respective net assets except PIMCO All Asset Portfolio. The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Administrator, all of whom receive remuneration for their services to the Trust from the Administrator or its affiliates.

(e) Acquired Fund Fees and Expenses The Underlying PIMCO Fund expenses for the Portfolio are based upon an allocation of the Portfolio's assets among the Underlying PIMCO Funds and upon the total annual operating expenses of the Institutional Class shares or, as applicable, Class M shares of these Underlying PIMCO Funds. Underlying PIMCO Fund expenses will vary with changes in the expenses of the Underlying PIMCO Funds, as well as the allocation of the Portfolio's assets.

PIMCO has contractually agreed, through May 1, 2017 to reduce its Investment Advisory Fee to the extent that the Underlying PIMCO Fund expenses attributable to Investment Advisory Fees and Supervisory and Administrative Fees exceed 0.64% of the total assets invested in Underlying PIMCO Funds. PIMCO may recoup these waivers and reimbursements for a period not exceeding three years, provided that total expenses, including such recoupment, do not exceed the annual expense limit. The recoverable amount to PIMCO at June 30, 2016 was $4,963,441.

7. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties. Fees payable to these parties are disclosed in Note 6, Fees and Expenses, and the accrued related party fee amounts are disclosed on the Statement of Assets and Liabilities.

8. GUARANTEES AND INDEMNIFICATIONS

Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Portfolio. Additionally, in the normal course of business, the Portfolio enters into contracts that contain a variety of indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts.

9. PURCHASES AND SALES OF SECURITIES

The length of time the Portfolio has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Portfolio is known as "portfolio turnover." The Portfolio may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover may involve correspondingly greater transaction costs to the Portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The transaction costs and tax effects associated with portfolio turnover may adversely affect the Portfolio's performance. The portfolio turnover rates are reported in the Financial Highlights.

Purchases and sales of securities (excluding short-term investments) for the period ended June 30, 2016, were as follows (amounts in thousands†):

U S Government/ Agency		All Other	
Purchases	Sales	Purchases	Sales
$ 0	$ 0	$ 324,879	$ 394,232

† A zero balance may reflect actual amounts rounding to less than one thousand.

10. SHARES OF BENEFICIAL INTEREST

The Portfolio may issue an unlimited number of shares of beneficial interest with a $0.001 par value. Changes in shares of beneficial interest were as follows (shares and amounts in thousands):

	Six Months Ended 06/30/2016		Year Ended 12/31/2015	
	Shares	Amount	Shares	Amount
Receipts for shares sold				
Institutional Class	36	$ 336	283	$ 2,854
Class M	325	3,100	746	7,633
Administrative Class	1,759	16,620	4,112	41,925
Advisor Class	1,629	15,698	1,190	12,058
Issued as reinvestment of distributions				
Institutional Class	4	43	27	256
Class M	42	410	236	2,274
Administrative Class	430	4,094	2,159	20,554
Advisor Class	172	1,653	876	8,418
Cost of shares redeemed				
Institutional Class	(36)	(340)	(712)	(7,094)
Class M	(1,314)	(12,572)	(1,821)	(18,712)
Administrative Class	(7,318)	(67,884)	(16,924)	(170,478)
Advisor Class	(3,203)	(29,987)	(8,825)	(89,731)
Net increase (decrease) resulting from Portfolio share transactions	(7,474)	$ (68,829)	(18,653)	$ (190,043)

As of June 30, 2016, two shareholders each owned 10% or more of the Portfolio's total outstanding shares comprising 61% of the Portfolio. One shareholder is a related party and comprises 47% of the Portfolio. Related parties may include, but are not limited to, the investment manager and its affiliates, affiliated broker dealers, fund of funds and directors or employees of the Trust or Adviser.

11. REGULATORY AND LITIGATION MATTERS

The Portfolio is not named as a defendant in any material litigation or arbitration proceedings and is not aware of any material litigation or claim pending or threatened against it.

PIMCO has received a Wells Notice from the staff of the U.S. Securities and Exchange Commission ("SEC") that relates to the PIMCO Total Return Active Exchange-Traded Fund ("BOND"), a series of PIMCO ETF Trust. The notice indicates the staff's preliminary determination to recommend that the SEC commence a civil action against PIMCO stemming from a non-public investigation relating to BOND. A Wells Notice is neither a formal allegation of wrongdoing nor a finding that any law was violated.

This matter principally pertains to the valuation of smaller sized positions in non-agency mortgage-backed securities purchased by BOND between its inception on February 29, 2012 and June 30, 2012, BOND's performance disclosures for that period, and PIMCO's compliance policies and procedures related to these matters.

The Wells process provides PIMCO with the opportunity to demonstrate to the SEC staff why it believes its conduct was appropriate, in keeping with industry standards, and that no action should be taken. PIMCO believes that this matter is unlikely to have a material adverse effect on any Portfolio or on PIMCO's ability to provide investment management services to any Portfolio.

The foregoing speaks only as of the date of this report.

12. FEDERAL INCOME TAX MATTERS

The Portfolio intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the "Code") and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

The Portfolio may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Adviser has reviewed the Portfolio's tax positions for all open tax years. As of June 30, 2016, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Portfolio files U.S. tax returns. While the statute of limitations remains open to examine the Portfolio's U.S. tax returns filed for the fiscal years ending in 2013-2015, no examinations are in progress or anticipated at this time. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

The Portfolio, through the Underlying PIMCO Funds may gain exposure to the commodities markets primarily through index-linked notes, and may invest in other commodity-linked derivative investments, including commodity swap agreements, options, futures contracts, options on futures contracts and foreign funds investing in similar commodity-linked derivatives.

One of the requirements for favorable tax treatment as a regulated investment company under the Code is that the Portfolio must derive at least 90% of its gross income from certain qualifying sources of income. The IRS has issued a revenue ruling which holds that income derived from commodity index-linked swaps is not qualifying income under Subchapter M of the Code. The IRS has also issued private letter rulings in which the IRS specifically concluded that income from certain commodity index-linked notes is qualifying income. The IRS has also issued private rulings in which the IRS specifically concluded that income derived from investment in a subsidiary, which invests primarily in commodity-linked swaps, will also be qualifying income. Based on the reasoning in such rulings, the Portfolio will continue to seek to gain exposure to the commodity markets through indirect investments in a Subsidiary.

It should be noted, however, that the IRS currently has suspended the issuance of such rulings pending further review. There can be no assurance that the IRS will not change its position that income derived from commodity-linked notes and wholly-owned subsidiaries is qualifying income. Furthermore, the tax treatment of commodity-linked notes, other commodity-linked derivatives, and the Portfolio's indirect investments in the Subsidiaries of the Underlying PIMCO Funds may otherwise be adversely affected by future legislation, Treasury Regulations and/or guidance issued by the IRS. Such developments could affect the character, timing and/or amount of the Portfolio's taxable income or any distributions made by the Portfolio or result in the inability of the Portfolio to operate as described in its Prospectus. If, during a taxable year, the Underlying PIMCO Fund's Commodity Subsidiary's taxable losses (and other deductible items) exceed its income and gains, the net loss will not pass through to the Underlying PIMCO Fund as a deductible amount for income tax purposes. In the event that the Commodity Subsidiary's taxable gains exceed its losses and other deductible items during a taxable year, the net gain will pass through to the Underlying PIMCO Fund as income for Federal income tax purposes.

If, during a taxable year, the Underlying PIMCO Fund's Commodity Subsidiary's taxable losses (and other deductible items) exceed its income and gains, the net loss will not pass through to the Underlying PIMCO Fund as a deductible amount for income tax purposes. In the event that the Commodity Subsidiary's taxable gains exceed its losses and other deductible items during a taxable year, the net gain will pass through to the Underlying PIMCO Fund as income for Federal income tax purposes.

Shares of the Portfolio currently are sold to segregated asset accounts ("Separate Accounts") of insurance companies that fund variable annuity contracts and variable life insurance policies ("Variable Contracts"). Please refer to the prospectus for the Separate Account and Variable Contract for information regarding Federal income tax treatment of distributions to the Separate Account.

As of December 31, 2015, the Portfolio had accumulated capital losses expiring in the following years (amounts in thousands). The Portfolio will resume capital gain distributions in the future to the extent gains are realized in excess of accumulated capital losses.

	Expiration of Accumulated Capital Losses		
	12/31/2016	12/31/2017	12/31/2018
PIMCO All Asset Portfolio	$ —	$ 129,163	$ —

Under the Regulated Investment Company Act of 2010, a portfolio is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

As of December 31, 2015, the Portfolio had the following post-effective capital losses with no expiration (amounts in thousands):

	Short-Term	Long-Term
PIMCO All Asset Portfolio	$ 17,938	$ 9,838

As of June 30, 2016, the aggregate cost and the net unrealized appreciation (depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

Federal Tax Cost	Aggregate Gross Unrealized Appreciation	Aggregate Gross Unrealized (Depreciation)	Net Unrealized Appreciation (Depreciation) [1]
$ 879,708	$ 25,238	$ (70,453)	$ (45,215)

[1] Primary differences, if any, between book and tax net unrealized appreciation (depreciation) are attributable to wash sale loss deferrals for federal income tax purposes.

Glossary: (abbreviations that may be used in the preceding statements) (Unaudited)

Counterparty Abbreviations:

SSB State Street Bank and Trust Co.

Currency Abbreviations:

USD (or $) United States Dollar

General Information

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650 Newport Center Drive
Newport Beach, CA 92660

Investment Sub-Adviser
Research Affiliates, LLC
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Newport Beach, CA 92660

Distributor
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Custodian
State Street Bank and Trust Company
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Kansas City, MO 64105

Transfer Agent
Boston Financial Data Services
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PricewaterhouseCoopers LLP
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Kansas City, MO 64106

This report is submitted for the general information of the shareholders of the PIMCO Variable Insurance Trust.

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PIMCO

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PIMCO

Semiannual Report

June 30, 2016

PIMCO Variable Insurance Trust

PIMCO Real Return Portfolio

Share Classes

- Institutional
- Administrative
- Advisor

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This material is authorized for use only when preceded or accompanied by the current PIMCO Variable Insurance Trust (the "Trust") prospectus for the Portfolio. (The variable product prospectus may be obtained by contacting your Investment Consultant.)

Dear PIMCO Variable Insurance Trust Shareholder,

Please find enclosed the Semiannual Report for the PIMCO Variable Insurance Trust covering the six-month reporting period ended June 30, 2016. The following pages contain specific details about the Portfolio's investment performance and a discussion of the factors that most affected performance over the reporting period.

Outside of the reporting period, PIMCO announced on July 19, 2016 that the firm's Managing Directors have selected Emmanuel (Manny) Roman as PIMCO's next Chief Executive Officer. PIMCO's current CEO Douglas Hodge will assume a new role as Managing Director and Senior Advisor when Mr. Roman joins PIMCO on November 1st.

The announcement of Mr. Roman as PIMCO's CEO is the culmination of a process undertaken by the firm to hire a senior executive who would add leadership and strategic insights combined with a deep appreciation of PIMCO's diversified global businesses, investment process and focus on superior investment performance and client-service. Mr. Roman's appointment has the full support of the firm's leadership including Mr. Hodge, PIMCO's President Jay Jacobs, the firm's Executive Committee and its Managing Directors. Mr. Roman has nearly 30 years of experience in the investment industry, with expertise in fixed income and proven executive leadership, most recently as CEO of Man Group PLC, one of the world's largest publicly-traded alternative asset managers and a leader in liquid, high-alpha investment strategies.

Highlights of the financial markets during the six-month fiscal reporting period include:

- The first segment of the reporting period through mid-February 2016 was marked by ongoing concerns over the global impact of a slowdown in the Chinese economy, which drove commodity prices and inflation expectations generally lower. By March, a recovery in the price of oil and expectations of lower interest rates for longer supported a rally in risk assets. The Bank of Japan ("BOJ") and the People's Bank of China, for example, indicated their intent for further policy easing, with the BOJ resorting to a negative interest rate policy in February 2016. The European Central Bank ("ECB") also resorted to unconventional monetary policy with additional easing measures and an expansion of its quantitative easing program by shifting its focus toward domestic credit, pushing government sovereign yields into negative territory. In June 2016, the ECB began purchasing corporate bonds to help invigorate economic growth and stimulate inflation in the region.
- In the U.S., concerns regarding the global impact of tightening financial conditions and renewed U.S. dollar strength kept the Federal Reserve ("Fed") on hold at their June 2016 meeting, after having slightly raised interest rates at their December 2015 meeting. In addition, the U.S. dollar appreciated against most European and emerging market currencies, while falling against the Japanese yen. The U.S. interest rate yield curve flattened as the ten-year U.S. Treasury yield rallied to all-time lows and short-term interest rates rose with the initial Fed rate hike in December 2015. Revised first quarter 2016 U.S. gross domestic product ("GDP") data released in late June was marginally stronger as retail sales, housing and consumer sentiment data indicated an improving economy.
- Market movements and news headlines at the end of the reporting period were dominated by the unexpected outcome of the U.K. referendum on June 23, 2016. Initial investor reaction to the Brexit vote was largely "risk-off" as various assets re-priced to the surprise outcome, with U.S. Treasuries, the Japanese yen and gold headlining a safe-haven rally. However, aside from the Pound Sterling and European and Japanese equities, most asset classes generally recovered in the ensuing week as investors reassessed the impact of the Brexit vote on global growth expectations.
- U.S. Treasuries, as represented by the Barclays U.S. Treasury Index, returned 5.37% for the reporting period. Yields declined across the majority of the U.S. Treasury yield curve as a more dovish tone from the Fed coupled with the surprise result of the U.K. referendum pushed expectations for policy normalization further into the future. The benchmark ten-year U.S. Treasury note yielded 1.49% at the end of the reporting period, down from 2.27% on December 31, 2015. The Barclays U.S. Aggregate Index, a widely used index of U.S. investment-grade bonds, returned 5.31% for the reporting period.
- U.S. Treasury Inflation-Protected Securities ("TIPS"), as represented by the Barclays U.S. TIPS Index, returned 6.24% over the reporting period. U.S. real interest rates followed nominal yields sharply lower as concerns surrounding China's growth prospects early in the reporting period coupled with uncertainty over the U.K.

referendum created a strong flight-to-quality bid and more tempered expectations for near-term Fed rate hikes. Despite posting positive absolute returns, U.S. TIPS were outpaced by comparable nominal U.S. Treasuries as market-based inflation expectations ended the period lower. U.S. breakeven inflation rates were pressured lower by low headline inflation data and outsized demand for safe-haven nominal U.S. Treasuries.

- Diversified commodities, as represented by the Bloomberg Commodity Index Total Return, returned 13.25% over the reporting period. Prices on broad commodities rebounded, led higher primarily by energy and precious metal prices. Crude oil prices rose markedly after reaching multi-year lows in January 2016, driven higher by strong demand and production outages. Within precious metals, gold prices were the beneficiary of strong safe-haven demand around risk-off events, particularly in June 2016 following the U.K.'s historic vote to leave the European Union. Agriculture commodity prices also advanced over the period, led by sugar prices which rallied on Brazilian rainfall, Indian import demand as well as strength in the Brazilian real.
- Agency mortgage-backed securities ("MBS"), as represented by the Barclays U.S. MBS Fixed Rate Index, returned 3.11% over the reporting period and underperformed like-duration U.S. Treasuries amid headwinds from heavy supply and refinancing concerns. Non-Agency MBS prices were higher and spreads tightened, as the sector continued to benefit from favorable technicals and stable fundamentals. Positive representation and warranty settlement developments also benefited the sector.
- U.S. investment grade credit, as represented by the Barclays U.S. Credit Index, returned 7.54% over the reporting period, as falling credit yields and a commodity-fueled rally drove returns over the reporting period. Developed market global high yield bonds, as measured by the BofA Merrill Lynch Developed Markets High Yield Constrained Index (USD Hedged), returned 8.02% over the reporting period. Strong performance from commodity sectors and risk-on sentiment drove returns, as asset sales and equity issuance strengthened balance sheets. Meanwhile, high yield bond mutual funds saw strong inflows, as investors continued to seek higher-yielding instruments.
- Emerging market ("EM") external debt, as represented by the JPMorgan Emerging Markets Bond Index (EMBI) Global, returned 10.90% over the reporting period. EM local bonds, as represented by the JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged), returned 14.02% over the reporting period. The slowdown in China continued apace, though policymakers have used expanded credit availability and a gradual depreciation of the Chinese currency to soften the landing. Higher commodity prices and improving terms of trade helped EM currencies broadly gain during the reporting period.
- Global equity markets showed mixed performance amid a period marked by economic uncertainty, increased volatility and concerns around the U.K. referendum. U.S. equities, as represented by the S&P 500 Index, returned 3.84% over the reporting period. EM equities, as represented by the MSCI Emerging Markets Index (Net Dividends in USD), returned 6.41% over the same period. In contrast, developed market equities outside the U.S., as represented by the MSCI EAFE Net Dividend Index (USD Unhedged), declined 4.42% over the reporting period.

Thank you once again for the trust you have placed in us. We value your commitment and will continue to work diligently to meet your broad investment and investment solution needs.

Sincerely,

Brent R. Harris

Brent R. Harris
Chairman of the Board,
PIMCO Variable Insurance Trust

August 22, 2016

Past performance is no guarantee of future results. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an unmanaged index.

Important Information About the PIMCO Real Return Portfolio

PIMCO Variable Insurance Trust (the "Trust") is an open-end management investment company currently consisting of twenty separate investment portfolios, including the PIMCO Real Return Portfolio (the "Portfolio"). The Portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies ("Variable Contracts"). Individuals may not purchase shares of the Portfolio directly. Shares of the Portfolio also may be sold to qualified pension and retirement plans outside of the separate account context.

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates may trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities and other instruments held by the Portfolio are likely to decrease in value. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). In addition, changes in interest rates can be sudden and unpredictable, and there is no guarantee that Fund management will anticipate such movement accurately. The Portfolio may lose money as a result of movements in interest rates.

As of the date of this report, interest rates in the U.S. and many parts of the world, including certain European countries, are near historically low levels. As such, bond funds may currently face an increased exposure to the risks associated with a rising interest rate environment. This is especially true as the Fed ended its quantitative easing program and has begun, and may continue, to raise interest rates. Further, while bond markets have steadily grown over the past three decades, dealer inventories of corporate bonds are near historic lows in relation to market size. As a result, there has been a significant reduction in the ability of dealers to "make markets."

Bond funds and individual bonds with a longer duration (a measure used to determine the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets or negatively impact the Portfolio's performance or cause the Portfolio to incur losses. As a result, the Portfolio may experience increased shareholder redemptions, which, among other things, could further reduce the net assets of the Portfolio.

The Portfolio may be subject to various risks as described in the Portfolio's prospectus. Some of these risks may include, but are not limited to, the following: interest rate risk, call risk, credit risk, high yield risk, market risk, issuer risk, liquidity risk, derivatives risk, equity risk, mortgage-related and other asset-backed securities risk, foreign (non-U.S.) investment risk, emerging markets risk, sovereign debt risk, currency risk, leveraging risk, management risk and short sale risk. A complete description of these and other risks is contained in the Portfolio's prospectus.

The Portfolio may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, leverage risk, management risk and the risk that the Portfolio may not be able to close out a position when it would be most advantageous to do so. Certain derivative transactions may have a leveraging effect on the Portfolio. For example, a small investment in a derivative instrument may have a significant impact on the Portfolio's exposure to interest rates, currency exchange rates or other investments. As a result, a relatively small price movement in an asset, instrument or component of the index underlying a derivative instrument may cause an immediate and substantial loss or gain, which translates into heightened volatility for the Portfolio. The Portfolio may engage in such transactions regardless of whether the Portfolio owns the asset, instrument or components of the index underlying the derivative instrument. The Portfolio may invest a significant portion of its assets in these types of instruments. If it does, the Portfolio's investment exposure could far exceed the value of its portfolio securities and its investment performance could be primarily dependent upon securities it does not own. Investing in foreign (non-U.S.) securities may entail risk due to foreign (non-U.S.) economic and political developments; this risk may be increased when investing in emerging markets. For example, if the Portfolio invests in emerging market debt, it may face increased exposure to interest rate, liquidity, volatility, and redemption risk due to the specific economic, political, geographical, or legal background of the foreign (non-U.S.) issuer.

High yield bonds typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher-rated bonds. Further, markets for lower-rated bonds are typically less liquid than for higher-rated bonds, and public information is usually less abundant in markets for lower-rated bonds. Thus, high yield investments increase the chance that the Portfolio will lose money. The credit quality of a particular security or group of securities does not ensure the stability or safety of the overall portfolio. Mortgage-related and asset-backed securities represent interests in "pools" of mortgages or other assets such as consumer loans or receivables. As a general matter, mortgage-related and asset-backed securities are subject to interest rate risk, extension risk, prepayment risk, and credit risk. These risks largely stem from the fact that returns on mortgage-related and asset-backed securities depend on the ability of the underlying assets to generate cash flow.

The geographical classification of foreign (non-U.S.) securities in this report are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.

On the Portfolio Summary page in this Shareholder Report, the Average Annual Total Return table and Cumulative Returns chart measure performance assuming that any dividend and capital gain distributions were reinvested. The Cumulative Returns chart reflects only Administrative Class performance. Performance for Institutional Class, Class M and Advisor Class shares, if applicable, may be higher or lower based on each class's expense ratios. The Portfolio's total annual operating expense ratios on the Portfolio Summary page are as of the currently effective prospectus, as supplemented to date. The Portfolio measures its performance against a broad-based securities market index ("benchmark index"). The benchmark index does not take into account fees, expenses, or taxes. The Portfolio's past performance, before and after taxes, is not necessarily an indication of how the Portfolio will perform in the future.

The following table discloses the inception dates of the Portfolio and its respective share classes along with the Portfolio's diversification status as of period end:

Portfolio Name	Portfolio Inception	Institutional Class	Class M	Administrative Class	Advisor Class	Diversification Status
PIMCO Real Return Portfolio	09/30/99	04/10/00	—	09/30/99	02/28/06	Diversified

An investment in the Portfolio is not a bank deposit and is not guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. It is possible to lose money on investments in the Portfolio.

The Trustees are responsible generally for overseeing the management of the Trust. The Trustees authorize the Trust to enter into service agreements with the Adviser, the Distributor, the Administrator and other service providers in order to provide, and in some cases authorize service providers to procure through other parties, necessary or desirable services on behalf of the Trust and the Portfolio. Shareholders are not parties to or third-party beneficiaries of such service agreements. Neither this Portfolio's prospectus nor summary prospectus, the Trust's Statement of Additional Information ("SAI"), any contracts filed as exhibits to the Trust's registration statement, nor any other communications, disclosure documents or regulatory filings (including this report) from or on behalf of the Trust or the Portfolio creates a contract between or among any shareholder of the Portfolio, on the one hand, and the Trust, the Portfolio, a service provider to the Trust or the Portfolio, and/or the Trustees or officers of the Trust, on the other hand. The Trustees (or the Trust and its officers, service providers or other delegates acting under authority of the Trustees) may amend the most recent prospectus or use a new prospectus, summary prospectus or SAI with respect to the Portfolio or the Trust, and/or amend, file and/or issue any other communications, disclosure documents or regulatory filings, and may amend or enter into any contracts to which the Trust or the Portfolio is a party, and interpret the investment objective(s), policies, restrictions and contractual provisions applicable to the Portfolio, without shareholder input or approval, except in circumstances in which shareholder approval is specifically required by law (such as changes to fundamental investment policies) or where a shareholder approval requirement is specifically disclosed in the Trust's then-current prospectus or SAI.

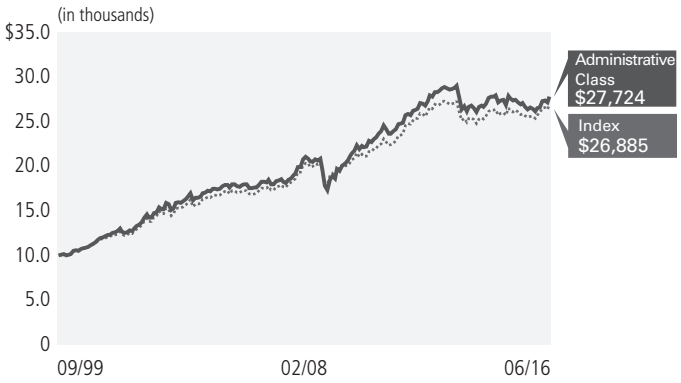
PIMCO has adopted written proxy voting policies and procedures ("Proxy Policy") as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Proxy Policy has been adopted by the Trust as the policies and procedures that PIMCO will use when voting proxies on behalf of the Portfolio. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of the Portfolio, and information about how the Portfolio voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Trust at (888) 87-PIMCO, on the Portfolio's website at pvit.pimco-funds.com, and on the Securities and Exchange Commission's ("SEC") website at www.sec.gov.

The Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A copy of the Trust's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and is available without charge, upon request, by calling the Trust at (888) 87-PIMCO and on the Portfolio's website at pvit.pimco-funds.com. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

The Trust is distributed by PIMCO Investments LLC, 1633 Broadway, New York, New York 10019.

PIMCO Real Return Portfolio

Cumulative Returns Through June 30, 2016



$10,000 invested at the end of the month when the Portfolio's Administrative Class commenced operations.

Allocation Breakdown†

U.S. Treasury Obligations	64.8%
Short-Term Instruments‡	12.8%
Corporate Bonds & Notes	7.1%
Sovereign Issues	6.1%
U.S. Government Agencies	5.0%
Other	4.2%

† % of Investments, at value as of 06/30/2016. Financial derivative instruments, if any, are excluded.

‡ Includes Central Funds used for Cash Management Purposes.

Investment Objective and Strategy Overview

» PIMCO Real Return Portfolio seeks maximum real return, consistent with preservation of real capital and prudent investment management, by investing under normal circumstances at least 80% of its net assets in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities and corporations, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements. Assets not invested in inflation-indexed bonds may be invested in other types of Fixed Income Instruments. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. Inflation-indexed bonds are fixed income securities that are structured to provide protection against inflation.

Average Annual Total Return for the period ended June 30, 2016

		6 Months*	1 Year	5 Years	10 Years	Inception**
	PIMCO Real Return Portfolio Institutional Class	6.22%	3.38%	2.39%	4.81%	6.32%
—	PIMCO Real Return Portfolio Administrative Class	6.14%	3.22%	2.23%	4.66%	6.28%
	PIMCO Real Return Portfolio Advisor Class	6.09%	3.12%	2.13%	4.55%	4.21%
·····	Barclays U.S. TIPS Index±	6.24%	4.35%	2.63%	4.75%	6.08%***

All Portfolio returns are net of fees and expenses.

* Cumulative return.

** For class inception dates please refer to the Important Information.

*** Average annual total return since 09/30/1999.

± Barclays U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation-Protected Securities rated investment grade (Baa3 or better), have at least one year to final maturity, and at least $250 million par amount outstanding.

It is not possible to invest directly in an unmanaged index.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. The Portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. For performance current to the most recent month-end, visit http://pvit.pimco-funds.com.

The Portfolio's total annual operating expense ratio as stated in the Portfolio's current prospectus, as supplemented to date, is 0.63% for Institutional Class shares, 0.78% for Administrative Class shares, and 0.88% for Advisor Class shares.

Portfolio Insights

Following are key factors impacting the Portfolio's performance during the reporting period:

» An underweight to U.K. nominal duration (or sensitivity to changes in market interest rates) detracted from relative performance, as yields in Britain fell.

» An underweight to U.S. nominal duration expressed via interest rate swaps detracted from relative performance, as interest rate swap yields fell across most maturities.

» An underweight to German nominal duration detracted from relative performance, as German yields fell.

» Exposure to U.S. Treasury Inflation-Protected Securities ("TIPS") benefited absolute performance, as U.S. TIPS posted positive returns.

» An overweight to TIPS benefited relative performance, as U.S. TIPS posted positive returns.

» An underweight to long-term U.K. breakeven inflation spreads (or the yield differential between U.K. nominal gilts and like-maturity U.K. index-linked gilts) benefited relative performance, as 30-year breakeven inflation spreads fell.

Example

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees (if applicable), and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of $1,000 invested at the beginning of the period and held from January 1, 2016 to June 30, 2016 unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use the information in these rows, 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 = 8.60), then multiply the result by the number in the appropriate column for your share class, in the column titled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other portfolios. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other portfolios.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different portfolios. In addition, if these transactional costs were included, your costs would have been higher.

Expense ratios may vary period to period because of various factors, such as an increase in expenses that are not covered by the management fees such as fees and expenses of the independent trustees and their counsel, extraordinary expenses and interest expense.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (01/01/16)	Ending Account Value (06/30/16)	Expenses Paid During Period*	Beginning Account Value (01/01/16)	Ending Account Value (06/30/16)	Expenses Paid During Period*	Net Annualized Expense Ratio**
Institutional Class	$ 1,000.00	$ 1,062.20	$ 3.78	$ 1,000.00	$ 1,020.79	$ 3.71	0.75%
Administrative Class	1,000.00	1,061.40	4.54	1,000.00	1,020.05	4.45	0.90
Advisor Class	1,000.00	1,060.90	5.04	1,000.00	1,019.56	4.94	1.00

* Expenses Paid During Period are equal to the net annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 179/366 (to reflect the one-half year period). Overall fees and expenses of investing in the Portfolio will be higher because the example does not reflect variable contract fees and expenses.

** Net Annualized Expense Ratio is reflective of any applicable contractual fee waivers and/or expense reimbursements or voluntary fee waivers. Details regarding fee waivers can be found in Note 8 in the Notes to Financial Statements.

Selected Per Share Data for the Year or Period Ended:	Net Asset Value Beginning of Year or Period	Net Investment Income[a]	Net Realized/ Unrealized Gain (Loss)	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Capital Gains	Total Distributions[b]
Institutional Class							
01/01/2016 - 06/30/2016+	$ 11.93	$ 0.13	$ 0.61	$ 0.74	$ (0.13)	$ 0.00	$ (0.13)
12/31/2015	12.81	0.12	(0.45)	(0.33)	(0.55)	0.00	(0.55)
12/31/2014	12.60	0.30	0.11	0.41	(0.20)	0.00	(0.20)
12/31/2013	14.25	0.10	(1.40)	(1.30)	(0.25)	(0.10)	(0.35)
12/31/2012	13.95	0.23	1.02	1.25	(0.18)	(0.77)	(0.95)
12/31/2011	13.14	0.30	1.24	1.54	(0.31)	(0.42)	(0.73)
Administrative Class							
01/01/2016 - 06/30/2016+	11.93	0.13	0.60	0.73	(0.12)	0.00	(0.12)
12/31/2015	12.81	0.09	(0.44)	(0.35)	(0.53)	0.00	(0.53)
12/31/2014	12.60	0.28	0.11	0.39	(0.18)	0.00	(0.18)
12/31/2013	14.25	0.08	(1.40)	(1.32)	(0.23)	(0.10)	(0.33)
12/31/2012	13.95	0.21	1.02	1.23	(0.16)	(0.77)	(0.93)
12/31/2011	13.14	0.28	1.24	1.52	(0.29)	(0.42)	(0.71)
Advisor Class							
01/01/2016 - 06/30/2016+	11.93	0.13	0.60	0.73	(0.12)	0.00	(0.12)
12/31/2015	12.81	0.09	(0.45)	(0.36)	(0.52)	0.00	(0.52)
12/31/2014	12.60	0.27	0.11	0.38	(0.17)	0.00	(0.17)
12/31/2013	14.25	0.08	(1.41)	(1.33)	(0.22)	(0.10)	(0.32)
12/31/2012	13.95	0.17	1.04	1.21	(0.14)	(0.77)	(0.91)
12/31/2011	13.14	0.24	1.27	1.51	(0.28)	(0.42)	(0.70)

\+ Unaudited

* Annualized

[a] Per share amounts based on average number of shares outstanding during the year or period.

[b] The tax characterization of distributions is determined in accordance with federal income tax regulations. The actual tax characterization of distributions paid are determined at the end of the fiscal year. See Note 2(d) in the Notes to Financial Statements for more information.

Net Asset Value End of Year or Period	Total Return	Net Assets End of Year or Period (000s)	Ratio of Expenses to Average Net Assets	Ratio of Expenses to Average Net Assets Excluding Interest Expense	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate
$ 12.54	6.22%	$ 130,217	0.75%*	0.50%*	2.11%*	56%
11.93	(2.56)	168,482	0.63	0.50	0.91	89
12.81	3.25	161,389	0.55	0.50	2.27	96
12.60	(9.08)	138,123	0.55	0.50	0.76	34
14.25	8.92	152,670	0.55	0.50	1.61	46
13.95	11.83	128,674	0.50	0.50	2.17	381
12.54	6.14	1,940,642	0.90*	0.65*	2.14*	56
11.93	(2.70)	2,037,284	0.78	0.65	0.71	89
12.81	3.09	2,393,913	0.70	0.65	2.19	96
12.60	(9.22)	2,754,082	0.70	0.65	0.61	34
14.25	8.75	3,626,656	0.70	0.65	1.47	46
13.95	11.66	2,976,467	0.65	0.65	2.02	381
12.54	6.09	520,421	1.00*	0.75*	2.10*	56
11.93	(2.80)	513,250	0.88	0.75	0.67	89
12.81	2.99	481,759	0.80	0.75	2.06	96
12.60	(9.31)	461,586	0.80	0.75	0.57	34
14.25	8.64	418,629	0.80	0.75	1.17	46
13.95	11.56	504,229	0.75	0.75	1.74	381

Statement of Assets and Liabilities PIMCO Real Return Portfolio

(Unaudited)

(Amounts in thousands, except per share amounts)	June 30, 2016
Assets:	
Investments, at value	
Investments in securities*	$ 3,622,300
Investments in Affiliates	503,928
Financial Derivative Instruments	
Exchange-traded or centrally cleared	2,400
Over the counter	29,318
Deposits with counterparty	5,038
Foreign currency, at value	3,885
Receivable for investments sold	784,527
Receivable for investments sold on a delayed-delivery basis	6,101
Receivable for TBA investments sold	120,487
Receivable for Portfolio shares sold	1,783
Interest and/or dividends receivable	12,831
Dividends receivable from Affiliates	141
Other assets	14
Total Assets	5,092,753
Liabilities:	
Borrowings & Other Financing Transactions	
Payable for reverse repurchase agreements	$ 479,553
Payable for sale-buyback transactions	1,582,144
Payable for short sales	5,360
Financial Derivative Instruments	
Exchange-traded or centrally cleared	743
Over the counter	70,052
Payable for investments purchased	16,178
Payable for investments in Affiliates purchased	141
Payable for TBA investments purchased	330,791
Deposits from counterparty	11,129
Payable for Portfolio shares redeemed	3,973
Accrued investment advisory fees	532
Accrued supervisory and administrative fees	532
Accrued distribution fees	106
Accrued servicing fees	239
Total Liabilities	2,501,473
Net Assets	$ 2,591,280
Net Assets Consist of:	
Paid in capital	$ 2,759,866
Undistributed net investment income	2,216
Accumulated undistributed net realized (loss)	(155,975)
Net unrealized (depreciation)	(14,827)
Net Assets	$ 2,591,280
Net Assets:	
Institutional Class	$ 130,217
Administrative Class	1,940,642
Advisor Class	520,421
Shares Issued and Outstanding:	
Institutional Class	10,383
Administrative Class	154,737
Advisor Class	41,496
Net Asset Value Per Share Outstanding:	
Institutional Class	$ 12.54
Administrative Class	12.54
Advisor Class	12.54
Cost of investments in securities	$ 3,565,693
Cost of investments in Affiliates	$ 503,885
Cost of foreign currency held	$ 3,746
Proceeds received on short sales	$ 5,334
Cost or premiums of financial derivative instruments, net	$ 2,178
* Includes repurchase agreements of:	$ 16,318

See Accompanying Notes

Statement of Operations PIMCO Real Return Portfolio

(Amounts in thousands)	Six Months Ended June 30, 2016 (Unaudited)
Investment Income:	
Interest	$ 39,254
Dividends from Investments in Affiliates	554
Total Income	39,808
Expenses:	
Investment advisory fees	3,266
Supervisory and administrative fees	3,266
Servicing fees - Administrative Class	1,462
Distribution and/or servicing fees - Advisor Class	630
Trustee fees	15
Interest expense	3,311
Miscellaneous expense	5
Total Expenses	11,955
Net Investment Income	27,853
Net Realized Gain (Loss):	
Investments in securities	(14,263)
Investments in Affiliates	49
Exchange-traded or centrally cleared financial derivative instruments	(39,303)
Over the counter financial derivative instruments	2,683
Foreign currency	2,558
Net Realized (Loss)	(48,276)
Net Change in Unrealized Appreciation (Depreciation):	
Investments in securities	233,813
Investments in Affiliates	186
Exchange-traded or centrally cleared financial derivative instruments	(23,399)
Over the counter financial derivative instruments	(29,806)
Foreign currency assets and liabilities	(673)
Net Change in Unrealized Appreciation	180,121
Net Increase in Net Assets Resulting from Operations	$ 159,698

Statements of Changes in Net Assets PIMCO Real Return Portfolio

(Amounts in thousands)	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
(Decrease) in Net Assets from:		
Operations:		
Net investment income	$ 27,853	$ 20,935
Net realized (loss)	(48,276)	(68,269)
Net change in unrealized appreciation (depreciation)	180,121	(30,133)
Net Increase (Decrease) in Net Assets Resulting from Operations	159,698	(77,467)
Distributions to Shareholders:		
From net investment income		
Institutional Class	(1,539)	(7,388)
Administrative Class	(19,099)	(87,630)
Advisor Class	(4,802)	(21,499)
Total Distributions[a]	(25,440)	(116,517)
Portfolio Share Transactions:		
Net (decrease) resulting from Portfolio share transactions**	(261,994)	(124,061)
Total (Decrease) in Net Assets	(127,736)	(318,045)
Net Assets:		
Beginning of period	2,719,016	3,037,061
End of period*	$ 2,591,280	$ 2,719,016
* Including undistributed (overdistributed) net investment income of:	$ 2,216	$ (197)

** See Note 12 in the Notes to Financial Statements.

[a] The tax characterization of distributions is determined in accordance with federal income tax regulations. The actual tax characterization of distributions paid are determined at the end of the fiscal year. See Note 2(d) in the Notes to Financial Statements for more information.

Statement of Cash Flows PIMCO Real Return Portfolio

(Unaudited)

(Amounts in thousands†)	Six Month Ended June 30, 2016
Cash Flows Provided by Operating Activities:	
Net increase in net assets resulting from operations	$ 159,698
Adjustments to Reconcile Net Increase in Net Assets from Operations to Net Cash Provided by Operating Activities:	
Purchases of long-term securities	(2,054,169)
Proceeds from sales of long-term securities	2,237,160
(Purchases) from sales of short-term portfolio investments, net	(385,138)
(Increase) in deposits with counterparty	(1,774)
Decrease in receivable for investments sold	804,088
Decrease in interest and/or dividends receivable	4,859
(Increase) in dividends receivable from Affiliates	(141)
(Payments on) exchange-traded or centrally cleared financial derivative instruments	(65,057)
(Payments on) over the counter financial derivative instruments	(2,171)
Decrease in other assets	1
Increase in payable for investments purchased	335,375
(Decrease) in deposits from counterparty	(57)
(Decrease) in accrued investment advisory fees	(101)
(Decrease) in accrued supervisory and administrative fees	(101)
(Decrease) in accrued distribution fees	(14)
(Decrease) in accrued servicing fees	(46)
Proceeds from short sales transactions, net	5,333
Proceeds from foreign currency transactions	1,885
(Decrease) in other liabilities	(8)
Net Realized (Gain) Loss	
Investments in securities	14,263
Investments in Affiliates	(49)
Exchange-traded or centrally cleared financial derivative instruments	39,303
Over the counter financial derivative instruments	(2,683)
Foreign currency	(2,558)
Net Change in Unrealized (Appreciation) Depreciation	
Investments in securities	(233,813)
Investments in Affiliates	(186)
Exchange-traded or centrally cleared financial derivative instruments	23,399
Over the counter financial derivative instruments	29,806
Foreign currency assets and liabilities	673
Net amortization (accretion) on investments	(314)
Net Cash Provided by Operating Activities	907,463
Cash Flows (Used for) Financing Activities:	
Proceeds from shares sold	160,539
Payments on shares redeemed	(437,923)
Cash dividend paid*	(1)
Proceeds from reverse repurchase agreements	1,019,406
Payments on reverse repurchase agreements	(542,455)
Proceeds from sale-buyback transactions	8,082,402
Payments on sale-buyback transactions	(9,195,724)
Proceeds from deposits from counterparty	836
Payments on deposits from counterparty	(690)
Net Cash (Used for) Financing Activities	(913,610)
Net (Decrease) in Cash and Foreign Currency	(6,147)
Cash and Foreign Currency:	
Beginning of period	10,032
End of period	$ 3,885
* Reinvestment of distributions	$ 25,439
Supplemental Disclosure of Cash Flow Information:	
Interest expense paid during the period	$ 2,091

See Accompanying Notes

Schedule of Investments PIMCO Real Return Portfolio

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 139.8%		
BANK LOAN OBLIGATIONS 0.0%		
Hilton Worldwide Finance LLC		
3.500% due 10/26/2020	$ 100	$ 100
Valeant Pharmaceuticals International, Inc.		
5.000% due 04/01/2022	96	93
Total Bank Loan Obligations (Cost $190)		**193**
CORPORATE BONDS & NOTES 11.3%		
BANKING & FINANCE 9.8%		
Ally Financial, Inc.		
2.750% due 01/30/2017	19,500	19,674
5.500% due 02/15/2017	2,500	2,541
6.250% due 12/01/2017	12,900	13,545
Banca Monte dei Paschi di Siena SpA		
4.875% due 09/15/2054	EUR 1,000	1,120
Bank of America Corp.		
2.250% due 04/21/2020	$ 200	201
5.700% due 01/24/2022	2,000	2,319
Bank of America N.A.		
1.750% due 06/05/2018	30,380	30,591
Bank of New York Mellon Corp.		
1.498% due 08/17/2020	4,400	4,421
Barclays Bank PLC		
7.625% due 11/21/2022	7,800	8,409
Barclays PLC		
5.250% due 08/17/2045	1,000	1,053
8.250% due 12/15/2018 (d)	600	589
BBVA Bancomer S.A.		
6.500% due 03/10/2021	600	661
Bear Stearns Cos. LLC		
7.250% due 02/01/2018	9,100	9,922
Citigroup, Inc.		
1.157% due 05/01/2017	32,900	32,908
Cooperatieve Rabobank UA		
0.964% due 04/28/2017	32,900	32,909
Credit Agricole S.A.		
7.875% due 01/23/2024 (d)	5,200	4,992
Credit Suisse Group AG		
7.500% due 12/11/2023 (d)	3,600	3,636
Credit Suisse Group Funding Guernsey Ltd.		
3.800% due 09/15/2022	2,600	2,615
Depfa ACS Bank		
3.875% due 11/14/2016	EUR 700	788
Ford Motor Credit Co. LLC		
1.684% due 09/08/2017	$ 300	301
2.240% due 06/15/2018	800	808
2.375% due 01/16/2018	600	608
2.551% due 10/05/2018	400	408
Goldman Sachs Group, Inc.		
1.853% due 09/15/2020	11,800	11,784
2.432% due 02/25/2021	10,170	10,384
3.500% due 01/23/2025	2,000	2,060
HSBC Holdings PLC		
2.901% due 03/08/2021	200	205
JPMorgan Chase & Co.		
1.188% due 04/25/2018	10,000	9,987
2.153% due 03/01/2021	6,700	6,855
2.750% due 06/23/2020	12,000	12,373
Lehman Brothers Holdings, Inc.		
7.000% due 09/27/2027 ^	100	7
Lloyds Bank PLC		
1.750% due 05/14/2018	6,200	6,184
Lloyds Banking Group PLC		
7.625% due 06/27/2023 (d)	GBP 2,350	2,965
7.875% due 06/27/2029 (d)	2,200	2,779
Mitsubishi UFJ Financial Group, Inc.		
2.553% due 03/01/2021	$ 4,900	5,048
UBS AG		
7.625% due 08/17/2022	1,800	2,043
Unibail-Rodamco SE		
1.403% due 04/16/2019	$ 5,700	$ 5,671
		253,364
INDUSTRIALS 1.1%		
AbbVie, Inc.		
1.800% due 05/14/2018	7,700	7,758
2.500% due 05/14/2020	3,600	3,689
3.200% due 11/06/2022	800	829
Aetna, Inc.		
1.307% due 12/08/2017	2,000	2,003
2.400% due 06/15/2021	1,400	1,432
Cisco Systems, Inc.		
1.254% due 02/21/2018	6,900	6,944
Hellenic Railways Organization S.A.		
4.028% due 03/17/2017	EUR 3,900	4,150
Hewlett Packard Enterprise Co.		
2.450% due 10/05/2017	$ 3,350	3,394
		30,199
UTILITIES 0.4%		
BG Energy Capital PLC		
6.500% due 11/30/2072	GBP 1,700	2,374
Petrobras Global Finance BV		
3.000% due 01/15/2019	$ 280	260
4.375% due 05/20/2023	400	326
4.875% due 03/17/2020	200	188
5.375% due 01/27/2021	7,600	7,030
6.625% due 01/16/2034	GBP 100	100
		10,278
Total Corporate Bonds & Notes (Cost $296,681)		**293,841**
MUNICIPAL BONDS & NOTES 0.0%		
WEST VIRGINIA 0.0%		
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007		
7.467% due 06/01/2047	$ 670	639
Total Municipal Bonds & Notes (Cost $640)		**639**
U.S. GOVERNMENT AGENCIES 7.9%		
Fannie Mae		
0.523% due 12/25/2036	59	59
0.603% due 08/25/2034	74	73
0.803% due 07/25/2037 - 05/25/2042	94	95
0.893% due 05/25/2036	49	49
1.133% due 02/25/2041	2,198	2,218
1.610% due 07/01/2044 - 09/01/2044	49	50
2.413% due 10/01/2035	135	139
2.557% due 05/25/2035	495	522
Fannie Mae, TBA		
3.000% due 08/01/2046	28,000	29,006
3.500% due 07/01/2031 - 08/01/2046	141,000	148,666
Freddie Mac		
0.592% due 10/15/2020	260	260
0.672% due 02/15/2019	23	23
0.713% due 08/25/2031	52	50
0.892% due 08/15/2033 - 09/15/2042	11,559	11,604
1.610% due 10/25/2044 - 02/25/2045	4,122	4,271
2.574% due 01/01/2034	98	104
2.626% due 12/01/2035	61	64
NCUA Guaranteed Notes		
0.915% due 10/07/2020	2,313	2,319
1.006% due 12/08/2020	3,997	4,007
Small Business Administration		
5.902% due 02/10/2018	$ 87	$ 92
6.020% due 08/01/2028	900	1,029
Total U.S. Government Agencies (Cost $204,127)		**204,700**
U.S. TREASURY OBLIGATIONS 103.3%		
U.S. Treasury Bonds		
3.000% due 11/15/2045 (j)	280	322
2.500% due 02/15/2045 (f)	$ 10,240	10,673
2.500% due 02/15/2046 (f)	47,520	49,529
2.500% due 05/15/2046	11,550	12,050
3.000% due 11/15/2044 (f)(j)	2,000	2,302
3.000% due 05/15/2045 (f)(j)	27,240	31,345
U.S. Treasury Inflation Protected Securities (c)		
0.125% due 04/15/2018 (f)(h)(j)	34,772	35,303
0.125% due 04/15/2019 (f)(h)(j)	103,257	105,486
0.125% due 04/15/2020 (f)(h)(j)	78,964	80,826
0.125% due 01/15/2022 (f)	192,205	196,146
0.125% due 07/15/2022 (f)	327,425	335,176
0.125% due 01/15/2023 (f)(j)	149,967	152,135
0.125% due 07/15/2024 (f)	14,044	14,205
0.250% due 01/15/2025 (f)(j)	14,796	15,039
0.375% due 07/15/2023 (f)(h)(j)	91,796	95,046
0.625% due 07/15/2021 (f)(j)	210,430	221,749
0.625% due 01/15/2024 (f)	64,591	67,706
0.625% due 02/15/2043 (j)	3,808	3,718
0.750% due 02/15/2042 (f)(j)	11,582	11,640
0.750% due 02/15/2045 (f)	36,202	36,469
1.000% due 02/15/2046 (f)(j)	23,526	25,450
1.250% due 07/15/2020 (f)(j)	29,145	31,351
1.375% due 01/15/2020 (f)	102,440	109,460
1.375% due 02/15/2044 (f)(j)	142,841	165,547
1.625% due 01/15/2018 (h)(j)	2,969	3,082
1.750% due 01/15/2028 (f)	71,517	83,735
1.875% due 07/15/2019 (h)(j)	9,523	10,311
2.125% due 02/15/2040 (f)	41,671	54,616
2.125% due 02/15/2041 (j)	1,813	2,398
2.375% due 01/15/2025 (f)	162,751	194,559
2.375% due 01/15/2027 (f)	81,459	100,123
2.500% due 01/15/2029 (f)(j)	82,408	104,584
2.625% due 07/15/2017 (h)(j)	7,123	7,416
3.625% due 04/15/2028	62,118	86,081
3.875% due 04/15/2029	141,597	204,272
U.S. Treasury Notes		
1.625% due 05/15/2026 (f)	15,760	15,962
Total U.S. Treasury Obligations (Cost $2,635,998)		**2,675,812**
NON-AGENCY MORTGAGE-BACKED SECURITIES 3.6%		
American Home Mortgage Investment Trust		
2.478% due 09/25/2045	280	272
Banc of America Alternative Loan Trust		
6.000% due 01/25/2035	2,897	2,874
Banc of America Commercial Mortgage Trust		
5.492% due 02/10/2051	353	364
Banc of America Funding Trust		
0.668% due 07/20/2036	142	132
2.854% due 02/20/2036	670	658
3.017% due 01/20/2047 ^	364	307
Banc of America Mortgage Trust		
2.858% due 11/25/2034	76	73
2.894% due 02/25/2036 ^	446	399
3.246% due 06/25/2035	126	122
6.500% due 09/25/2033	17	18
Banc of America Re-REMIC Trust		
5.673% due 02/17/2051	846	853
5.676% due 06/24/2050	996	1,002
BCAP LLC Trust		
5.207% due 03/26/2037	1,613	1,556
BCRR Trust		
5.858% due 07/17/2040	167	167
Bear Stearns Adjustable Rate Mortgage Trust		
2.380% due 08/25/2035	253	255
2.460% due 08/25/2035	190	190

See Accompanying Notes

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
2.660% due 10/25/2035	$ 970	$ 937
2.804% due 01/25/2035	469	456
2.897% due 03/25/2035	408	399
2.924% due 03/25/2035	88	89
3.090% due 03/25/2035	346	348
Bear Stearns ALT-A Trust		
2.902% due 09/25/2035	1,989	1,670
2.930% due 03/25/2036 ^	644	489
Bear Stearns Commercial Mortgage Securities Trust		
5.537% due 10/12/2041	2,750	2,758
Chase Mortgage Finance Trust		
3.032% due 02/25/2037	52	52
ChaseFlex Trust		
6.000% due 02/25/2037 ^	549	377
Chevy Chase Funding LLC Mortgage-Backed Certificates		
0.733% due 01/25/2035	17	15
Citigroup Mortgage Loan Trust, Inc.		
2.410% due 09/25/2035	28	28
2.430% due 09/25/2035	144	144
2.730% due 10/25/2035	816	806
2.760% due 09/25/2035	149	148
3.028% due 09/25/2037 ^	1,108	1,012
3.040% due 05/25/2035	41	40
Countrywide Alternative Loan Trust		
0.623% due 05/25/2047	6,153	5,092
0.628% due 02/20/2047 ^	565	357
0.633% due 05/25/2047	165	132
0.643% due 09/25/2046 ^	5,240	3,996
0.733% due 12/25/2035	36	31
1.437% due 12/25/2035	108	85
6.000% due 01/25/2037 ^	264	209
Countrywide Home Loan Mortgage Pass-Through Trust		
2.880% due 05/20/2036 ^	147	117
2.934% due 11/19/2033	25	25
5.500% due 08/25/2035 ^	131	120
Countrywide Home Loan Reperforming REMIC Trust		
0.793% due 06/25/2035	124	111
Credit Suisse Commercial Mortgage Trust		
5.311% due 12/15/2039	10,220	10,238
Deutsche ALT-B Securities, Inc.		
0.553% due 10/25/2036 ^	18	11
Eurosail PLC		
0.874% due 06/13/2045	GBP 73	96
1.524% due 06/13/2045	2,520	2,851
First Horizon Alternative Mortgage Securities Trust		
2.684% due 06/25/2034	$ 272	266
First Horizon Mortgage Pass-Through Trust		
2.717% due 02/25/2035	1,061	1,058
2.929% due 08/25/2035	533	469
GreenPoint Mortgage Funding Trust		
0.723% due 11/25/2045	199	172
0.893% due 06/25/2045	323	282
GS Mortgage Securities Trust		
4.592% due 08/10/2043	6,000	6,640
GSR Mortgage Loan Trust		
2.739% due 12/25/2034	828	812
2.876% due 09/25/2035	459	462
2.990% due 01/25/2035	274	259
3.182% due 07/25/2035	581	573
HarborView Mortgage Loan Trust		
0.668% due 05/19/2035	100	83
0.728% due 02/19/2036	202	149
0.788% due 06/20/2035	107	97
IndyMac Mortgage Loan Trust		
1.233% due 05/25/2034	36	34
2.837% due 12/25/2034	193	182
3.240% due 11/25/2035 ^	626	577
JPMorgan Chase Commercial Mortgage Securities Trust		
5.794% due 02/12/2051	1,149	1,193
JPMorgan Mortgage Trust		
2.421% due 07/27/2037	909	849
2.738% due 08/25/2035 ^	327	312
2.782% due 09/25/2035	141	128
2.785% due 08/25/2035	361	355
2.928% due 07/25/2035	256	254
2.954% due 02/25/2035	$ 300	$ 285
3.030% due 07/25/2035	614	612
JPMorgan Resecuritization Trust		
6.000% due 02/27/2037	343	349
LB-UBS Commercial Mortgage Trust		
5.372% due 09/15/2039	1,596	1,598
5.424% due 02/15/2040	209	212
Marche Mutui SRL		
0.175% due 02/25/2055	EUR 776	849
2.001% due 01/27/2064	1,297	1,446
MASTR Adjustable Rate Mortgages Trust		
2.924% due 11/21/2034	$ 295	301
Mellon Residential Funding Corp. Mortgage Pass-Through Certificates		
1.142% due 11/15/2031	164	154
Mellon Residential Funding Corp. Mortgage Pass-Through Trust		
0.882% due 12/15/2030	160	153
Merrill Lynch Mortgage Investors Trust		
0.663% due 02/25/2036	433	395
0.703% due 11/25/2035	272	253
1.457% due 10/25/2035	174	165
2.228% due 10/25/2035	819	795
2.476% due 12/25/2035	237	218
Merrill Lynch/Countrywide Commercial Mortgage Trust		
5.700% due 09/12/2049	190	197
Morgan Stanley Capital Trust		
5.809% due 12/12/2049	580	602
6.102% due 06/11/2049	428	444
Morgan Stanley Mortgage Loan Trust		
2.546% due 06/25/2036	551	533
Morgan Stanley Re-REMIC Trust		
5.988% due 08/12/2045	1,396	1,421
Residential Accredit Loans, Inc. Trust		
0.753% due 08/25/2035	136	107
Royal Bank of Scotland Capital Funding Trust		
6.297% due 12/16/2049	1,369	1,404
Sequoia Mortgage Trust		
0.648% due 07/20/2036	1,211	1,099
1.148% due 10/19/2026	51	49
Structured Adjustable Rate Mortgage Loan Trust		
1.810% due 01/25/2035	150	117
2.826% due 08/25/2035	175	163
2.830% due 02/25/2034	189	187
3.025% due 12/25/2034	346	337
Structured Asset Mortgage Investments Trust		
0.643% due 06/25/2036	100	83
0.663% due 04/25/2036	428	308
0.698% due 07/19/2035	1,081	1,032
1.108% due 10/19/2034	96	92
Swan Trust		
3.140% due 04/25/2041	AUD 179	134
Thornburg Mortgage Securities Trust		
2.469% due 09/25/2037	$ 7,244	7,123
2.537% due 04/25/2045	550	552
Thrones PLC		
2.088% due 07/20/2044	GBP 59	78
Vornado DP LLC Trust		
4.004% due 09/13/2028	$ 6,500	6,963
WaMu Mortgage Pass-Through Certificates Trust		
0.713% due 11/25/2045	200	184
0.743% due 10/25/2045	1,112	1,036
1.167% due 01/25/2047	764	688
1.207% due 05/25/2047	470	392
1.220% due 12/25/2046	105	89
1.437% due 02/25/2046	169	154
1.637% due 11/25/2042	21	19
2.178% due 11/25/2046	103	92
2.190% due 07/25/2046	703	627
2.621% due 12/25/2035	207	191
2.868% due 08/25/2035	107	100
Wells Fargo Mortgage-Backed Securities Trust		
2.900% due 09/25/2034	70	72
Total Non-Agency Mortgage-Backed Securities (Cost $90,201)		**92,141**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
ASSET-BACKED SECURITIES 3.2%		
Aquilae CLO PLC		
0.187% due 01/17/2023	EUR 269	$ 298
Asset-Backed Funding Certificates Trust		
1.153% due 06/25/2034	$ 866	812
Asset-Backed Securities Corp. Home Equity Loan Trust		
0.618% due 03/25/2036	914	862
Bayview Opportunity Master Fund Trust		
4.350% due 01/28/2031	527	530
Bear Stearns Asset-Backed Securities Trust		
1.113% due 10/25/2032	13	12
1.453% due 10/25/2037	36	33
Carlyle Global Market Strategies CLO Ltd.		
2.024% due 01/20/2025	500	499
Carlyle High Yield Partners Ltd.		
0.858% due 04/19/2022	1,041	1,018
Citigroup Mortgage Loan Trust, Inc.		
0.533% due 01/25/2037	185	119
0.703% due 06/25/2037	7,000	5,865
College Loan Corp. Trust		
0.888% due 01/25/2024	800	776
Countrywide Asset-Backed Certificates		
0.633% due 07/25/2036	192	191
Credit-Based Asset Servicing and Securitization LLC		
0.513% due 11/25/2036	85	51
Equity One Mortgage Pass-Through Trust		
1.053% due 04/25/2034	88	74
First Franklin Mortgage Loan Trust		
1.133% due 11/25/2035	3,244	3,245
First NLC Trust		
0.843% due 02/25/2036	600	524
Fraser Sullivan CLO Ltd.		
1.709% due 04/20/2023	4,729	4,708
GSAMP Trust		
0.523% due 12/25/2036	100	53
1.188% due 09/25/2035 ^	137	122
HSI Asset Securitization Corp. Trust		
0.503% due 10/25/2036	7	4
IXIS Real Estate Capital Trust		
1.083% due 02/25/2036	428	382
JPMorgan Mortgage Acquisition Trust		
0.573% due 01/25/2037	1,574	1,551
Merrill Lynch Mortgage Investors Trust		
0.533% due 09/25/2037	25	10
0.573% due 02/25/2037	370	168
0.843% due 08/25/2036	2,450	2,146
Morgan Stanley IXIS Real Estate Capital Trust		
0.503% due 11/25/2036	12	5
Nautique Funding Ltd.		
0.878% due 04/15/2020	168	167
NovaStar Mortgage Funding Trust		
0.923% due 01/25/2036	2,100	1,704
NYLIM Flatiron CLO Ltd.		
0.852% due 08/08/2020	18	18
OneMain Financial Issuance Trust		
2.470% due 09/18/2024	14,700	14,750
Park Place Securities, Inc.		
0.923% due 09/25/2035	3,200	2,916
Park Place Securities, Inc. Asset-Backed Pass-Through Certificates		
0.943% due 09/25/2035	800	648
1.503% due 10/25/2034	4,000	3,430
Penta CLO S.A.		
0.067% due 06/04/2024	EUR 804	886
RAAC Trust		
0.793% due 08/25/2036	$ 700	612
Renaissance Home Equity Loan Trust		
1.213% due 12/25/2032	65	61
Securitized Asset-Backed Receivables LLC Trust		
0.513% due 12/25/2036 ^	350	108
SLM Student Loan Trust		
0.678% due 04/25/2019	6,824	6,784
2.138% due 04/25/2023	7,763	7,765

Schedule of Investments PIMCO Real Return Portfolio (Cont.)

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Soundview Home Loan Trust			
0.513% due 11/25/2036	$	55	$ 22
Structured Asset Securities Corp. Mortgage Loan Trust			
0.583% due 02/25/2037		8,331	7,520
1.957% due 04/25/2035		428	406
Symphony CLO Ltd.			
0.866% due 05/15/2019		1,303	1,304
Vericrest Opportunity Loan Trust			
4.250% due 03/26/2046		193	195
VOLT LLC			
3.375% due 10/25/2054		527	525
3.375% due 02/25/2055		910	903
3.500% due 06/26/2045		2,751	2,738
3.875% due 04/25/2055		89	89
Voya CLO Ltd.			
1.928% due 10/15/2022		4,300	4,290
Wood Street CLO BV			
0.117% due 03/29/2021	EUR	22	24
Total Asset-Backed Securities (Cost $81,673)			**81,923**
SOVEREIGN ISSUES 9.6%			
Autonomous Community of Catalonia			
4.950% due 02/11/2020		1,000	1,163
Brazil Letras do Tesouro Nacional			
0.000% due 10/01/2016 (b)	BRL	362,080	108,933
0.000% due 01/01/2017 (b)		133,300	38,861
France Government International Bond			
1.850% due 07/25/2027 (c)	EUR	4,486	6,467
2.250% due 07/25/2020 (c)		3,182	4,025
Italy Buoni Poliennali Del Tesoro			
1.700% due 09/15/2018 (c)	EUR	4,545	$ 5,282
2.350% due 09/15/2024 (c)		12,501	15,956
2.550% due 09/15/2041 (c)		2,117	3,045
3.100% due 09/15/2026 (c)		636	874
Mexico Government International Bond			
4.000% due 11/08/2046 (c)	MXN	165,213	10,021
4.500% due 12/04/2025 (c)		158,312	9,890
4.500% due 11/22/2035 (c)		111,553	7,107
4.750% due 06/14/2018		65,102	3,556
New Zealand Government International Bond			
2.000% due 09/20/2025 (c)	NZD	7,228	5,387
3.000% due 09/20/2030 (c)		15,146	12,668
Republic of Greece Government International Bond			
3.800% due 08/08/2017	JPY	154,000	1,411
4.500% due 07/03/2017		300,000	2,749
United Kingdom Gilt			
0.125% due 03/22/2024 (c)	GBP	11	16
0.125% due 03/22/2044 (c)		2,027	3,988
0.125% due 03/22/2046 (c)		3,721	7,509
0.125% due 03/22/2058 (c)		378	937
Total Sovereign Issues (Cost $232,978)			**249,845**
SHORT-TERM INSTRUMENTS 0.9%			
REPURCHASE AGREEMENTS (e) 0.6%			
			16,318
U.S. TREASURY BILLS 0.3%			
0.242% due 07/21/2016 - 12/08/2016 (a)(b)(h)(j)	$	6,891	$ 6,888
Total Short-Term Instruments (Cost $23,205)			**23,206**
Total Investments in Securities (Cost $3,565,693)			**3,622,300**
		SHARES	
INVESTMENTS IN AFFILIATES 19.4%			
SHORT-TERM INSTRUMENTS 19.4%			
CENTRAL FUNDS USED FOR CASH MANAGEMENT PURPOSES 19.4%			
PIMCO Short-Term Floating NAV Portfolio III		50,984,173	503,928
Total Short-Term Instruments (Cost $503,885)			**503,928**
Total Investments in Affiliates (Cost $503,885)			**503,928**
Total Investments 159.2% (Cost $4,069,578)			$ **4,126,228**
Financial Derivative Instruments (g)(i) (1.5)% (Cost or Premiums, net $2,178)			**(39,077)**
Other Assets and Liabilities, net (57.7)%			**(1,495,871)**
Net Assets 100.0%			$ **2,591,280**

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*, EXCEPT NUMBER OF CONTRACTS):

* A zero balance may reflect actual amounts rounding to less than one thousand.

^ Security is in default.

(a) Coupon represents a weighted average yield to maturity.

(b) Zero coupon security.

(c) Principal amount of security is adjusted for inflation.

(d) Perpetual maturity; date shown, if applicable, represents next contractual call date.

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(e) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received (1)
BCY	0.700%	06/30/2016	07/01/2016	$ 15,200	U.S. Treasury Notes 1.250% due 06/30/2023	$ (15,525)	$ 15,200	$ 15,200
SSB	0.010	06/30/2016	07/01/2016	1,118	U.S. Treasury Notes 1.000% due 05/15/2018	(1,145)	1,118	1,118
Total Repurchase Agreements						**$ (16,670)**	**$ 16,318**	**$ 16,318**

(1) Includes accrued interest.

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate (2)	Borrowing Date	Maturity Date	Amount Borrowed (2)	Payable for Reverse Repurchase Agreements
IND	0.560%	06/22/2016	07/06/2016	$ (2,619)	$ (2,620)
RDR	0.600	04/11/2016	07/11/2016	(383,409)	(383,926)
	0.600	04/19/2016	07/19/2016	(92,894)	(93,007)
Total Reverse Repurchase Agreements					**$ (479,553)**

SALE-BUYBACK TRANSACTIONS:

Counterparty	Borrowing Rate [2]	Borrowing Date	Maturity Date	Amount Borrowed [2]	Payable for Sale-Buyback Transactions [3]
BCY	(0.500)%	06/30/2016	07/01/2016	$ (15,209)	$ (15,208)
	0.600	06/28/2016	07/05/2016	(2,636)	(2,636)
BPG	0.620	06/17/2016	08/12/2016	(1,146)	(1,147)
	0.790	07/01/2016	07/06/2016	(443,988)	(443,988)
BPS	(0.400)	04/12/2016	07/13/2016	EUR (5,107)	(5,816)
GSC	0.800	07/01/2016	07/06/2016	$ (288,077)	(288,077)
MSC	0.640	04/11/2016	07/11/2016	(99,098)	(99,241)
	0.750	06/23/2016	07/05/2016	(394,353)	(394,418)
NOM	0.600	04/14/2016	07/14/2016	(28,844)	(28,882)
TDM	0.620	04/08/2016	07/08/2016	(3,352)	(3,357)
	0.620	04/11/2016	07/11/2016	(83,971)	(84,088)
	0.630	04/14/2016	07/14/2016	(153,142)	(153,352)
	0.630	04/21/2016	07/07/2016	(61,857)	(61,934)
Total Sale-Buyback Transactions					**$ (1,582,144)**

[2] The average amount of borrowings outstanding during the period ended June 30, 2016 was $(1,121,457) at a weighted average interest rate of 0.580%.

[3] Payable for sale-buyback transactions includes $(194) of deferred price drop.

SHORT SALES:

SHORT SALES ON U.S. GOVERNMENT AGENCIES

Description	Coupon	Maturity Date	Principal Amount	Proceeds	Payable for Short Sales
Fannie Mae, TBA	4.000%	07/01/2046	$ 5,000	$ (5,334)	$ (5,360)
Total Short Sales				**$ (5,334)**	**$ (5,360)**

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received)/pledged as of June 30, 2016:

(f) Securities with an aggregate market value of $2,078,621 have been pledged as collateral under the terms of the following master agreements as of June 30, 2016.

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral (Received)/Pledged	Net Exposure [4]
Global/Master Repurchase Agreement						
BCY	$ 15,200	$ 0	$ 0	$ 15,200	$ (15,526)	$ (326)
IND	0	(2,620)	0	(2,620)	2,590	(30)
RDR	0	(476,933)	0	(476,933)	476,527	(406)
SSB	1,118	0	0	1,118	(1,145)	(27)
Master Securities Forward Transaction Agreement						
BCY	0	0	(17,844)	(17,844)	17,798	(46)
BPG	0	0	(445,135)	(445,135)	445,320	185
BPS	0	0	(5,816)	(5,816)	5,368	(448)
GSC	0	0	(288,077)	(288,077)	285,730	(2,347)
MSC	0	0	(493,659)	(493,659)	493,677	18
NOM	0	0	(28,882)	(28,882)	28,623	(259)
TDM	0	0	(302,731)	(302,731)	307,128	4,397
Total Borrowings and Other Financing Transactions	**$ 16,318**	**$ (479,553)**	**$ (1,582,144)**			

[4] Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS

Remaining Contractual Maturity of the Agreements

	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
Reverse Repurchase Agreements					
U.S. Treasury Obligations	$ 0	$ (479,553)	$ 0	$ 0	$ (479,553)
Total	**$ 0**	**$ (479,553)**	**$ 0**	**$ 0**	**$ (479,553)**
Sale-Buyback Transactions					
Sovereign Issues	0	(5,816)	0	0	(5,816)
U.S. Treasury Obligations	(15,208)	(1,559,973)	(1,147)	0	(1,576,328)
Total	**$ (15,208)**	**$ (1,565,789)**	**$ (1,147)**	**$ 0**	**$ (1,582,144)**
Total Borrowings	**$ (15,208)**	**$ (2,045,342)**	**$ (1,147)**	**$ 0**	**$ (2,061,697)**
Gross amount of recognized liabilities for reverse repurchase agreements and sale-buyback financing transactions					**$ (2,061,697)**

(g) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

FUTURES CONTRACTS:

Description	Type	Expiration Month	# of Contracts	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
90-Day Eurodollar December Futures	Long	12/2016	997	$ 439	$ 37	$ 0
90-Day Eurodollar December Futures	Short	12/2017	997	(658)	0	(50)
Call Options Strike @ EUR 168.000 on Euro-Bund 10-Year Bond August Futures	Short	07/2016	145	8	11	(2)
Call Options Strike @ EUR 170.000 on Euro-Bund 10-Year Bond September Futures	Short	08/2016	79	16	6	0
Call Options Strike @ EUR 181.000 on Euro-Bund 10-Year Bond September Futures	Long	08/2016	382	0	0	0
Call Options Strike @ USD 53.000 on Brent Crude September Futures	Short	07/2016	136	32	71	0
Euro-Bobl September Futures	Short	09/2016	42	(62)	1	(1)
Euro-BTP Italy Government Bond September Futures	Short	09/2016	141	(108)	86	(116)
Euro-Bund 10-Year Bond September Futures	Short	09/2016	135	(392)	27	(40)
Euro-OAT France Government 10-Year Bond September Futures	Short	09/2016	44	(141)	0	(30)
Put Options Strike @ GBP 98.000 on United Kingdom 90-Day LIBOR Sterling December Futures	Short	12/2016	2,790	55	0	0
Put Options Strike @ GBP 98.000 on United Kingdom 90-Day LIBOR Sterling June Futures	Short	06/2017	797	12	0	0
Put Options Strike @ GBP 98.500 on United Kingdom 90-Day LIBOR Sterling December Futures	Long	12/2016	2,790	(288)	0	0
Put Options Strike @ GBP 98.500 on United Kingdom 90-Day LIBOR Sterling June Futures	Long	06/2017	797	(46)	0	(7)
U.S. Treasury 5-Year Note September Futures	Short	09/2016	101	(209)	0	(8)
U.S. Treasury 10-Year Note September Futures	Long	09/2016	1,346	4,486	0	(105)
U.S. Treasury 30-Year Bond September Futures	Short	09/2016	368	(3,249)	242	0
U.S. Treasury Ultra Long-Term Bond September Futures	Long	09/2016	76	902	0	(69)
Total Futures Contracts				**$ 797**	**$ 481**	**$ (428)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CREDIT INDICES - BUY PROTECTION [1]

Index/Tranches	Fixed (Pay) Rate	Maturity Date	Notional Amount [2]	Market Value [3]	Unrealized (Depreciation)	Variation Margin Asset	Variation Margin Liability
CDX.HY-26 5-Year Index	(5.000)%	06/20/2021	$ 48,100	$ (1,618)	$ (690)	$ 0	$ (221)

(1) If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(3) The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Market Value	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Pay	3-Month CAD-Bank Bill *	0.900%	04/17/2018	CAD 59,500	$ 25	$ 8	$ 2	$ 0
Receive	3-Month USD-LIBOR *	0.996	04/05/2018	$ 4,400	(10)	(10)	0	(1)
Receive	3-Month USD-LIBOR	2.000	12/16/2020	46,100	(2,150)	(1,025)	0	(2)
Receive	3-Month USD-LIBOR	2.350	10/02/2025	100	(9)	(9)	0	0
Receive	3-Month USD-LIBOR *	2.800	10/28/2025	238,800	(11,834)	(10,506)	482	0
Receive	3-Month USD-LIBOR *	2.500	02/22/2026	185,400	(6,172)	(5,578)	382	0
Receive	3-Month USD-LIBOR *	2.400	03/16/2026	116,900	(3,297)	(2,455)	241	0
Receive	3-Month USD-LIBOR *	2.300	04/21/2026	34,000	(779)	(637)	70	0
Receive	3-Month USD-LIBOR *	2.300	04/27/2026	40,600	(926)	(768)	84	0
Receive	3-Month USD-LIBOR	2.250	06/15/2026	13,100	(1,096)	(422)	25	0
Receive	3-Month USD-LIBOR *	1.750	12/21/2026	137,400	(3,879)	(2,073)	298	0
Receive	6-Month GBP-LIBOR *	1.500	09/21/2026	GBP 28,680	(1,775)	(1,973)	0	(53)
Receive	6-Month GBP-LIBOR	2.000	09/16/2045	5,515	(1,499)	(1,856)	0	(38)
Receive	6-Month JPY-LIBOR	1.500	12/21/2045	JPY 870,000	(3,384)	(1,305)	195	0
Pay	28-Day MXN-TIIE	5.780	10/06/2022	MXN 100	0	0	0	0
Pay	28-Day MXN-TIIE	6.710	09/20/2029	197,800	388	(34)	140	0
					$ (36,397)	$ (28,643)	$ 1,919	$ (94)
Total Swap Agreements					**$ (38,015)**	**$ (29,333)**	**$ 1,919**	**$ (315)**

* This security has a forward starting effective date. See Note 2(a) in the Notes to Financial Statements for further information.

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of June 30, 2016:

(h) Securities with an aggregate market value of $24,387 and cash of $5,038 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of June 30, 2016. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 0**	**$ 481**	**$ 1,919**	**$ 2,400**	**$ 0**	**$ (428)**	**$ (315)**	**$ (743)**

(i) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered	Currency to be Received	Unrealized Appreciation/ (Depreciation) Asset	Unrealized Appreciation/ (Depreciation) Liability
BOA	07/2016	GBP 21,357	$ 31,315	$ 2,884	$ 0
	07/2016	$ 51,914	EUR 47,109	365	0
	07/2016	32,010	GBP 24,059	18	0
	08/2016	EUR 47,109	$ 51,970	0	(363)
	08/2016	GBP 24,059	32,019	0	(17)
	08/2016	$ 197	TWD 6,382	1	0
	10/2016	BRL 92,100	$ 23,305	0	(4,588)
	01/2017	CNH 25,981	3,764	0	(101)
BPS	07/2016	BRL 26,622	7,812	0	(476)
	07/2016	EUR 2,376	2,668	31	0
	07/2016	GBP 7,625	11,196	1,045	0
	07/2016	JPY 458,914	4,165	0	(279)
	07/2016	$ 8,294	BRL 26,623	0	(6)
	08/2016	JPY 62,600	$ 610	4	0
	08/2016	$ 7,751	BRL 26,623	464	0
	10/2016	BRL 40,900	$ 10,765	0	(1,622)
	01/2017	21,800	5,020	0	(1,410)
BRC	07/2016	$ 22,999	EUR 20,795	78	0
	08/2016	EUR 20,795	$ 23,023	0	(78)
	08/2016	$ 97	INR 6,583	0	(1)

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Unrealized Appreciation/ (Depreciation) Liability
CBK	07/2016	BRL	34,100	$	9,105	$ 0	$ (1,511)
	07/2016	EUR	623		708	17	0
	07/2016	$	10,624	BRL	34,100	0	(8)
	07/2016		8,123	EUR	7,179	0	(156)
	08/2016	AUD	3,880	$	2,837	0	(52)
	08/2016	GBP	1,084		1,462	18	0
	08/2016	$	1,788	MXN	32,798	17	(19)
	10/2016	BRL	8,000	$	1,938	0	(485)
	01/2017	CNH	20,996		3,023	0	(101)
	01/2017	$	1,315	COP	3,982,368	0	(5)
DUB	01/2017	BRL	26,600	$	6,147	0	(1,699)
GLM	07/2016	EUR	56,762		63,322	331	0
	07/2016	$	4,835	EUR	4,262	0	(105)
	08/2016		96	KRW	110,921	0	0
	10/2016	BRL	38,700	$	9,651	0	(2,070)
	01/2017		45,800		10,715	0	(2,794)
HUS	07/2016		30,100		8,039	0	(1,331)
	07/2016	$	9,378	BRL	30,100	0	(7)
JPM	07/2016	BRL	26,622	$	8,294	6	0
	07/2016	GBP	4,030		5,662	297	0
	07/2016	JPY	68,200		655	0	(6)
	07/2016	$	7,313	BRL	26,622	975	0
	07/2016		1,364	EUR	1,211	0	(21)
	07/2016		10,593	GBP	7,348	10	(821)
	08/2016	CAD	134	$	104	1	0
	08/2016	MXN	357,681		19,749	281	0
	10/2016	BRL	145,500		34,767	0	(9,299)
	01/2017		39,100		9,198	0	(2,335)
MSB	07/2016		64,200		20,001	16	0
	07/2016	$	17,682	BRL	64,200	2,304	0
	10/2016	BRL	36,880	$	8,891	0	(2,278)
NAB	07/2016	NZD	22,121		14,859	0	(935)
	07/2016	$	15,671	NZD	22,121	123	0
	08/2016	NZD	22,121	$	15,649	0	(123)
SCX	07/2016	JPY	54,000		504	0	(19)
	07/2016	$	5,703	JPY	581,114	0	(75)
	08/2016	JPY	581,114	$	5,709	77	0
	01/2017	CNH	44,490		6,472	0	(147)
SOG	08/2016	ZAR	11,855		770	0	(29)
TDM	01/2017	BRL	26,300		6,013	0	(1,744)
UAG	07/2016	EUR	20,795		22,920	0	(157)
	07/2016	$	1,022	GBP	736	0	(42)
	08/2016	CNH	174,957	$	26,733	526	0
	08/2016	$	160	MYR	650	3	0
Total Forward Foreign Currency Contracts						**$ 9,892**	**$ (37,315)**

PURCHASED OPTIONS:

FOREIGN CURRENCY OPTIONS

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Cost	Market Value
DUB	Call - OTC USD versus JPY	JPY 111.500	07/07/2016	$ 5,550	$ 35	$ 0
FBF	Call - OTC USD versus JPY	111.500	07/07/2016	7,700	84	0
					$ 119	$ 0

INTEREST RATE SWAPTIONS

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Cost	Market Value
CBK	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.500%	07/05/2016	$ 477,900	$ 163	$ 0
	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.250	12/27/2016	250,800	219	20
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.000	12/21/2016	23,000	189	189
	Put - OTC 10-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.780	07/21/2016	41,100	88	6

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Cost	Market Value
DUB	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.250%	07/05/2016	$ 871,900	$ 279	$ 0
	Call - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.150	06/15/2018	7,500	751	923
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.150	06/15/2018	7,500	751	613
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.860	10/23/2018	22,800	1,555	820
FBF	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	3.400	12/05/2016	54,300	396	8
GLM	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.150	07/05/2016	337,200	105	0
	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.250	07/05/2016	258,900	97	0
	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.250	12/27/2016	480,100	427	39
	Call - OTC 2-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.100	09/28/2016	98,200	334	304
JPM	Put - OTC 10-Year Interest Rate Swap	3-Month JPY-LIBOR	Receive	0.300	11/14/2016	JPY 3,580,000	145	80
MYC	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.250	07/01/2016	$ 671,300	225	0
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.000	12/13/2016	30,900	261	239
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.605	10/17/2018	15,600	1,435	795
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.608	11/15/2018	4,700	470	247
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.590	12/10/2018	4,700	493	260
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.600	03/29/2019	17,100	1,613	1,040
NGF	Call - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.150	06/15/2018	8,100	810	997
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.150	06/15/2018	8,100	810	662
RYL	Put - OTC 1-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	1.000	08/08/2016	460,400	161	2
							$ 11,777	$ 7,244

INTEREST RATE-CAPPED OPTIONS

Counterparty	Description	Exercise Rate	Floating Rate Index	Expiration Date	Notional Amount	Cost	Market Value
FAR	Call - OTC 2-Year Interest Rate Floor	1.600%	3-Month USD-LIBOR	12/06/2019	$ 117,200	$ 1,641	$ 1,928
NGF	Call - OTC 2-Year Interest Rate Floor	1.600	3-Month USD-LIBOR	12/06/2019	119,000	1,654	1,957
						$ 3,295	$ 3,885
Total Purchased Options						**$ 15,191**	**$ 11,129**

WRITTEN OPTIONS:

CREDIT DEFAULT SWAPTIONS ON CREDIT INDICES

Counterparty	Description	Buy/Sell Protection	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BPS	Put - OTC iTraxx Europe 25 5-Year Index	Sell	1.250%	09/21/2016	EUR 12,500	$ (43)	$ (19)
GST	Call - OTC iTraxx Europe 25 5-Year Index	Buy	0.700	07/20/2016	51,800	(53)	(20)
	Put - OTC iTraxx Europe 25 5-Year Index	Sell	1.000	07/20/2016	51,800	(95)	(38)
JPM	Call - OTC CDX.IG-26 5-Year Index	Buy	0.750	07/20/2016	$ 24,300	(21)	(18)
	Put - OTC CDX.IG-26 5-Year Index	Sell	1.000	07/20/2016	24,300	(29)	(3)
	Put - OTC CDX.IG-26 5-Year Index	Sell	1.200	09/21/2016	12,600	(19)	(8)
						$ (260)	$ (106)

FOREIGN CURRENCY OPTIONS

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BPS	Call - OTC EUR versus USD	$ 1.140	07/01/2016	EUR 12,220	$ (43)	$ 0
	Put - OTC USD versus JPY	JPY 101.200	09/15/2016	$ 15,820	(162)	(253)
DUB	Put - OTC USD versus JPY	104.800	07/07/2016	5,550	(42)	(89)
FBF	Put - OTC USD versus JPY	104.800	07/07/2016	7,700	(33)	(124)
JPM	Call - OTC EUR versus USD	$ 1.165	09/15/2016	EUR 13,260	(116)	(45)
	Call - OTC USD versus MXN	MXN 19.000	08/11/2016	$ 11,000	(124)	(100)
MSB	Put - OTC EUR versus USD	$ 1.085	08/03/2016	EUR 11,680	(52)	(52)
					$ (572)	$ (663)

INFLATION-CAPPED OPTIONS

Counterparty	Description	Initial Index	Floating Rate	Expiration Date [1]	Notional Amount	Premiums (Received)	Market Value
BPS	Floor - OTC YOY CPURNSA Index	233.049	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	03/01/2018	$ 3,900	$ (34)	$ (10)
CBK	Floor - OTC CPURNSA Index	216.687	Maximum of [(1 + 0.000%)^{10} - (Final Index/Initial Index)] or 0	04/07/2020	33,400	(298)	(3)
	Floor - OTC CPURNSA Index	217.965	Maximum of [(1 + 0.000%)^{10} - (Final Index/Initial Index)] or 0	09/29/2020	4,400	(57)	(1)
DUB	Floor - OTC YOY CPURNSA Index	233.546	Maximum of [(1 + 0.000%) - (Final Index/Initial Index)] or 0	01/22/2018	5,100	(49)	(10)
GLM	Cap - OTC CPALEMU Index	100.152	Maximum of [(Final Index/Initial Index - 1) - 3.000%] or 0	06/22/2035	8,600	(391)	(61)
JPM	Cap - OTC CPURNSA Index	233.916	Maximum of [(Final Index/Initial Index - 1) - 4.000%] or 0	04/22/2024	34,300	(250)	(10)
	Cap - OTC CPURNSA Index	234.781	Maximum of [(Final Index/Initial Index - 1) - 4.000%] or 0	05/16/2024	2,900	(20)	(1)
	Floor - OTC YOY CPURNSA Index	234.812	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	03/24/2020	33,100	(374)	(318)
	Floor - OTC YOY CPURNSA Index	238.654	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	10/02/2020	14,800	(273)	(173)
						$ (1,746)	$ (587)

[1] YOY options may have a series of expirations.

INTEREST RATE SWAPTIONS

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BRC	Put - OTC 5-Year Interest Rate Swap *	6-Month GBP-LIBOR	Pay	2.185%	08/12/2016	GBP 14,900	$ (84)	$ (1)
CBK	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	1.400	07/21/2016	$ 40,200	(51)	(2)
	Call - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	1.850	07/25/2016	23,700	(37)	(112)
	Put - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Pay	2.250	07/25/2016	23,700	(37)	(4)
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	0.770	12/21/2016	46,000	(189)	(188)
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.230	07/21/2016	8,100	(37)	(4)
DUB	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.500	10/23/2018	114,000	(1,605)	(748)
FBF	Call - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	2.400	12/05/2016	54,300	(432)	(1,485)
GLM	Call - OTC 2-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	0.890	09/28/2016	196,400	(344)	(298)
	Call - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	1.850	07/18/2016	53,300	(169)	(219)
MYC	Call - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Receive	2.000	07/25/2016	36,800	(110)	(343)
	Put - OTC 5-Year Interest Rate Swap *	3-Month USD-LIBOR	Pay	2.500	07/25/2016	14,500	(63)	0
	Call - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	0.765	12/13/2016	61,800	(263)	(235)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.250	10/17/2018	72,500	(1,439)	(649)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.250	11/15/2018	21,900	(471)	(208)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.250	12/10/2018	21,900	(493)	(217)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.300	03/29/2019	80,800	(1,620)	(912)
							$ (7,444)	$ (5,625)

* The underlying security has a forward starting effective date. See Note 2(a) in the Notes to Financial Statements for further information.

INTEREST RATE-CAPPED OPTIONS

Counterparty	Description	Exercise Rate	Floating Rate Index	Expiration Date	Notional Amount	Premiums (Received)	Market Value
FAR	Call - OTC 2-Year Interest Rate Floor	0.943%	3-Month USD-LIBOR	12/06/2019	$ 234,400	$ (1,641)	$ (1,846)
NGF	Call - OTC 2-Year Interest Rate Floor	0.943	3-Month USD-LIBOR	12/06/2019	238,000	(1,656)	(1,875)
						$ (3,297)	$ (3,721)
Total Written Options						**$ (13,319)**	**$ (10,702)**

TRANSACTIONS IN WRITTEN CALL AND PUT OPTIONS FOR THE PERIOD ENDED JUNE 30, 2016:

	Balance at Beginning of Period	Sales	Closing Buys	Expirations	Exercised	Balance at End of Period
# of Contracts	0	2,136	(682)	(220)	(1,234)	0
Notional Amount in $	$ 743,500	$ 1,990,770	$ (391,500)	$ (260,400)	$ (506,900)	$ 1,575,470
Notional Amount in AUD	AUD 0	AUD 6,460	AUD (6,460)	AUD 0	AUD 0	AUD 0
Notional Amount in EUR	EUR 9,700	EUR 229,120	EUR (28,100)	EUR (48,860)	EUR 0	EUR 161,860
Notional Amount in GBP	GBP 0	GBP 14,900	GBP 0	GBP 0	GBP 0	GBP 14,900
Premiums	$ (6,963)	$ (13,912)	$ 3,905	$ 1,461	$ 2,190	$ (13,319)

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE AND SOVEREIGN ISSUES - SELL PROTECTION [2]

Counterparty	Reference Entity	Fixed Receive Rate	Maturity Date	Implied Credit Spread at June 30, 2016 [3]	Notional Amount [4]	Premiums (Received)	Unrealized Appreciation	Swap Agreements, at Value	
								Asset	Liability
BOA	Volkswagen International Finance NV	1.000%	12/20/2016	0.339%	EUR 460	$ (4)	$ 6	$ 2	$ 0
DUB	Italy Government International Bond	1.000	03/20/2019	1.022	$ 7,700	(133)	131	0	(2)
GST	Greece Government International Bond	1.000	12/20/2016	11.983	400	(30)	12	0	(18)
						$ (167)	$ 149	$ 2	$ (20)

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION [2]

Counterparty	Index/Tranches	Fixed Receive Rate	Maturity Date	Notional Amount [4]	Premiums (Received)	Unrealized Appreciation	Swap Agreements, at Value [5]	
							Asset	Liability
DUB	CMBX.NA.AAA.8 Index	0.500%	10/17/2057	$ 4,300	$ (224)	$ 64	$ 0	$ (160)
GST	CMBX.NA.AAA.8 Index	0.500	10/17/2057	1,400	(73)	21	0	(52)
					$ (297)	$ 85	$ 0	$ (212)

[2] If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

[3] Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

[4] The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

[5] The prices and resulting values for credit default swap agreements on credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

INTEREST RATE SWAPS

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value	
								Asset	Liability
BOA	Pay	1-Month GBP-UKRPI	3.430%	06/15/2030	GBP 4,900	$ 1	$ 593	$ 594	$ 0
	Pay	1-Month GBP-UKRPI	3.350	08/15/2030	7,500	(85)	789	704	0
	Receive	3-Month USD-CPURNSA Index	1.715	04/15/2017	$ 5,800	0	18	18	0
	Receive	3-Month USD-CPURNSA Index	1.010	10/16/2017	9,100	0	58	58	0
	Receive	3-Month USD-CPURNSA Index	1.565	06/07/2018	4,100	0	(2)	0	(2)
	Receive	3-Month USD-CPURNSA Index	1.570	11/23/2020	1,500	0	(7)	0	(7)
	Receive	3-Month USD-CPURNSA Index	1.493	06/30/2021	15,000	0	70	70	0
	Receive	3-Month USD-CPURNSA Index	1.730	08/26/2025	5,600	0	(95)	0	(95)
BPS	Pay	1-Month GBP-UKRPI	3.400	06/15/2030	GBP 4,800	23	519	542	0
	Pay	1-Month GBP-UKRPI	3.300	12/15/2030	5,400	24	343	367	0
	Receive	3-Month EUR-EXT-CPI Index	0.550	10/15/2017	EUR 2,200	0	(14)	0	(14)
	Receive	3-Month EUR-EXT-CPI Index	0.806	04/15/2021	1,300	0	(5)	0	(5)
	Receive	3-Month EUR-EXT-CPI Index	1.090	06/15/2026	1,200	0	(11)	0	(11)
	Receive	3-Month USD-CPURNSA Index	2.250	07/15/2017	$ 87,000	132	(4,994)	0	(4,862)
	Receive	3-Month USD-CPURNSA Index	2.500	07/15/2022	30,300	495	(4,433)	0	(3,938)
BRC	Receive	3-Month USD-CPURNSA Index	2.018	08/19/2017	17,900	0	(622)	0	(622)
CBK	Pay	1-Month GBP-UKRPI	3.430	06/15/2030	GBP 7,700	5	929	934	0
	Pay	1-Month GBP-UKRPI	3.325	08/15/2030	4,300	(14)	388	374	0
	Pay	1-Month GBP-UKRPI	3.275	09/15/2030	6,100	0	446	446	0
	Pay	1-Month GBP-UKRPI	3.140	04/15/2031	2,600	(6)	42	36	0
	Pay	1-Month GBP-UKRPI	3.100	06/15/2031	2,600	0	(19)	0	(19)
	Receive	3-Month EUR-EXT-CPI Index	0.305	09/15/2016	EUR 300	0	(1)	0	(1)
	Pay	3-Month EUR-EXT-CPI Index	0.830	05/15/2018	25,700	0	(26)	0	(26)
	Receive	3-Month EUR-EXT-CPI Index	0.655	08/15/2018	1,500	(2)	(12)	0	(14)
	Receive	3-Month EUR-EXT-CPI Index	0.640	09/15/2018	1,300	0	(11)	0	(11)
	Receive	3-Month EUR-EXT-CPI Index	0.650	10/15/2018	2,100	0	(17)	0	(17)

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
	Receive	3-Month EUR-EXT-CPI Index	0.806%	04/15/2021	EUR 7,440	$ 0	$ (26)	$ 0	$ (26)
	Receive	3-Month EUR-EXT-CPI Index	0.875	05/15/2021	19,500	0	(111)	0	(111)
	Pay	3-Month EUR-EXT-CPI Index	1.178	05/15/2026	4,500	(1)	80	79	0
	Receive	3-Month EUR-EXT-CPI Index	1.090	06/15/2026	1,300	(2)	(9)	0	(11)
DUB	Pay	1-Month GBP-UKRPI	3.350	05/15/2030	GBP 6,000	0	629	629	0
	Pay	1-Month GBP-UKRPI	3.325	08/15/2030	6,000	8	514	522	0
	Receive	3-Month EUR-EXT-CPI Index	0.580	10/15/2017	EUR 3,100	0	(22)	0	(22)
	Receive	3-Month EUR-EXT-CPI Index	0.570	10/15/2017	1,100	0	(8)	0	(8)
	Receive	3-Month EUR-EXT-CPI Index	0.605	09/15/2018	2,300	0	(17)	0	(17)
	Receive	3-Month EUR-EXT-CPI Index	0.650	10/15/2018	5,400	3	(48)	0	(45)
	Receive	3-Month EUR-EXT-CPI Index	1.090	06/15/2026	1,300	(2)	(9)	0	(11)
	Receive	3-Month USD-CPURNSA Index	1.940	10/07/2016	$ 25,800	0	(699)	0	(699)
	Receive	3-Month USD-CPURNSA Index	1.930	02/10/2017	9,200	0	(226)	0	(226)
	Receive	3-Month USD-CPURNSA Index	2.173	11/01/2018	16,200	0	(815)	0	(815)
	Receive	3-Month USD-CPURNSA Index	1.725	03/04/2019	2,925	0	(41)	0	(41)
FBF	Pay	1-Month GBP-UKRPI	3.353	05/15/2030	GBP 1,000	0	105	105	0
GLM	Pay	1-Month GBP-UKRPI	3.320	05/15/2030	1,740	0	168	168	0
	Pay	1-Month GBP-UKRPI	3.400	06/15/2030	1,700	5	187	192	0
	Pay	1-Month GBP-UKRPI	3.325	08/15/2030	17,200	(55)	1,551	1,496	0
	Pay	1-Month GBP-UKRPI	3.358	04/15/2035	2,700	0	329	329	0
	Receive	1-Month GBP-UKRPI	3.145	05/15/2046	5,500	94	(164)	0	(70)
	Receive	1-Month GBP-UKRPI	3.120	06/15/2046	3,400	0	61	61	0
	Receive	3-Month EUR-EXT-CPI Index	0.650	09/15/2018	EUR 1,500	0	(14)	0	(14)
	Receive	3-Month EUR-EXT-CPI Index	1.090	06/15/2026	1,400	0	(12)	0	(12)
	Receive	3-Month USD-CPURNSA Index	2.415	02/12/2017	$ 43,800	24	(2,303)	0	(2,279)
	Receive	3-Month USD-CPURNSA Index	1.942	04/15/2017	73,000	0	(2,474)	0	(2,474)
	Receive	3-Month USD-CPURNSA Index	2.175	10/01/2018	26,500	49	(1,376)	0	(1,327)
JPM	Pay	1-Month GBP-UKRPI	3.275	09/15/2030	GBP 4,400	0	322	322	0
	Receive	3-Month EUR-EXT-CPI Index	0.580	10/15/2017	EUR 4,500	0	(32)	0	(32)
MYC	Receive	3-Month EUR-EXT-CPI Index	0.623	09/15/2018	2,500	0	(20)	0	(20)
	Receive	3-Month EUR-EXT-CPI Index	0.806	04/15/2021	3,460	0	(12)	0	(12)
	Pay	3-Month USD-CPURNSA Index	2.058	05/12/2025	$ 5,100	0	248	248	0
RYL	Receive	3-Month USD-CPURNSA Index	1.935	10/23/2016	13,100	(39)	(316)	0	(355)
	Receive	3-Month USD-CPURNSA Index	2.250	07/15/2017	61,200	108	(3,529)	0	(3,421)
SOG	Receive	3-Month EUR-EXT-CPI Index	0.680	10/15/2018	EUR 1,600	1	(16)	0	(15)
	Receive	3-Month USD-CPURNSA Index	1.700	04/15/2017	$ 400	0	1	1	0
UAG	Receive	3-Month EUR-EXT-CPI Index	0.525	10/15/2017	EUR 9,300	4	(58)	0	(54)
	Receive	3-Month EUR-EXT-CPI Index	0.610	09/15/2018	5,400	0	(42)	0	(42)
						$ 770	$ (14,278)	$ 8,295	$ (21,803)
Total Swap Agreements						**$ 306**	**$ (14,044)**	**$ 8,297**	**$ (22,035)**

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral (received)/pledged as of June 30, 2016:

(j) Securities with an aggregate market value of $41,833 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of June 30, 2016.

	Financial Derivative Assets				Financial Derivative Liabilities						
Counterparty	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral (Received)/ Pledged	Net Exposure [6]
BOA	$ 3,268	$ 0	$ 1,446	$ 4,714	$ (5,069)	$ 0	$ (104)	$ (5,173)	$ (459)	$ 527	$ 68
BPS	1,544	0	909	2,453	(3,793)	(282)	(8,830)	(12,905)	(10,452)	10,707	255
BRC	78	0	0	78	(79)	(1)	(622)	(702)	(624)	608	(16)
CBK	52	215	1,869	2,136	(2,337)	(314)	(236)	(2,887)	(751)	583	(168)
DUB	0	2,356	1,151	3,507	(1,699)	(847)	(2,046)	(4,592)	(1,085)	577	(508)
FAR	0	1,928	0	1,928	0	(1,846)	0	(1,846)	82	0	82
FBF	0	8	105	113	0	(1,609)	0	(1,609)	(1,496)	1,463	(33)
GLM	331	343	2,246	2,920	(4,969)	(578)	(6,176)	(11,723)	(8,803)	8,474	(329)
GST	0	0	0	0	0	(58)	(70)	(128)	(128)	330	202
HUS	0	0	0	0	(1,338)	0	0	(1,338)	(1,338)	1,267	(71)
JPM	1,570	80	322	1,972	(12,482)	(676)	(32)	(13,190)	(11,218)	10,024	(1,194)
MSB	2,320	0	0	2,320	(2,278)	(52)	0	(2,330)	(10)	70	60
MYC	0	2,581	248	2,829	0	(2,564)	(32)	(2,596)	233	(700)	(467)

Counterparty	Financial Derivative Assets: Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Financial Derivative Liabilities: Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral (Received)/ Pledged	Net Exposure [6]
NAB	$ 123	$ 0	$ 0	$ 123	$ (1,058)	$ 0	$ 0	$ (1,058)	$ (935)	$ 928	$ (7)
NGF	0	3,616	0	3,616	0	(1,875)	0	(1,875)	1,741	(1,690)	51
RYL	0	2	0	2	0	0	(3,776)	(3,776)	(3,774)	3,760	(14)
SCX	77	0	0	77	(241)	0	0	(241)	(164)	321	157
SOG	0	0	1	1	(29)	0	(15)	(44)	(43)	0	(43)
TDM	0	0	0	0	(1,744)	0	0	(1,744)	(1,744)	0	(1,744)
UAG	529	0	0	529	(199)	0	(96)	(295)	234	(280)	(46)
TOR	0	0	0	0	0	0	0	0	0	1,683	1,683
Total Over the Counter	**$ 9,892**	**$ 11,129**	**$ 8,297**	**$ 29,318**	**$ (37,315)**	**$ (10,702)**	**$ (22,035)**	**$ (70,052)**			

[6] Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC financial derivative instruments can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Portfolio's derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Portfolio.

Fair Values of Financial Derivative Instruments on the Statement of Assets and Liabilities as of June 30, 2016:

	Derivatives not accounted for as hedging instruments: Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Futures	$ 71	$ 0	$ 0	$ 0	$ 410	$ 481
Swap Agreements *	0	0	0	0	1,919	1,919
	$ 71	$ 0	$ 0	$ 0	$ 2,329	$ 2,400
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 9,892	$ 0	$ 9,892
Purchased Options	0	0	0	0	11,129	11,129
Swap Agreements	0	2	0	0	8,295	8,297
	$ 0	$ 2	$ 0	$ 9,892	$ 19,424	$ 29,318
	$ 71	$ 2	$ 0	$ 9,892	$ 21,753	$ 31,718
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Futures	$ 0	$ 0	$ 0	$ 0	$ 428	$ 428
Swap Agreements *	0	221	0	0	94	315
	$ 0	$ 221	$ 0	$ 0	$ 522	$ 743
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 37,315	$ 0	$ 37,315
Written Options	0	106	0	663	9,933	10,702
Swap Agreements	0	232	0	0	21,803	22,035
	$ 0	$ 338	$ 0	$ 37,978	$ 31,736	$ 70,052
	$ 0	$ 559	$ 0	$ 37,978	$ 32,258	$ 70,795

The effect of Financial Derivative Instruments on the Statement of Operations for the period ended June 30, 2016:

	Derivatives not accounted for as hedging instruments: Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Written Options	$ 0	$ 0	$ 0	$ 0	$ 135	$ 135
Futures	404	0	0	0	(5,683)	(5,279)
Swap Agreements	0	557	0	0	(34,716)	(34,159)
	$ 404	$ 557	$ 0	$ 0	$ (40,264)	$ (39,303)

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 1,371	$ 0	$ 1,371
Purchased Options	0	0	0	0	(3,967)	(3,967)
Written Options	0	147	0	626	3,140	3,913
Swap Agreements	0	911	0	65	390	1,366
	$ 0	$ 1,058	$ 0	$ 2,062	$ (437)	$ 2,683
	$ 404	$ 1,615	$ 0	$ 2,062	$ (40,701)	$ (36,620)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Futures	$ (241)	$ 0	$ 0	$ 0	$ 171	$ (70)
Swap Agreements	0	(647)	0	0	(22,682)	(23,329)
	$ (241)	$ (647)	$ 0	$ 0	$ (22,511)	$ (23,399)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (34,025)	$ 0	$ (34,025)
Purchased Options	0	0	0	(119)	(1,778)	(1,897)
Written Options	0	126	0	(274)	(594)	(742)
Swap Agreements	0	(431)	0	0	7,289	6,858
	$ 0	$ (305)	$ 0	$ (34,418)	$ 4,917	$ (29,806)
	$ (241)	$ (952)	$ 0	$ (34,418)	$ (17,594)	$ (53,205)

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of June 30, 2016 in valuing the Portfolio's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 06/30/2016
Investments in Securities, at Value				
Bank Loan Obligations	$ 0	$ 193	$ 0	$ 193
Corporate Bonds & Notes				
Banking & Finance	0	253,364	0	253,364
Industrials	0	30,199	0	30,199
Utilities	0	10,278	0	10,278
Municipal Bonds & Notes				
West Virginia	0	639	0	639
U.S. Government Agencies	0	204,700	0	204,700
U.S. Treasury Obligations	0	2,675,812	0	2,675,812
Non-Agency Mortgage-Backed Securities	0	92,141	0	92,141
Asset-Backed Securities	0	81,923	0	81,923
Sovereign Issues	0	249,845	0	249,845
Short-Term Instruments				
Repurchase Agreements	0	16,318	0	16,318
U.S. Treasury Bills	0	6,888	0	6,888
	$ 0	$ 3,622,300	$ 0	$ 3,622,300
Investments in Affiliates, at Value				
Short-Term Instruments				
Central Funds Used for Cash Management Purposes	$ 503,928	$ 0	$ 0	$ 503,928
Total Investments	$ 503,928	$ 3,622,300	$ 0	$ 4,126,228

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 06/30/2016
Short Sales, at Value - Liabilities				
U.S. Government Agencies	$ 0	$ (5,360)	$ 0	$ (5,360)
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	481	1,919	0	2,400
Over the counter	0	29,318	0	29,318
	$ 481	$ 31,237	$ 0	$ 31,718
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	(428)	(315)	0	(743)
Over the counter	0	(70,052)	0	(70,052)
	$ (428)	$ (70,367)	$ 0	$ (70,795)
Totals	$ 503,981	$ 3,577,810	$ 0	$ 4,081,791

There were no significant transfers between Levels 1, 2, or 3 during the period ended June 30, 2016.

1. ORGANIZATION

PIMCO Variable Insurance Trust (the "Trust") was established as a Delaware business trust on October 3, 1997. The Trust is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust is designed to be used as an investment vehicle by separate accounts of insurance companies that fund variable annuity contracts and variable life insurance policies and by qualified pension and retirement plans. Information presented in these financial statements pertains to the Institutional Class, Administrative Class, and Advisor Class shares of the PIMCO Real Return Portfolio (the "Portfolio") offered by the Trust. Pacific Investment Management Company LLC ("PIMCO") serves as the investment adviser (the "Adviser") for the Portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Portfolio is treated as an investment company under the reporting requirements of U.S. GAAP. 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 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.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled 15 days or more after the trade date. Realized gains (losses) from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Portfolio is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date, with the exception of securities with a forward starting effective date, where interest income is recorded on the accrual basis from effective date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized appreciation (depreciation) on investments on the Statement of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain (loss) on investments on the Statement of Operations. Paydown gains (losses) on mortgage-related and other asset-backed securities are recorded as components of interest income on the Statement of Operations. Income or short-term capital gain distributions received from registered investment companies are recorded as dividend income. Long-term capital gain distributions received from registered investment companies are recorded as realized gains.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is probable.

(b) Cash and Foreign Currency The functional and reporting currency for the Portfolio is the U.S. dollar. The market values of foreign securities, currency holdings and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the current exchange rates each business day. Purchases and sales of securities and income and expense items denominated in foreign currencies, if any, are translated into U.S. dollars at the exchange rate in effect on the transaction date. The Portfolio does not separately report the effects of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized gain (loss) and net change in unrealized appreciation (depreciation) from investments on the Statement of Operations. The Portfolio may invest in foreign currency-denominated securities and may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through a forward foreign currency contract (see Financial Derivative Instruments, if any). Realized foreign exchange gains (losses) arising from sales of spot foreign currencies, currency gains (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 are included in net realized gain (loss) on foreign currency transactions on the Statement of Operations. Net unrealized foreign exchange gains (losses) arising 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 are included in net change in unrealized appreciation (depreciation) on foreign currency assets and liabilities on the Statement of Operations.

(c) Multiclass Operations Each class offered by the Trust has equal rights as to assets and voting privileges (except that shareholders of a class have exclusive voting rights regarding any matter relating solely to that class of shares). Income and non-class specific expenses are allocated daily to each class on the basis of the relative net assets.

Realized and unrealized capital gains (losses) are allocated daily based on the relative net assets of each class of the Portfolio. Class specific expenses, where applicable, currently include supervisory and administrative and distribution and servicing fees. Under certain circumstances, the per share net asset value ("NAV") of a class of the Portfolio's shares may be different from the per share NAV of another class of shares as a result of the different daily expense accruals applicable to each class of shares.

(d) Dividends and Distributions to Shareholders Dividends from net investment income, if any, are declared daily and distributed to shareholders monthly. Net realized capital gains earned by the Portfolio, if any, will be distributed no less frequently than once each year.

Income dividends and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Examples of events that give rise to timing differences include wash sales, straddles and capital loss carryforwards. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. Examples of transactions that may cause character differences include the treatment of paydowns on mortgage-backed securities, swaps, foreign currency transactions and contingent debt instruments. As a result, income dividends and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on the Portfolio's annual financial statements presented under U.S. GAAP.

Distributions classified as a tax basis return of capital, if any, are reflected on the Statements of Changes in Net Assets and have been recorded to paid in capital. In addition, other amounts have been reclassified between undistributed (overdistributed) net investment income (loss), accumulated undistributed (overdistributed) net realized gain (loss) and/or paid in capital to more appropriately conform financial accounting to tax characterizations of dividend distributions.

(e) Statement of Cash Flows U.S. GAAP requires entities providing financial statements that report both financial position and results of operations to also provide a Statement of Cash Flows for each period for which results of operations are provided, but exempts investment companies meeting certain conditions. One of the conditions is that substantially all of the entity's investments were carried at fair value during the period and classified as Level 1 or Level 2 in the fair value hierarchy in accordance with the requirements of U.S. GAAP. Another condition is that the entity had little or no debt, based on the average debt outstanding during the period, in relation to average total assets. Portfolios with certain degrees of borrowing activity, typically through the use of reverse repurchase agreements or sale-buyback transactions, have been determined to be at a level requiring a Statement of Cash Flows. The Statement of Cash Flows has been prepared using the indirect method which requires net increase (decrease) in net assets resulting from operations to be adjusted to reconcile to net cash flows from operating activities.

(f) New Accounting Pronouncements In August 2014, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU"), ASU 2014-15 requiring management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern. The ASU is effective prospectively for annual periods ending after December 15, 2016, and interim periods thereafter. At this time, management is evaluating the implications of these changes on the financial statements.

In May 2015, the FASB issued ASU 2015-07 which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. The ASU is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. The ASU did not have an impact on the Portfolio's financial statements.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The price of the Portfolio's shares is based on the Portfolio's NAV. The NAV of the Portfolio, or each of its share classes, as applicable, is determined by dividing the total value of portfolio investments and other assets attributable to the Portfolio or class, less any liabilities, by the total number of shares outstanding of the Portfolio or class.

On each day that the New York Stock Exchange ("NYSE") is open, Portfolio shares are ordinarily valued as of the close of regular trading ("NYSE Close"). Information that becomes known to the Portfolio or its agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. The Portfolio reserves the right to change the time its NAV is calculated if the Portfolio closes earlier, or as permitted by the SEC.

For purposes of calculating NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official

closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Portfolio's approved pricing services, quotation reporting systems and other third-party sources (together, "Pricing Services"). The Portfolio will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. A foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the Adviser to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services or other pricing sources. With respect to any portion of the Portfolio's assets that are invested in one or more open-end management investment companies (other than exchange-traded funds ("ETFs")), the Portfolio's NAV will be calculated based upon the NAVs of such investments.

If a foreign (non-U.S.) equity security's value has materially changed after the close of the security's primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees of the Trust (the "Board"). Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, the Portfolio may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, the Portfolio may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. The Portfolio may utilize modeling tools provided by third-party vendors to determine fair values of non-U.S. securities. Foreign (non-U.S.) exchanges may permit trading in foreign (non-U.S.) equity securities on days when the Trust is not open for business, which may result in the Portfolio's portfolio investments being affected when shareholders are unable to buy or sell shares.

Senior secured floating rate loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a Pricing Service. Senior secured floating rate loans for which an active secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a senior secured floating rate loan at fair value, the factors considered may include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the value of such investments and, in turn, the NAV of the Portfolio's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of investments traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the Trust is not open for business. As a result, to the extent that the Portfolio holds foreign (non-U.S.) investments, the value of those investments may change at times when shareholders are unable to buy or sell shares and the value of such investments will be reflected in the Portfolio's next calculated NAV.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to the Adviser the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board ("Valuation Oversight Committee"), generally based on recommendations provided by the Adviser. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations ("Broker

Quotes"), Pricing Services' prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Portfolio's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Adviser the responsibility for monitoring significant events that may materially affect the values of the Portfolio's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When a Portfolio uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Trust's policy is intended to result in a calculation of the Portfolio's NAV that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that a Portfolio could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by a Portfolio may differ from the value that would be realized if the securities were sold. The Portfolio's use of fair valuation may also help to deter "stale price arbitrage" as discussed under the "Frequent or Excessive Purchases, Exchanges and Redemptions" section in the Portfolio's prospectus.

(b) Fair Value Hierarchy U.S. GAAP describes fair value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- Level 1 — Inputs using (unadjusted) quoted prices in active markets or exchanges for identical assets and liabilities.
- Level 2 — Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- Level 3 — Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers into and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments for the Portfolio.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to realized gain (loss), unrealized appreciation (depreciation), purchases and sales, accrued discounts (premiums), and transfers into and out of the Level 3 category during the period. The end of period timing recognition is used for the transfers between Levels of the Portfolio's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for the Portfolio.

(c) Valuation Techniques and the Fair Value Hierarchy
Level 1 and Level 2 trading assets and trading liabilities, at fair value The valuation methods (or "techniques") and significant inputs used in determining the fair values of portfolio securities or other assets and liabilities categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The Pricing Services' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Fixed income securities purchased on a delayed-delivery basis or as a repurchase commitment in a sale-buyback transaction are marked to market daily until settlement at the forward settlement date and are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage-related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Common stocks, ETFs, exchange-traded notes and financial derivative instruments, such as futures contracts, rights and warrants, or options on futures that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy.

Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using Pricing Services that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Investments in registered open-end investment companies (other than ETFs) will be valued based upon the NAVs of such investments and are categorized as Level 1 of the fair value hierarchy. Investments in unregistered open-end investment companies will be calculated based upon the NAVs of such investments and are considered Level 1 provided that the NAVs are observable, calculated daily and are the value at which both purchases and sales will be conducted. Investments in privately held investment funds with significant restrictions on redemption where the inputs to the NAVs are observable will be valued based upon the NAVs of such investments and are categorized as Level 2 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost of such short-term debt instrument is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. Prior to July 31, 2015, short-term debt investments having a maturity of 60 days or less and repurchase agreements were generally valued at amortized cost which approximates fair value. Short-term debt instruments having a remaining maturity of 60 days or less are categorized as Level 2 of the fair value hierarchy.

Equity exchange-traded options and over the counter financial derivative instruments, such as forward foreign currency contracts, options contracts, or swap agreements, derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. Other than swap agreements, which are valued using a broker-dealer bid quotation or on market-based prices provided by Pricing Services or other pricing sources, these contracts are normally valued on the basis of quotes obtained from a quotation reporting system, established market makers or Pricing Services (normally determined as of the NYSE Close). Depending on the product and the terms of the transaction, financial derivative instruments can be valued by Pricing Services using a series of techniques, including simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as quoted prices, issuer details, indices, bid/ask spreads, interest rates, implied volatilities, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps listed or traded on a multilateral or trade facility platform, such as a registered exchange, are valued at the daily settlement price determined by the respective exchange (if available). For centrally cleared credit default swaps, the clearing facility requires its members to provide actionable price levels across complete term structures. These levels along with external third-party prices are used to produce daily settlement prices. These securities are categorized as Level 2 of the fair value hierarchy. Centrally cleared interest rate swaps are valued using a pricing model that references the underlying rates including the overnight index swap rate and London Interbank Offered Rate ("LIBOR") forward rate to produce the daily settlement price. These securities are categorized as Level 2 of the fair value hierarchy.

The validity of the fair value is reviewed by the Adviser on a periodic basis and may be amended in accordance with the Trust's valuation procedures.

4. SECURITIES AND OTHER INVESTMENTS

(a) Investments in Affiliates

The Portfolio may invest in the PIMCO Short-Term Floating NAV Portfolio III ("Central Fund") to the extent permitted by the Act and rules thereunder. The Central Fund is a registered investment company

created for use solely by the series of the Trust and other series of registered investment companies advised by the Adviser, in connection with their cash management activities. The main investments of the Central Fund are money market and short maturity fixed income instruments. The Central Fund may incur expenses related to its investment activities, but does not pay Investment Advisory Fees or Supervisory and Administrative Fees to the Adviser. The Central Fund is considered to be affiliated with the Portfolio. The table below shows the Portfolio's transactions in and earnings from investments in the affiliated Fund for the period ended June 30, 2016 (amounts in thousands†):

Investments in PIMCO Short-Term Floating NAV Portfolio III

Market Value 12/31/2015	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 06/30/2016	Dividend Income (1)	Realized Net Capital Gain Distributions (1)
$ 36,839	$ 4,047,254	$ (3,580,400)	$ 49	$ 186	$ 503,928	$ 554	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

(1) The tax characterization of distributions is determined in accordance with Federal income tax regulations. The actual tax characterization of distributions paid are determined at the end of the fiscal year. See Note 2(d) in the Notes to Financial Statements for more information.

(b) Investments in Securities

Delayed-Delivery Transactions The Portfolio may purchase or sell securities on a delayed-delivery basis. These transactions involve a commitment by the Portfolio to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery transactions are outstanding, the Portfolio will designate or receive as collateral liquid assets in an amount sufficient to meet the purchase price or respective obligations. When purchasing a security on a delayed-delivery basis, the Portfolio assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and takes such fluctuations into account when determining its NAV. The Portfolio may dispose of or renegotiate a delayed-delivery transaction after it is entered into, which may result in a realized gain (loss). When the Portfolio has sold a security on a delayed-delivery basis, the Portfolio does not participate in future gains (losses) with respect to the security.

Inflation-Indexed Bonds The Portfolio may invest in inflation-indexed bonds. Inflation-indexed bonds are fixed income securities whose principal value is periodically adjusted to the rate of inflation. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond will be included as interest income on the Statement of Operations, even though investors do not receive their principal until maturity.

Loan Participations, Assignments and Originations The Portfolio may invest in direct debt instruments which are interests in amounts owed to lenders or lending syndicates by corporate, governmental, or other borrowers. The Portfolio's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties or investments in or originations of loans by the Portfolio. A loan is often administered by a bank or other financial institution (the "agent") that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. The Portfolio may invest in multiple series or tranches of a loan, which may have varying terms and carry different associated risks. When the Portfolio purchases assignments from agents it acquires direct rights against the borrowers of the loans. These loans may include participations in bridge loans, which are loans taken out by borrowers for a short period (typically less than one year) pending arrangement of more permanent financing through, for example, the issuance of bonds, frequently high yield bonds issued for the purpose of acquisitions.

The types of loans and related investments in which the Portfolio may invest include, among others, senior loans, subordinated loans (including second lien loans, B-Notes and mezzanine loans), whole loans, commercial real estate and other commercial loans and structured loans. The Portfolio may originate loans or acquire direct interests in loans through primary loan distributions and/or in private transactions. In the case of subordinated loans, there may be significant indebtedness ranking ahead of the borrower's obligation to the holder of such a loan, including in the event of the borrower's insolvency. Mezzanine loans are typically secured by a pledge of an equity interest in the mortgage borrower that owns the real estate rather than an interest in a mortgage.

Investments in loans may include unfunded loan commitments, which are contractual obligations for funding. Unfunded loan commitments may include revolving credit facilities, which may obligate the Portfolio to supply additional cash to the borrower on demand. Unfunded loan commitments represent a future obligation in full, even though a percentage of the committed amount may not be utilized by the borrower. When investing in a loan participation, the Portfolio has the right to receive payments of principal, interest and any fees to which it is entitled only from the agent selling the loan agreement and only upon receipt of payments by the agent from the borrower. The Portfolio

may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a loan. In certain circumstances, the Portfolio may receive a penalty fee upon the prepayment of a loan by a borrower. Fees earned or paid are recorded as a component of interest income or interest expense, respectively, on the Statement of Operations. As of June 30, 2016, the Portfolio had no unfunded loan commitments outstanding.

Mortgage-Related and Other Asset-Backed Securities The Portfolio may invest in mortgage-related and other asset-backed securities that directly or indirectly represent a participation in, or are secured by and payable from, loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. These securities provide a monthly payment which consists of both interest and principal. Interest may be determined by fixed or adjustable rates. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. The timely payment of principal and interest of certain mortgage-related securities is guaranteed with the full faith and credit of the U.S. Government. Pools created and guaranteed by non-governmental issuers, including government-sponsored corporations, may be supported by various forms of insurance or guarantees, but there can be no assurance that private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. Many of the risks of investing in mortgage-related securities secured by commercial mortgage loans reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make lease payments, and the ability of a property to attract and retain tenants. These securities may be less liquid and may exhibit greater price volatility than other types of mortgage-related or other asset-backed securities. Other asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

Collateralized Debt Obligations ("CDOs") include Collateralized Bond Obligations ("CBOs"), Collateralized Loan Obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Portfolio invests. In addition to the normal risks associated with fixed income securities discussed elsewhere in this report and the Portfolio's prospectus and statement of additional information (e.g., prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a structured financing changes based on multiples of changes in interest rates or inversely to changes in interest rates)), CBOs, CLOs and other CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the Portfolio may invest in CBOs, CLOs, or other CDOs that are subordinate to other classes, and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

Collateralized Mortgage Obligations ("CMOs") are debt obligations of a legal entity that are collateralized by whole mortgage loans or private mortgage bonds and divided into classes. CMOs are structured into multiple classes, often referred to as "tranches," with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including prepayments. CMOs may be less liquid and may exhibit greater price volatility than other types of mortgage-related or asset-backed securities.

U.S. Government Agencies or Government-Sponsored Enterprises The Portfolio may invest in securities of U.S. Government agencies or government-sponsored enterprises. U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae"), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the "U.S. Treasury"); and others, such as those of the Federal National Mortgage Association ("FNMA" or "Fannie Mae"), are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations. U.S. Government securities may include zero coupon securities. Zero coupon securities do not distribute interest on a current basis and tend to be subject to a greater risk than interest-paying securities.

Government-related guarantors (*i.e.*, not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). FNMA is a government-sponsored corporation. FNMA purchases conventional (*i.e.*, not insured or guaranteed by any government agency) residential

mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC issues Participation Certificates ("PCs"), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

The Portfolio may engage in strategies where it seeks to extend the expiration or maturity of a position, such as a To Be Announced ("TBA") security on an underlying asset, by closing out the position before expiration and opening a new position with respect to the same underlying asset with a later expiration date. TBA securities purchased or sold are reflected on the Statement of Assets and Liabilities as an asset or liability, respectively.

5. BORROWINGS AND OTHER FINANCING TRANSACTIONS

The following disclosures contain information on the Portfolio's ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by the Portfolio. The location of these instruments in the Portfolio's financial statements is described below. For a detailed description of credit and counterparty risks that can be associated with borrowings and other financing transactions, please see Note 7, Principal Risks.

(a) Repurchase Agreements The Portfolio may engage in repurchase agreements. Under the terms of a typical repurchase agreement, the Portfolio purchases an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Portfolio to resell, the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held by the Portfolio's custodian or designated subcustodians under tri-party repurchase agreements. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Repurchase agreements, if any, including accrued interest, are included on the Statement of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for the receipt of collateral, which may result in interest expense to the Portfolio.

(b) Reverse Repurchase Agreements The Portfolio may enter into reverse repurchase agreements. In a reverse repurchase agreement, the Portfolio delivers a security in exchange for cash to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed upon price and date. In an open maturity reverse repurchase agreement, there is no pre-determined repurchase date and the agreement can be terminated by the Portfolio or counterparty at any time. The Portfolio is entitled to receive principal and interest payments, if any, made on the security delivered to the counterparty during the term of the agreement. Cash received in exchange for securities delivered plus accrued interest payments to be made by the Portfolio to counterparties are reflected as a liability on the Statement of Assets and Liabilities. Interest payments made by the Portfolio to counterparties are recorded as a component of interest expense on the Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by the Adviser or will otherwise cover its obligations under reverse repurchase agreements.

(c) Sale-Buybacks The Portfolio may enter into financing transactions referred to as 'sale-buybacks'. A sale-buyback transaction consists of a sale of a security by the Portfolio to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. The Portfolio is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. The agreed-upon proceeds for securities to be repurchased by the Portfolio are reflected as a liability on the Statement of Assets and Liabilities. The Portfolio will recognize net income represented by the price differential between the price received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the 'price drop'. A price drop consists of (i) the foregone interest and inflationary income adjustments, if any, the Portfolio would have otherwise received had the security not been sold and (ii) the negotiated financing terms between the Portfolio and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Statement of Operations. Interest payments based upon negotiated financing terms made by the Portfolio to counterparties are recorded as a component of interest expense on the Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by the Adviser or will otherwise cover its obligations under sale-buyback transactions.

(d) Short Sales The Portfolio may enter into short sales transactions. A short sale is a transaction in which the Portfolio sells securities it may not own in anticipation of a decline in the fair value of the securities.

Securities sold in short sale transactions and the interest payable on such securities, if any, are reflected as a liability on the Statement of Assets and Liabilities. The Portfolio is obligated to deliver securities at the trade price at the time the short position is covered. Possible losses from short sales may be unlimited, whereas losses from purchases cannot exceed the total amount invested.

6. FINANCIAL DERIVATIVE INSTRUMENTS

The following disclosures contain information on how and why the Portfolio uses financial derivative instruments, and how financial derivative instruments affect the Portfolio's financial position, results of operations and cash flows. The location and fair value amounts of these instruments on the Statement of Assets and Liabilities and the net realized gain (loss) and net change in unrealized appreciation (depreciation) on the Statement of Operations, each categorized by type of financial derivative contract and related risk exposure, are included in a table in the Notes to Schedule of Investments. The financial derivative instruments outstanding as of period end and the amounts of net realized gain (loss) and net change in unrealized appreciation (depreciation) on financial derivative instruments during the period, as disclosed in the Notes to Schedule of Investments, serve as indicators of the volume of financial derivative activity for the Portfolio.

(a) Forward Foreign Currency Contracts The Portfolio may enter into forward foreign currency contracts in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of the Portfolio's securities or as a part of an investment strategy. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. Forward foreign currency contracts are marked to market daily, and the change in value is recorded by the Portfolio as an unrealized gain (loss). Realized gains (losses) are equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed and are recorded upon delivery or receipt of the currency. These contracts may involve market risk in excess of the unrealized gain (loss) reflected on the Statement of Assets and Liabilities. In addition, the Portfolio could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar. To mitigate such risk, cash or securities may be exchanged as collateral pursuant to the terms of the underlying contracts.

(b) Futures Contracts The Portfolio may enter into futures contracts. The Portfolio may use futures contracts to manage its exposure to the securities markets or to movements in interest rates and currency values. The primary risks associated with the use of futures contracts are the imperfect correlation between the change in market value of the securities held by the Portfolio and the prices of futures contracts and the possibility of an illiquid market. Futures contracts are valued based upon their quoted daily settlement prices. Upon entering into a futures contract, the Portfolio is required to deposit with its futures broker an amount of cash, U.S. Government and Agency Obligations, or select sovereign debt, in accordance with the initial margin requirements of the broker or exchange. Futures contracts are marked to market daily and based on such movements in the price of the contracts, an appropriate payable or receivable for the change in value may be posted or collected by the Portfolio ("Futures Variation Margin"). Gains (losses) are recognized but not considered realized until the contracts expire or close. Futures contracts involve, to varying degrees, risk of loss in excess of the Futures Variation Margin included within exchange traded or centrally cleared financial derivative instruments on the Statement of Assets and Liabilities.

(c) Options Contracts The Portfolio may write or purchase options to enhance returns or to hedge an existing position or future investment. The Portfolio may write call and put options on securities and financial derivative instruments it owns or in which it may invest. Writing put options tends to increase the Portfolio's exposure to the underlying instrument. Writing call options tends to decrease the Portfolio's exposure to the underlying instrument. When the Portfolio writes a call or put, an amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. These liabilities are included on the Statement of Assets and Liabilities. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying futures, swap, security or currency transaction to determine the realized gain (loss). Certain options may be written with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The Portfolio as a writer of an option has no control over whether the underlying instrument may be sold ("call") or purchased ("put") and as a result bears the market risk of an unfavorable change in the price of the instrument underlying the written option. There is the risk the Portfolio may not be able to enter into a closing transaction because of an illiquid market.

The Portfolio may also purchase put and call options. Purchasing call options tends to increase the Portfolio's exposure to the underlying instrument. Purchasing put options tends to decrease the Portfolio's exposure to the underlying instrument. The Portfolio pays a premium which is included as an asset on the Statement of Assets and Liabilities and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated

as realized losses. Certain options may be purchased with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain (loss) when the underlying transaction is executed.

Credit Default Swaptions The Portfolio may write or purchase credit default swaptions to hedge exposure to the credit risk of an investment without making a commitment to the underlying instrument. A credit default swaption is an option to sell or buy credit protection to a specific reference by entering into a pre-defined swap agreement by some specified date in the future.

Foreign Currency Options The Portfolio may write or purchase foreign currency options. Purchasing foreign currency options gives the Portfolio the right, but not the obligation to buy or sell the currency with specified amounts of currency and a rate of exchange that may be exercised by a certain date. These options may be used as a short or long hedge against possible variations in foreign exchange rates or to gain exposure to foreign currencies.

Inflation-Capped Options The Portfolio may write or purchase inflation-capped options to enhance returns or for hedging opportunities. The purpose of purchasing inflation-capped options is to protect the Portfolio from inflation erosion above a certain rate on a given notional exposure. A floor can be used to give downside protection to investments in inflation-linked products.

Interest Rate-Capped Options The Portfolio may write or purchase interest rate-capped options to enhance returns or for hedging opportunities. The purpose of purchasing interest rate-capped options is to protect the Portfolio from floating rate risk above a certain rate on a given notional exposure. A floor can be used to give downside protection to investments in interest rate linked products.

Interest Rate Swaptions The Portfolio may write or purchase interest rate swaptions which are options to enter into a pre-defined swap agreement by some specified date in the future. The writer of the swaption becomes the counterparty to the swap if the buyer exercises. The interest rate swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed-rate payer upon exercise.

(d) Swap Agreements The Portfolio may invest in swap agreements. Swap agreements are bilaterally negotiated agreements between the Portfolio and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over the counter market ("OTC swaps") or may be cleared through a third party, known as a central counterparty or derivatives clearing organization ("Centrally Cleared Swaps"). The Portfolio may enter into asset, credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements to manage its exposure to credit, currency, interest rate, commodity, equity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Centrally Cleared Swaps are marked to market daily based upon valuations as determined from the underlying contract or in accordance with the requirements of the central counterparty or derivatives clearing organization. Changes in market value, if any, are reflected as a component of net change in unrealized appreciation (depreciation) on the Statement of Operations. Daily changes in valuation of centrally cleared swaps ("Swap Variation Margin"), if any, are disclosed within centrally cleared financial derivative instruments on the Statement of Assets and Liabilities. OTC swap payments received or paid at the beginning of the measurement period are included on the Statement of Assets and Liabilities and represent premiums paid or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). Upfront premiums received (paid) are initially recorded as liabilities (assets) and subsequently marked to market to reflect the current value of the swap. These upfront premiums are recorded as realized gain (loss) on the Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain (loss) on the Statement of Operations. Net periodic payments received or paid by the Portfolio are included as part of realized gain (loss) on the Statement of Operations.

For purposes of applying the Portfolio's investment policies and restrictions, swap agreements are generally valued by the Portfolio at market value. In the case of a credit default swap (see below), however, in applying certain of the Portfolio's investment policies and restrictions, the Portfolio will value the credit default swap at its notional value or its full exposure value (*i.e.*, the sum of the notional amount for the contract plus the market value), but may value the credit default swap at market value for purposes of applying certain of the Portfolio's other investment policies and restrictions. For example, the Portfolio may value credit default swaps at full exposure value for purposes of the Portfolio's credit quality guidelines (if any) because such value reflects the Portfolio's actual economic exposure during the

term of the credit default swap agreement. In this context, both the notional amount and the market value may be positive or negative depending on whether the Portfolio is selling or buying protection through the credit default swap. The manner in which certain securities or other instruments are valued by the Portfolio for purposes of applying investment policies and restrictions may differ from the manner in which those investments are valued by other types of investors.

Entering into swap agreements involves, to varying degrees, elements of interest, credit, market and documentation risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

The Portfolio's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that amount is positive. The risk may be mitigated by having a master netting arrangement between the Portfolio and the counterparty and by the posting of collateral to the Portfolio to cover the Portfolio's exposure to the counterparty.

Credit Default Swap Agreements A Portfolio may use credit default swaps on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues to provide a measure of protection against defaults of the issuers (*i.e.*, to reduce risk where a Portfolio owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default. Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event that the referenced entity, obligation or index, as specified in the swap agreement, undergoes a certain credit event. As a seller of protection on credit default swap agreements, the Portfolio will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, the Portfolio would effectively add leverage to its portfolio because, in addition to its total net assets, the Portfolio would be subject to investment exposure on the notional amount of the swap.

If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are estimated by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event).

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset-backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name's weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. The Portfolio may use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect. Credit default swaps on indices are instruments for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues as of period end, if any, are disclosed in the Notes to Schedule of Investments. They serve as an indicator of the current status of payment/performance risk and represent the likelihood or risk of default for the reference entity. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that the Portfolio as a seller of protection could be required to make under a credit default swap agreement equals the notional amount of the agreement. Notional amounts of each individual credit default swap agreement outstanding as of period end for which the Portfolio is the seller of protection are disclosed in the Notes to Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Portfolio for the same referenced entity or entities.

Interest Rate Swap Agreements The Portfolio is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. Because the Portfolio holds fixed rate bonds, the value of these bonds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Portfolio may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by the Portfolio with another party for their respective commitment to pay or receive interest on the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap", (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor", (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the buyer pays an upfront fee in consideration for the right to early terminate the swap transaction in whole, at zero cost and at a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different segments of money markets.

7. PRINCIPAL RISKS

In the normal course of business, the Portfolio trades financial instruments and enters into financial transactions where risk of potential loss exists due to such things as changes in the market (market risk) or failure or inability of the other party to a transaction to perform (credit and counterparty risk). See below for a detailed description of select principal risks. For a more comprehensive list of potential risks the Portfolio may be subject to, please see the Important Information About the Portfolio.

Market Risks The Portfolio's investments in financial derivative instruments and other financial instruments expose the Portfolio to various risks such as, but not limited to, interest rate, foreign (non-U.S.) currency, equity and commodity risks.

Interest rate risk is the risk that fixed income securities and other instruments held by the Portfolio will decline in value because of an increase in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by the Portfolio is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and the Portfolio may lose money if these changes are not anticipated by the Portfolio's management. The Portfolio may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. In addition, any hedges may not work as intended.

Duration is a measure used to determine the sensitivity of a security's price to changes in interest rates that incorporates a security's yield, coupon, final maturity and call features, among other characteristics. Convexity is an additional measure of interest rate sensitivity that measures the rate of change of duration in response to changes in interest rates. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies,

inflation rates, general economic conditions, etc.). At present, the U.S. and many parts of the world, including certain European countries, are experiencing near historically low interest rates. The Portfolio may be subject to heightened interest rate risk because the Fed has ended its quantitative easing program and has begun, and may continue, to raise interest rates. Further, while bond markets have steadily grown over the past three decades, dealer "market making" ability has not kept pace and in some cases has decreased. Given the importance of intermediary "market making" in creating a robust and active market, fixed income securities are currently facing increased volatility and liquidity risks. All of these factors, collectively and/or individually, could cause the Portfolio to lose value. If the Portfolio lost enough value, the Portfolio could face increased shareholder redemptions, which could force the Portfolio to liquidate investments at disadvantageous times or prices, thereby adversely affecting the Portfolio.

To the extent that the Portfolio may invest in securities and instruments that are economically tied to Russia, the Portfolio is subject to various risks such as, but not limited to political, economic, legal, market and currency risks. The risks include uncertain political and economic policies, short-term market volatility, poor accounting standards, corruption and crime, an inadequate regulatory system, and unpredictable taxation. Investments in Russia are particularly subject to the risk that further economic sanctions may be imposed by the United States and/or other countries. Such sanctions — which may impact companies in many sectors, including energy, financial services and defense, among others — may negatively impact the Portfolio's performance and/or ability to achieve its investment objective. The Russian securities market, as compared to U.S. markets, has significant price volatility, less liquidity, a smaller market capitalization and a smaller number of traded securities. Adverse currency exchange rates are a risk and there may be a lack of available currency hedging instruments. Investments in Russia may be subject to the risk of nationalization or expropriation of assets. Oil, natural gas, metals, and timber account for a significant portion of Russia's exports, leaving the country vulnerable to swings in world prices.

If the Portfolio invests directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies, or in financial derivative instruments that provide exposure to foreign (non-U.S.) currencies, it will be subject to the risk that those currencies will decline in value relative to the base currency of the Portfolio, or, in the case of hedging positions, that the Portfolio's base currency will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, the Portfolio's investments in foreign currency-denominated securities may reduce the Portfolio's returns.

The market values of equities, such as common stocks and preferred securities or equity related investments such as futures and options, have historically risen and fallen in periodic cycles and may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Different types of equity securities may react differently to these developments. Equity securities and equity related investments generally have greater market price volatility than fixed income securities.

Credit and Counterparty Risks The Portfolio will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. The Portfolio minimizes concentrations of credit risk by undertaking transactions with a large number of customers and counterparties on recognized and reputable exchanges, where applicable. Over the counter ("OTC") derivative transactions are subject to the risk that a counterparty to the transaction will not fulfill its contractual obligations to the other party, as many of the protections afforded to centrally cleared derivative transactions might not be available for OTC derivative transactions. For financial derivative instruments traded on exchanges or clearinghouses, the primary credit risk is the creditworthiness of the Portfolio's clearing broker or the exchange or clearinghouse itself. The Portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a financial derivative instruments contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities and financial derivative instruments are subject to varying degrees of credit risk, which may be reflected in credit ratings.

Similar to credit risk, the Portfolio may be exposed to counterparty risk, or the risk that an institution or other entity with which the Portfolio has unsettled or open transactions will default. PIMCO, as the Adviser, minimizes counterparty risks to the Portfolio through a number of ways. Prior to entering into transactions with a new counterparty, the PIMCO Counterparty Risk Committee conducts an extensive credit review of such counterparty and must approve the use of such counterparty. Furthermore, pursuant to the terms of the underlying contract, to the extent that unpaid amounts owed to the Portfolio exceed a predetermined threshold, such counterparty shall advance collateral to

the Portfolio in the form of cash or securities equal in value to the unpaid amount owed to the Portfolio. The Portfolio may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to the Portfolio subsequently decreases, the Portfolio would be required to return to the counterparty all or a portion of the collateral previously advanced. PIMCO's attempts to minimize counterparty risk may, however, be unsuccessful.

All transactions in listed securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once the Portfolio has received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

Master Netting Arrangements The Portfolio may be subject to various netting arrangements ("Master Agreements") with select counterparties. Master Agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow the Portfolio to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty. For financial reporting purposes the Statement of Assets and Liabilities generally presents derivative assets and liabilities on a gross basis, which reflects the full risks and exposures prior to netting.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under most Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other forms of AAA rated paper or sovereign securities may be used depending on the terms outlined in the applicable Master Agreement. Securities and cash pledged as collateral are reflected as assets on the Statement of Assets and Liabilities as either a component of Investments at value (securities) or Deposits with counterparty. Cash collateral received is not typically held in a segregated account and as such is reflected as a liability on the Statement of Assets and Liabilities as Deposits from counterparty. The market value of any securities received as collateral is not reflected as a component of NAV. The Portfolio's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively "Master Repo Agreements") govern repurchase, reverse repurchase, and sale-buyback transactions between the Portfolio and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

Master Securities Forward Transaction Agreements ("Master Forward Agreements") govern certain forward settling transactions, such as To-Be-Announced securities, delayed-delivery or sale-buyback transactions by and between the Portfolio and select counterparties. The Master Forward Agreements maintain provisions for, among other things, transaction initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral. The market value of forward settling transactions, collateral pledged or received, and the net exposure by counterparty as of period end is disclosed in the Notes to Schedule of Investments.

Customer Account Agreements and related addenda govern cleared derivatives transactions such as futures, options on futures, and cleared OTC derivatives. Such transactions require posting of initial margin as determined by each relevant clearing agency which is segregated in an account at a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC"). In the United States, counterparty risk may be reduced as creditors of an FCM cannot have a claim to Portfolio assets in the segregated account. Portability of exposure reduces risk to the Portfolio. Variation margin, or changes in market value, are exchanged daily, but may not be netted between futures and cleared OTC derivatives unless the parties have agreed to a separate arrangement in respect of portfolio margining. The market value or accumulated unrealized appreciation (depreciation), initial margin posted, and any unsettled variation margin as of period end is disclosed in the Notes to Schedule of Investments.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes ("ISDA Master Agreements") govern bilateral OTC derivative transactions entered into by the Portfolio with select counterparties. ISDA Master Agreements maintain provisions for general obligations, representations, agreements,

collateral posting and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements. In limited circumstances, the ISDA Master Agreement may contain additional provisions that add counterparty protection beyond coverage of existing daily exposure if the counterparty has a decline in credit quality below a predefined level. These amounts, if any, may be segregated with a third-party custodian. The market value of OTC financial derivative instruments, collateral received or pledged, and net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

8. FEES AND EXPENSES

(a) Investment Advisory Fee PIMCO is a majority-owned subsidiary of Allianz Asset Management of America L.P. ("Allianz Asset Management") and serves as the Adviser to the Trust, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Portfolio at an annual rate based on average daily net assets (the "Investment Advisory Fee"). The Investment Advisory Fee for all classes is charged at an annual rate of 0.25%.

(b) Supervisory and Administrative Fee PIMCO serves as administrator (the "Administrator") and provides supervisory and administrative services to the Trust for which it receives a monthly supervisory and administrative fee based on each share class's average daily net assets (the "Supervisory and Administrative Fee"). As the Administrator, PIMCO bears the costs of various third-party services, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs.

The Supervisory and Administrative Fee for all classes, as applicable, is charged at the annual rate as noted in the following table:

	Supervisory and Administrative Fee
Institutional Class	0.25%
Administrative Class	0.25%
Advisor Class	0.25%

(c) Distribution and Servicing Fees PIMCO Investments LLC ("PI"), a wholly-owned subsidiary of PIMCO, serves as the distributor ("Distributor") of the Trust's shares. The Trust has adopted an Administrative Services Plan with respect to the Administrative Class shares of the Portfolio pursuant to Rule 12b-1 under the Act (the "Administrative Plan"). Under the terms of the Administrative Plan, the Trust is permitted to compensate the Distributor, out of the Administrative Class assets of the Portfolio, in an amount up to 0.15% on an annual basis of the average daily net assets of that class, for providing or procuring through financial intermediaries administrative, recordkeeping and investor services for Administrative Class shareholders of the Portfolio.

The Trust has adopted a separate Distribution and Servicing Plan for the Advisor Class shares of the Portfolio (the "Distribution and Servicing Plan"). The Distribution and Servicing Plan has been adopted pursuant to Rule 12b-1 under the Act. The Distribution and Servicing Plan permits the Portfolio to compensate the Distributor for providing or procuring through financial intermediaries distribution, administrative, recordkeeping, shareholder and/or related services with respect to Advisor Class shares. The Distribution and Servicing Plan permits the Portfolio to make total payments at an annual rate of up to 0.25% of its average daily net assets attributable to its Advisor Class shares.

	Distribution Fee	Servicing Fee
Administrative Class	—	0.15%
Advisor Class	0.25%	—

(d) Portfolio Expenses PIMCO provides or procures supervisory and administrative services for shareholders and also bears the costs of various third-party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Trust is responsible for the following expenses: (i) taxes and governmental fees; (ii) brokerage fees and commissions and other portfolio transaction expenses; (iii) the costs of borrowing money, including interest expense; (iv) fees and expenses of the Trustees who are not "interested persons" of PIMCO or the Trust, and any counsel retained exclusively for their benefit; (v) extraordinary expense, including costs of litigation and indemnification expenses; (vi) organizational expenses; and (vii) any expenses allocated or allocable to a specific class of shares, which include service fees payable with respect to the Administrative Class Shares, and may include certain other expenses as permitted by the Trust's Multi-Class Plan adopted pursuant to Rule 18f-3 under the Act and subject to review and approval by the Trustees. The ratio of expenses to average net assets per share class, as disclosed on the Financial Highlights, may differ from the annual portfolio operating expenses per share class.

Each Trustee, other than those affiliated with PIMCO or its affiliates, receives an annual retainer of $35,000, plus $3,600 for each Board meeting attended in person, $750 for each committee meeting attended and $750 for each Board meeting attended telephonically, plus reimbursement of related expenses. In addition, the audit committee chair receives an additional annual retainer of $5,000, the valuation oversight committee lead receives an additional annual retainer of $3,250 (to the extent there are co-leads of the valuation oversight committee, the annual retainer will be split evenly between the co-leads, so that each co-lead individually receives an additional retainer of $1,625) and the governance committee chair receives an

additional annual retainer of $1,500. The Lead Independent Trustee receives an annual retainer of $3,500.

These expenses are allocated on a pro rata basis to each Portfolio of the Trust according to its respective net assets except PIMCO All Asset Portfolio. The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Administrator, all of whom receive remuneration for their services to the Trust from the Administrator or its affiliates.

9. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties. Fees payable to these parties are disclosed in Note 8, Fees and Expenses, and the accrued related party fee amounts are disclosed on the Statement of Assets and Liabilities.

The Portfolio is permitted to purchase or sell securities from or to certain related affiliated portfolios under specified conditions outlined in procedures adopted by the Board. The procedures have been designed to ensure that any purchase or sale of securities by the Portfolio from or to another fund or portfolio that are, or could be, considered an affiliate, or an affiliate of 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 under the Act. Further, as defined under the procedures, each transaction is effected at the current market price. During the period ended June 30, 2016, the Portfolio engaged in purchases and sales of securities pursuant to Rule 17a-7 under the Act (amounts in thousands):

Purchases	Sales
$ 42,686	$ 7,809

10. GUARANTEES AND INDEMNIFICATIONS

Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Portfolio. Additionally, in the normal course of business, the Portfolio enters into contracts that contain a variety of indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts.

11. PURCHASES AND SALES OF SECURITIES

The length of time the Portfolio has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Portfolio is known as "portfolio turnover." The Portfolio may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover may involve correspondingly greater transaction costs to the Portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The transaction costs and tax effects associated with portfolio turnover may adversely affect the Portfolio's performance. The portfolio turnover rates are reported in the Financial Highlights.

Purchases and sales of securities (excluding short-term investments) for the period ended June 30, 2016, were as follows (amounts in thousands):

U S Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
$ 1,762,702	$ 1,707,531	$ 263,859	$ 366,541

12. SHARES OF BENEFICIAL INTEREST

The Portfolio may issue an unlimited number of shares of beneficial interest with a $0.001 par value. Changes in shares of beneficial interest were as follows (shares and amounts in thousands):

	Six Months Ended 06/30/2016		Year Ended 12/31/2015	
	Shares	Amount	Shares	Amount
Receipts for shares sold				
Institutional Class	2,504	$ 30,962	3,239	$ 41,220
Administrative Class	8,836	108,576	15,642	199,728
Advisor Class	892	10,925	5,974	76,807
Issued as reinvestment of distributions				
Institutional Class	124	1,539	616	7,388
Administrative Class	1,536	19,098	7,320	87,630
Advisor Class	386	4,802	1,799	21,499

	Six Months Ended 06/30/2016		Year Ended 12/31/2015	
	Shares	Amount	Shares	Amount
Cost of shares redeemed				
Institutional Class	(6,368)	$ (79,226)	(2,327)	$ (29,633)
Administrative Class	(26,414)	(324,349)	(39,005)	(498,829)
Advisor Class	(2,805)	(34,321)	(2,346)	(29,871)
Net increase (decrease) resulting from Portfolio share transactions	(21,309)	$ (261,994)	(9,088)	$ (124,061)

As of June 30, 2016, three shareholders each owned 10% or more of the Portfolio's total outstanding shares comprising 50% of the Portfolio. One shareholder is a related party and comprises 16% of the Portfolio. Related parties may include, but are not limited to, the investment manager and its affiliates, affiliated broker dealers, fund of funds and directors or employees of the Trust or Adviser.

13. REGULATORY AND LITIGATION MATTERS

The Portfolio is not named as a defendant in any material litigation or arbitration proceedings and is not aware of any material litigation or claim pending or threatened against it.

PIMCO has received a Wells Notice from the staff of the U.S. Securities and Exchange Commission ("SEC") that relates to the PIMCO Total Return Active Exchange-Traded Fund ("BOND"), a series of PIMCO ETF Trust. The notice indicates the staff's preliminary determination to recommend that the SEC commence a civil action against PIMCO stemming from a non-public investigation relating to BOND. A Wells Notice is neither a formal allegation of wrongdoing nor a finding that any law was violated.

This matter principally pertains to the valuation of smaller sized positions in non-agency mortgage-backed securities purchased by BOND between its inception on February 29, 2012 and June 30, 2012, BOND's performance disclosures for that period, and PIMCO's compliance policies and procedures related to these matters.

The Wells process provides PIMCO with the opportunity to demonstrate to the SEC staff why it believes its conduct was appropriate, in keeping with industry standards, and that no action should be taken. PIMCO believes that this matter is unlikely to have a material adverse effect on any Portfolio or on PIMCO's ability to provide investment management services to any Portfolio.

The foregoing speaks only as of the date of this report.

14. FEDERAL INCOME TAX MATTERS

The Portfolio intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the "Code") and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

The Portfolio may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Adviser has reviewed the Portfolio's tax positions for all open tax years. As of June 30, 2016, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Portfolio files U.S. tax returns. While the statute of limitations remains open to examine the Portfolio's U.S. tax returns filed for the fiscal years ending in 2013-2015, no examinations are in progress or anticipated at this time. The Portfolio is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

Shares of the Portfolio currently are sold to segregated asset accounts ("Separate Accounts") of insurance companies that fund variable annuity contracts and variable life insurance policies ("Variable Contracts"). Please refer to the prospectus for the Separate Account and Variable Contract for information regarding Federal income tax treatment of distributions to the Separate Account.

As of December 31, 2015, the Portfolio had accumulated capital losses expiring in the following years (amounts in thousands). The Portfolio will resume capital gain distributions in the future to the extent gains are realized in excess of accumulated capital losses.

Under the Regulated Investment Company Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

As of December 31, 2015 the Portfolio had the following post-effective capital losses with no expiration (amounts in thousands):

	Short-Term	Long-Term
PIMCO Real Return Portfolio	$ 38,568	$ 52,195

As of June 30, 2016, the aggregate cost and the net unrealized appreciation (depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

Federal Tax Cost	Aggregate Gross Unrealized Appreciation	Aggregate Gross Unrealized (Depreciation)	Net Unrealized Appreciation (Depreciation) [1]
$ 4,083,542	$ 82,222	$ (39,536)	$ 42,686

[1] Primary differences, if any, between book and tax net unrealized appreciation (depreciation) are attributable to wash sale loss deferrals for federal income tax purposes.

Glossary: (abbreviations that may be used in the preceding statements) (Unaudited)

Counterparty Abbreviations:

BCY	Barclays Capital, Inc.	**GSC**	Goldman Sachs & Co.	**NOM**	Nomura Securities International Inc.
BOA	Bank of America N.A.	**GST**	Goldman Sachs International	**RDR**	RBC Capital Markets
BPG	BNP Paribas Securities Corp.	**HUS**	HSBC Bank USA N.A.	**RYL**	Royal Bank of Scotland Group PLC
BPS	BNP Paribas S.A.	**IND**	Crédit Agricole Corporate and Investment Bank S.A.	**SCX**	Standard Chartered Bank
BRC	Barclays Bank PLC	**JPM**	JPMorgan Chase Bank N.A.	**SOG**	Societe Generale
CBK	Citibank N.A.	**MSB**	Morgan Stanley Bank N.A.	**SSB**	State Street Bank and Trust Co.
DUB	Deutsche Bank AG	**MSC**	Morgan Stanley & Co., Inc.	**TDM**	TD Securities (USA) LLC
FAR	Wells Fargo Bank National Association	**MYC**	Morgan Stanley Capital Services, Inc.	**TOR**	Toronto Dominion Bank
FBF	Credit Suisse International	**NAB**	National Australia Bank Ltd.	**UAG**	UBS AG Stamford
GLM	Goldman Sachs Bank USA	**NGF**	Nomura Global Financial Products, Inc.		

Currency Abbreviations:

AUD	Australian Dollar	**GBP**	British Pound	**MYR**	Malaysian Ringgit
BRL	Brazilian Real	**INR**	Indian Rupee	**NZD**	New Zealand Dollar
CAD	Canadian Dollar	**JPY**	Japanese Yen	**TWD**	Taiwanese Dollar
CNH	Chinese Renminbi (Offshore)	**KRW**	South Korean Won	**USD (or $)**	United States Dollar
COP	Colombian Peso	**MXN**	Mexican Peso	**ZAR**	South African Rand
EUR	Euro				

Exchange Abbreviations:

OTC	Over the Counter

Index/Spread Abbreviations:

CDX.HY	Credit Derivatives Index - High Yield	**CPALEMU**	Euro Area All Items Non-Seasonally Adjusted Index	**EXT-CPI**	Excluding Tobacco-Non-revised Consumer Price Index
CDX.IG	Credit Derivatives Index - Investment Grade	**CPURNSA**	Consumer Price All Urban Non-Seasonally Adjusted Index	**UKRPI**	United Kingdom Retail Price Index
CMBX	Commercial Mortgage-Backed Index				

Other Abbreviations:

ALT	Alternate Loan Trust	**NCUA**	National Credit Union Administration	**TIIE**	Tasa de Interés Interbancaria de Equilibrio "Equilibrium Interbank Interest Rate"
CLO	Collateralized Loan Obligation	**REMIC**	Real Estate Mortgage Investment Conduit	**YOY**	Year-Over-Year
LIBOR	London Interbank Offered Rate				

General Information

Investment Adviser and Administrator
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Newport Beach, CA 92660

Distributor
PIMCO Investments LLC
1633 Broadway
New York, NY 10019

Custodian
State Street Bank and Trust Company
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Kansas City, MO 64105

Transfer Agent
Boston Financial Data Services
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Legal Counsel
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Washington, D.C. 20006

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP
1100 Walnut Street, Suite 1300
Kansas City, MO 64106

This report is submitted for the general information of the shareholders of the PIMCO Variable Insurance Trust.

pvit.pimco-funds.com

PIMCO

PVIT16SAR_063016

Putnam Variable Trust

6|30|16

Semiannual report

Putnam VT
High Yield Fund

Putnam INVESTMENTS

Message from the Trustees

Dear Shareholder:

As summer comes to a close, we note that despite multiple headwinds and uncertainties both at home and overseas, the overall trajectory of the equity markets has been somewhat positive so far in 2016.

It is heartening that markets have recovered from various international and domestic challenges. We know volatile markets can be unsettling, but if recent events are any indication, we believe it is important not to overreact to short-term developments and to focus instead on the long term.

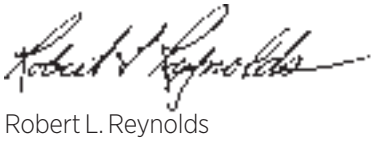
We believe the global environment continues to be supportive of stocks. Central banks around the world stand ready to add more stimulus and liquidity, if necessary, while the underpinnings of the U.S. economy remain solid, in our view. Overseas, higher hurdles to growth exist, but we believe that market gyrations may present investment opportunities. Within fixed income, yields have fallen — and in some cases have gone further into negative territory — as investors seek safety from turbulent markets, notably after the United Kingdom's vote to depart the European Union.

At Putnam, our portfolio managers seek positive returns in every kind of market environment, backed by our network of global analysts and their own experience navigating changing conditions. They, and we, share a deep conviction that an active approach based on fundamental research can play a valuable role in your portfolio. In the following pages, you will find an overview of your fund's performance for the reporting period ended June 30, 2016, as well as an outlook for the coming months.

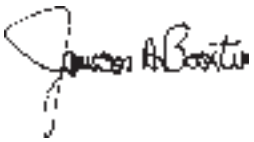
As always, it may be helpful for you to consult with your financial advisor, who can assist you in determining if your portfolio remains aligned with your long-term goals, time horizon, and tolerance for risk.

Thank you for investing with Putnam.

Respectfully yours,



Robert L. Reynolds
President and Chief Executive Officer
Putnam Investments



Jameson A. Baxter
Chair, Board of Trustees

August 8, 2016

Performance summary (as of 6/30/16)

Investment objective

High current income, with a secondary objective of capital growth when consistent with achieving high current income

Net asset value June 30, 2016

Class IA: $6.07	Class IB: $6.02

Total return at net asset value

(as of 6/30/16)	Class IA shares*	Class IB shares†	JPMorgan Developed High Yield Index‡
6 months	8.01%	8.01%	9.34%
1 year	–0.12	–0.35	1.49
5 years	28.21	26.81	35.10
Annualized	5.10	4.87	6.20
10 years	89.30	84.88	111.12
Annualized	6.59	6.34	7.76
Life	685.70	643.87	—
Annualized	7.53	7.32	—

For a portion of the periods, the fund had expense limitations, without which returns would have been lower.

* Class inception date: February 1, 1988.

† Class inception date: April 30, 1998.

‡ The fund's benchmark, the JPMorgan Developed High Yield Index, was introduced on 12/31/94, which post-dates the inception of the fund's class IA shares.

The JPMorgan Developed High Yield Index is an unmanaged index of high-yield fixed-income securities issued in developed countries.

Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and principal value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance information does not reflect any deduction for taxes a shareholder may owe on fund distributions or on the redemption of fund shares. All total return figures are at net asset value and exclude contract charges and expenses, which are added to the variable annuity contracts to determine total return at unit value. Had these charges and expenses been reflected, performance would have been lower. Performance of class IB shares before their inception is derived from the historical performance of class IA shares, adjusted to reflect the higher operating expenses applicable to such shares. For more recent performance, contact your variable annuity provider who can provide you with performance that reflects the charges and expenses at your contract level.

Portfolio composition

Consumer cyclicals	21.0%
Communication services	12.6%
Basic materials	11.3%
Energy	10.4%
Financials	9.9%
Health care	9.4%
Capital goods	7.8%
Utilities	5.7%
Consumer staples	5.0%
Technology	4.7%
Transportation	0.8%
Non-cash investments	–3.0%
Cash and net other assets	1.4%

Allocations are shown as a percentage of the fund's net assets. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, the use of different classifications of securities for presentation purposes, and rounding. Holdings and allocations may vary over time.

Allocations may not total 100% because the table includes the notional value of certain derivatives (the economic value for purposes of calculating periodic payment obligations), in addition to the market value of securities.

Credit quality

A	0.6%
BBB	7.6%
BB	37.6%
B	37.7%
CCC or below	11.3%
Not rated	3.8%
Cash and net other assets	1.4%

Credit qualities are shown as a percentage of net assets. A bond rated BBB or higher (A-3 or higher, for short-term debt) is considered investment grade. This chart reflects the highest security rating provided by one or more of Standard & Poor's, Moody's, and Fitch. Ratings and portfolio credit quality may vary over time.

Cash and net other assets, if any, represent the market value weights of cash, derivatives, and short-term securities in the portfolio. The fund itself has not been rated by an independent rating agency.

What was the environment like for high-yield bonds during the six-month reporting period ended June 30, 2016?

U.S. high-yield bonds strongly advanced for the six-month reporting period, sharply reversing course after ending 2015 with their first calendar-year decline since 2008. As measured by the JPMorgan Developed High Yield Index, the high-yield market gained 9.34%, struggling early on but surging alongside stocks beginning in mid-February as demand for risk assets improved and credit spreads tightened. The upturn coincided with improvement in the price of oil, as U.S. crude prices rose from about $33 per barrel in late January — a near 13-year low — to roughly $48 by period-end. Additional factors that boosted the high-yield market included signs of stabilization in the global economy, generally positive industry fundamentals and enormous monetary support from major central banks worldwide.

The rally in high-yield bonds was temporarily disrupted in June, as the surprise referendum vote by the United Kingdom to exit the European Union reverberated throughout global markets. As investors reassessed the Brexit outcome in the days immediately following the vote, the asset class rebounded.

Gains were broad-based across industries, with a wide gap between top and bottom performers. Reflecting the recovery in commodities prices, metals/mining led the way, advancing roughly 28%, followed by energy, which rose about 22%.

Meanwhile, traditionally defensive areas of the market struggled to keep pace amid the resource-fueled rally. Food and beverages, for example, returned a solid 5% but still trailed the broader market. Automotive, financials and health care also lagged the broader market.

As investor risk sentiment improved during the period, bonds rated Caa and below outperformed the broader market, as did split B-rated securities. At the same time, the larger, higher-quality B-rated and Ba-rated tiers showed modest muted gains.

What factors had the biggest influence on the fund's relative performance during the period?

At the sector/industry level, overweight positions in telecommunications and utilities, along with beneficial overall positioning in gaming/lodging/leisure, contributed the most versus the benchmark. On the downside, underweight allocations in energy and metals/mining, combined with adverse positioning in technology, hampered the fund's relative return, as did having lighter-than-benchmark exposure to lower-quality bonds.

In terms of individual holdings, overweights in oil and gas exploration and production company SM Energy and wireless communications provider Sprint Communications were the top relative contributors to relative fund performance.

What is your outlook for the coming months?

Looking at fundamentals, earnings for high-yield issuers in the first quarter of 2016 were better than expected, with companies posting the best earnings growth in six quarters. The 12-month default rate rose during the reporting period, but this increase was driven by issuers in commodity-related sectors, which accounted for roughly 85% of all defaults. Excluding energy and metals/mining, the default rate was only 0.53%. All told, we believe most high-yield issuers — excluding those in commodity-sensitive sectors — have been in reasonably good shape from a credit perspective, especially when viewed in light of what we believe will be a supportive economic backdrop.

We expect to see some typical seasonal weakness in the coming months, but a summer slowdown shouldn't be confused with cyclical weakness, in our view. However, we expect that macroeconomic and political factors may stoke continued volatility in the markets. Thus, an event like Brexit, which added a large dose of uncertainty to the global capital markets, may temper investors' appetite for risk. That said, we also recognize that investors will continue to search for yield, which we think may bolster the case for high-yield bonds.

How do you plan to position the fund in light of this outlook?

We plan to maintain broad diversification across market sectors. At period-end, the majority of the fund's holdings were in split Ba-rated or B-rated bonds, which occupy the middle tier of high-yield credit quality. From a sector/industry perspective, we favored housing, telecommunications, gaming/lodging/leisure, broadcasting, and utilities. By contrast, the fund was underweight in energy, technology, food and beverages, metals/mining, and services.

Lastly, we plan to hold a slightly higher-than-normal cash allocation in the portfolio to provide a cushion against bouts of market volatility, as well as any disruptions in the market's supply/demand environment.

The views expressed in this report are exclusively those of Putnam Management and are subject to change. They are not meant as investment advice. Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future.

Consider these risks before investing: Bond prices may fall or fail to rise over time for several reasons, including general financial market conditions, changing market perceptions of the risk of default, changes in government intervention, and factors related to a specific issuer or industry. These factors may also lead to periods of high volatility and reduced liquidity in the bond markets. Lower-rated bonds may offer higher yields in return for more risk. Bond investments are subject to interest-rate risk (the risk of bond prices falling if interest rates rise) and credit risk (the risk of an issuer defaulting on interest or principal payments). Interest-rate risk is generally greater for longer-term bonds, and credit risk is generally greater for below-investment-grade bonds. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate

or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. Unlike bonds, funds that invest in bonds have fees and expenses. You can lose money by investing in the fund.

Your fund's manager

Portfolio Manager **Paul D. Scanlon,** CFA, is a Co-Head of Fixed Income at Putnam. He joined Putnam in 1999 and has been in the investment industry since 1986.

In addition to Paul, your fund's portfolio managers are Norman P. Boucher and Robert L. Salvin.

Your fund's managers may also manage other accounts advised by Putnam Management or an affiliate, including retail mutual fund counterparts to the funds in Putnam Variable Trust.

Understanding your fund's expenses

As an investor in a variable annuity product that invests in a registered investment company, you pay ongoing expenses, such as management fees, distribution fees (12b-1 fees), and other expenses. In the most recent six-month period, your fund's expenses were limited; had expenses not been limited, they would have been higher. Using the following information, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You may also pay one-time transaction expenses, which are not shown in this section and would result in higher total expenses. Charges and expenses at the insurance company separate account level are not reflected. For more information, see your fund's prospectus or talk to your financial representative.

Review your fund's expenses

The two left-hand columns of the Expenses per $1,000 table show the expenses you would have paid on a $1,000 investment in your fund from 1/1/16 to 6/30/16. They also show how much a $1,000 investment would be worth at the close of the period, *assuming actual returns and expenses*. To estimate the ongoing expenses you paid over the period, divide your account value by $1,000, then multiply the result by the number in the first line for the class of shares you own.

Compare your fund's expenses with those of other funds

The two right-hand columns of the Expenses per $1,000 table show 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 costs) of investing in the fund with those of other funds. All shareholder reports of mutual funds and funds serving as variable annuity vehicles 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.

Expense ratios

	Class IA	Class IB
Total annual operating expenses for the fiscal year ended 12/31/15	0.70%	0.95%
Annualized expense ratio for the six-month period ended 6/30/16	0.72%	0.97%

Fiscal-year expense information in this table is taken from the most recent prospectus, is subject to change, and may differ from that shown for the annualized expense ratio and in the financial highlights of this report.

Expenses are shown as a percentage of average net assets.

Expenses per $1,000

	Expenses and value for a $1,000 investment, assuming actual returns for the 6 months ended 6/30/16		Expenses and value for a $1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 6/30/16	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per $1,000*†	$3.72	$5.02	$3.62	$4.87
Ending value (after expenses)	$1,080.10	$1,080.10	$1,021.28	$1,020.04

*Expenses for each share class are calculated using the fund's annualized expense ratio for each class, which represents the ongoing expenses as a percentage of average net assets for the six months ended 6/30/16. The expense ratio may differ for each share class.

†Expenses based on actual returns are calculated by multiplying the expense ratio by the average account value for the period; then multiplying the result by the number of days in the period; and then dividing that result by the number of days in the year. Expenses based on a hypothetical 5% return are calculated by multiplying the expense ratio by the average account value for the six-month period; then multiplying the result by the number of days in the six-month period; and then dividing that result by the number of days in the year.

The fund's portfolio 6/30/16 (Unaudited)

CORPORATE BONDS AND NOTES (87.2%)*	Principal amount	Value
Advertising and marketing services (0.6%)		
Lamar Media Corp. company guaranty sr. unsec. sub. notes 5 7/8s, 2022	$485,000	$504,400
Lamar Media Corp. company guaranty sr. unsec. sub. notes 5 3/8s, 2024	105,000	108,675
Outfront Media Capital, LLC/Outfront Media Capital Corp. company guaranty sr. unsec. sub. notes 5 7/8s, 2025	355,000	365,650
Outfront Media Capital, LLC/Outfront Media Capital Corp. company guaranty sr. unsec. sub. notes 5 5/8s, 2024	315,000	323,663
		1,302,388
Automotive (0.5%)		
Fiat Chrysler Automobiles NV sr. unsec. unsub. notes 5 1/4s, 2023 (Italy)	660,000	655,875
General Motors Co. sr. unsec. notes 5.2s, 2045	120,000	118,887
Lear Corp. company guaranty sr. unsec. unsub. notes 5 3/8s, 2024	170,000	178,925
Navistar International Corp. company guaranty sr. unsec. notes 8 1/4s, 2021	376,000	264,140
		1,217,827
Broadcasting (2.5%)		
Clear Channel Worldwide Holdings, Inc. company guaranty sr. unsec. sub. notes 7 5/8s, 2020	635,000	603,250
Clear Channel Worldwide Holdings, Inc. company guaranty sr. unsec. unsub. notes 6 1/2s, 2022	820,000	820,000
Entercom Radio, LLC company guaranty sr. unsec. notes 10 1/2s, 2019	275,000	290,125
iHeartCommunications, Inc. company guaranty sr. notes 9s, 2019	740,000	555,000
LIN Television Corp. company guaranty sr. unsec. unsub. notes 5 7/8s, 2022	75,000	75,375
Sinclair Television Group, Inc. company guaranty sr. unsec. sub. notes 6 3/8s, 2021	300,000	315,000
Sinclair Television Group, Inc. company guaranty sr. unsec. sub. notes 5 3/8s, 2021	70,000	72,100
Sinclair Television Group, Inc. 144A company guaranty sr. unsec. sub. notes 5 5/8s, 2024	665,000	679,963
Sirius XM Radio, Inc. 144A company guaranty sr. unsec. sub. notes 6s, 2024	320,000	330,800
TEGNA, Inc. company guaranty sr. unsec. bonds 5 1/8s, 2019	175,000	180,031
Townsquare Media, Inc. 144A company guaranty sr. unsec. notes 6 1/2s, 2023	305,000	301,569
Tribune Media Co. company guaranty sr. unsec. notes 5 7/8s, 2022	420,000	417,900
Univision Communications, Inc. 144A company guaranty sr. sub. notes 5 1/8s, 2025	810,000	800,888
Univision Communications, Inc. 144A company guaranty sr. unsec. notes 8 1/2s, 2021	267,000	279,015
		5,721,016
Building materials (0.8%)		
Masonite International Corp. 144A company guaranty sr. unsec. notes 5 5/8s, 2023	245,000	254,188
Nortek, Inc. company guaranty sr. unsec. sub. notes 8 1/2s, 2021	690,000	715,875
Standard Industries, Inc. 144A sr. unsec. notes 6s, 2025	245,000	256,025
Standard Industries, Inc. 144A sr. unsec. notes 5 3/8s, 2024	660,000	671,550
Standard Industries, Inc./NJ 144A sr. unsec. notes 5 1/8s, 2021	65,000	66,788
		1,964,426

CORPORATE BONDS AND NOTES (87.2%)* *cont.*		Principal amount	Value
Cable television (5.3%)			
Altice SA 144A company guaranty sr. unsec. notes 7 3/4s, 2022 (Luxembourg)		$1,340,000	$1,353,400
Altice SA 144A company guaranty sr. unsec. notes 7 5/8s, 2025 (Luxembourg)		400,000	391,000
Cablevision Systems Corp. sr. unsec. unsub. notes 8s, 2020		75,000	76,913
Cablevision Systems Corp. sr. unsec. unsub. notes 7 3/4s, 2018		235,000	251,596
CCO Holdings, LLC/CCO Holdings Capital Corp. company guaranty sr. unsec. notes 6 5/8s, 2022		235,000	247,925
CCO Holdings, LLC/CCO Holdings Capital Corp. company guaranty sr. unsec. notes 5 1/4s, 2022		480,000	490,800
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A company guaranty sr. unsec. bonds 5 1/2s, 2026		450,000	456,750
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A company guaranty sr. unsec. notes 5 7/8s, 2024		1,210,000	1,255,375
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A sr. unsec. notes 5 3/4s, 2026		215,000	221,450
CCO Holdings, LLC/CCO Holdings Capital Corp. 144A sr. unsec. unsub. notes 5 1/8s, 2023		615,000	618,459
Cequel Communications Holdings I, LLC/Cequel Capital Corp. 144A sr. unsec. unsub. notes 5 1/8s, 2021		995,000	945,250
Cequel Communications Holdings I, LLC/Cequel Capital Corp. 144A sr. unsec. unsub. notes 5 1/8s, 2021		100,000	95,250
CSC Holdings, LLC sr. unsec. unsub. bonds 5 1/4s, 2024		450,000	409,500
CSC Holdings, LLC sr. unsec. unsub. notes 6 3/4s, 2021		180,000	183,600
DISH DBS Corp. company guaranty sr. unsec. unsub. notes 5 7/8s, 2024		425,000	395,250
Neptune Finco Corp. 144A sr. unsec. unsub. notes 10 7/8s, 2025		200,000	228,624
Neptune Finco Corp. 144A sr. unsec. unsub. notes 10 1/8s, 2023		445,000	498,400
Numericable-SFR SA 144A company guaranty sr. notes 7 3/8s, 2026 (France)		510,000	504,263
Numericable-SFR SA 144A company guaranty sr. notes 6s, 2022 (France)		365,000	356,788
Numericable-SFR SA 144A sr. bonds 6 1/4s, 2024 (France)		530,000	503,500
Numericable-SFR SA 144A sr. bonds 5 5/8s, 2024 (France)	EUR	110,000	122,988
Quebecor Media, Inc. sr. unsec. unsub. notes 5 3/4s, 2023 (Canada)		$110,000	111,650
Unitymedia GmbH 144A company guaranty sr. notes 6 1/8s, 2025 (Germany)		200,000	201,020
Videotron, Ltd. company guaranty sr. unsec. unsub. notes 5s, 2022 (Canada)		685,000	708,975
Virgin Media Finance PLC 144A company guaranty sr. unsec. notes 6 3/8s, 2023 (United Kingdom)		285,000	286,425
Virgin Media Secured Finance PLC 144A sr. notes 5 3/8s, 2021 (United Kingdom)		256,500	263,233
WideOpenWest Finance, LLC/WideOpenWest Capital Corp. company guaranty sr. unsec. sub. notes 10 1/4s, 2019		1,000,000	1,035,000
			12,213,384
Capital goods (7.3%)			
Advanced Disposal Services, Inc. company guaranty sr. unsec. notes 8 1/4s, 2020		1,327,000	1,340,270
Amstead Industries, Inc. 144A company guaranty sr. unsec. sub. notes 5s, 2022		240,000	240,000

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Capital goods *cont.*		
Ardagh Packaging Finance PLC/Ardagh Holdings USA, Inc. 144A company guaranty sr. unsec. notes 7 1/4s, 2024 (Ireland)	$885,000	$904,913
ATS Automation Tooling Systems, Inc. 144A sr. unsec. notes 6 1/2s, 2023 (Canada)	295,000	300,531
Belden, Inc. 144A company guaranty sr. unsec. sub. notes 5 1/4s, 2024	580,000	561,150
Berry Plastics Corp. company guaranty notes 6s, 2022	205,000	211,919
Bombardier, Inc. 144A sr. unsec. unsub. notes 4 3/4s, 2019 (Canada)	585,000	558,675
Briggs & Stratton Corp. company guaranty sr. unsec. notes 6 7/8s, 2020	800,000	872,000
Crown Cork & Seal Co., Inc. company guaranty sr. unsec. bonds 7 3/8s, 2026	215,000	236,500
DH Services Luxembourg Sarl 144A company guaranty sr. unsec. sub. notes 7 3/4s, 2020 (Luxembourg)	305,000	319,488
Gates Global, LLC/Gates Global Co. 144A company guaranty sr. unsec. notes 6s, 2022	1,505,000	1,316,875
KLX, Inc. 144A company guaranty sr. unsec. notes 5 7/8s, 2022	855,000	837,900
Legrand France SA sr. unsec. unsub. notes 8 1/2s, 2025 (France)	920,000	1,253,411
Manitowoc Foodservice, Inc. 144A sr. unsec. notes 9 1/2s, 2024	785,000	877,238
MasTec, Inc. company guaranty sr. unsec. unsub. notes 4 7/8s, 2023	950,000	881,125
Moog, Inc. 144A company guaranty sr. unsec. notes 5 1/4s, 2022	680,000	688,500
Oshkosh Corp. company guaranty sr. unsec. sub. notes 5 3/8s, 2025	305,000	313,388
Oshkosh Corp. company guaranty sr. unsec. sub. notes 5 3/8s, 2022	425,000	437,750
Reynolds Group Issuer, Inc./Reynolds Group Issuer, LLC/Reynolds Group Issuer Lu company guaranty sr. unsec. unsub. notes 9 7/8s, 2019	144,000	148,680
Reynolds Group Issuer, Inc./Reynolds Group Issuer, LLC/Reynolds Group Issuer Lu company guaranty sr. unsec. unsub. notes 8 1/4s, 2021 (New Zealand)	370,000	387,064
Reynolds Group Issuer, Inc./Reynolds Group Issuer, LLC/Reynolds Group Issuer Lu 144A company guaranty sr. unsec. unsub. notes 7s, 2024	450,000	463,275
Tenneco, Inc. company guaranty sr. unsec. unsub. notes 5 3/8s, 2024	365,000	378,688
Tenneco, Inc. company guaranty sr. unsec. unsub. notes 5s, 2026	200,000	202,874
Terex Corp. company guaranty sr. unsec. notes 6s, 2021	385,000	385,481
TI Group Automotive Systems, LLC 144A sr. unsec. notes 8 3/4s, 2023	865,000	847,700
TransDigm, Inc. company guaranty sr. unsec. sub. notes 7 1/2s, 2021	410,000	434,600
TransDigm, Inc. company guaranty sr. unsec. unsub. notes 6 1/2s, 2024	145,000	147,085
TransDigm, Inc. 144A company guaranty sr. unsec. sub. bonds 6 3/8s, 2026	325,000	324,188
ZF North America Capital, Inc. 144A company guaranty sr. unsec. unsub. notes 4 3/4s, 2025	770,000	780,102
ZF North America Capital, Inc. 144A company guaranty sr. unsec. unsub. notes 4 1/2s, 2022	325,000	329,469
		16,980,839

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Chemicals (2.9%)		
A Schulman, Inc. 144A company guaranty sr. unsec. unsub. notes 6 7/8s, 2023	$575,000	$574,138
Blue Cube Spinco, Inc. 144A company guaranty sr. unsec. notes 9 3/4s, 2023	320,000	370,400
Celanese US Holdings, LLC company guaranty sr. unsec. notes 5 7/8s, 2021 (Germany)	180,000	201,150
Celanese US Holdings, LLC company guaranty sr. unsec. unsub. notes 4 5/8s, 2022 (Germany)	370,000	392,663
Chemours Co. (The) company guaranty sr. unsec. unsub. notes 7s, 2025	215,000	180,331
Chemours Co. (The) company guaranty sr. unsec. unsub. notes 6 5/8s, 2023	330,000	280,500
Compass Minerals International, Inc. 144A company guaranty sr. unsec. notes 4 7/8s, 2024	600,000	559,500
GCP Applied Technologies, Inc. 144A company guaranty sr. unsec. notes 9 1/2s, 2023	810,000	905,175
Huntsman International, LLC company guaranty sr. unsec. notes 5 1/8s, 2022	445,000	440,550
Kraton Polymers LLC/Kraton Polymers Capital Corp. 144A company guaranty sr. unsec. notes 10 1/2s, 2023	485,000	516,525
Perstorp Holding AB 144A company guaranty sr. notes 8 3/4s, 2017 (Sweden)	660,000	653,400
PQ Corp. 144A company guaranty sr. notes 6 3/4s, 2022	145,000	151,163
Univar USA, Inc. 144A company guaranty sr. unsec. notes 6 3/4s, 2023	270,000	266,625
WR Grace & Co.- Conn. 144A company guaranty sr. unsec. notes 5 5/8s, 2024	960,000	984,000
WR Grace & Co.- Conn. 144A company guaranty sr. unsec. notes 5 1/8s, 2021	185,000	190,088
		6,666,208
Commercial and consumer services (0.3%)		
Mustang Merger Corp. 144A sr. unsec. notes 8 1/2s, 2021	120,000	125,400
Sabre GLBL, Inc. 144A company guaranty sr. notes 5 3/8s, 2023	510,000	521,475
		646,875
Construction (2.5%)		
Beacon Roofing Supply, Inc. company guaranty sr. unsec. unsub. notes 6 3/8s, 2023	870,000	911,325
Builders FirstSource, Inc. 144A company guaranty sr. unsec. notes 10 3/4s, 2023	685,000	744,938
Builders FirstSource, Inc. 144A sr. notes 7 5/8s, 2021	375,000	391,875
Cemex Finance, LLC 144A company guaranty sr. notes 9 3/8s, 2022 (Mexico)	425,000	465,906
Cemex Finance, LLC 144A company guaranty sr. notes 6s, 2024 (Mexico)	375,000	363,750
Cemex SAB de CV 144A company guaranty sr. sub. notes 5.7s, 2025 (Mexico)	395,000	375,250
CPG Merger Sub, LLC 144A company guaranty sr. unsec. notes 8s, 2021	255,000	255,000
HD Supply, Inc. company guaranty sr. unsec. sub. notes 7 1/2s, 2020	165,000	172,821
HD Supply, Inc. 144A company guaranty sr. unsec. notes 5 3/4s, 2024	260,000	270,400
U.S. Concrete, Inc. 144A company guaranty sr. unsec. notes 6 3/8s, 2024	390,000	390,000
USG Corp. 144A company guaranty sr. unsec. notes 5 7/8s, 2021	125,000	130,781
USG Corp. 144A company guaranty sr. unsec. notes 5 1/2s, 2025	440,000	460,900
Weekley Homes, LLC/Weekley Finance Corp. sr. unsec. notes 6s, 2023	870,000	765,600
		5,698,546

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Consumer (0.4%)		
Gibson Brands, Inc. 144A sr. notes 8 7/8s, 2018	$420,000	$233,625
Spectrum Brands, Inc. company guaranty sr. unsec. notes 5 3/4s, 2025	220,000	229,075
Spectrum Brands, Inc. company guaranty sr. unsec. sub. notes 6 3/8s, 2020	45,000	46,969
Spectrum Brands, Inc. company guaranty sr. unsec. unsub. notes 6 1/8s, 2024	300,000	316,500
		826,169
Consumer staples (4.6%)		
1011778 BC ULC/New Red Finance, Inc. 144A company guaranty notes 6s, 2022 (Canada)	845,000	876,426
1011778 BC ULC/New Red Finance, Inc. 144A company guaranty sr. notes 4 5/8s, 2022 (Canada)	240,000	243,600
Ashtead Capital, Inc. 144A company guaranty notes 6 1/2s, 2022	675,000	702,419
BlueLine Rental Finance Corp. 144A notes 7s, 2019	530,000	455,800
CEC Entertainment, Inc. company guaranty sr. unsec. sub. notes 8s, 2022	655,000	633,713
Ceridian HCM Holding, Inc. 144A sr. unsec. notes 11s, 2021	1,235,000	1,228,825
Constellation Brands, Inc. company guaranty sr. unsec. unsub. notes 6s, 2022	335,000	374,363
Corrections Corp. of America company guaranty sr. unsec. notes 4 5/8s, 2023 **R**	910,000	916,825
Corrections Corp. of America company guaranty sr. unsec. sub. notes 4 1/8s, 2020 **R**	110,000	113,163
Dean Foods Co. 144A company guaranty sr. unsec. notes 6 1/2s, 2023	680,000	701,250
ESAL GmbH 144A company guaranty sr. unsec. notes 6 1/4s, 2023 (Brazil)	490,000	480,200
JBS USA, LLC/JBS USA Finance, Inc. 144A company guaranty sr. unsec. notes 7 1/4s, 2021 (Brazil)	190,000	196,650
KFC Holding Co./Pizza Hut Holdings, LLC/Taco Bell of America, LLC 144A company guaranty sr. unsec. notes 5 1/4s, 2026	405,000	415,125
KFC Holding Co./Pizza Hut Holdings, LLC/Taco Bell of America, LLC 144A company guaranty sr. unsec. notes 5s, 2024	405,000	412,088
Landry's Holdings II, Inc. 144A sr. unsec. notes 10 1/4s, 2018	130,000	131,300
Pilgrim's Pride Corp. 144A company guaranty sr. unsec. notes 5 3/4s, 2025	290,000	289,275
Prestige Brands, Inc. 144A company guaranty sr. unsec. notes 5 3/8s, 2021	535,000	539,013
Revlon Consumer Products Corp. company guaranty sr. unsec. sub. notes 5 3/4s, 2021	965,000	931,225
Rite Aid Corp. 144A company guaranty sr. unsec. unsub. notes 6 1/8s, 2023	685,000	731,238
Vander Intermediate Holding II Corp. 144A sr. unsec. notes 9 3/4s, 2019 ‡‡	165,000	88,275
WhiteWave Foods Co. (The) company guaranty sr. unsec. notes 5 3/8s, 2022	280,000	299,600
		10,760,373
Energy (10.0%)		
Anadarko Petroleum Corp. sr. unsec. unsub. notes 5.55s, 2026	280,000	309,783
Antero Resources Corp. company guaranty sr. unsec. notes 5 5/8s, 2023	255,000	247,350
Antero Resources Corp. company guaranty sr. unsec. sub. notes 5 1/8s, 2022	595,000	571,200
Antero Resources Finance Corp. company guaranty sr. unsec. sub. notes 5 3/8s, 2021	305,000	298,138

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Energy *cont.*		
Archrock Partners LP/Archrock Partners Finance Corp. company guaranty sr. unsec. notes 6s, 2022	$780,000	$690,300
Archrock Partners LP/Archrock Partners Finance Corp. company guaranty sr. unsec. notes 6s, 2021	70,000	62,650
Baytex Energy Corp. 144A company guaranty sr. unsec. sub. notes 5 5/8s, 2024 (Canada)	345,000	277,725
Baytex Energy Corp. 144A company guaranty sr. unsec. sub. notes 5 1/8s, 2021 (Canada)	120,000	100,440
California Resources Corp. 144A company guaranty notes 8s, 2022	941,000	668,110
Cenovus Energy, Inc. sr. unsec. bonds 6 3/4s, 2039 (Canada)	55,000	57,758
Cenovus Energy, Inc. sr. unsec. bonds 4.45s, 2042 (Canada)	215,000	171,087
CHC Helicopter SA company guaranty sr. notes 9 1/4s, 2020 (Canada) (In default) †	288,000	128,160
Chesapeake Energy Corp. 144A company guaranty notes 8s, 2022	586,000	496,635
Concho Resources, Inc. company guaranty sr. unsec. notes 5 1/2s, 2023	810,000	812,025
Continental Resources, Inc. company guaranty sr. unsec. notes 3.8s, 2024	115,000	100,338
Continental Resources, Inc. company guaranty sr. unsec. sub. notes 5s, 2022	420,000	410,550
Continental Resources, Inc. company guaranty sr. unsec. unsub. notes 4 1/2s, 2023	395,000	368,338
Denbury Resources, Inc. company guaranty sr. unsec. sub. notes 6 3/8s, 2021	115,000	79,350
Denbury Resources, Inc. 144A company guaranty notes 9s, 2021	619,000	619,000
Devon Financing Company, LLC company guaranty sr. unsec. unsub. bonds 7 7/8s, 2031	450,000	523,653
EP Energy, LLC/Everest Acquisition Finance, Inc. company guaranty sr. unsec. notes 6 3/8s, 2023	255,000	153,000
EP Energy, LLC/Everest Acquisition Finance, Inc. company guaranty sr. unsec. sub. notes 9 3/8s, 2020	1,100,000	778,250
Halcon Resources Corp. company guaranty sr. unsec. unsub. notes 8 7/8s, 2021	1,465,000	293,000
Halcon Resources Corp. 144A company guaranty notes 8 5/8s, 2020	295,000	278,775
Hess Corp. sr. unsec. unsub. notes 7.3s, 2031	295,000	338,762
Key Energy Services, Inc. company guaranty sr. unsec. unsub. notes 6 3/4s, 2021 (In default) †	185,000	74,000
Laredo Petroleum, Inc. company guaranty sr. unsec. notes 7 3/8s, 2022	850,000	852,125
Lightstream Resources, Ltd. 144A sr. unsec. notes 8 5/8s, 2020 (Canada) (In default) †	580,000	40,600
Linn Energy, LLC/Linn Energy Finance Corp. 144A company guaranty notes 12s, 2020 (In default) †	1,354,000	463,745
Lone Pine Resources Canada, Ltd. escrow company guaranty sr. unsec. notes 10 3/8s, 2017 (Canada) **F**	195,000	10
Marathon Oil Corp. sr. unsec. unsub. notes 3.85s, 2025	220,000	202,121
MEG Energy Corp. 144A company guaranty sr. unsec. notes 7s, 2024 (Canada)	245,000	188,650

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Energy *cont.*		
MEG Energy Corp. 144A company guaranty sr. unsec. notes 6 1/2s, 2021 (Canada)	$165,000	$127,875
Milagro Oil & Gas, Inc. company guaranty notes 10 1/2s, 2017 (In default) †	865,000	304,913
Newfield Exploration Co. sr. unsec. unsub. notes 5 3/4s, 2022	1,070,000	1,078,025
Newfield Exploration Co. sr. unsec. unsub. notes 5 3/8s, 2026	500,000	486,250
Oasis Petroleum, Inc. company guaranty sr. unsec. notes 6 1/2s, 2021	240,000	219,000
Oasis Petroleum, Inc. company guaranty sr. unsec. sub. notes 6 7/8s, 2023	620,000	561,100
Oasis Petroleum, Inc. company guaranty sr. unsec. unsub. notes 6 7/8s, 2022	485,000	448,019
Range Resources Corp. company guaranty sr. unsec. sub. notes 5 3/4s, 2021	400,000	391,000
Rose Rock Midstream LP/Rose Rock Finance Corp. company guaranty sr. unsec. sub. notes 5 5/8s, 2023	270,000	234,900
Rose Rock Midstream LP/Rose Rock Finance Corp. company guaranty sr. unsec. sub. notes 5 5/8s, 2022	155,000	136,400
Sabine Pass Liquefaction, LLC sr. notes 6 1/4s, 2022	370,000	378,325
Sabine Pass Liquefaction, LLC sr. notes 5 3/4s, 2024	360,000	357,300
Sabine Pass Liquefaction, LLC sr. notes 5 5/8s, 2023	345,000	346,294
Sabine Pass Liquefaction, LLC 144A sr. notes 5 7/8s, 2026	400,000	401,500
Sabine Pass LNG LP company guaranty sr. sub. notes 6 1/2s, 2020	285,000	296,578
Samson Investment Co. company guaranty sr. unsec. notes 9 3/4s, 2020 (In default) †	1,340,000	26,800
SandRidge Energy, Inc. 144A company guaranty notes 8 3/4s, 2020 (In default) †	670,000	274,700
Seven Generations Energy, Ltd. 144A sr. unsec. bonds 6 3/4s, 2023 (Canada)	325,000	328,250
Seven Generations Energy, Ltd. 144A sr. unsec. sub. notes 8 1/4s, 2020 (Canada)	550,000	569,938
Seventy Seven Energy, Inc. sr. unsec. sub. notes 6 1/2s, 2022 (In default) †	345,000	20,700
Seventy Seven Operating, LLC company guaranty sr. unsec. unsub. notes 6 5/8s, 2019 (In default) †	770,000	385,000
SM Energy Co. sr. unsec. notes 6 1/2s, 2021	320,000	300,000
SM Energy Co. sr. unsec. sub. notes 5s, 2024	620,000	530,100
SM Energy Co. sr. unsec. unsub. notes 6 1/2s, 2023	235,000	217,375
SM Energy Co. sr. unsec. unsub. notes 6 1/8s, 2022	150,000	137,813
Tervita Corp. 144A sr. unsec. notes 10 7/8s, 2018 (Canada) (In default) †	175,000	44,625
Triangle USA Petroleum Corp. 144A company guaranty sr. unsec. notes 6 3/4s, 2022	310,000	71,300
Unit Corp. company guaranty sr. unsec. sub. notes 6 5/8s, 2021	160,000	123,600
Western Gas Partners LP sr. unsec. unsub. notes 4.65s, 2026	155,000	154,684
Whiting Petroleum Corp. company guaranty sr. unsec. unsub. notes 5 3/4s, 2021	144,000	130,320
Whiting Petroleum Corp. company guaranty sr. unsec. unsub. notes 5s, 2019	450,000	414,000
Williams Cos., Inc. (The) sr. unsec. unsub. notes 7 7/8s, 2021	208,000	223,600
Williams Cos., Inc. (The) sr. unsec. unsub. notes 7 3/4s, 2031	435,000	439,350
Williams Partners LP/ACMP Finance Corp. company guaranty sr. unsec. unsub. notes 6 1/8s, 2022	$253,000	$259,554
Williams Partners LP/ACMP Finance Corp. sr. unsec. unsub. notes 4 7/8s, 2023	605,000	583,825
WPX Energy, Inc. sr. unsec. notes 7 1/2s, 2020	300,000	299,436
WPX Energy, Inc. sr. unsec. unsub. notes 6s, 2022	1,160,000	1,078,800
		23,036,877
Entertainment (1.9%)		
AMC Entertainment, Inc. company guaranty sr. unsec. sub. notes 5 7/8s, 2022	425,000	427,125
AMC Entertainment, Inc. 144A company guaranty sr. unsec. sub. notes 5 3/4s, 2025	420,000	417,900
Cedar Fair LP/Canada's Wonderland Co./Magnum Management Corp. company guaranty sr. unsec. notes 5 1/4s, 2021	190,000	194,665
Cinemark USA, Inc. company guaranty sr. unsec. notes 5 1/8s, 2022	405,000	412,088
Cinemark USA, Inc. company guaranty sr. unsec. sub. notes 4 7/8s, 2023	295,000	292,050
GLP Capital LP/GLP Financing II, Inc. company guaranty sr. unsec. sub. notes 4 7/8s, 2020	560,000	580,300
GLP Capital LP/GLP Financing II, Inc. company guaranty sr. unsec. unsub. notes 5 3/8s, 2026	225,000	231,750
Regal Entertainment Group sr. unsec. sub. notes 5 3/4s, 2025	280,000	276,500
Regal Entertainment Group sr. unsec. sub. notes 5 3/4s, 2023	635,000	639,763
Regal Entertainment Group sr. unsec. sub. notes 5 3/4s, 2022	125,000	127,813
Six Flags Entertainment Corp. 144A company guaranty sr. unsec. unsub. notes 5 1/4s, 2021	835,000	861,094
		4,461,048
Financials (8.8%)		
Alliance Data Systems Corp. 144A company guaranty sr. unsec. notes 5 3/8s, 2022	490,000	469,175
Ally Financial, Inc. company guaranty sr. unsec. notes 8s, 2031	1,005,000	1,163,288
Ally Financial, Inc. sub. unsec. notes 5 3/4s, 2025	540,000	541,350
American International Group, Inc. jr. unsec. sub. FRB 8.175s, 2058	360,000	452,496
Banco Bilbao Vizcaya Argentaria SA jr. unsec. sub. FRB 9s, perpetual maturity (Spain)	400,000	398,000
Bank of America Corp. jr. unsec. sub. FRN Ser. AA, 6.1s, perpetual maturity	215,000	218,225
Bank of America Corp. jr. unsec. sub. FRN Ser. Z, 6 1/2s, perpetual maturity	270,000	287,550
CIT Group, Inc. sr. unsec. sub. notes 5s, 2023	365,000	369,563
CIT Group, Inc. sr. unsec. unsub. notes 5 3/8s, 2020	390,000	406,575
CIT Group, Inc. sr. unsec. unsub. notes 5s, 2022	340,000	345,950
Citigroup, Inc. jr. unsec. sub. FRN Ser. Q, 5.95s, perpetual maturity	175,000	170,498
CNG Holdings, Inc./OH 144A sr. notes 9 3/8s, 2020	720,000	352,800
CNO Financial Group, Inc. sr. unsec. unsub. notes 5 1/4s, 2025	305,000	314,150
CNO Financial Group, Inc. sr. unsec. unsub. notes 4 1/2s, 2020	265,000	274,275
Credit Acceptance Corp. company guaranty sr. unsec. notes 7 3/8s, 2023	265,000	254,400
Credit Acceptance Corp. company guaranty sr. unsec. notes 6 1/8s, 2021	595,000	566,738
Credit Suisse Group AG 144A jr. unsec. sub. FRN 6 1/4s, perpetual maturity (Switzerland)	200,000	188,500

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Financials *cont.*		
DFC Finance Corp. 144A company guaranty sr. notes 10 1/2s, 2020	$700,000	$420,000
Dresdner Funding Trust I 144A jr. unsec. sub. notes 8.151s, 2031	510,000	594,405
E*Trade Financial Corp. sr. unsec. unsub. notes 5 3/8s, 2022	250,000	263,750
E*Trade Financial Corp. sr. unsec. unsub. notes 4 5/8s, 2023	545,000	551,813
ESH Hospitality, Inc. 144A company guaranty sr. unsec. notes 5 1/4s, 2025 R	300,000	292,125
Genworth Holdings, Inc. company guaranty jr. unsec. sub. FRN 6.15s, 2066	290,000	95,700
Hub Holdings, LLC/Hub Holdings Finance, Inc. 144A sr. unsec. sub. notes 8 1/8s, 2019 ‡‡	130,000	124,800
HUB International, Ltd. 144A sr. unsec. notes 7 7/8s, 2021	985,000	945,600
Icahn Enterprises LP/Icahn Enterprises Finance Corp. company guaranty sr. unsec. notes 5 7/8s, 2022	595,000	560,865
iStar, Inc. sr. unsec. notes 5s, 2019 R	230,000	214,475
Liberty Mutual Group, Inc. 144A company guaranty jr. unsec. sub. bonds 7.8s, 2037	255,000	277,950
Lloyds Bank PLC jr. unsec. sub. FRN Ser. EMTN, 13s, perpetual maturity (United Kingdom) GBP	115,000	249,808
Lloyds Banking Group PLC jr. unsec. sub. FRB 7 1/2s, perpetual maturity (United Kingdom)	$328,000	320,620
MPT Operating Partnership LP/MPT Finance Corp. company guaranty sr. unsec. notes 6 3/8s, 2024 R	225,000	239,625
MPT Operating Partnership LP/MPT Finance Corp. company guaranty sr. unsec. notes 6 3/8s, 2022 R	350,000	364,875
Nationstar Mortgage, LLC/Nationstar Capital Corp. company guaranty sr. unsec. unsub. notes 7 7/8s, 2020	465,000	435,938
Nationstar Mortgage, LLC/Nationstar Capital Corp. company guaranty sr. unsec. unsub. notes 6 1/2s, 2021	435,000	371,925
Neuberger Berman Group, LLC/Neuberger Berman Finance Corp. 144A sr. unsec. notes 5 7/8s, 2022	420,000	438,375
Ocwen Financial Corp. sr. unsec. notes 6 5/8s, 2019	125,000	85,000
OneMain Financial Holdings, LLC 144A company guaranty sr. unsec. sub. notes 6 3/4s, 2019	275,000	268,125
OneMain Financial Holdings, LLC 144A company guaranty sr. unsec. unsub. notes 7 1/4s, 2021	590,000	572,300
PHH Corp. sr. unsec. unsub. notes 7 3/8s, 2019	165,000	161,700
PHH Corp. sr. unsec. unsub. notes 6 3/8s, 2021	335,000	297,731
Provident Funding Associates LP/PFG Finance Corp. 144A company guaranty sr. unsec. notes 6 3/4s, 2021	670,000	637,338
Royal Bank of Scotland Group PLC jr. unsec. sub. FRB 8s, perpetual maturity (United Kingdom)	245,000	228,463
Royal Bank of Scotland Group PLC jr. unsec. sub. FRB 7.648s, perpetual maturity (United Kingdom)	1,515,000	1,764,975
Springleaf Finance Corp. company guaranty sr. unsec. unsub. notes 8 1/4s, 2020	170,000	170,425
Springleaf Finance Corp. company guaranty sr. unsec. unsub. notes 7 3/4s, 2021	155,000	149,188
Springleaf Finance Corp. sr. unsec. unsub. notes 5 1/4s, 2019	155,000	144,344
Stearns Holdings, Inc. 144A company guaranty sr. notes 9 3/8s, 2020	557,000	517,314
TMX Finance, LLC/TitleMax Finance Corp. 144A company guaranty sr. notes 8 1/2s, 2018	415,000	332,000
TRI Pointe Group, Inc./TRI Pointe Homes, Inc. company guaranty sr. unsec. unsub. notes 5 7/8s, 2024	480,000	487,800
USI, Inc./NY 144A sr. unsec. notes 7 3/4s, 2021	$545,000	$539,550
VEREIT Operating Partnership LP company guaranty sr. unsec. unsub. bonds 4 7/8s, 2026 R	80,000	82,200
Walter Investment Management Corp. company guaranty sr. unsec. notes 7 7/8s, 2021	235,000	115,444
Wayne Merger Sub, LLC 144A sr. unsec. notes 8 1/4s, 2023	265,000	261,688
		20,351,767
Forest products and packaging (2.0%)		
Boise Cascade Co. company guaranty sr. unsec. notes 6 3/8s, 2020	855,000	872,100
Coveris Holding Corp. 144A company guaranty sr. unsec. notes 10s, 2018	255,000	255,000
Coveris Holdings SA 144A company guaranty sr. unsec. notes 7 7/8s, 2019 (Luxembourg)	535,000	520,288
Louisiana-Pacific Corp. company guaranty sr. unsec. notes 7 1/2s, 2020	360,000	372,150
Mercer International, Inc. company guaranty sr. unsec. notes 7 3/4s, 2022 (Canada)	805,000	805,000
Norbord, Inc. 144A company guaranty sr. notes 6 1/4s, 2023 (Canada)	690,000	705,525
Pactiv LLC sr. unsec. unsub. bonds 8 3/8s, 2027	65,000	68,250
Sealed Air Corp. 144A company guaranty sr. unsec. notes 6 7/8s, 2033	375,000	397,500
Smurfit Kappa Treasury Funding, Ltd. company guaranty sr. unsec. unsub. notes 7 1/2s, 2025 (Ireland)	630,000	734,738
		4,730,551
Gaming and lottery (2.4%)		
Boyd Gaming Corp. company guaranty sr. unsec. sub. notes 6 7/8s, 2023	340,000	362,100
Boyd Gaming Corp. 144A company guaranty sr. unsec. unsub. bonds 6 3/8s, 2026	170,000	177,650
Eldorado Resorts, Inc. company guaranty sr. unsec. unsub. notes 7s, 2023	580,000	601,750
Great Canadian Gaming Corp. 144A company guaranty sr. unsec. notes 6 5/8s, 2022 (Canada) CAD	740,000	584,233
Isle of Capri Casinos, Inc. company guaranty sr. unsec. notes 5 7/8s, 2021	$250,000	259,375
Penn National Gaming, Inc. sr. unsec. sub. notes 5 7/8s, 2021	635,000	646,113
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp. 144A sr. notes 9 1/2s, 2019	310,000	317,750
ROC Finance, LLC/ROC Finance 1 Corp. 144A notes 12 1/8s, 2018	1,000,000	1,036,250
Scientific Games International, Inc. company guaranty sr. unsec. notes 10s, 2022	1,670,000	1,356,875
Scientific Games International, Inc. company guaranty sr. unsec. sub. notes 6 1/4s, 2020	180,000	113,850
Scientific Games International, Inc. 144A company guaranty sr. notes 7s, 2022	145,000	145,725
		5,601,671
Health care (8.3%)		
Acadia Healthcare Co., Inc. company guaranty sr. unsec. sub. notes 6 1/8s, 2021	740,000	760,350
Acadia Healthcare Co., Inc. company guaranty sr. unsec. sub. notes 5 1/8s, 2022	450,000	436,500
AMAG Pharmaceuticals, Inc. 144A company guaranty sr. unsec. notes 7 7/8s, 2023	575,000	514,588
Centene Corp. sr. unsec. unsub. notes 4 3/4s, 2022	490,000	499,800
Centene Escrow Corp. 144A sr. unsec. notes 6 1/8s, 2024	500,000	531,563

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Health care *cont.*		
Centene Escrow Corp. 144A sr. unsec. notes 5 5/8s, 2021	$155,000	$161,588
CHS/Community Health Systems, Inc. company guaranty sr. notes 5 1/8s, 2021	120,000	119,100
CHS/Community Health Systems, Inc. company guaranty sr. unsec. notes 6 7/8s, 2022	520,000	455,000
Concordia Healthcare Corp. 144A company guaranty sr. unsec. notes 7s, 2023 (Canada)	540,000	457,650
ConvaTec Healthcare E SA 144A company guaranty sr. unsec. unsub. notes 10 1/2s, 2018 (Luxembourg)	575,000	589,611
Crimson Merger Sub, Inc. 144A sr. unsec. notes 6 5/8s, 2022	975,000	804,375
DPx Holdings BV 144A sr. unsec. sub. notes 7 1/2s, 2022 (Netherlands)	820,000	842,550
Endo Finance, LLC/Endo Finco, Inc. 144A company guaranty sr. unsec. unsub. notes 5 7/8s, 2023	250,000	217,500
Endo Limited/Endo Finance LLC/Endo Finco, Inc. 144A company guaranty sr. unsec. unsub. notes 6s, 2023 (Ireland)	810,000	712,800
Halyard Health, Inc. company guaranty sr. unsec. unsub. notes 6 1/4s, 2022	340,000	331,500
HCA, Inc. company guaranty sr. bonds 5 1/4s, 2026	470,000	487,919
HCA, Inc. company guaranty sr. notes 6 1/2s, 2020	1,070,000	1,187,700
HCA, Inc. company guaranty sr. unsec. unsub. notes 7 1/2s, 2022	210,000	238,875
HCA, Inc. company guaranty sr. unsec. unsub. notes 5 3/8s, 2025	165,000	169,125
Jaguar Holding Co. II/Pharmaceutical Product Development, LLC 144A company guaranty sr. unsec. notes 6 3/8s, 2023	490,000	501,025
JLL/Delta Dutch Pledgeco BV 144A sr. unsec. notes 8 3/4s, 2020 (Netherlands) ‡‡	615,000	615,000
Kinetic Concepts, Inc./KCI USA, Inc. company guaranty sub. notes 10 1/2s, 2018	885,000	882,788
Kinetic Concepts, Inc./KCI USA, Inc. 144A company guaranty sr. notes 7 7/8s, 2021	495,000	526,244
Mallinckrodt International Finance SA/Mallinckrodt CB, LLC 144A company guaranty sr. unsec. unsub. notes 5 1/2s, 2025 (Luxembourg)	345,000	307,913
MEDNAX, Inc. 144A company guaranty sr. unsec. unsub. notes 5 1/4s, 2023	205,000	207,563
Molina Healthcare, Inc. 144A company guaranty sr. unsec. notes 5 3/8s, 2022	350,000	349,125
Omega Healthcare Investors, Inc. company guaranty sr. unsec. unsub. notes 4.95s, 2024 **R**	515,000	535,788
Service Corp. International/US sr. unsec. notes 5 3/8s, 2022	1,000,000	1,030,000
Service Corp. International/US sr. unsec. unsub. notes 5 3/8s, 2024	485,000	503,188
Sterigenics-Nordion Holdings, LLC 144A sr. unsec. notes 6 1/2s, 2023	310,000	313,875
Tenet Healthcare Corp. company guaranty sr. bonds 4 1/2s, 2021	435,000	438,263
Tenet Healthcare Corp. company guaranty sr. FRN 4.153s, 2020	690,000	681,375
Tenet Healthcare Corp. company guaranty sr. sub. notes 6s, 2020	925,000	975,875
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 7s, 2020	315,000	277,988
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 6 3/8s, 2020	$90,000	$77,400
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 6 1/8s, 2025	520,000	417,300
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 5 7/8s, 2023	625,000	504,688
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 5 1/2s, 2023	265,000	212,828
Valeant Pharmaceuticals International, Inc. 144A company guaranty sr. unsec. notes 5 3/8s, 2020	400,000	341,750
		19,218,070
Homebuilding (2.4%)		
American Builders & Contractors Supply Co., Inc. 144A sr. unsec. notes 5 3/4s, 2023	470,000	484,100
Brookfield Residential Properties, Inc. 144A company guaranty sr. unsec. notes 6 1/2s, 2020 (Canada)	645,000	643,388
CalAtlantic Group, Inc. company guaranty sr. unsec. sub. notes 6 1/4s, 2021	630,000	669,375
CalAtlantic Group, Inc. company guaranty sr. unsec. sub. notes 5 7/8s, 2024	285,000	293,550
Howard Hughes Corp. (The) 144A sr. unsec. notes 6 7/8s, 2021	1,120,000	1,128,400
Lennar Corp. company guaranty sr. unsec. unsub. notes 4 3/4s, 2022	90,000	91,463
Lennar Corp. company guaranty sr. unsec. unsub. notes 4 3/4s, 2021	330,000	343,200
Mattamy Group Corp. 144A sr. unsec. notes 6 1/2s, 2020 (Canada)	620,000	595,200
PulteGroup, Inc. company guaranty sr. unsec. unsub. notes 7 7/8s, 2032	780,000	883,350
PulteGroup, Inc. company guaranty sr. unsec. unsub. notes 5 1/2s, 2026	15,000	15,375
Taylor Morrison Communities, Inc./Monarch Communities, Inc. 144A company guaranty sr. unsec. notes 5 1/4s, 2021	80,000	79,800
Taylor Morrison Communities, Inc./Monarch Communities, Inc. 144A company guaranty sr. unsec. sub. notes 5 5/8s, 2024	280,000	273,350
		5,500,551
Household furniture and appliances (0.1%)		
Tempur Sealy International, Inc. 144A company guaranty sr. unsec. unsub. bonds 5 1/2s, 2026	260,000	255,450
		255,450
Lodging/Tourism (0.7%)		
MGM Growth Properties Operating Partnership LP/MGP Escrow Co-Issuer, Inc. 144A company guaranty sr. unsec. notes 5 5/8s, 2024	205,000	216,788
MGM Resorts International company guaranty sr. unsec. unsub. notes 8 5/8s, 2019	100,000	112,300
MGM Resorts International company guaranty sr. unsec. unsub. notes 6 5/8s, 2021	125,000	135,000
SugarHouse HSP Gaming Prop. Mezz LP/SugarHouse HSP Gaming Finance Corp. 144A sr. notes 6 3/8s, 2021	1,135,000	1,123,650
		1,587,738
Media (0.5%)		
EMI Music Publishing Group North America Holdings, Inc. 144A sr. unsec. notes 7 5/8s, 2024	445,000	457,238
Nielsen Co. Luxembourg Sarl (The) 144A company guaranty sr. unsec. sub. notes 5 1/2s, 2021 (Luxembourg)	630,000	652,050
WMG Acquisition Corp. 144A company guaranty sr. unsec. notes 6 3/4s, 2022	80,000	80,600
		1,189,888

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Metals (3.2%)		
ArcelorMittal SA sr. unsec. unsub. bonds 10.85s, 2019 (France)	$420,000	$494,550
ArcelorMittal SA sr. unsec. unsub. bonds 6 1/8s, 2025 (France)	505,000	501,844
First Quantum Minerals, Ltd. 144A company guaranty sr. unsec. notes 7 1/4s, 2022 (Canada)	490,000	378,525
First Quantum Minerals, Ltd. 144A company guaranty sr. unsec. notes 7s, 2021 (Canada)	435,000	351,263
First Quantum Minerals, Ltd. 144A company guaranty sr. unsec. notes 6 3/4s, 2020 (Canada)	200,000	167,000
Freeport-McMoran Oil & Gas, LLC/FCX Oil & Gas, Inc. company guaranty sr. unsec. notes 6 3/4s, 2022	265,000	259,783
Freeport-McMoran Oil & Gas, LLC/FCX Oil & Gas, Inc. company guaranty sr. unsec. unsub. notes 6 7/8s, 2023	495,000	477,675
Freeport-McMoRan, Inc. company guaranty sr. unsec. notes 3.55s, 2022 (Indonesia)	50,000	44,000
HudBay Minerals, Inc. company guaranty sr. unsec. notes 9 1/2s, 2020 (Canada)	700,000	586,250
Joseph T Ryerson & Son, Inc. 144A sr. notes 11s, 2022	440,000	455,400
New Gold, Inc. 144A company guaranty sr. unsec. unsub. notes 7s, 2020 (Canada)	390,000	397,800
New Gold, Inc. 144A company guaranty sr. unsec. unsub. notes 6 1/4s, 2022 (Canada)	255,000	248,625
Novelis, Inc. company guaranty sr. unsec. notes 8 3/4s, 2020	775,000	807,938
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 6 3/8s, 2022	835,000	876,750
Steel Dynamics, Inc. company guaranty sr. unsec. unsub. notes 5 1/2s, 2024	265,000	270,963
Teck Resources, Ltd. 144A company guaranty sr. unsec. notes 8 1/2s, 2024 (Canada)	70,000	72,100
Teck Resources, Ltd. 144A company guaranty sr. unsec. notes 8s, 2021 (Canada)	105,000	108,150
TMS International Corp. 144A company guaranty sr. unsec. sub. notes 7 5/8s, 2021	735,000	516,338
Zekelman Industries, Inc. 144A company guaranty sr. notes 9 7/8s, 2023	400,000	404,000
		7,418,954
Regional Bells (0.8%)		
Frontier Communications Corp. sr. unsec. notes 11s, 2025	600,000	621,000
Frontier Communications Corp. sr. unsec. notes 10 1/2s, 2022	670,000	708,944
Frontier Communications Corp. sr. unsec. notes 8 7/8s, 2020	195,000	208,163
Frontier Communications Corp. sr. unsec. notes 6 1/4s, 2021	70,000	65,993
Frontier Communications Corp. sr. unsec. unsub. notes 7 5/8s, 2024	180,000	159,750
		1,763,850
Retail (2.6%)		
Bon-Ton Department Stores, Inc. (The) company guaranty notes 10 5/8s, 2017	327,000	300,840
Bon-Ton Department Stores, Inc. (The) company guaranty notes 8s, 2021	505,000	207,050
Dollar Tree, Inc. 144A company guaranty sr. unsec. unsub. notes 5 3/4s, 2023	215,000	228,438
Dollar Tree, Inc. 144A company guaranty sr. unsec. unsub. notes 5 1/4s, 2020	150,000	154,500

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Retail *cont.*		
JC Penney Corp, Inc. company guaranty sr. unsec. bonds 8 1/8s, 2019	$475,000	$491,478
JC Penney Corp, Inc. company guaranty sr. unsec. unsub. notes 5.65s, 2020	100,000	94,000
JC Penney Corp, Inc. 144A company guaranty sr. notes 5 7/8s, 2023	120,000	120,750
Jo-Ann Stores Holdings, Inc. 144A sr. unsec. notes 9 3/4s, 2019 ‡‡	500,000	437,500
Jo-Ann Stores, Inc. 144A sr. unsec. notes 8 1/8s, 2019	930,000	890,475
L Brands, Inc. company guaranty sr. unsec. notes 6 5/8s, 2021	45,000	50,738
L Brands, Inc. company guaranty sr. unsec. sub. notes 5 5/8s, 2022	315,000	338,625
Neiman Marcus Group, LLC (The) company guaranty sr. notes 7 1/8s, 2028	475,000	429,875
Neiman Marcus Group, Ltd. 144A company guaranty sr. unsec. sub. notes 8 3/4s, 2021 ‡‡	755,000	573,800
Neiman Marcus Group, Ltd. 144A company guaranty sr. unsec. sub. notes 8s, 2021	820,000	668,300
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 5 1/2s, 2026	175,000	166,250
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 5 3/4s, 2022	395,000	395,000
Penske Automotive Group, Inc. company guaranty sr. unsec. sub. notes 5 3/8s, 2024	450,000	434,250
		5,981,869
Technology (4.2%)		
Avaya, Inc. 144A company guaranty notes 10 1/2s, 2021	355,000	78,100
Avaya, Inc. 144A company guaranty sr. notes 7s, 2019	1,150,000	822,250
CommScope Technologies Finance, LLC 144A sr. unsec. notes 6s, 2025	505,000	517,625
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A company guaranty sr. unsec. notes 7 1/8s, 2024	200,000	208,884
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A sr. bonds 8.35s, 2046	110,000	118,262
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A sr. notes 5.45s, 2023	615,000	638,107
Diamond 1 Finance Corp./Diamond 2 Finance Corp. 144A sr. unsec. notes 5 7/8s, 2021	390,000	397,711
First Data Corp. 144A company guaranty sr. unsec. unsub. notes 7s, 2023	595,000	602,438
First Data Corp. 144A notes 5 3/4s, 2024	570,000	565,725
First Data Corp. 144A sr. notes 5 3/8s, 2023	490,000	497,600
Infor US, Inc. company guaranty sr. unsec. notes 6 1/2s, 2022	1,490,000	1,407,126
Iron Mountain, Inc. company guaranty sr. unsec. notes 6s, 2023 **R**	615,000	647,288
Iron Mountain, Inc. 144A company guaranty sr. unsec. notes 6s, 2020 **R**	215,000	224,944
Micron Technology, Inc. company guaranty sr. unsec. unsub. notes 5 7/8s, 2022	590,000	554,600
Micron Technology, Inc. 144A sr. notes 7 1/2s, 2023	260,000	276,250
NXP BV/NXP Funding, LLC 144A Company guaranty sr. unsec. notes 4 5/8s, 2023 (Netherlands)	680,000	691,900
Plantronics, Inc. 144A company guaranty sr. unsec. notes 5 1/2s, 2023	760,000	750,500
Zebra Technologies Corp. sr. unsec. unsub. bonds 7 1/4s, 2022	680,000	720,800
		9,720,110

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Telecommunications (3.4%)		
Altice Financing SA 144A company guaranty sr. notes 6 5/8s, 2023 (Luxembourg)	$200,000	$197,000
Altice Finco SA 144A company guaranty sr. unsec. unsub. notes 7 5/8s, 2025 (Luxembourg)	600,000	550,500
Digicel Group, Ltd. 144A sr. unsec. notes 8 1/4s, 2020 (Jamaica)	650,000	542,750
Digicel, Ltd. 144A company guaranty sr. unsec. notes 6 3/4s, 2023 (Jamaica)	805,000	684,250
Intelsat Jackson Holdings SA company guaranty sr. unsec. notes 7 1/2s, 2021 (Bermuda)	305,000	210,450
Intelsat Luxembourg SA company guaranty sr. unsec. bonds 7 3/4s, 2021 (Luxembourg)	66,000	16,170
Intelsat Luxembourg SA company guaranty sr. unsec. sub. bonds 8 1/8s, 2023 (Luxembourg)	185,000	45,788
Level 3 Communications, Inc. sr. unsec. unsub. notes 5 3/4s, 2022	205,000	207,563
Level 3 Financing, Inc. company guaranty sr. unsec. unsub. notes 5 3/8s, 2024	220,000	220,825
Level 3 Financing, Inc. company guaranty sr. unsec. unsub. notes 5 3/8s, 2022	260,000	262,600
Qwest Corp. sr. unsec. unsub. notes 7 1/4s, 2025	380,000	405,349
Sprint Capital Corp. company guaranty sr. unsec. unsub. notes 6 7/8s, 2028	1,760,000	1,381,600
Sprint Communications, Inc. 144A company guaranty sr. unsec. notes 9s, 2018	345,000	367,425
Sprint Corp. company guaranty sr. unsec. sub. notes 7 7/8s, 2023	1,175,000	960,563
Sprint Corp. company guaranty sr. unsec. sub. notes 7 1/4s, 2021	900,000	767,250
West Corp. 144A company guaranty sr. unsec. sub. notes 5 3/8s, 2022	755,000	702,150
Wind Acquisition Finance SA 144A company guaranty notes 7 3/8s, 2021 (Luxembourg)	385,000	366,713
		7,888,946
Telephone (1.7%)		
T-Mobile USA, Inc. company guaranty sr. unsec. notes 6 5/8s, 2023	545,000	579,063
T-Mobile USA, Inc. company guaranty sr. unsec. notes 6 3/8s, 2025	860,000	898,700
T-Mobile USA, Inc. company guaranty sr. unsec. notes 6 1/4s, 2021	500,000	522,500
T-Mobile USA, Inc. company guaranty sr. unsec. unsub. notes 6.836s, 2023	40,000	42,250
T-Mobile USA, Inc. company guaranty sr. unsec. unsub. notes 6.633s, 2021	275,000	288,750
T-Mobile USA, Inc. company guaranty sr. unsec. unsub. notes 6 1/8s, 2022	505,000	529,619
Windstream Services, LLC company guaranty sr. unsec. notes 7 3/4s, 2021	270,000	254,475
Windstream Services, LLC company guaranty sr. unsec. notes 6 3/8s, 2023	935,000	785,400
		3,900,757
Textiles (0.1%)		
Hanesbrands, Inc. 144A company guaranty sr. unsec. unsub. notes 4 5/8s, 2024	325,000	325,813
		325,813
Tire and rubber (0.3%)		
American Tire Distributors, Inc. 144A sr. unsec. sub. notes 10 1/4s, 2022	695,000	609,863
Goodyear Tire & Rubber Co. (The) company guaranty sr. unsec. notes 5s, 2026	170,000	173,188
		783,051

CORPORATE BONDS AND NOTES (87.2%)* *cont.*	Principal amount	Value
Transportation (0.8%)		
Air Medical Merger Sub Corp. 144A sr. unsec. notes 6 3/8s, 2023	$680,000	$647,700
Watco Cos., LLC/Watco Finance Corp. 144A company guaranty sr. unsec. notes 6 3/8s, 2023	1,160,000	1,148,400
		1,796,100
Utilities and power (5.3%)		
AES Corp./Virginia (The) sr. unsec. notes 8s, 2020	200,000	233,000
AES Corp./Virginia (The) sr. unsec. notes 5 1/2s, 2025	635,000	636,588
AES Corp./Virginia (The) sr. unsec. notes 4 7/8s, 2023	255,000	249,900
AES Corp./Virginia (The) sr. unsec. unsub. notes 7 3/8s, 2021	860,000	969,650
Boardwalk Pipelines LP company guaranty sr. unsec. unsub. bonds 5.95s, 2026	190,000	199,523
Calpine Corp. sr. unsec. sub. notes 5 3/4s, 2025	1,045,000	1,016,263
Calpine Corp. 144A company guaranty sr. notes 6s, 2022	180,000	188,550
Calpine Corp. 144A company guaranty sr. sub. notes 5 7/8s, 2024	145,000	150,800
Colorado Interstate Gas Co., LLC company guaranty sr. unsec. notes 6.85s, 2037	1,055,000	1,088,515
DPL, Inc. sr. unsec. sub. notes 6 1/2s, 2016	76,000	76,000
Dynegy, Inc. company guaranty sr. unsec. notes 7 3/8s, 2022	60,000	57,900
Dynegy, Inc. company guaranty sr. unsec. notes 6 3/4s, 2019	960,000	961,200
Dynegy, Inc. company guaranty sr. unsec. unsub. notes 7 5/8s, 2024	40,000	38,400
El Paso Natural Gas Co., LLC company guaranty sr. unsec. notes 8 5/8s, 2022	360,000	424,251
Energy Future Intermediate Holding Co., LLC/EFIH Finance, Inc. 144A notes 11 3/4s, 2022 (In default) †	277,699	325,602
Energy Transfer Equity LP company guaranty sr. notes 7 1/2s, 2020	430,000	455,800
Energy Transfer Equity LP sr. sub. notes 5 7/8s, 2024	290,000	282,025
GenOn Americas Generation, LLC sr. unsec. notes 9 1/8s, 2031	215,000	165,550
GenOn Americas Generation, LLC sr. unsec. notes 8 1/2s, 2021	815,000	647,925
GenOn Energy, Inc. sr. unsec. notes 9 1/2s, 2018	195,000	155,025
GenOn Energy, Inc. sr. unsec. sub. notes 9 7/8s, 2020	215,000	152,650
NRG Energy, Inc. company guaranty sr. unsec. sub. notes 7 7/8s, 2021	1,260,000	1,304,100
NRG Energy, Inc. 144A company guaranty sr. unsec. notes 7 1/4s, 2026	455,000	452,725
Regency Energy Partners LP/Regency Energy Finance Corp. company guaranty sr. unsec. unsub. notes 5 7/8s, 2022	655,000	700,616
Regency Energy Partners LP/Regency Energy Finance Corp. company guaranty sr. unsec. unsub. notes 5 1/2s, 2023	455,000	459,046
Southern Star Central Corp. 144A sr. unsec. notes 5 1/8s, 2022	800,000	780,000
Texas Competitive Electric Holdings Co., LLC/TCEH Finance, Inc. 144A company guaranty sr. notes 11 1/2s, 2020 (In default) †	415,000	141,100
		12,312,704
Total corporate bonds and notes (cost $211,998,595)		**$201,823,816**

SENIOR LOANS (5.9%)* [c]	Principal amount	Value
Basic materials (0.3%)		
Kraton Polymers, LLC/Kraton Polymers Capital Corp. bank term loan FRN Ser. B, 6s, 2022	$480,000	$471,840
Solenis International LP bank term loan FRN 7 3/4s, 2022	105,000	96,731
Zekelman Industries, Inc. bank term loan FRN Ser. B, 6s, 2021	245,000	244,081
		812,652
Capital goods (0.1%)		
Manitowac Foodservice, Inc. bank term loan FRN 5 3/4s, 2023	277,692	279,081
		279,081
Communication services (0.2%)		
Asurion, LLC bank term loan FRN 8 1/2s, 2021	440,000	423,317
		423,317
Consumer cyclicals (3.9%)		
Academy, Ltd. bank term loan FRN Ser. B, 5s, 2022	610,415	574,299
Caesars Entertainment Operating Co., Inc. bank term loan FRN Ser. B6, 11 1/4s, 2017	1,265,087	1,261,925
Caesars Entertainment Operating Co., Inc. bank term loan FRN Ser. B7, 10 3/4s, 2017	278,600	279,761
Caesars Growth Properties Holdings, LLC bank term loan FRN 6 1/4s, 2021	731,651	684,093
CPG International, Inc. bank term loan FRN Ser. B, 4 3/4s, 2020	199,797	196,301
Getty Images, Inc. bank term loan FRN Ser. B, 4 3/4s, 2019	623,797	463,169
iHeartCommunications, Inc. bank term loan FRN Ser. D, 6.938s, 2019	639,000	466,204
J Crew Group, Inc. bank term loan FRN Ser. B, 4s, 2021	282,835	192,682
Jeld-Wen, Inc. bank term loan FRN 4s, 2021	431,976	431,436
Jeld-Wen, Inc. bank term loan FRN Ser. B, 4 3/4s, 2022	431,738	431,198
Navistar, Inc. bank term loan FRN Ser. B, 6 1/2s, 2020	901,148	848,582
PET Acquisition Merger Sub, LLC bank term loan FRN Ser. B1, 5 3/4s, 2023	304,238	302,589
Petco Animal Supplies, Inc. bank term loan FRN Ser. B1, 5s, 2023	408,975	406,760
ROC Finance, LLC bank term loan FRN 5s, 2019	856,921	814,075
Scientific Games International, Inc. bank term loan FRN Ser. B2, 6s, 2021	363,157	357,482
Talbots, Inc. (The) bank term loan FRN 9 1/2s, 2021	194,874	180,746
Talbots, Inc. (The) bank term loan FRN 5 1/2s, 2020	378,585	366,754
Travelport Finance Luxembourg Sarl bank term loan FRN Ser. B, 5s, 2021 (Luxembourg)	255,000	252,769
Yonkers Racing Corp. bank term loan FRN 4 1/4s, 2019	441,339	431,593
		8,942,418
Consumer staples (0.1%)		
Del Monte Foods, Inc. bank term loan FRN 8 1/4s, 2021	380,000	268,850
		268,850
Energy (0.3%)		
MEG Energy Corp. bank term loan FRN Ser. B, 3 3/4s, 2020 (Canada)	513,656	448,165
Western Refining, Inc. bank term loan FRN Ser. B2, 4 1/2s, 2023	220,000	213,675
		661,840
Health care (0.5%)		
AMAG Pharmaceuticals, Inc. bank term loan FRN Ser. B, 4 3/4s, 2021	216,563	214,397
Concordia Healthcare Corp. bank term loan FRN Ser. B, 5 1/4s, 2021 (Canada)	388,050	373,498
DPx Holdings BV bank term loan FRN Ser. B, 4 1/4s, 2021 (Netherlands)	155,070	150,650
Multiplan, Inc. bank term loan FRN Ser. B, 5s, 2023	215,000	215,499
Quorum Health Corp. bank term loan FRN 6 3/4s, 2022	289,275	289,034
		1,243,078

SENIOR LOANS (5.9%)* [c] *cont.*	Principal amount	Value
Technology (0.2%)		
Avaya, Inc. bank term loan FRN Ser. B7, 6 1/4s, 2020	$597,930	$419,548
		419,548
Utilities and power (0.3%)		
Texas Competitive Electric Holdings Co., LLC bank term loan FRN 4.676s, 2017	1,769,778	587,345
Texas Competitive Electric Holdings Co., LLC bank term loan FRN 4.676s, 2017	18,164	6,028
		593,373
Total senior loans (cost $15,477,840)		**$13,644,157**

COMMON STOCKS (1.9%)*	Shares	Value
ACC Claims Holding, LLC Class A (Units) † [F]	990,365	$5,942
Ally Financial, Inc. †	30,690	523,878
Berry Plastics Group, Inc. †	15,475	601,204
Boise Cascade Co. †	14,035	322,103
CIT Group, Inc.	9,745	310,963
DISH Network Corp. Class A †	8,260	432,824
Eldorado Resorts, Inc. †	20,825	316,436
Gaming and Leisure Properties, Inc. [R]	12,258	422,656
General Motors Co.	7,902	223,627
Live Nation Entertainment, Inc. †	16,990	399,265
Lone Pine Resources Canada, Ltd. (Canada) † [F]	24,322	243
Lone Pine Resources, Inc. Class A (Canada) † [F]	24,322	243
Penn National Gaming, Inc. †	34,840	486,018
Service Corp. International/US	15,010	405,870
Tribune Media Co. Class 1C [F]	93,841	23,460
Vantage Drilling International (Units) (Cayman Islands) †	395	34,168
Total common stocks (cost $4,510,759)		**$4,508,900**

CONVERTIBLE PREFERRED STOCKS (1.4%)*	Shares	Value
Allergan PLC Ser. A, 5.50% cv. pfd.	636	$530,182
American Tower Corp. $5.50 cv. pfd. [R]	5,675	643,048
Crown Castle International Corp. Ser. A, $4.50 cv. pfd. [R]	3,850	465,311
EPR Properties Ser. C, $1.438 cv. pfd. [R]	18,102	555,482
T-Mobile US, Inc. Ser. A, $2.75 cv. pfd.	9,800	717,948
Tyson Foods, Inc. $2.375 cv. pfd.	3,735	275,382
Total convertible preferred stocks (cost $2,743,984)		**$3,187,353**

CONVERTIBLE BONDS AND NOTES (0.5%)*	Principal amount	Value
iStar, Inc. cv. sr. unsec. unsub. notes 3s, 2016 [R]	$313,000	$315,543
Jazz US Holdings, Inc. cv. company guaranty sr. unsec. notes 8s, 2018	323,000	461,890
Navistar International Corp. cv. sr. unsec. sub. bonds 4 1/2s, 2018	208,000	138,450
ON Semiconductor Corp. cv. company guaranty sr. unsec. unsub. notes 1s, 2020	247,000	220,756
Total convertible bonds and notes (cost $1,036,521)		**$1,136,639**

SHORT-TERM INVESTMENTS (1.5%)*		Principal amount/ shares	Value
Putnam Short Term Investment Fund 0.47% [L]	Shares	3,271,704	$3,271,704
U.S. Treasury Bills 0.21%, August 4, 2016		$177,000	176,964
Total short-term investments (cost $3,448,670)			**$3,448,668**
Total investments (cost $239,216,369)			**$227,749,533**

Key to holding's currency abbreviations

CAD	Canadian Dollar
EUR	Euro
GBP	British Pound

Key to holding's abbreviations

EMTN	Euro Medium Term Notes
FRB	Floating Rate Bonds: the rate shown is the current interest rate at the close of the reporting period
FRN	Floating Rate Notes: the rate shown is the current interest rate or yield at the close of the reporting period

Notes to the fund's portfolio

Unless noted otherwise, the notes to the fund's portfolio are for the close of the fund's reporting period, which ran from January 1, 2016 through June 30, 2016 (the reporting period). Within the following notes to the portfolio, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* and references to "OTC", if any, represent over-the-counter.

* Percentages indicated are based on net assets of $231,352,134.

† This security is non-income-producing.

‡‡ Income may be received in cash or additional securities at the discretion of the issuer.

C Senior loans are exempt from registration under the Securities Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rates shown for senior loans are the current interest rates at the close of the reporting period. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown (Notes 1 and 6).

F This security is valued by Putnam Management at fair value following procedures approved by the Trustees. Securities may be classified as Level 2 or Level 3 for ASC 820 based on the securities' valuation inputs (Note 1).

L Affiliated company (Note 5). The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

R Real Estate Investment Trust.

At the close of the reporting period, the fund maintained liquid assets totaling $6,811,134 to cover certain derivative contracts.

Unless otherwise noted, the rates quoted in Short-term investments security descriptions represent the weighted average yield to maturity.

Debt obligations are considered secured unless otherwise indicated.

144A after the name of an issuer represents securities exempt from registration under Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

The dates shown on debt obligations are the original maturity dates.

FORWARD CURRENCY CONTRACTS at 6/30/16 (aggregate face value $2,975,080) (Unaudited)

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
Credit Suisse International						
	Euro	Sell	9/21/16	$453,947	$457,417	$3,470
Goldman Sachs International						
	British Pound	Buy	9/21/16	452,694	490,070	(37,376)
JPMorgan Chase Bank N.A.						
	British Pound	Buy	9/21/16	391,278	428,037	(36,759)
State Street Bank and Trust Co.						
	Canadian Dollar	Sell	7/21/16	562,520	554,196	(8,324)
UBS AG						
	British Pound	Sell	9/21/16	965,606	1,045,360	79,754
Total						**$765**

CENTRALLY CLEARED CREDIT DEFAULT CONTRACTS OUTSTANDING at 6/30/16 (Unaudited)

Referenced debt*	Rating***	Upfront premium received (paid)**	Notional amount	Termination Date	Payments received (paid) by fund per annum	Unrealized appreciation/ (depreciation)
NA HY Series 26 Index	B+/P	$193,880	$6,735,000	6/20/21	(500 bp)	$(22,401)
Total		**$193,880**				**$(22,401)**

*Payments related to the referenced debt are made upon a credit default event.

**Upfront premium is based on the difference between the original spread on issue and the market spread on day of execution.

***Ratings are presented for credit default contracts in which the fund has sold protection on the underlying referenced debt. Ratings for an underlying index represent the average of the ratings of all the securities included in that index. The Moody's, Standard & Poor's or Fitch ratings are believed to be the most recent ratings available at June 30, 2016. Securities rated by Fitch are indicated by "/F." Securities rated by Putnam are indicated by "/P." The Putnam rating categories are comparable to the Standard & Poor's classifications.

ASC 820 establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fund's investments. The three levels are defined as follows:

Level 1: Valuations based on quoted prices for identical securities in active markets.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the fair value measurement.

The following is a summary of the inputs used to value the fund's net assets as of the close of the reporting period:

	Valuation inputs		
Investments in securities:	**Level 1**	**Level 2**	**Level 3**
Common stocks*:			
Basic materials	$322,103	$—	$—
Capital goods	601,204	—	—
Communication services	432,824	—	5,942
Consumer cyclicals	1,425,346	—	23,460
Energy	34,168	—	486
Financials	1,257,497	—	—
Health care	405,870	—	—
Total common stocks	**4,479,012**	**—**	**29,888**
Convertible bonds and notes	—	1,136,639	—
Convertible preferred stocks	—	3,187,353	—
Corporate bonds and notes	—	201,823,806	10
Senior loans	—	13,644,157	—
Short-term investments	3,271,704	176,964	—
Totals by level	**$7,750,716**	**$219,968,919**	**$29,898**

	Valuation inputs		
Other financial instruments:	**Level 1**	**Level 2**	**Level 3**
Forward currency contracts	$—	$765	$—
Credit default contracts	—	(216,281)	—
Totals by level	**$—**	**$(215,516)**	**$—**

* Common stock classifications are presented at the sector level, which may differ from the fund's portfolio presentation.

During the reporting period, transfers within the fair value hierarchy, if any, did not represent, in the aggregate, more than 1% of the fund's net assets measured as of the end of the period. Transfers are accounted for using the end of period pricing valuation method.

At the start and close of the reporting period, Level 3 investments in securities represented less than 1% of the fund's net assets and were not considered a significant portion of the fund's portfolio.

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

Statement of assets and liabilities

6/30/16 (Unaudited)

Assets	
Investment in securities, at value (Note 1):	
Unaffiliated issuers (identified cost $235,944,665)	$224,477,829
Affiliated issuers (identified cost $3,271,704) (Notes 1 and 5)	3,271,704
Cash	90,818
Dividends, interest and other receivables	3,845,839
Receivable for shares of the fund sold	447,121
Receivable for investments sold	1,012,922
Unrealized appreciation on forward currency contracts (Note 1)	83,224
Total assets	**233,229,457**

Liabilities	
Payable for investments purchased	728,637
Payable for shares of the fund repurchased	425,822
Payable for compensation of Manager (Note 2)	110,536
Payable for custodian fees (Note 2)	7,119
Payable for investor servicing fees (Note 2)	28,061
Payable for Trustee compensation and expenses (Note 2)	175,947
Payable for administrative services (Note 2)	931
Payable for distribution fees (Note 2)	13,260
Payable for variation margin (Note 1)	226,571
Unrealized depreciation on forward currency contracts (Note 1)	82,459
Other accrued expenses	77,980
Total liabilities	**1,877,323**
Net assets	**$231,352,134**

Represented by	
Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	$302,223,255
Undistributed net investment income (Note 1)	5,593,265
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(64,975,549)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(11,488,837)
Total — Representing net assets applicable to capital shares outstanding	**$231,352,134**

Computation of net asset value Class IA	
Net assets	$170,803,927
Number of shares outstanding	28,137,836
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	$6.07

Computation of net asset value Class IB	
Net assets	$60,548,207
Number of shares outstanding	10,064,008
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	$6.02

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

Statement of operations

Six months ended 6/30/16 (Unaudited)

Investment income	
Interest (including interest income of $29,472 from investments in affiliated issuers) (Note 5)	$7,782,609
Dividends	105,033
Total investment income	**7,887,642**
Expenses	
Compensation of Manager (Note 2)	664,672
Investor servicing fees (Note 2)	82,664
Custodian fees (Note 2)	10,220
Trustee compensation and expenses (Note 2)	10,253
Distribution fees (Note 2)	81,202
Administrative services (Note 2)	2,756
Other	77,643
Fees waived and reimbursed by Manager (Note 2)	(3,905)
Total expenses	**925,505**
Expense reduction (Note 2)	(63)
Net expenses	**925,442**
Net investment income	**6,962,200**
Net realized loss on investments (Notes 1 and 3)	(5,780,400)
Net realized gain on swap contracts (Note 1)	335,218
Net realized gain on foreign currency transactions (Note 1)	32,506
Net unrealized depreciation of assets and liabilities in foreign currencies during the period	(36,239)
Net unrealized appreciation of investments and swap contracts during the period	17,746,760
Net gain on investments	**12,297,845**
Net increase in net assets resulting from operations	**$19,260,045**

Statement of changes in net assets

	Six months ended 6/30/16*	Year ended 12/31/15
Increase (decrease) in net assets		
Operations:		
Net investment income	$6,962,200	$16,183,145
Net realized loss on investments and foreign currency transactions	(5,412,676)	(2,199,269)
Net unrealized appreciation (depreciation) of investments and assets and liabilities in foreign currencies	17,710,521	(26,570,239)
Net increase (decrease) in net assets resulting from operations	**19,260,045**	**(12,586,363)**
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(11,452,240)	(15,550,000)
Class IB	(5,001,078)	(5,539,033)
Decrease from capital share transactions (Note 4)	(1,621,700)	(40,992,792)
Total increase (decrease) in net assets	**1,185,027**	**(74,668,188)**
Net assets:		
Beginning of period	230,167,107	304,835,295
End of period (including undistributed net investment income of $5,593,265 and $15,084,383, respectively)	**$231,352,134**	**$230,167,107**

* Unaudited.

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

Financial highlights (For a common share outstanding throughout the period)

INVESTMENT OPERATIONS:					LESS DISTRIBUTIONS:				RATIOS AND SUPPLEMENTAL DATA:			
Period ended	Net asset value, beginning of period	Net investment income (loss)[a]	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	Total distributions	Net asset value, end of period	Total return at net asset value (%)[b,c]	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%)[b,d]	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
Class IA												
6/30/16†	**$6.02**	.18	.28	**.46**	(.41)	**(.41)**	**$6.07**	**8.01***	**$170,804**	.36*[e]	2.98*[e]	23*
12/31/15	**6.82**	.38	(.69)	**(.31)**	(.49)	**(.49)**	**6.02**	**(5.14)**	**172,830**	.70	5.80	35
12/31/14	**7.13**	.39	(.25)	**.14**	(.45)	**(.45)**	**6.82**	**1.91**	**233,920**	.72	5.60	45
12/31/13	**7.09**	.44	.11	**.55**	(.51)	**(.51)**	**7.13**	**8.10**	**283,240**	.74	6.25	43
12/31/12	**6.61**	.48	.55	**1.03**	(.55)	**(.55)**	**7.09**	**16.34**	**305,127**	.75	7.04	47
12/31/11	**7.03**	.51	(.37)	**.14**	(.56)	**(.56)**	**6.61**	**1.85**	**283,942**	.74	7.57	57
Class IB												
6/30/16†	**$5.96**	.17	.29	**.46**	(.40)	**(.40)**	**$6.02**	**8.01***	**$60,548**	.48*[e]	2.84*[e]	23*
12/31/15	**6.75**	.36	(.69)	**(.33)**	(.46)	**(.46)**	**5.96**	**(5.35)**	**57,337**	.95	5.54	35
12/31/14	**7.07**	.37	(.26)	**.11**	(.43)	**(.43)**	**6.75**	**1.56**	**70,915**	.97	5.36	45
12/31/13	**7.03**	.41	.12	**.53**	(.49)	**(.49)**	**7.07**	**7.85**	**102,957**	.99	5.98	43
12/31/12	**6.56**	.46	.54	**1.00**	(.53)	**(.53)**	**7.03**	**16.01**	**92,450**	1.00	6.79	47
12/31/11	**6.97**	.49	(.36)	**.13**	(.54)	**(.54)**	**6.56**	**1.75**	**96,535**	.99	7.34	57

* Not annualized.

† Unaudited.

a Per share net investment income (loss) has been determined on the basis of the weighted average number of shares outstanding during the period.

b The charges and expenses at the insurance company separate account level are not reflected.

c Total return assumes dividend reinvestment.

d Includes amounts paid through expense offset and/or brokerage/service arrangements, if any (Note 2). Also excludes acquired fund fees and expenses, if any.

e Reflects a voluntary waiver of certain fund expenses in effect during the period. As a result of such waivers, the expenses of each class reflect a reduction of less than 0.01% as a percentage of average net assets (Note 2).

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

Within the following Notes to financial statements, references to "State Street" represent State Street Bank and Trust Company, references to "the SEC" represent the Securities and Exchange Commission, references to "Putnam Management" represent Putnam Investment Management, LLC, the fund's manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to "OTC", if any, represent over-the-counter. Unless otherwise noted, the "reporting period" represents the period from January 1, 2016 through June 30, 2016.

Putnam VT High Yield Fund (the fund) is a diversified series of Putnam Variable Trust (the Trust), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The goal of the fund is to seek high current income. Capital growth is a secondary goal when consistent with achieving high current income. The fund invests mainly in bonds that are obligations of U.S. companies, are below investment-grade in quality (sometimes referred to as "junk bonds"), and have intermediate- to long-term maturities (three years or longer). Under normal circumstances, Putnam Management invests at least 80% of the fund's net assets in securities rated below-investment-grade. This policy may be changed only after 60 days' notice to shareholders. The fund may also invest in other debt instruments, including loans. Putnam Management may consider, among other factors, credit, interest rate and prepayment risks, as well as general market conditions, when deciding whether to buy or sell investments. Putnam Management may also use derivatives, such as futures, options, warrants and swap contracts, for both hedging and non-hedging purposes.

The fund offers class IA and class IB shares of beneficial interest. Class IA shares are offered at net asset value and are not subject to a distribution fee. Class IB shares are offered at net asset value and pay an ongoing distribution fee, which is identified in Note 2.

In the normal course of business, the fund enters into contracts that may include agreements to indemnify another party under given circumstances. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be, but have not yet been, made against the fund. However, the fund's management team expects the risk of material loss to be remote.

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent and custodian, who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the fund's Declaration of Trust, any claims asserted against or on behalf of the Putnam Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

Note 1 — Significant accounting policies

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations. Actual results could differ from those estimates. Subsequent events after the Statement of assets and liabilities date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements.

Investment income, realized and unrealized gains and losses and expenses of the fund are borne pro-rata based on the relative net assets of each class to the total net assets of the fund, except that each class bears expenses unique to that class (including the distribution fees applicable to such classes). Each class votes as a class only with respect to its own distribution plan or other matters on which a class vote is required by law or determined by the Trustees. If the fund were liquidated, shares of each class would receive their pro-rata share of the net assets of the fund. In addition, the Trustees declare separate dividends on each class of shares.

Security valuation Portfolio securities and other investments are valued using policies and procedures adopted by the Board of Trustees. The Trustees have formed a Pricing Committee to oversee the implementation of these procedures and have delegated responsibility for valuing the fund's assets in accordance with these procedures to Putnam Management. Putnam Management has established an internal Valuation Committee that is responsible for making fair value determinations, evaluating the effectiveness of the pricing policies of the fund and reporting to the Pricing Committee.

Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets, and are classified as Level 1 securities under Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* (ASC 820). If no sales are reported, as in the case of some securities that are traded OTC, a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

Investments in open-end investment companies (excluding exchange-traded funds), if any, which can be classified as Level 1 or Level 2 securities, are valued based on their net asset value. The net asset value of such investment companies equals the total value of their assets less their liabilities and divided by the number of their outstanding shares.

Market quotations are not considered to be readily available for certain debt obligations (including short-term investments with remaining maturities of 60 days or less) and other investments; such investments are valued on the basis of valuations furnished by an independent pricing service approved by the Trustees or dealers selected by Putnam Management. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities (which consider such factors as security prices, yields, maturities and ratings). These securities will generally be categorized as Level 2.

Many securities markets and exchanges outside the U.S. close prior to the scheduled close of the New York Stock Exchange and 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 scheduled close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value foreign equity securities taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of American Depository Receipts, exchange-traded funds and futures contracts. These securities, which would generally be classified as Level 1 securities, will be transferred to Level 2 of the fair value hierarchy when they are valued at fair value. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate.

To the extent a pricing service or dealer is unable to value a security or provides a valuation that Putnam Management does not believe accurately reflects the security's fair value, the security will be valued at fair value by Putnam Management in accordance with policies and procedures approved by the Trustees. Certain investments, including certain restricted and illiquid securities and derivatives, are also valued at fair value following procedures approved by the Trustees. These valuations consider such factors as significant market or specific security events such as interest rate or credit quality changes, various relationships with other securities, discount rates, U.S. Treasury, U.S. swap and credit yields, index levels, convexity exposures, recovery rates, sales and other multiples and resale restrictions. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs.

To assess the continuing appropriateness of fair valuations, the Valuation Committee reviews and affirms the reasonableness of such valuations on a regular basis after considering all relevant information that is reasonably available. Such valuations and procedures are reviewed periodically by the Trustees. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security in a current sale and does not reflect an actual market price, which may be different by a material amount.

Security transactions and related investment income Security transactions are recorded on the trade date (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

Interest income, net of any applicable withholding taxes, is recorded on the accrual basis. Dividend income, net of any applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities, if any, are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair value of the securities received. Dividends representing a return of capital or capital gains, if any, are reflected as a reduction of cost and/or as a realized gain. All premiums/discounts are amortized/accreted on a yield-to-maturity basis.

The fund earned certain fees in connection with its senior loan purchasing activities. These fees are treated as market discount and are amortized into income in the Statement of operations.

Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The fair value of foreign securities, currency holdings, and other assets and liabilities is recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate.

Forward currency contracts The fund buys and sells forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used for hedging currency exposures.

The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The fair value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in fair value is recorded as an unrealized gain or loss. The fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed when the contract matures or by delivery of the currency. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Risks may exceed amounts recognized on the Statement of assets and liabilities.

Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

Credit default contracts The fund entered into OTC and/or centrally cleared credit default contracts for hedging credit risk, for gaining liquid exposure to individual names and for hedging market risk.

In OTC and centrally cleared credit default contracts, the protection buyer typically makes a periodic stream of payments to a counterparty, the protection seller, in exchange for the right to receive a contingent payment upon the occurrence of a credit event on the reference obligation or all other equally ranked obligations of the reference entity. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. For OTC credit default contracts, an upfront payment received by the fund is recorded as a liability on the fund's books. An upfront payment made by the fund is recorded as an asset on the fund's books. Centrally cleared credit default contracts provide the same rights to the protection buyer and seller except the payments between parties, including upfront premiums, are settled through a central clearing agent through variation margin payments. Upfront and periodic payments received or paid by the fund for OTC and centrally cleared credit default contracts are recorded as realized gains or losses at the reset date or close of the contract. The OTC and centrally cleared credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers. Any change in value of OTC credit default contracts is recorded as an unrealized gain or loss. Daily fluctuations in the value of centrally cleared credit default contracts are recorded in variation margin on the Statement of assets and liabilities and recorded as unrealized gain or loss. Upon the occurrence of a credit event, the difference between the par value and fair value of the reference obligation, net of any proportional amount of the upfront payment, is recorded as a realized gain or loss.

In addition to bearing the risk that the credit event will occur, the fund could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index or the possibility that the fund may be unable to close out its position at the same time or at the same price as if it had purchased the underlying reference obligations. In certain circumstances, the fund may enter into offsetting OTC and centrally cleared credit default contracts which would mitigate its risk of loss. Risks of loss may exceed amounts recognized on the Statement of assets and liabilities. 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 contract. This risk may be mitigated for OTC credit default contracts by having a master netting arrangement between the fund and the counterparty and for centrally cleared credit default contracts through the daily exchange of variation margin. Counterparty risk is further mitigated with respect to centrally cleared credit default swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Where the fund is a seller of protection, the maximum potential amount of future payments the fund may be required to make is equal to the notional amount.

OTC and centrally cleared credit default contracts outstanding, including their respective notional amounts at period end, if any, are listed after the fund's portfolio.

Master agreements The fund is a party to ISDA (International Swaps and Derivatives Association, Inc.) Master Agreements (Master Agreements) with certain counterparties that govern OTC derivative and foreign exchange contracts entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties' general obligations, representations, agreements, collateral requirements, events of default and early termination. With respect to certain counterparties, in accordance with the terms of the Master Agreements, collateral posted to the fund is held in a segregated account by the fund's custodian and, with respect to those amounts which can be sold or repledged, is presented in the fund's portfolio.

Collateral pledged by the fund is segregated by the fund's custodian and identified in the fund's portfolio. Collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the fund and the applicable counterparty. Collateral requirements are determined based on the fund's net position with each counterparty.

Termination events applicable to the fund may occur upon a decline in the fund's net assets below a specified threshold over a certain period of time. Termination events applicable to counterparties may occur upon a decline in the counterparty's long-term and short-term credit ratings below a specified level. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all derivative and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by one or more of the fund's counterparties to elect early termination could impact the fund's future derivative activity.

At the close of the reporting period, the fund had a net liability position of $765 on open derivative contracts subject to the Master Agreements. There was no collateral posted by the fund at period end for these agreements.

Interfund lending The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by the SEC. This program allows the fund to borrow from or lend to other Putnam funds that permit such transactions. Interfund lending transactions are subject to each fund's investment policies and borrowing and lending limits. Interest earned or paid on the interfund lending transaction will be based on the average of certain current market rates. During the reporting period, the fund did not utilize the program.

Lines of credit The fund participates, along with other Putnam funds, in a $392.5 million syndicated unsecured committed line of credit provided by State Street ($292.5 million) and Northern Trust Company ($100 million) and a $235.5 million unsecured uncommitted line of credit provided by State Street.

Borrowings may be made for temporary or emergency purposes, including the funding of shareholder redemption requests and trade settlements. Interest is charged to the fund based on the fund's borrowing at a rate equal to the higher of (1) the Federal Funds rate and (2) the overnight LIBOR plus 1.25% for the committed line of credit and the Federal Funds rate plus 1.30% for the uncommitted line of credit. A closing fee equal to 0.04% of the committed line of credit and 0.04% of the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.16% per annum on any unutilized portion of the committed line of credit is allocated to the participating funds based on their relative net assets and paid quarterly. During the reporting period, the fund had no borrowings against these arrangements.

Federal taxes It is the policy of the fund to distribute all of its taxable income within the prescribed time period and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies.

The fund is subject to the provisions of Accounting Standards Codification 740 *Income Taxes* (ASC 740). ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The fund did not have a liability to record for any unrecognized tax benefits in the accompanying financial statements. No provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

The fund may also be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or capital gains are earned. In some cases, the fund may be entitled to reclaim all or a portion of such taxes, and such reclaim amounts, if any, are reflected as an asset on the fund's books. In many cases, however, the fund may not receive such amounts for an extended period of time, depending on the country of investment.

At December 31, 2015, the fund had a capital loss carryover of $59,393,685 available to the extent allowed by the Code to offset future net capital gain, if any. The amounts of the carryovers and the expiration dates are:

Loss carryover			
Short-term	Long-term	Total	Expiration
$170,813	$2,795,847	$2,966,660	*
20,035,795	N/A	20,035,795	12/31/16
36,391,230	N/A	36,391,230	12/31/17

*Under the Regulated Investment Company Modernization Act of 2010, the fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred will be required to be utilized prior to the losses incurred in pre-enactment tax years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

The aggregate identified cost on a tax basis is $239,385,557, resulting in gross unrealized appreciation and depreciation of $7,192,244 and $18,828,268, respectively, or net unrealized depreciation of $11,636,024.

Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations.

Expenses of the Trust Expenses directly charged or attributable to any fund will be paid from the assets of that fund. Generally, expenses of the Trust will be allocated among and charged to the assets of each fund on a basis that the Trustees deem fair and equitable, which may be based on the relative assets of each fund or the nature of the services performed and relative applicability to each fund.

Beneficial interest At the close of the reporting period, insurance companies or their separate accounts were record owners of all but a de minimis number of the shares of the fund. Approximately 31.2% of the fund is owned by accounts of one insurance company.

Note 2 — Management fee, administrative services and other transactions

The fund pays Putnam Management a management fee (based on the fund's average net assets and computed and paid monthly) at annual rates that may vary based on the average of the aggregate net assets of all open-end funds sponsored by Putnam Management (excluding net assets of funds that are invested in, or that are invested in by, other Putnam funds to the extent necessary to avoid "double counting" of those assets). Such annual rates may vary as follows:

0.720% of the first $5 billion,
0.670% of the next $5 billion,
0.620% of the next $10 billion,
0.570% of the next $10 billion,
0.520% of the next $50 billion,
0.500% of the next $50 billion,
0.490% of the next $100 billion and
0.485% of any excess thereafter.

For the reporting period, the management fee represented an effective rate (excluding the impact from any expense waivers in effect) of 0.281% of the fund's average net assets.

Putnam Management has contractually agreed, through April 30, 2018, to waive fees or reimburse the fund's expenses to the extent necessary to limit the cumulative expenses of the fund, exclusive of brokerage, interest, taxes, investment-related expenses, extraordinary expenses, acquired fund fees and expenses and payments under the fund's investor servicing contract, investment management contract and distribution plans, on a fiscal year-to-date basis to an annual rate of 0.20% of the fund's average net assets over such fiscal year-to-date period. During the reporting period, the fund's expenses were not reduced as a result of this limit.

Putnam Management may from time to time voluntarily undertake to waive fees and/or reimburse certain fund expenses. Any such waiver or reimbursement would be voluntary and may be modified or discontinued by Putnam Management at any time without notice. For the reporting period, Putnam Management voluntarily waived $3,905.

Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. PIL did not manage any portion of the assets of the fund during the reporting period. If Putnam Management were to engage the services of PIL, Putnam Management would pay a quarterly sub-management fee to PIL for its services at an annual rate of 0.40% of the average net assets of the portion of the fund managed by PIL.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by State Street. Custody fees are based on the fund's asset level, the number of its security holdings and transaction volumes.

Putnam Investor Services, Inc., an affiliate of Putnam Management, provides investor servicing agent functions to the fund. Putnam Investor Services, Inc. was paid a monthly fee for investor servicing at an annual rate of 0.07% of the fund's average daily net assets. During the reporting period, the expenses for each class of shares related to investor servicing fees were as follows:

Class IA	$59,812
Class IB	22,852
Total	$82,664

The fund has entered into expense offset arrangements with Putnam Investor Services, Inc. and State Street whereby Putnam Investor Services, Inc.'s and State Street's fees are reduced by credits allowed on cash balances. The fund

also reduced expenses through brokerage/service arrangements. For the reporting period, the fund's expenses were reduced by $22 under the expense offset arrangements and by $41 under the brokerage/service arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which $183, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

The fund has adopted a Trustee Fee Deferral Plan (the Deferral Plan) which allows the Trustees to defer the receipt of all or a portion of Trustees fees payable on or after July 1, 1995. The deferred fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

The fund has adopted an unfunded noncontributory defined benefit pension plan (the Pension Plan) covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for the fund is included in Trustee compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the Statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

The fund has adopted a distribution plan (the Plan) with respect to its class IB shares pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the Plan is to compensate Putnam Retail Management Limited Partnership, an indirect wholly-owned subsidiary of Putnam Investments, LLC, for services provided and expenses incurred in distributing shares of the fund. The Plan provides for payment by the fund to Putnam Retail Management Limited Partnership at an annual rate of up to 0.35% of the average net assets attributable to the fund's class IB shares. The Trustees have approved payment by the fund at an annual rate of 0.25% of the average net assets attributable to the fund's class IB shares. During the reporting period, the class specific expenses related to distribution fees were as follows:

Class IB	$81,202

Note 3 — Purchases and sales of securities

During the reporting period, the cost of purchases and the proceeds from sales, excluding short-term investments, were as follows:

	Cost of purchases	Proceeds from sales
Investments in securities (Long-term)	$52,223,285	$49,908,942
U.S. government securities (Long-term)	—	—
Total	**$52,223,285**	**$49,908,942**

The fund may purchase or sell investments from or to other Putnam funds in the ordinary course of business, which can reduce the fund's transaction costs, at prices determined in accordance with SEC requirements and policies approved by the Trustees. During the reporting period, purchases or sales from or to other Putnam funds, if any, did not represent more than 5% of the fund's total cost of purchases and/or total proceeds from sales.

Note 4 — Capital shares

At the close of the reporting period, there were an unlimited number of shares of beneficial interest authorized. Subscriptions and redemptions are presented at the omnibus level. Transactions in capital shares were as follows:

	Class IA shares				Class IB shares			
	Six months ended 6/30/16		Year ended 12/31/15		Six months ended 6/30/16		Year ended 12/31/15	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	1,344,242	$7,974,885	3,019,597	$19,746,966	5,875,473	$34,269,612	6,868,694	$45,349,814
Shares issued in connection with reinvestment of distributions	1,988,236	11,452,240	2,392,308	15,550,000	875,846	5,001,078	858,765	5,539,033
	3,332,478	19,427,125	5,411,905	35,296,966	6,751,319	39,270,690	7,727,459	50,888,847
Shares repurchased	(3,927,675)	(23,346,585)	(10,984,087)	(71,400,329)	(6,310,008)	(36,972,930)	(8,603,435)	(55,778,276)
Net increase (decrease)	**(595,197)**	**$(3,919,460)**	**(5,572,182)**	**$(36,103,363)**	**441,311**	**$2,297,760**	**(875,976)**	**$(4,889,429)**

Note 5 — Affiliated transactions

Transactions during the reporting period with Putnam Short Term Investment Fund, which is under common ownership and control, were as follows:

Name of affiliate	Fair value at the beginning of the reporting period	Purchase cost	Sale proceeds	Investment income	Fair value at the end of the reporting period
Putnam Short Term Investment Fund *	$14,783,531	$48,447,439	$59,959,266	$29,472	$3,271,704
Total	**$14,783,531**	**$48,447,439**	**$59,959,266**	**$29,472**	**$3,271,704**

* Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management.

Note 6 — Senior loan commitments

Senior loans are purchased or sold on a when-issued or delayed delivery basis and may be settled a month or more after the trade date, which from time to time can delay the actual investment of available cash balances; interest income is accrued based on the terms of the securities. Senior loans can be acquired through an agent, by assignment from another holder of the loan, or as a participation interest in another holder's portion of the loan. When the fund invests in a loan or participation, the fund is subject to the risk that an intermediate participant between the fund and the borrower will fail to meet its obligations to the fund, in addition to the risk that the borrower under the loan may default on its obligations.

Note 7 — Market, credit and other risks

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an institution or other entity with which the fund has unsettled or open transactions will default. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations. The fund may invest in higher-yielding, lower-rated bonds that may have a higher rate of default.

Note 8 — Summary of derivative activity

The volume of activity for the reporting period for any derivative type that was held during the period is listed below and was based on an average of the holdings at the end of each fiscal quarter:

Forward currency contracts (contract amount)	$2,400,000
Centrally cleared credit default contracts (notional)	$—*

* For the reporting period there were no holdings at the end of each fiscal quarter and the transactions were considered minimal.

The following is a summary of the fair value of derivative instruments as of the close of the reporting period:

Fair value of derivative instruments as of the close of the reporting period

	Asset derivatives		Liability derivatives	
Derivatives not accounted for as hedging instruments under ASC 815	**Statement of assets and liabilities location**	**Fair value**	**Statement of assets and liabilities location**	**Fair value**
Credit contracts	Receivables, Net assets — Unrealized appreciation	$—	Payables, Net assets — Unrealized depreciation	$216,281*
Foreign exchange contracts	Receivables	83,224	Payables	82,459
Total		**$83,224**		**$298,740**

* Includes cumulative appreciation/depreciation of centrally cleared swaps as reported in the fund's portfolio. Only current day's variation margin is reported within the Statement of assets and liabilities.

The following is a summary of realized and change in unrealized gains or losses of derivative instruments in the Statement of operations for the reporting period (see Note 1):

Amount of realized gain or (loss) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Forward currency contracts	Swaps	Total
Credit contracts	$—	$335,218	$335,218
Foreign exchange contracts	35,562	—	35,562
Total	**35,562**	**$335,218**	**$370,780**

Change in unrealized appreciation or (depreciation) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Forward currency contracts	Swaps	Total
Credit contracts	$—	$(22,401)	$(22,401)
Foreign exchange contracts	(38,168)	—	(38,168)
Total	**$(38,168)**	**$(22,401)**	**$(60,569)**

Note 9 — Offsetting of financial and derivative assets and liabilities

The following table summarizes any derivatives, repurchase agreements and reverse repurchase agreements, at the end of the reporting period, that are subject to an enforceable master netting agreement or similar agreement. For securities lending transactions or borrowing transactions associated with securities sold short, if any, see Note 1. For financial reporting purposes, the fund does not offset financial assets and financial liabilities that are subject to the master netting agreements in the Statement of assets and liabilities.

	Barclays Capital Inc. (clearing broker)	Credit Suisse International	Goldman Sachs International	JPMorgan Chase Bank N.A.	State Street Bank and Trust Co.	UBS AG	Total
Assets:							
Centrally cleared credit default contracts[§]	$—	$—	$—	$—	$—	$—	$—
Forward currency contracts[#]	—	3,470	—	—	—	79,754	83,224
Total Assets	**$—**	**$3,470**	**$—**	**$—**	**$—**	**$79,754**	**$83,224**
Liabilities:							
Centrally cleared credit default contracts[§]	226,571	—	—	—	—	—	226,571
Forward currency contracts[#]	—	—	37,376	36,759	8,324	—	82,459
Total Liabilities	**$226,571**	**$—**	**$37,376**	**$36,759**	**$8,324**	**$—**	**$309,030**
Total Financial and Derivative Net Assets	**$(226,571)**	**$3,470**	**$(37,376)**	**$(36,759)**	**$(8,324)**	**$79,754**	**$(225,806)**
Total collateral received (pledged)[†##]	$—	$—	$—	$—	$—	$—	
Net amount	$(226,571)	$3,470	$(37,376)	$(36,759)	$(8,324)	$79,754	

[†] Additional collateral may be required from certain brokers based on individual agreements.

[#] Covered by master netting agreement (Note 1).

[##] Any over-collateralization of total financial and derivative net assets is not shown. Collateral may include amounts related to unsettled agreements.

[§] Includes current day's variation margin only as reported on the Statement of assets and liabilities, which is not collateralized. Cumulative appreciation/(depreciation) for futures contracts and centrally cleared swap contracts is represented in the tables listed after the fund's portfolio.

Trustee approval of management contract

General conclusions

The Board of Trustees of The Putnam Funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Investment Management, LLC ("Putnam Management") and the sub-management contract with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL"). The Board, with the assistance of its Contract Committee, requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. The Contract Committee consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of The Putnam Funds ("Independent Trustees").

At the outset of the review process, members of the Board's independent staff and independent legal counsel discussed with representatives of Putnam Management the annual contract review materials furnished to the Contract Committee during the course of the previous year's review, identifying possible changes in these materials that might be necessary or desirable for the coming year. Following these discussions and in consultation with the Contract Committee, the Independent Trustees' independent legal counsel requested that Putnam Management and its affiliates furnish specified information, together with any additional information that Putnam Management considered relevant, to the Contract Committee. Over the course of several months ending in June 2016, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided, as well as supplemental information provided in response to an additional request made by the Contract Committee. Throughout this process, the Contract Committee was assisted by the members of the Board's independent staff and by independent legal counsel for The Putnam Funds and the Independent Trustees.

In May 2016, the Contract Committee met in executive session to discuss and consider its recommendations with respect to the continuance of the contracts. At the Trustees' June 24, 2016 meeting, the Contract Committee met in executive session with the other Independent Trustees to review a summary of the key financial, performance and other data that the Contract Committee considered in the course of its review. The Contract Committee then presented its written report, which summarized the key factors that the Committee had considered and set forth its recommendations. The Contract Committee then recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2016. (Because PIL is an affiliate of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL, the Trustees have not attempted to evaluate PIL as a separate entity, and all subsequent references to Putnam Management below should be deemed to include reference to PIL as necessary or appropriate in the context.)

The Independent Trustees' approval was based on the following conclusions:

• That the fee schedule in effect for your fund represented reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds, the costs incurred by Putnam Management in providing services to the fund, and the continued application of certain reductions and waivers noted below; and

• That the fee schedule in effect for your fund represented an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations and how the Trustees considered these factors are described below, although individual Trustees may have evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the management arrangements for your fund and the other Putnam funds are the result of many years of review and discussion between the Independent Trustees and Putnam Management, that some aspects of the arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of fee arrangements in previous years. For example, with some minor exceptions, the funds' current fee arrangements under the management contracts were first implemented at the beginning of 2010 following extensive review by the Contract Committee and discussions with representatives of Putnam Management, as well as approval by shareholders.

Management fee schedules and total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. The Trustees also reviewed the total expenses of each Putnam fund, recognizing that in most cases management fees represented the major, but not the sole, determinant of total costs to shareholders. (In a few instances, funds have implemented so-called "all-in" management fees covering substantially all routine fund operating costs.)

In reviewing fees and expenses, the Trustees generally focus their attention on material changes in circumstances — for example, changes in assets under management, changes in a fund's investment style, changes in Putnam Management's operating costs or profitability, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not indicate that changes to the management fee structure for your fund would be appropriate at this time.

Under its management contract, your fund has the benefit of breakpoints in its management fee schedule that provide shareholders with economies of scale in the form of reduced fee rates as assets under management in the Putnam family of funds increase. The Trustees concluded that the fee schedule in effect for your fund represented an appropriate sharing of economies of scale between fund shareholders and Putnam Management.

As in the past, the Trustees also focused on the competitiveness of each fund's total expense ratio. In order to support the effort to have fund expenses meet competitive standards, the Trustees and Putnam Management have implemented a contractual expense limitation applicable to specified open-end funds, including your fund, of

20 basis points on so-called "other expenses" (i.e., all expenses exclusive of management fees, distribution fees, investor servicing fees, investment-related expenses, interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses). This expense limitation attempts to maintain competitive expense levels for the funds. Most funds, including your fund, had sufficiently low expenses that this expense limitation was not operative during their fiscal years ending in 2015. Putnam Management has agreed to maintain this expense limitation until at least April 30, 2018. Putnam Management's support for this expense limitation arrangement was an important factor in the Trustees' decision to approve the continuance of your fund's management and sub-management contracts.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Lipper Inc. ("Lipper"). This comparative information included your fund's percentile ranking for effective management fees and total expenses (excluding any applicable 12b-1 fee), which provides a general indication of your fund's relative standing. In the custom peer group, your fund ranked in the first quintile in effective management fees (determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the second quintile in total expenses (excluding any applicable 12b-1 fees) as of December 31, 2015. The first quintile represents the least expensive funds and the fifth quintile the most expensive funds. The fee and expense data reported by Lipper as of December 31, 2015 reflected the most recent fiscal year-end data available in Lipper's database at that time.

In connection with their review of fund management fees and total expenses, the Trustees also reviewed the costs of the services provided and the profits realized by Putnam Management and its affiliates from their contractual relationships with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management, investor servicing and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability, allocated on a fund-by-fund basis, with respect to the funds' management, distribution, and investor servicing contracts. For each fund, the analysis presented information about revenues, expenses and profitability for each of the agreements separately and for the agreements taken together on a combined basis. The Trustees concluded that, at current asset levels, the fee schedules in place represented reasonable compensation for the services being provided and represented an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the Putnam funds at that time.

The information examined by the Trustees as part of their annual contract review for the Putnam funds included information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, sub-advised third-party mutual funds, and the like. This information included comparisons of those fees with fees charged to the Putnam funds, as well as an assessment of the differences in the services provided to these different types of clients. The Trustees observed that the differences in fee rates between these clients and the Putnam funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients may reflect, among other things, historical competitive forces operating in separate markets. The Trustees considered the fact that in many cases fee rates across different asset classes are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to its other clients. The Trustees did not rely on these comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of the investment oversight committees of the Trustees, which meet on a regular basis with the funds' portfolio teams and with the Chief Investment Officer and other senior members of Putnam Management's Investment Division throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process — based on the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to them, and in general Putnam Management's ability to attract and retain high-quality personnel — but also recognized that this does not guarantee favorable investment results for every fund in every time period.

The Trustees considered that 2015 was a year of mixed performance results for the Putnam funds, with generally strong results for the international equity, global sector and global asset allocation funds, but generally disappointing results for the U.S. and small-cap equity, Spectrum and fixed income funds. They noted that the longer-term performance of the Putnam funds generally continued to be strong, exemplified by the fact that the Putnam funds were ranked by the Barron's/Lipper Fund Families survey as the 18th-best performing mutual fund complex out of 58 complexes for the five-year period ended December 31, 2015. They also noted, however, the disappointing investment performance of some funds for periods ended December 31, 2015 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional actions to address areas of underperformance are warranted.

For purposes of evaluating investment performance, the Trustees generally focus on a competitive industry ranking of each fund's total net return over a one-year, three-year and five-year period. For a number of Putnam funds with relatively unique investment mandates for which meaningful competitive performance rankings are not considered to be available, the Trustees evaluated performance based on their total gross and net returns and, in most cases, comparisons of those returns with the returns of selected investment benchmarks. In the case of your fund, the Trustees considered that its class IA share cumulative total return performance at net asset value was in the following quartiles of its Lipper peer group (Lipper VP (Underlying Funds) — High Yield Funds) for the one-year, three-year and five-year periods ended December 31, 2015 (the first quartile representing the best-performing funds and the fourth quartile the worst-performing funds):

One-year period	Three-year period	Five-year period
4th	3rd	2nd

Over the one-year, three-year and five-year periods ended December 31, 2015, there were 111, 103 and 98 funds, respectively, in your fund's Lipper peer group. (When considering performance information, shareholders should be mindful that past performance is not a guarantee of future results.)

The Trustees expressed concern about your fund's fourth quartile performance over the one-year period ended December 31, 2015 and considered the circumstances that may have contributed to this disappointing performance. The Trustees considered Putnam Management's observation that the fund's underperformance over the one-year period was due in significant part to the fund's moderately underweight position in upper-tier credit quality bonds (which outperformed lower-rated bonds during the period), as well as security selection within the utilities, cable and satellite, retail, and energy sectors.

The Trustees considered that Putnam Management remained confident in the fund's portfolio managers. The Trustees also considered Putnam Management's continued efforts to support fund performance through initiatives including structuring compensation for portfolio managers and research analysts to enhance accountability for fund performance, emphasizing accountability in the portfolio management process, and affirming its commitment to a fundamental-driven approach to investing. The Trustees noted further that Putnam Management continued to strengthen its fundamental research capabilities by adding new investment personnel.

As a general matter, the Trustees believe that cooperative efforts between the Trustees and Putnam Management represent the most effective way to address investment performance issues that may arise from time to time. The Trustees noted that investors in the Putnam funds have, in effect, placed their trust in the Putnam organization, under the oversight of the funds' Trustees, to make appropriate decisions regarding the management of the funds. Based on past responsiveness of Putnam Management to Trustee concerns about investment performance, the Trustees concluded that it is preferable to seek change within Putnam Management to address performance shortcomings. In the Trustees' view, the alternative of engaging a new investment adviser for an underperforming fund would entail significant disruptions and would not likely provide any greater assurance of improved investment performance.

Brokerage and soft-dollar allocations; investor servicing

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include benefits related to brokerage allocation and the use of soft dollars, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft dollars generated by these means are used primarily to acquire brokerage and research services (including third-party research and market data) that enhance Putnam Management's investment capabilities and supplement Putnam Management's internal research efforts. However, the Trustees noted that a portion of available soft dollars continues to be used to pay fund expenses. The Trustees indicated their continued intent to monitor regulatory and industry developments in this area with the assistance of their Brokerage Committee and also indicated their continued intent to monitor the allocation of the Putnam funds' brokerage in order to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management's affiliates for investor or distribution services. In conjunction with the annual review of your fund's management and sub-management contracts, the Trustees reviewed your fund's investor servicing agreement with Putnam Investor Services, Inc. ("PSERV") and its distributor's contracts and distribution plans with Putnam Retail Management Limited Partnership ("PRM"), both of which are affiliates of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV and PRM, as applicable, for such services are reasonable in relation to the nature and quality of such services, the fees paid by competitive funds, and the costs incurred by PSERV and PRM, as applicable, in providing such services.

Other important information

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2016, are available in the Individual Investors section of putnam.com and on the Securities and Exchange Commission's [SEC] website, www.sec.gov. If you have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

Each Putnam VT fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Form N-Q on the SEC's website at www.sec.gov. In addition, the fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's website or the operation of the Public Reference Room.

Fund information

Investment Manager
Putnam Investment Management, LLC
One Post Office Square
Boston, MA 02109

Investment Sub-Advisor
Putnam Investments Limited
57–59 St James's Street
London, England SW1A 1LD

Marketing Services
Putnam Retail Management
One Post Office Square
Boston, MA 02109

Investor Servicing Agent
Putnam Investor Services, Inc.
Mailing address:
P.O. Box 8383
Boston, MA 02266-8383
1-800-225-1581

Custodian
State Street Bank and Trust Company

Legal Counsel
Ropes & Gray LLP

Trustees
Jameson A. Baxter, *Chair*
Liaquat Ahamed
Ravi Akhoury
Barbara M. Baumann
Robert J. Darretta
Katinka Domotorffy
John A. Hill
Paul L. Joskow
Kenneth R. Leibler
Robert E. Patterson
George Putnam, III
Robert L. Reynolds
W. Thomas Stephens

The fund's Statement of Additional Information contains additional information about the fund's Trustees and is available without charge upon request by calling 1-800-225-1581.

This report has been prepared for the shareholders
of Putnam VT High Yield Fund.

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VTSA034 301607 8/16

Semi-Annual Report

June 30, 2016

TOPS® Aggressive Growth ETF Portfolio

TOPS® Balanced ETF Portfolio

TOPS® Conservative ETF Portfolio

TOPS® Growth ETF Portfolio

TOPS® Moderate Growth ETF Portfolio

Each a series of the Northern Lights Variable Trust

Distributed by Northern Lights Distributors, LLC

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A Message from the TOPS® Portfolio Management Team

Mid-Year 2016 Market Commentary

"First Half Returns Were Positive, in an Environment of Uncertainty"

The "bad news" seemed to make a lot more noise than the "good news" so far in 2016, yet each of the TOPS portfolios recorded positive returns for the first half as a whole. Recalling the pain of January (the worst month for stocks since 2009), oil's plunge to under $30 per barrel and the initial panicked response to the United Kingdom's June "Brexit" vote, it seems surprising equity returns could end up on the plus side. Likewise, fixed income returns were also very solid, despite concerns of interest rate risk heading into 2016.

While there is no shortage of interesting questions to cover at this time, here are three that stand out in terms of potential impact on future portfolio returns:

1) No new highs for the stock market in over a year – is a stealth Bear Market underway?
2) A new low was touched in the US 10 year Treasury yield – is a stealth Bull Market underway?
3) US GDP has barely grown in the past 2-3 quarters – is a stealth economic Recession underway?

Second Quarter and First Half Market Returns

Before attempting to answer our questions, we'll review the returns year-to-date. Our diversified portfolios fared well for the quarter and half, as market participation continued to broaden from 2015's "large cap only" pattern. All but one of the ETFs held in TOPS portfolios scored gains for both quarter 2 (Q2) and first half (H1) – a rare occurrence given the broad range of asset classes we hold and the diverse factors that drive shorter term performance. Likewise, all equity orientated TOPS Portfolios finished ahead of the S&P 500 for H1, net of assumed fees.

For Q2, the S&P 500 was +2.46%, S&P MidCap +3.99% and S&P SmallCap +3.48%. The reversal of leadership between S&P 500 Value (+3.96%) and Growth (+1.01%) appeared to gain steam in Q2. The strongest ETFs in TOPS portfolios were Flexshares Global Upstream Natural Resources (GUNR) at +9.49% in Q2 and SPDR Dow Jones REIT (RWR) +5.35%. Perhaps due to worries about BREXIT and continued signs of slow economic growth, the international developed economy ETF Vanguard FTSE All-World ex-US (VEU) was a laggard in Q2 at +0.57%. Vanguard FTSE Emerging Markets (VWO) extended its recovery with a +2.56% gain.

Equity markets were volatile during Q2, but overall the results suggested investors' appetite for risk was increasing. That "risk on" attitude carried over to the bond market, as US investment grade corporates (+3.7%) and high yield corporates (+5.6%) outperformed the primary fixed income index, the Barclays Capital U.S. Aggregate Bond which returned +2.2%. The flight to safety due to global growth concerns benefited U.S. Treasury Bonds as the 7-year bond returned +2.7% and U.S. TIPS +1.7%.

During the first half of 2016, investors were forced to cope with economic concerns, surprising presidential primary outcomes, volatile commodity prices, terrorist attacks and uncertainty from Central Bank leaders. Unsurprisingly, the resulting extremes of sentiment caused markets to fluctuate significantly. However, every time the markets fell, buyers eventually stepped up to the plate. The net of this activity was positive returns across asset classes, whether they were beneficiaries of "risk on" or "risk off" tactics. By the end of June, the Q2 results discussed above were representative of relative returns for H1 2016.

The broader equity markets were led by US MidCap (+7.93%), US SmallCap (+6.23%) and S&P 500 Value (+6.24%). As in Q2, S&P 500 Growth trailed at +1.55% and emerging markets (VWO +8.61%) trounced international developed markets (VEU +0.32%). Most of the TOPS diversifier asset classes added to returns, with REITS and Global Natural Resources particularly strong. The one ETF with a negative return was Guggenheim Global Timer (CUT), which was -3.27%.

The TOPS portfolios benefitted from exposure to diversifier fixed income sectors in H1, as WisdomTree Emerging Markets Local Debt (ELD) staged a recovery from the weak results of the past few years, gaining +11.84%. High Yield bonds, as represented by the PIMCO 0-5 Year High Yield Corp Bond Index ETF (HYS) was also very strong at +8.07%. Our lower overall interest rate risk profile restrained returns from Treasuries and investment grade corporates, but they were still positive for H1.

Is an Equity Bear Market Underway?

Even after considering the solid mid-single-digit returns for the first half, many market observers have noted the S&P 500 has been unable to attain a new closing high since May 21, 2015. They argue the reasons for this failure exemplify Bear Markets signposts: declining earnings (EPS), weak prospects for future growth, above-average valuations and an unfriendly Federal Reserve. In short, they see no rationale for a rising stock market in the U.S.

We are agnostic on the topic of predicting Bull vs. Bear Markets and believe it's a fool's errand to attempt to forecast such trend changes in advance. Having stated that, we do agree with the points made above, i.e., that

some Bearish signposts have been passed. However, if one thinks about the market volatility (brief surges up and plunges down) experienced since the most recent S&P peak, it becomes apparent that the markets may continue to go back-and-forth past signposts. For instance, EPS has been declining, but not very much. With one key factor (oil prices) stabilizing and another key factor (low interest rates) reaching even lower lows, the EPS signpost may switch to positive. Above-average valuations may limit price gains, but won't necessarily cause significant losses. And, of course, the Fed has recently shifted back to a dovish stance.

We caution investors that attempting to time Bull and Bear markets, or worse yet, shorter term moves of less than 10% may be hazardous to your portfolio's health. A stealth Bear Market may be beginning for some U.S. stocks, but so may the next leg up of the Bull Market. At any rate, stocks may actually look attractive versus bonds (and record-low yields) as we note in the next section.

Is a Fixed Income Bull Market Underway?

The 10 year U.S. Treasury Bond yield fell to new all-time lows of 1.35% early in July. Since prices move in the opposite direction of yields, that means the Treasury Bond market has reached new highs. That sounds like the definition of a Bull Market. In fact, the primary competitor for safety-conscious bond buyers is the German Bund and its 10 year yield actually dropped into negative territory recently. Negative yields indicate an investor is willing to pay the German government to take the investor's funds and hold them for 10 years. While negative interest rates are hard to fathom, it seems negative rates are plausible in the U.S. as well. In order for that to occur, the Fed would have to reverse course and cut short rates below zero combined with renewed strength in the US Dollar. While not our base case, we are now allowing for it, as a possibility, in our modeling.

So, our answer to the Bond question seems fairly clear: the Bull Market that began 35 years ago in 1981 remains in place. However, that was also true for the NASDAQ stock index back in 2000 – which proved to be the last gasp of a very strong Bull. We are not predicting the immediate end of this leg of the Bull market in bonds, but we believe it is prudent to maintain lower than normal fixed income return expectations in the near term.

Our perspective is that bond yields will eventually rise, but probably at a measured pace. With no recession or high inflation, the TOPS mix of shorter durations and modest credit risk should continue to be an appropriate strategy.

So, our final question is:

Is the US Economy on the Verge of Recession?

We entered 2016 without great enthusiasm for the prospects of global economic growth. The two largest economies, America and China, will probably rank fairly high in terms of GDP, but neither shows signs of acceleration. European growth may improve slightly, but the key hopes on the Continent are for continued easing by the European Central Bank. The mass influx of refugees will continue to weigh on those economies in 2016. Global growth seems likely to remain sluggish.

Perhaps BREXIT (the United Kingdom's June vote to leave the European Union) will be a catalyst to cause sluggish growth to accelerate into recession? Investors certainly panicked when the surprising results were announced, but cooler heads quickly prevailed. The impact on the UK and on global economies may in fact be negative, but the uncertainties of the terms of the exit that Britain and the EU negotiate – not to mention the risk of Scotland leaving the UK, are unforecastable and will not take place soon. Imports and exports with the UK account for less than 5% of America's trade in goods and services, so it simply is not large enough to cause a US recession directly.

US growth has been disappointing with GDP +1.4% in Q4 2015 and +1.1% in Q 2016. We will reiterate the point we have made over and over for the past several years: slow GDP growth is still growth. A Recession means shrinkage of GDP. The yield curve remains positive, wages are growing, employment is growing, capital spending is positive, consumer confidence measures are positive, housing is expanding, etc., etc., etc. The bottom line is that leading indicators of a stealth Recession are not in place.

Portfolio Strategies

TOPS employs a proven, disciplined process of portfolio management. Likewise, our portfolio management team has about 70 years of portfolio management experience. Our experience and process are well suited for the challenges presented by global markets. As always, the TOPS strategy for managing globally diversified ETF portfolios is focused on optimizing risk adjusted returns. As such, we believe the portfolios are appropriately structured for the current environment.

The S&P 500® Index is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks.

The S&P 500® Growth measures the growth segment of the S&P 500® Index. The index is designed to be an investable portfolio of companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The S&P 500® Value measures the value segment of the S&P 500® Index. The index is designed to be an investable portfolio of companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The S&P MidCap 400® measures the mid-cap segment of the U.S.equity market. The index is designed to be an investable portfolio of companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The S&P SmallCap 600® measures the small cap segment of the U.S. equity market. The index is designed to be an investable portfolio of companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

The Barclays Capital Aggregate Bond Index is weighted according to market capitalization, which means the securities represented in the index are weighted according to the market size of the bond category. Treasury securities, mortgage-backed securities (MBS) foreign bonds, government agency bonds and corporate bonds are some of the categories included in the index. The bonds represented are medium term with an average maturity of about 4.57 years. In all, the index represents about 8,200 fixed-income securities with a total value of approximately $15 trillion (about 43% of the total U.S. bond market).

The Barclays Capital High Yield Very Liquid Index includes publicly issued U.S. dollar denominated, non-investment grade, fixed-rate, taxable corporate bonds that have a remaining maturity of at least one year, regardless of optionality, are rated high-yield (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&P, and Fitch, respectively (before July 1, 2005, the lower of Moody's and S&P was used), and have $600 million or more of outstanding face value.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Intermediate U.S. Treasury Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to 1 year and less than 10 years, are rated investment grade, and have $250 million or more of outstanding face value.

The Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value.

The PIMCO 0-5 Year High Yield Corporate Bond Index ETF tracks the BofA Merrill Lynch 0-5 Year US High Yield Constrained Index. The BofA Merrill Lynch 0-5 Year US High Yield Constrained Index is an unmanaged index comprised of US dollar denominated below investment grade corporate debt securities publicly issued in the US domestic market with remaining maturities of less than 5 years.

You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Past Performance is no guarantee of future results.

6528-NLD-7/27/2016

06/30/2016

TOPS® Aggressive Growth ETF Portfolio

Portfolio Review (Unaudited)

June 30, 2016

The Portfolio's performance figures* for the periods ended June 30, 2016, as compared to its benchmark:

	Six Months	One Year	Five Year (Annualized)	Performance Since Inception** (Annualized)	Performance Since Inception***
Aggressive Growth ETF Portfolio					
Class 1	4.72%	(1.69)%	6.23%	5.51%	N/A
Class 2	4.58%	(1.93)%	6.03%	5.32%	N/A
Investor Class	4.35%	N/A	N/A	N/A	(2.73)%
S&P 500 Total Return Index ****	3.84%	3.99%	12.10%	11.32%	1.39%

* The performance data quoted is historical. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or on the redemption of Portfolio shares, as well as other charges and expenses of the insurance contract or separate account. Per the fee table in the most recent prospectus, the Portfolio's total annual operating expense ratios including acquired fund fees and expenses for Class 1, Class 2, and Investor Class are 0.38%, 0.63%, and 0.88%, respectively. For performance information current to the most recent month-end, please call 1-855-572-5945.

** Class 1 and Class 2's inception date was April 26, 2011.

*** Investor Class inception date was July 22, 2015.

**** The S&P 500 Total Return Index is an unmanaged market capitlization-weighted index of 500 of the largest capitalized U.S. domiciled companies. Index returns assume reinvestment of dividends. Investors may not invest in the index directly; unlike the Portfolio's returns, the Index does not reflect any fees or expenses.

Holdings by Asset Class as of June 30, 2016	% of Net Assets
Equity Funds	98.1%
Other Assets and Liabilities/Cash & Cash Equivalents	1.9%
	100.0%

Please refer to the Portfolio of Investments in this semi-annual report for a detailed analysis of the Portfolio's holdings.

TOPS® Balanced ETF Portfolio

Portfolio Review (Unaudited)

June 30, 2016

The Portfolio's performance figures* for the periods ended June 30, 2016, as compared to its benchmark:

	Six Months	One Year	Five Year (Annualized)	Performance Since Inception** (Annualized)	Performance Since Inception***
Balanced ETF Portfolio					
Class 1	4.94%	1.30%	4.85%	4.54%	N/A
Class 2	4.81%	1.14%	4.46%	4.14%	N/A
Investor Class	4.67%	N/A	N/A	N/A	0.79%
S&P 500 Total Return Index ****	3.84%	3.99%	12.10%	11.32%	1.39%

* The performance data quoted is historical. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or on the redemption of Portfolio shares, as well as other charges and expenses of the insurance contract or separate account. Per the fee table in the most recent prospectus, the Portfolio's total annual operating expense ratios including acquired fund fees and expenses for Class 1, Class 2, and Investor Class are 0.42%, 0.67%, and 0.92%, respectively. For performance information current to the most recent month-end, please call 1-855-572-5945.

** Class 1 and Class 2's inception date was April 26, 2011.

*** Investor Class inception date was July 22, 2015.

**** The S&P 500 Total Return Index is an unmanaged market capitlization-weighted index of 500 of the largest capitalized U.S. domiciled companies. Index returns assume reinvestment of dividends. Investors may not invest in the index directly; unlike the Portfolio's returns, the Index does not reflect any fees or expenses.

Holdings by Asset Class as of June 30, 2016	**% of Net Assets**
Equity Funds	50.3%
Debt Funds	47.7%
Other Assets and Liabilities/Cash & Cash Equivalents	2.0%
	100.0%

Please refer to the Portfolio of Investments in this semi-annual report for a detailed analysis of the Portfolio's holdings.

TOPS® Conservative ETF Portfolio

Portfolio Review (Unaudited)

June 30, 2016

The Portfolio's performance figures* for the periods ended June 30, 2016, as compared to its benchmark:

	Six Months	One Year	Five Year (Annualized)	Performance Since Inception** (Annualized)	Performance Since Inception***
Conservative ETF Portfolio					
Class 1	4.11%	1.53%	3.69%	3.58%	N/A
Class 2	3.95%	1.23%	3.44%	3.34%	N/A
Investor Class	3.87%	N/A	N/A	N/A	1.08%
S&P 500 Total Return Index ****	3.84%	3.99%	12.10%	11.32%	1.39%

* The performance data quoted is historical. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or on the redemption of Portfolio shares, as well as other charges and expenses of the insurance contract or separate account. Per the fee table in the most recent prospectus, the Portfolio's total annual operating expense ratios including acquired fund fees and expenses for Class 1, Class 2, and Investor Class are 0.45%, 0.70%, and 0.95%, respectively. For performance information current to the most recent month-end, please call 1-855-572-5945.

** Class 1 and Class 2's inception date was April 26, 2011.

*** Investor Class inception date was July 22, 2015.

**** The S&P 500 Total Return Index is an unmanaged market capitlization-weighted index of 500 of the largest capitalized U.S. domiciled companies. Index returns assume reinvestment of dividends. Investors may not invest in the index directly; unlike the Portfolio's returns, the Index does not reflect any fees or expenses.

Holdings by Asset Class as of June 30, 2016	% of Net Assets
Debt Funds	67.8%
Equity Funds	30.3%
Other Assets and Liabilities/Cash & Cash Equivalents	1.9%
	100.0%

Please refer to the Portfolio of Investments in this semi-annual report for a detailed analysis of the Portfolio's holdings.

TOPS® Growth ETF Portfolio

Portfolio Review (Unaudited)

June 30, 2016

The Portfolio's performance figures* for the periods ended June 30, 2016, as compared to its benchmark:

	Six Months	One Year	Five Year (Annualized)	Performance Since Inception** (Annualized)	Performance Since Inception***
Growth ETF Portfolio					
Class 1	5.24%	(1.35)%	7.42%	6.73%	N/A
Class 2	5.15%	(1.58)%	7.05%	6.38%	N/A
Investor Class	4.91%	N/A	N/A	N/A	(2.00)%
S&P 500 Total Return Index ****	3.84%	3.99%	12.10%	11.32%	1.39%

* The performance data quoted is historical. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or on the redemption of Portfolio shares, as well as other charges and expenses of the insurance contract or separate account. Per the fee table in the most recent prospectus, the Portfolio's total annual operating expense ratios including acquired fund fees and expenses for Class 1, Class 2, and Investor Class are 0.42%, 0.67%, and 0.92%, respectively. For performance information current to the most recent month-end, please call 1-855-572-5945.

** Class 1 and Class 2's inception date was April 26, 2011.

*** Investor Class inception date was July 22, 2015.

**** The S&P 500 Total Return Index is an unmanaged market capitlization-weighted index of 500 of the largest capitalized U.S. domiciled companies. Index returns assume reinvestment of dividends. Investors may not invest in the index directly; unlike the Portfolio's returns, the Index does not reflect any fees or expenses.

Holdings by Asset Class as of June 30, 2016	% of Net Assets
Equity Funds	85.2%
Debt Funds	12.8%
Other Assets and Liabilities/Cash & Cash Equivalents	2.0%
	100.0%

Please refer to the Portfolio of Investments in this semi-annual report for a detailed analysis of the Portfolio's holdings.

TOPS® Moderate Growth ETF Portfolio

Portfolio Review (Unaudited)

June 30, 2016

The Portfolio's performance figures* for the periods ended June 30, 2016, as compared to its benchmark:

	Six Months	One Year	Five Year (Annualized)	Performance Since Inception** (Annualized)	Performance Since Inception***
Moderate Growth ETF Portfolio					
Class 1	5.46%	0.27%	5.15%	4.69%	N/A
Class 2	5.32%	0.16%	4.87%	4.41%	N/A
Investor Class	4.89%	N/A	N/A	N/A	(0.62)%
S&P 500 Total Return Index ****	3.84%	3.99%	12.10%	11.32%	1.39%

* The performance data quoted is historical. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or on the redemption of Portfolio shares, as well as other charges and expenses of the insurance contract or separate account. Per the fee table in the most recent prospectus, the Portfolio's total annual operating expense ratios including acquired fund fees and expenses for Class 1, Class 2, and Investor Class are 0.42%, 0.67%, and 0.92%, respectively. For performance information current to the most recent month-end, please call 1-855-572-5945.

** Class 1 and Class 2's inception date was April 26, 2011.

*** Investor Class inception date was July 22, 2015.

**** The S&P 500 Total Return Index is an unmanaged market capitlization-weighted index of 500 of the largest capitalized U.S. domiciled companies. Index returns assume reinvestment of dividends. Investors may not invest in the index directly; unlike the Portfolio's returns, the Index does not reflect any fees or expenses.

Holdings by Asset Class as of June 30, 2016	% of Net Assets
Equity Funds	65.3%
Debt Funds	32.8%
Other Assets and Liabilities/Cash & Cash Equivalents	1.9%
	100.0%

Please refer to the Portfolio of Investments in this semi-annual report for a detailed analysis of the Portfolio's holdings.

TOPS® Aggressive Growth ETF Portfolio
PORTFOLIO OF INVESTMENTS
June 30, 2016 (Unaudited)

Shares		Value
	EXCHANGE TRADED FUNDS - 98.0%	
	EQUITY FUNDS - 98.0%	
6,722	FlexShares Global Upstream Natural Resources Index Fund	$ 177,125
2,604	Guggenheim MSCI Global Timber	59,371
5,542	iShares Core S&P Mid-Cap ETF	827,919
7,647	iShares Core S&P Small-Cap ETF	888,658
8,051	iShares S&P 500 Growth ETF	938,586
9,505	iShares S&P 500 Value ETF	883,014
2,820	SPDR Dow Jones International Real Estate ETF	116,917
1,178	SPDR Dow Jones REIT ETF	117,129
24,660	Vanguard FTSE All-World ex-US ETF	1,056,681
1,885	Vanguard FTSE All-World ex-US Small-Cap ETF	175,475
13,793	Vanguard FTSE Emerging Markets ETF	485,789
1,055	WisdomTree Emerging Markets SmallCap Dividend Fund	40,871
	TOTAL EXCHANGE TRADED FUNDS (Cost - $5,741,997)	5,767,535
	SHORT-TERM INVESTMENT - 2.8%	
	MONEY MARKET FUND - 2.8%	
164,670	Invesco Short-Term Investments Trust - Liquid Assets Portfolio to yield 0.30% (a) (Cost - $164,670)	164,670
	TOTAL INVESTMENTS - 100.8% (Cost - $5,906,667) (b)	$ 5,932,205
	OTHER ASSETS AND LIABILITIES - NET - (0.8)%	(49,303)
	TOTAL NET ASSETS - 100.0%	**$ 5,882,902**

ETF - Exchange Traded Fund

REIT - Real Estate Investment Trust

(a) Variable rate security, the money market rate shown represents the rate at June 30, 2016.

(b) Represents cost for financial reporting purposes. Aggregate cost for Federal tax purposes is $5,910,191 and differs from value by net unrealized appreciation (depreciation) of securities as follows:

Unrealized appreciation:	$	164,456
Unrealized depreciation:		(142,442)
Net unrealized appreciation:	**$**	**22,014**

See accompanying notes to financial statements.

TOPS® Balanced ETF Portfolio

PORTFOLIO OF INVESTMENTS

June 30, 2016 (Unaudited)

Shares		Value
	EXCHANGE TRADED FUNDS - 98.0%	
	DEBT FUNDS - 47.7%	
16,270	FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	$ 405,774
1,585	iShares 1-3 Year Treasury Bond ETF	135,232
4,251	iShares 3-7 Year Treasury Bond ETF	541,365
2,672	iShares Floating Rate Bond ETF	135,257
4,018	iShares iBoxx $ High Yield Corporate Bond ETF	340,284
3,869	iShares iBoxx $ Investment Grade Corporate Bond ETF	474,842
7,685	PIMCO 1-5 Year U.S. TIPS Index ETF	406,075
5,897	PowerShares Senior Loan Portfolio	135,454
8,783	SPDR Barclays Short Term Corporate Bond ETF	270,341
2,515	Vanguard Mortgage-Backed Securities ETF	135,433
2,426	Vanguard Total International Bond ETF	135,128
3,623	WisdomTree Emerging Markets Local Debt Fund	135,536
		3,250,721
	EQUITY FUNDS - 50.3%	
2,613	FlexShares Global Upstream Natural Resources Index Fund	68,853
3,037	Guggenheim MSCI Global Timber	69,244
1,847	iShares Core S&P Mid-Cap ETF	275,923
2,378	iShares Core S&P Small-Cap ETF	276,347
4,108	iShares S&P 500 Growth ETF	478,911
8,130	iShares S&P 500 Value ETF	755,277
4,933	SPDR Dow Jones International Real Estate ETF	204,522
2,060	SPDR Dow Jones REIT ETF	204,826
716	Vanguard Energy ETF	68,106
12,783	Vanguard FTSE All-World ex-US ETF	547,751
1,465	Vanguard FTSE All World ex-US Small-Cap ETF	136,377
7,753	Vanguard FTSE Emerging Markets ETF	273,061
672	Vanguard Materials ETF	68,833
		3,428,031
	TOTAL EXCHANGE TRADED FUNDS (Cost - $6,538,336)	6,678,752
	SHORT-TERM INVESTMENT - 2.6%	
	MONEY MARKET FUND - 2.6%	
176,011	Invesco Short-Term Investments Trust - Liquid Assets Portfolio to yield 0.30% (a) (Cost - $176,011)	176,011
	TOTAL INVESTMENTS - 100.6% (Cost - $6,714,347) (b)	$ 6,854,763
	OTHER ASSETS AND LIABILITIES - NET - (0.6)%	(43,632)
	TOTAL NET ASSETS - 100.0%	**$ 6,811,131**

See accompanying notes to financial statements.

TOPS® Balanced ETF Portfolio

PORTFOLIO OF INVESTMENTS (Continued)

June 30, 2016 (Unaudited)

TIPS - Treasury Inflation Protected Security

ETF - Exchange Traded Fund

REIT - Real Estate Investment Trust

(a) Variable rate security, the money market rate shown represents the rate at June 30, 2016.

(b) Represents cost for financial reporting purposes. Aggregate cost for Federal tax purposes is $6,758,875 and differs from value by net unrealized appreciation (depreciation) of securities as follows:

Unrealized appreciation:	$	148,284
Unrealized depreciation:		(52,396)
Net unrealized appreciation:	**$**	**95,888**

See accompanying notes to financial statements.

TOPS® Conservative ETF Portfolio
PORTFOLIO OF INVESTMENTS
June 30, 2016 (Unaudited)

Shares		Value
	EXCHANGE TRADED FUNDS - 98.1%	
	DEBT FUNDS - 67.8%	
6,379	FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	$ 159,092
1,632	iShares 1-3 Year Treasury Bond ETF	139,242
938	iShares 3-7 Year Treasury Bond ETF	119,454
1,179	iShares Floating Rate Bond ETF	59,681
975	iShares iBoxx $ Investment Grade Corporate Bond ETF	119,662
824	PIMCO 0-5 Year High Yield Corporate Bond Index ETF	79,796
3,013	PIMCO 1-5 Year U.S. TIPS Index ETF	159,207
786	PIMCO Enhanced Short Maturity Active ETF	79,520
5,204	PowerShares Senior Loan Portfolio	119,536
5,165	SPDR Barclays Short Term Corporate Bond ETF	158,979
1,426	Vanguard Total International Bond ETF	79,428
738	Vanguard Mortgage-Backed Securities ETF	39,741
1,065	WisdomTree Emerging Markets Local Debt Fund	39,842
		1,353,180
	EQUITY FUNDS - 30.3%	
1,537	FlexShares Global Upstream Natural Resources Index Fund	40,500
543	iShares Core S&P Mid-Cap ETF	81,119
350	iShares Core S&P Small-Cap ETF	40,673
863	iShares S&P 500 Growth ETF	100,608
1,521	iShares S&P 500 Value ETF	141,301
967	SPDR Dow Jones International Real Estate ETF	40,092
404	SPDR Dow Jones REIT ETF	40,170
2,349	Vanguard FTSE All-World ex-US ETF	100,655
215	Vanguard FTSE All-World ex-US Small-Cap ETF	20,014
		605,132
	TOTAL EXCHANGE TRADED FUNDS (Cost - $1,882,629)	1,958,312
	SHORT-TERM INVESTMENT - 1.5%	
	MONEY MARKET FUND - 1.5%	
30,700	Invesco Short-Term Investments Trust - Liquid Assets Portfolio to yield 0.30% (a) (Cost - $30,700)	30,700
	TOTAL INVESTMENTS - 99.6% (Cost - $1,913,329) (b)	$ 1,989,012
	OTHER ASSETS AND LIABILITIES - NET - 0.4%	8,197
	TOTAL NET ASSETS - 100.0%	**$ 1,997,209**

TIPS - Treasury Inflation Protected Security

ETF - Exchange Traded Fund

REIT - Real Estate Investment Trust

(a) Variable rate security, the money market rate shown represents the rate at June 30, 2016.

(b) Represents cost for financial reporting purposes. Aggregate cost for Federal tax purposes is $1,934,729 and differs from value by net unrealized appreciation (depreciation) of securities as follows:

Unrealized appreciation:	$	54,283
Unrealized depreciation:		-
Net unrealized appreciation:	**$**	**54,283**

See accompanying notes to financial statements.

TOPS® Growth ETF Portfolio

PORTFOLIO OF INVESTMENTS

June 30, 2016 (Unaudited)

Shares			Value
	EXCHANGE TRADED FUNDS - 98.0%		
	DEBT FUNDS - 12.8%		
7,546	FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	$	188,197
1,479	iShares 3-7 Year Treasury Bond ETF		188,351
4,472	iShares iBoxx $ High Yield Corporate Bond ETF		378,734
1,782	PIMCO 1-5 Year U.S. TIPS Index ETF		94,161
1,749	Vanguard Mortgage-Backed Securities ETF		94,183
7,561	WisdomTree Emerging Markets Local Debt Fund		282,857
			1,226,483
	EQUITY FUNDS - 85.2%		
14,543	FlexShares Global Upstream Natural Resources Index Fund		383,208
4,226	Guggenheim MSCI Global Timber		96,353
7,065	iShares Core S&P Mid-Cap ETF		1,055,440
9,927	iShares Core S&P Small-Cap ETF		1,153,617
10,614	iShares S&P 500 Growth ETF		1,237,380
12,340	iShares S&P 500 Value ETF		1,146,386
6,864	SPDR Dow Jones International Real Estate ETF		284,581
1,911	SPDR Dow Jones REIT ETF		190,011
997	Vanguard Energy ETF		94,835
37,793	Vanguard FTSE All-World ex-US ETF		1,619,430
2,039	Vanguard FTSE All World ex-US Small-Cap ETF		189,810
14,832	Vanguard FTSE Emerging Markets ETF		522,383
935	Vanguard Materials ETF		95,772
1,222	WisdomTree Emerging Markets SmallCap Dividend Fund		47,340
			8,116,546
	TOTAL EXCHANGE TRADED FUNDS (Cost - $9,140,965)		9,343,029
	SHORT-TERM INVESTMENT - 2.7%		
	MONEY MARKET FUND - 2.7%		
253,989	Invesco Short-Term Investments Trust - Liquid Assets Portfolio to yield 0.30% (a) (Cost - $253,989)		253,989
	TOTAL INVESTMENTS - 100.7% (Cost - $9,394,954) (b)	$	9,597,018
	OTHER ASSETS AND LIABILITIES - NET - (0.7)%		(68,893)
	TOTAL NET ASSETS - 100.0%	**$**	**9,528,125**

TIPS - Treasury Inflation Protected Security

ETF - Exchange Traded Fund

REIT - Real Estate Investment Trust

(a) Variable rate security, the money market rate shown represents the rate at June 30, 2016.

(b) Represents cost for financial reporting purposes. Aggregate cost for Federal tax purposes is $9,434,792 and differs from value by net unrealized appreciation (depreciation) of securities as follows:

Unrealized appreciation:	$	390,365
Unrealized depreciation:		(228,139)
Net unrealized appreciation:	**$**	**162,226**

See accompanying notes to financial statements.

TOPS® Moderate Growth ETF Portfolio

PORTFOLIO OF INVESTMENTS

June 30, 2016 (Unaudited)

Shares			Value
	EXCHANGE TRADED FUNDS - 98.1%		
	DEBT FUNDS - 32.8%		
9,357	FlexShares iBoxx 3-Year Target Duration TIPS Index Fund	$	233,364
1,824	iShares 1-3 Year Treasury Bond ETF		155,624
611	iShares 3-7 Year Treasury Bond ETF		77,811
4,621	iShares iBoxx $ High Yield Corporate Bond ETF		391,352
4,450	iShares iBoxx $ Investment Grade Corporate Bond ETF		546,149
4,420	PIMCO 1-5 Year U.S. TIPS Index ETF		233,553
6,782	PowerShares Senior Loan Portfolio		155,783
12,627	SPDR Barclays Short Term Corporate Bond ETF		388,659
1,395	Vanguard Total International Bond ETF		77,701
2,892	Vanguard Mortgage-Backed Securities ETF		155,734
4,167	WisdomTree Emerging Markets Local Debt Fund		155,887
			2,571,617
	EQUITY FUNDS - 65.3%		
9,017	FlexShares Global Upstream Natural Resources Index Fund		237,598
3,493	Guggenheim MSCI Global Timber		79,640
4,248	iShares Core S&P Mid-Cap ETF		634,609
5,471	iShares Core S&P Small-Cap ETF		635,785
6,750	iShares S&P 500 Growth ETF		786,915
8,501	iShares S&P 500 Value ETF		789,743
5,674	SPDR Dow Jones International Real Estate ETF		235,244
1,580	SPDR Dow Jones REIT ETF		157,099
824	Vanguard Energy ETF		78,379
22,053	Vanguard FTSE All-World ex-US ETF		944,971
1,685	Vanguard FTSE All World ex-US Small-Cap ETF		156,857
8,917	Vanguard FTSE Emerging Markets ETF		314,057
773	Vanguard Materials ETF		79,178
			5,130,075
	TOTAL EXCHANGE TRADED FUNDS (Cost - $7,514,885)		7,701,692
	SHORT-TERM INVESTMENT - 2.3%		
	MONEY MARKET FUND - 2.3%		
182,029	Invesco Short-Term Investments Trust - Liquid Assets Portfolio to yield 0.30% (a) (Cost - $182,029)		182,029
	TOTAL INVESTMENTS - 100.4% (Cost - $7,696,914) (b)	$	7,883,721
	OTHER ASSETS AND LIABILITIES - NET - (0.4)%		(29,935)
	TOTAL NET ASSETS - 100.0%	**$**	**7,853,786**

See accompanying notes to financial statements.

TOPS® Moderate Growth ETF Portfolio

PORTFOLIO OF INVESTMENTS (Continued)

June 30, 2016 (Unaudited)

TIPS - Treasury Inflation Protected Security

ETF - Exchange Traded Fund

REIT - Real Estate Investment Trust

(a) Variable rate security, the money market rate shown represents the rate at June 30, 2016.

(b) Represents cost for financial reporting purposes. Aggregate cost for Federal tax purposes is $7,738,749 and differs from value by net unrealized appreciation (depreciation) of securities as follows:

Unrealized appreciation:	$	196,638
Unrealized depreciation:		(51,666)
Net unrealized appreciation:	**$**	**144,972**

See accompanying notes to financial statements.

Statements of Assets and Liabilities
June 30, 2016 (Unaudited)

	Aggressive Growth ETF Portfolio	Balanced ETF Portfolio	Conservative ETF Portfolio
Assets:			
Investments in securities, at cost	$ 5,906,667	$ 6,714,347	$ 1,913,329
Investments in securities, at value	$ 5,932,205	$ 6,854,763	$ 1,989,012
Receivable for securities sold	21,655	44,930	14,287
Receivable for Portfolio shares sold	2,150	-	-
Interest receivable	27	27	8
Total Assets	5,956,037	6,899,720	2,003,307
Liabilities:			
Payable for securities purchased	70,945	86,014	5,276
Accrued distribution (12b-1) fees	1,169	1,402	353
Accrued investment advisory fees	474	563	162
Payable to related parties and administrative service fees	474	563	162
Payable for Portfolio shares redeemed	73	47	145
Total Liabilities	73,135	88,589	6,098
Net Assets	$ 5,882,902	$ 6,811,131	$ 1,997,209
Components of Net Assets:			
Paid in capital	$ 5,665,723	$ 6,484,415	$ 1,940,571
Undistributed net investment income	110,953	131,754	52,345
Accumulated net realized gain (loss) on investments	80,688	54,546	(71,390)
Net unrealized appreciation on investments	25,538	140,416	75,683
Net Assets	$ 5,882,902	$ 6,811,131	$ 1,997,209
Class 1 Shares:			
Net assets	$ 80,827	$ 23,468	$ 259,126
Total shares of beneficial interest outstanding at end of year ($0 par value, unlimited shares authorized)	6,751	2,045	23,259
Net asset value, offering and redemption price per share (Net assets ÷ Total shares of beneficial interest outstanding)	$ 11.97	$ 11.47 (a)	$ 11.14
Class 2 Shares:			
Net assets	$ 5,802,063	$ 6,787,652	$ 1,738,072
Total shares of beneficial interest outstanding at end of year ($0 par value, unlimited shares authorized)	488,351	611,191	157,251
Net asset value, offering and redemption price per share (Net assets ÷ Total shares of beneficial interest outstanding)	$ 11.88	$ 11.11	$ 11.05
Investor Class Shares:			
Net assets	$ 12	$ 11	$ 11
Total shares of beneficial interest outstanding at end of period ($0 par value, unlimited shares authorized)	1	1	1
Net asset value, offering and redemption price per share (Net assets ÷ Total shares of beneficial interest outstanding)	$ 12.48 (a)	$ 11.44 (a)	$ 11.28 (a)

(a) NAV does not recalculate due to rounding of shares.

See accompanying notes to financial statements.

Statements of Assets and Liabilities (Continued)

June 30, 2016 (Unaudited)

	Growth ETF Portfolio	Moderate Growth ETF Portfolio
Assets:		
Investments in securities, at cost	$ 9,394,954	$ 7,696,914
Investments in securities, at value	$ 9,597,018	$ 7,883,721
Receivable for securities sold	39,935	47,794
Receivable for Portfolio shares sold	815	-
Interest receivable	44	35
Total Assets	9,637,812	7,931,550
Liabilities:		
Payable for securities purchased	106,499	75,055
Accrued distribution (12b-1) fees	1,524	1,247
Accrued investment advisory fees	768	636
Payable to related parties and administrative service fees	768	636
Payable for Portfolio shares redeemed	128	190
Total Liabilities	109,687	77,764
Net Assets	$ 9,528,125	$ 7,853,786
Components of Net Assets:		
Paid in capital	$ 8,891,393	$ 7,550,756
Undistributed net investment income	213,017	142,923
Accumulated net realized gain (loss) on investments	221,651	(26,700)
Net unrealized appreciation on investments	202,064	186,807
Net Assets	$ 9,528,125	$ 7,853,786
Class 1 Shares:		
Net assets	$ 1,928,435	$ 1,689,981
Total shares of beneficial interest outstanding at end of year ($0 par value, unlimited shares authorized)	150,033	159,206
Net asset value, offering and redemption price per share (Net assets ÷ Total shares of beneficial interest outstanding)	$ 12.85	$ 10.62
Class 2 Shares:		
Net assets	$ 7,599,677	$ 6,163,794
Total shares of beneficial interest outstanding at end of year ($0 par value, unlimited shares authorized)	599,751	599,141
Net asset value, offering and redemption price per share (Net assets ÷ Total shares of beneficial interest outstanding)	$ 12.67	$ 10.29
Investor Class Shares:		
Net assets	$ 13	$ 11
Total shares of beneficial interest outstanding at end of period ($0 par value, unlimited shares authorized)	1	1
Net asset value, offering and redemption price per share (Net assets ÷ Total shares of beneficial interest outstanding)	$ 13.24 (a)	$ 11.15 (a)

(a) NAV does not recalculate due to rounding of shares.

See accompanying notes to financial statements.

Statements of Operations

For the Six Months Ended June 30, 2016 (Unaudited)

	Aggressive Growth ETF Portfolio	Balanced ETF Portfolio	Conservative ETF Portfolio
Investment Income:			
Dividend income	$ 55,738	$ 64,180	$ 21,186
Interest income	212	249	117
Total Investment Income	55,950	64,429	21,303
Expenses:			
Investment advisory fees	2,590	3,156	1,264
Distribution fees (12b-1) - Class 2 Shares	6,379	7,863	2,843
Related parties and administrative service fees	2,590	3,156	1,264
Total Expenses	11,559	14,175	5,371
Net Investment Income	44,391	50,254	15,932
Realized and Unrealized Gain (Loss) on Investments:			
Net realized gain (loss) on investments	17,728	41,111	(47,499)
Net change in unrealized appreciation on investments	201,106	265,279	152,594
Net Realized and Unrealized Gain on Investments	218,834	306,390	105,095
Net Increase in Net Assets Resulting from Operations	$ 263,225	$ 356,644	$ 121,027

See accompanying notes to financial statements.

Statements of Operations (Continued)

For the Six Months Ended June 30, 2016 (Unaudited)

	Growth ETF Portfolio	Moderate Growth ETF Portfolio
Investment Income:		
Dividend income	$ 97,070	$ 78,751
Interest income	340	317
Total Investment Income	97,410	79,068
Expenses:		
Investment advisory fees	4,310	3,567
Distribution fees (12b-1) - Class 2 Shares	8,498	6,913
Related parties and administrative service fees	4,310	3,567
Total Expenses	17,118	14,047
Net Investment Income	80,292	65,021
Realized and Unrealized Gain (Loss) on Investments:		
Net realized gain (loss) on investments	33,491	(56,704)
Net change in unrealized appreciation on investments	355,876	406,449
Net Realized and Unrealized Gain on Investments	389,367	349,745
Net Increase in Net Assets Resulting from Operations	$ 469,659	$ 414,766

See accompanying notes to financial statements.

Statements of Changes in Net Assets

	Aggressive Growth ETF Portfolio		Balanced ETF Portfolio	
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
Increase (Decrease) in Net Assets:				
From Operations:				
Net investment income	$ 44,391	$ 66,580	$ 50,254	$ 81,550
Net realized gain on investments	17,728	64,117	41,111	43,874
Net change in unrealized appreciation (depreciation) on investments	201,106	(303,806)	265,279	(279,527)
Net increase (decrease) in net assets resulting from operations	263,225	(173,109)	356,644	(154,103)
From Distributions to Shareholders:				
Net Investment Income:				
Class 1	-	(911)	-	(338)
Class 2	-	(41,050)	-	(67,412)
Net Realized Gains:				
Class 1	-	(3,040)	-	(364)
Class 2	-	(155,342)	-	(82,879)
Total distributions to shareholders	-	(200,343)	-	(150,993)
From Shares of Beneficial Interest:				
Proceeds from shares sold				
Class 1	-	-	-	-
Class 2	2,448,994	2,257,945	3,624,604	2,002,767
Investor	-	13	-	11
Reinvestment of distributions				
Class 1	-	3,951	-	702
Class 2	-	196,392	-	150,291
Cost of shares redeemed				
Class 1	(72)	(3,261)	-	-
Class 2	(1,625,118)	(354,958)	(2,366,925)	(881,020)
Net increase in net assets from share transactions of beneficial interest	823,804	2,100,082	1,257,679	1,272,751
Total increase in net assets	1,087,029	1,726,630	1,614,323	967,655
Net Assets:				
Beginning of period	4,795,873	3,069,243	5,196,808	4,229,153
End of period	$ 5,882,902	$ 4,795,873	$ 6,811,131	$ 5,196,808
Undistributed net investment income at end of period	$ 110,953	$ 66,562	$ 131,754	$ 81,500

See accompanying notes to financial statements.

Statements of Changes in Net Assets (Continued)

	Aggressive Growth ETF Portfolio		Balanced ETF Portfolio	
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
SHARE ACTIVITY				
Class 1				
Shares Sold	-	-	-	-
Shares Reinvested	-	365	-	65
Shares Redeemed	(6)	(251)	-	-
Net increase (decrease) in shares of beneficial interest outstanding	(6)	114	-	65
Class 2				
Shares Sold	210,344	186,000	337,584	180,591
Shares Reinvested	-	18,235	-	14,563
Shares Redeemed	(137,525)	(28,470)	(214,742)	(81,443)
Net increase in shares of beneficial interest outstanding	72,819	175,765	122,842	113,711
Investor Class				
Shares Sold	-	1	-	1
Net increase in shares of beneficial interest outstanding	-	1	-	1

See accompanying notes to financial statements.

Statements of Changes in Net Assets (Continued)

	Conservative ETF Portfolio		Growth ETF Portfolio	
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
Increase (Decrease) in Net Assets:				
From Operations:				
Net investment income	$ 15,932	$ 36,446	$ 80,292	$ 132,740
Net realized gain (loss) on investments	(47,499)	(22,912)	33,491	193,544
Net change in unrealized appreciation (depreciation) on investments	152,594	(59,831)	355,876	(679,554)
Net increase (decrease) in net assets resulting from operations	121,027	(46,297)	469,659	(353,270)
From Distributions to Shareholders:				
Net Investment Income:				
Class 1	-	(2,774)	-	(13,524)
Class 2	-	(30,318)	-	(86,806)
Net Realized Gains:				
Class 1	-	(1,300)	-	(24,590)
Class 2	-	(16,469)	-	(178,406)
Total distributions to shareholders	-	(50,861)	-	(303,326)
From Shares of Beneficial Interest:				
Proceeds from shares sold				
Class 1	-	310,444	-	1,143,431
Class 2	1,274,516	793,329	3,299,591	3,498,929
Investor	-	11	-	14
Reinvestment of distributions				
Class 1	-	4,074	-	38,114
Class 2	-	46,787	-	265,212
Cost of shares redeemed				
Class 1	(2,189)	(126,909)	(527)	(120,884)
Class 2	(2,121,980)	(757,283)	(2,562,246)	(1,522,522)
Net increase (decrease) in net assets from share transactions of beneficial interest	(849,653)	270,453	736,818	3,302,294
Total increase (decrease) in net assets	(728,626)	173,295	1,206,477	2,645,698
Net Assets:				
Beginning of period	2,725,835	2,552,540	8,321,648	5,675,950
End of period	$ 1,997,209	$ 2,725,835	$ 9,528,125	$ 8,321,648
Undistributed net investment income at end of period	$ 52,345	$ 36,413	$ 213,017	$ 132,725

See accompanying notes to financial statements.

Statements of Changes in Net Assets (Continued)

	Conservative ETF Portfolio		Growth ETF Portfolio	
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
SHARE ACTIVITY				
Class 1				
Shares Sold	-	29,090	-	92,299
Shares Reinvested	-	386	-	3,269
Shares Redeemed	(199)	(11,715)	(43)	(9,661)
Net increase (decrease) in shares of beneficial interest outstanding	(199)	17,761	(43)	85,907
Class 2				
Shares Sold	120,999	71,701	263,375	265,267
Shares Reinvested	-	4,460	-	23,022
Shares Redeemed	(196,613)	(67,812)	(202,312)	(114,049)
Net increase (decrease) in shares of beneficial interest outstanding	(75,614)	8,349	61,063	174,240
Investor Class				
Shares Sold	-	1	-	1
Net increase in shares of beneficial interest outstanding	-	1	-	1

See accompanying notes to financial statements.

Statements of Changes in Net Assets (Continued)

	Moderate Growth ETF Portfolio	
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
Increase (Decrease) in Net Assets:		
From Operations:		
Net investment income	$ 65,021	$ 77,918
Net realized gain (loss) on investments	(56,704)	42,179
Net change in unrealized appreciation (depreciation) on investments	406,449	(281,927)
Net increase (decrease) in net assets resulting from operations	414,766	(161,830)
From Distributions to Shareholders:		
Net Investment Income:		
Class 1	-	-
Class 2	-	(69,994)
Net Realized Gains:		
Class 1	-	(1)
Class 2	-	(258,854)
Total distributions to shareholders	-	(328,849)
From Shares of Beneficial Interest:		
Proceeds from shares sold		
Class 1	-	1,608,578
Class 2	2,013,549	3,110,925
Investor	-	11
Reinvestment of distributions		
Class 1	-	1
Class 2	-	328,848
Cost of shares redeemed		
Class 1	(510)	(130,823)
Class 2	(1,074,657)	(820,333)
Net increase in net assets from share transactions of beneficial interest	938,382	4,097,207
Total increase in net assets	1,353,148	3,606,528
Net Assets:		
Beginning of period	6,500,638	2,894,110
End of period	$ 7,853,786	$ 6,500,638
Undistributed net investment income at end of period	$ 142,923	$ 77,902

See accompanying notes to financial statements.

Statements of Changes in Net Assets (Continued)

	Moderate Growth ETF Portfolio	
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015
SHARE ACTIVITY		
Class 1		
Shares Sold	-	159,262
Shares Reinvested	-	0 (a)
Shares Redeemed	(50)	(11,629)
Net increase (decrease) in shares of beneficial interest outstanding	(50)	147,633
Class 2		
Shares Sold	205,007	292,511
Shares Reinvested	-	34,762
Shares Redeemed	(107,036)	(76,489)
Net increase in shares of beneficial interest outstanding	97,971	250,784
Investor Class		
Shares Sold	-	1
Net increase in shares of beneficial interest outstanding	-	1

(a) Represents less than 1 share because of rounding.

See accompanying notes to financial statements.

Financial Highlights
Aggressive Growth ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class 1 Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 11.43	$ 12.52	$ 12.32	$ 10.05	$ 8.67	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.11	0.23	0.24	0.34	0.06	0.14
Net realized and unrealized gain (loss) on investments	0.43	(0.70)	0.38	2.04	1.32	(1.47)
Total income (loss) from investment operations	0.54	(0.47)	0.62	2.38	1.38	(1.33)
Less distributions from:						
Net investment income	-	(0.14)	(0.13)	(0.09)	-	-
Net realized gain	-	(0.48)	(0.29)	(0.02)	-	-
Total distributions from net investment income and net realized gains	-	(0.62)	(0.42)	(0.11)	-	-
Net asset value, end of period	$ 11.97	$ 11.43	$ 12.52	$ 12.32	$ 10.05	$ 8.67
Total return (d)	4.72%	(3.50)%	5.10%	23.68%	15.92%	(13.30)%
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 81	$ 77	$ 83	$ 74	$ 10 (h)	$ 35
Ratio of expenses to average net assets (e)	0.20% (f)	0.20%	0.20%	0.20%	0.20%	0.20% (f)
Ratio of net investment income to average net assets (c) (e)	1.87% (f)	1.87%	1.92%	2.83%	0.69%	2.34% (f)
Portfolio turnover rate	13% (g)	11%	36%	32%	32%	7% (g)

(a) The Aggressive Growth ETF Portfolio Class 1 Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

(h) Actual net assets, not truncated.

See accompanying notes to financial statements.

Financial Highlights
Aggressive Growth ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class 2 Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 11.36	$ 12.45	$ 12.27	$ 10.09	$ 8.66	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.10	0.22	0.23	0.19	0.36	0.35
Net realized and unrealized gain (loss) on investments	0.42	(0.70)	0.36	2.09	1.08	(1.69)
Total income (loss) from investment operations	0.52	(0.48)	0.59	2.28	1.44	(1.34)
Less distributions from:						
Net investment income	-	(0.13)	(0.12)	(0.08)	(0.01)	-
Net realized gain	-	(0.48)	(0.29)	(0.02)	-	-
Total distributions from net investment income and net realized gains	-	(0.61)	(0.41)	(0.10)	(0.01)	-
Net asset value, end of period	$ 11.88	$ 11.36	$ 12.45	$ 12.27	$ 10.09	$ 8.66
Total return (d)	4.58%	(3.66)%	4.81%	22.63%	16.64%	(13.40)%
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 5,802	$ 4,719	$ 2,986	$ 1,716	$ 808	$ 16
Ratio of expenses to average net assets (e)	0.45% (f)	0.45%	0.45%	0.45%	0.45%	0.45% (f)
Ratio of net investment income to average net assets (c) (e)	1.71% (f)	1.79%	1.83%	1.68%	3.66%	5.93% (f)
Portfolio turnover rate	13% (g)	11%	36%	32%	32%	7% (g)

(a) The Aggressive Growth ETF Portfolio Class 2 Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

See accompanying notes to financial statements.

Financial Highlights
Aggressive Growth ETF Portfolio

Selected data based on a share outstanding throughout the period indicated.

	Investor Class Shares	
	Six Months Ended June 30, 2016 (Unaudited)	Period Ended December 31, 2015[a]
Net asset value, beginning of period	$ 11.96	$ 12.83
Income (loss) from investment operations:		
Net investment income (b) (c)	0.11	0.22
Net realized and unrealized gain (loss) on investments	0.41	(1.09)
Total gain (loss) from investment operations	0.52	(0.87)
Net asset value, end of period	$ 12.48	$ 11.96
Total return (d)	4.35%	(6.78)%
Ratios and Supplemental Data:		
Net assets, end of period	$ 12 (h)	$ 12 (h)
Ratio of expenses to average net assets (e)	0.70% (f)	0.70% (f)
Ratio of net investment income to average net assets (c) (e)	1.46% (f)	1.54% (f)
Portfolio turnover rate	13% (g)	11% (g)

(a) The Aggressive Growth ETF Portfolio Investor Class Shares commenced operations on July 22, 2015.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

(h) Actual net assets, not truncated.

See accompanying notes to financial statements.

Financial Highlights
Balanced ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class I Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 10.93	$ 11.57	$ 11.72	$ 10.76	$ 9.57	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.10	0.21	0.25	0.16	0.38	0.24
Net realized and unrealized gain (loss) on investments	0.44	(0.50)	0.30	0.80	0.81	(0.67)
Total income (loss) from investment operations	0.54	(0.29)	0.55	0.96	1.19	(0.43)
Less distributions from:						
Net investment income	-	(0.17)	(0.21)	-	(0.00) (i)	-
Net realized gain	-	(0.18)	(0.49)	-	-	-
Total distributions from net investment income and net realized gains	-	(0.35)	(0.70)	-	(0.00) (i)	-
Net asset value, end of period	$ 11.47	$ 10.93	$ 11.57	$ 11.72	$ 10.76	$ 9.57
Total return (d)	4.94%	(2.38)%	4.76%	8.92%	12.48%	(4.30)%
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 23	$ 22	$ 23	$ 12 (e)	$ 1,806	$ 38
Ratio of expenses to average net assets (f)	0.20% (g)	0.20%	0.20%	0.20%	0.20%	0.20% (g)
Ratio of net investment income to average net assets (c) (f)	1.79% (g)	1.87%	2.09%	1.47%	3.62%	3.66% (g)
Portfolio turnover rate	29% (h)	18%	21%	494%	117%	16% (h)

(a) The Balanced ETF Portfolio Class I Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Actual net assets, not truncated.

(f) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(g) Annualized.

(h) Not annualized.

(i) Amount represents less than $0.01 per share.

See accompanying notes to financial statements.

Financial Highlights
Balanced ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class 2 Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 10.60	$ 11.23	$ 11.51	$ 10.69	$ 9.56	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.08	0.19	0.20	0.20	0.30	0.67
Net realized and unrealized gain (loss) on investments	0.43	(0.49)	0.20	0.77	0.83	(1.11)
Total income (loss) from investment operations	0.51	(0.30)	0.40	0.97	1.13	(0.44)
Less distributions from:						
Net investment income	-	(0.15)	(0.19)	(0.15)	(0.00) (h)	-
Net realized gain	-	(0.18)	(0.49)	-	-	-
Total distributions from net investment income and net realized gains	-	(0.33)	(0.68)	(0.15)	(0.00) (h)	-
Net asset value, end of period	$ 11.11	$ 10.60	$ 11.23	$ 11.51	$ 10.69	$ 9.56
Total return (d)	4.81%	(2.56)%	3.54%	9.10%	11.86%	(4.40)%
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 6,788	$ 5,174	$ 4,206	$ 3,622	$ 1,450	$ 46
Ratio of expenses to average net assets (e)	0.45% (f)	0.45%	0.45%	0.45%	0.45%	0.45% (f)
Ratio of net investment income to average net assets (c) (e)	1.59% (f)	1.69%	1.74%	1.80%	2.82%	10.25% (f)
Portfolio turnover rate	29% (g)	18%	21%	494%	117%	16% (g)

(a) The Balanced ETF Portfolio Class 2 Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

(h) Amount represents less than $0.01 per share.

See accompanying notes to financial statements.

Financial Highlights
Balanced ETF Portfolio

Selected data based on a share outstanding throughout the period indicated.

	Investor Class Shares	
	Six Months Ended June 30, 2016 (Unaudited)	Period Ended December 31, 2015[a]
Net asset value, beginning of period	$ 10.93	$ 11.35
Income (loss) from investment operations:		
Net investment income (b) (c)	0.12	0.07
Net realized and unrealized gain (loss) on investments	0.39	(0.49)
Total gain (loss) from investment operations	0.51	(0.42)
Net asset value, end of period	$ 11.44	$ 10.93
Total return (d)	4.67%	(3.70)%
Ratios and Supplemental Data:		
Net assets, end of period	$ 11 (h)	$ 11 (h)
Ratio of expenses to average net assets (e)	0.70% (f)	0.70% (f)
Ratio of net investment income to average net assets (c) (e)	1.34% (f)	1.44% (f)
Portfolio turnover rate	29% (g)	18% (g)

(a) The Balanced ETF Portfolio Investor Class Shares commenced operations on July 22, 2015.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

(h) Actual net assets, not truncated.

See accompanying notes to financial statements.

Financial Highlights
Conservative ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class I Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 10.70	$ 11.15	$ 11.07	$ 10.91	$ 9.91	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.09	0.19	0.21	0.20	0.23	0.24
Net realized and unrealized gain (loss) on investments	0.35	(0.39)	0.05 (h)	0.32	0.80	(0.33)
Total income (loss) from investment operations	0.44	(0.20)	0.26	0.52	1.03	(0.09)
Less distributions from:						
Net investment income	-	(0.17)	(0.05)	(0.22)	(0.03)	-
Net realized gain	-	(0.08)	(0.13)	(0.14)	-	-
Total distributions from net investment income and net realized gains	-	(0.25)	(0.18)	(0.36)	(0.03)	-
Net asset value, end of period	$ 11.14	$ 10.70	$ 11.15	$ 11.07	$ 10.91	$ 9.91
Total return (d)	4.11%	(1.78)%	2.37%	4.81%	10.35%	(0.90)%
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 259	$ 251	$ 64	$ 66	$ 48	$ 40
Ratio of expenses to average net assets (e)	0.20% (f)	0.20%	0.20%	0.20%	0.20%	0.20% (f)
Ratio of net investment income to average net assets (c) (e)	1.62% (f)	1.75%	1.87%	1.81%	2.15%	3.54% (f)
Portfolio turnover rate	52% (g)	31%	27%	166%	107%	52% (g)

(a) The Conservative ETF Portfolio Class I Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

(h) The amount of net gain (loss) on investments (both realized and unrealized) per share does not accord with the amounts reported in the Statement of Operations due to the timing of purchases and redemptions of Portfolio shares during the period.

See accompanying notes to financial statements.

Financial Highlights
Conservative ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class 2 Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 10.63	$ 11.09	$ 11.03	$ 10.88	$ 9.90	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.06	0.16	0.18	0.16	0.30	0.26
Net realized and unrealized gain (loss) on investments	0.36	(0.39)	0.06 (h)	0.33	0.71	(0.36)
Total income (loss) from investment operations	0.42	(0.23)	0.24	0.49	1.01	(0.10)
Less distributions from:						
Net investment income	-	(0.15)	(0.05)	(0.20)	(0.03)	-
Net realized gain	-	(0.08)	(0.13)	(0.14)	-	-
Total distributions from net investment income and net realized gains	-	(0.23)	(0.18)	(0.34)	(0.03)	-
Net asset value, end of period	$ 11.05	$ 10.63	$ 11.09	$ 11.03	$ 10.88	$ 9.90
Total return (d)	3.95%	(2.09)%	2.12%	4.57%	10.16%	(1.00)%
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 1,738	$ 2,475	$ 2,489	$ 583	$ 652	$ 15
Ratio of expenses to average net assets (e)	0.45% (f)	0.45%	0.45%	0.45%	0.45%	0.45% (f)
Ratio of net investment income to average net assets (c) (e)	1.22% (f)	1.42%	1.62%	1.41%	2.76%	3.73% (f)
Portfolio turnover rate	52% (g)	31%	27%	166%	107%	52% (g)

(a) The Conservative ETF Portfolio Class 2 Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

(h) The amount of net gain (loss) on investments (both realized and unrealized) per share does not accord with the amounts reported in the Statement of Operations due to the timing of purchases and redemptions of Portfolio shares during the period.

See accompanying notes to financial statements.

Financial Highlights
Conservative ETF Portfolio

Selected data based on a share outstanding throughout the period indicated.

	Investor Class Shares	
	Six Months Ended June 30, 2016 (Unaudited)	Period Ended December 31, 2015[a]
Net asset value, beginning of period	$ 10.86	$ 11.16
Income (loss) from investment operations:		
Net investment income (b) (c)	0.09	0.06
Net realized and unrealized gain (loss) on investments	0.33	(0.36)
Total gain (loss) from investment operations	0.42	(0.30)
Net asset value, end of period	$ 11.28	$ 10.86
Total return (d)	3.87	(2.69)%
Ratios and Supplemental Data:		
Net assets, end of period	$ 11 (h)	$ 11 (h)
Ratio of expenses to average net assets (e)	0.70% (f)	0.70% (f)
Ratio of net investment income to average net assets (c) (e)	0.97% (f)	1.17% (f)
Portfolio turnover rate	52% (g)	31% (g)

(a) The Conservative ETF Portfolio Investor Class Shares commenced operations on July 22, 2015.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

(h) Actual net assets, not truncated.

See accompanying notes to financial statements.

Financial Highlights
Growth ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class 1 Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 12.21	$ 13.38	$ 13.19	$ 11.17	$ 9.64	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.12	0.33	0.28	0.25	0.26	0.24
Net realized and unrealized gain (loss) on investments	0.52	(0.91)	0.24	1.88	1.31	(1.34)
Total income (loss) from investment operations	0.64	(0.58)	0.52	2.13	1.57	(1.10)
Less distributions from:						
Net investment income	-	(0.21)	(0.19)	(0.11)	(0.01)	-
Net realized gain	-	(0.38)	(0.14)	(0.00) (d)	(0.03)	-
Total distributions from net investment income and net realized gains	-	(0.59)	(0.33)	(0.11)	(0.04)	-
Payments by affiliates	-	-	-	-	-	0.74
Net asset value, end of period	$ 12.85	$ 12.21	$ 13.38	$ 13.19	$ 11.17	$ 9.64
Total return (e)	5.24%	(4.09)%	3.94%	19.14%	16.31%	(3.60)% (i)
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 1,928	$ 1,832	$ 859	$ 824	$ 371	$ 144
Ratio of expenses to average net assets (f)	0.20% (g)	0.20%	0.20%	0.20%	0.20%	0.20% (g)
Ratio of net investment income to average net assets (c) (f)	2.02% (g)	2.47%	2.06%	2.03%	2.50%	3.86% (g)
Portfolio turnover rate	9% (h)	21%	21%	23%	13%	180% (h)

(a) The Growth ETF Portfolio Class 1 Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Amount represents less than $0.01 per share.

(e) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(f) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(g) Annualized.

(h) Not annualized.

(i) For the period ended December 31, 2011, 4.19% of the total return of Class 1 consisted of a voluntary reimbursement by the Advisor for a net realized loss on a trading error. Excluding this item, total return would have been (7.79)% for Class 1.

See accompanying notes to financial statements.

Financial Highlights
Growth ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class 2 Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 12.05	$ 13.22	$ 13.05	$ 11.07	$ 9.58	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.11	0.25	0.24	0.23	0.42	0.46
Net realized and unrealized gain (loss) on investments	0.51	(0.85)	0.24	1.85	1.11	(1.09)
Total income (loss) from investment operations	0.62	(0.60)	0.48	2.08	1.53	(0.63)
Less distributions from:						
Net investment income	-	(0.19)	(0.17)	(0.10)	(0.01)	-
Net realized gain	-	(0.38)	(0.14)	(0.00) (d)	(0.03)	-
Total distributions from net investment income and net realized gains	-	(0.57)	(0.31)	(0.10)	(0.04)	-
Payments by affiliates	-	-	-	-	-	0.21
Net asset value, end of period	$ 12.67	$ 12.05	$ 13.22	$ 13.05	$ 11.07	$ 9.58
Total return (e)	5.15%	(4.34)%	3.66%	18.89%	15.99%	(4.20)% (i)
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 7,600	$ 6,490	$ 4,817	$ 4,108	$ 2,026	$ 44
Ratio of expenses to average net assets (f)	0.45% (g)	0.45%	0.45%	0.45%	0.45%	0.45% (g)
Ratio of net investment income to average net assets (c) (f)	1.82% (g)	1.91%	1.83%	1.90%	3.86%	7.02% (g)
Portfolio turnover rate	9% (h)	21%	21%	23%	13%	180% (h)

(a) The Growth ETF Portfolio Class 2 Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Amount represents less than $0.01 per share.

(e) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(f) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(g) Annualized.

(h) Not annualized.

(i) For the period ended December 31, 2011, 0.50% of the total return of Class 2 consisted of a voluntary reimbursement by the Advisor for a net realized loss on a trading error. Excluding this item, total return would have been (4.70)% for Class 2.

See accompanying notes to financial statements.

Financial Highlights
Growth ETF Portfolio

Selected data based on a share outstanding throughout the period indicated.

	Investor Class Shares	
	Six Months Ended June 30, 2016 (Unaudited)	Period Ended December 31, 2015[a]
Net asset value, beginning of period	$ 12.62	$ 13.51
Income (loss) from investment operations:		
Net investment income (b) (c)	0.13	0.25 (h)
Net realized and unrealized gain (loss) on investments	0.49	(1.14)
Total gain (loss) from investment operations	0.62	(0.89)
Net asset value, end of period	$ 13.24	$ 12.62
Total return (d)	4.91%	(6.59)%
Ratios and Supplemental Data:		
Net assets, end of period	$ 13 (h)	$ 13 (h)
Ratio of expenses to average net assets (e)	0.70% (f)	0.70% (f)
Ratio of net investment income to average net assets (c) (e)	1.57% (f)	1.66% (f)
Portfolio turnover rate	9% (g)	21% (g)

(a) The Growth ETF Portfolio Investor Class Shares commenced operations on July 22, 2015.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

(h) Actual net assets, not truncated.

See accompanying notes to financial statements.

Financial Highlights
Moderate Growth ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class 1 Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 10.07	$ 11.12	$ 11.75	$ 10.52	$ 9.16	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.10	0.22	0.22	0.27	0.29	0.56
Net realized and unrealized gain (loss) on investments	0.45	(0.59)	0.22	1.12	1.10	(1.40)
Total income (loss) from investment operations	0.55	(0.37)	0.44	1.39	1.39	(0.84)
Less distributions from:						
Net investment income	-	-	(0.28)	(0.12)	(0.03)	-
Net realized gain	-	(0.68)	(0.79)	(0.04)	-	-
Total distributions from net investment income and net realized gains	-	(0.68)	(1.07)	(0.16)	(0.03)	-
Net asset value, end of period	$ 10.62	$ 10.07	$ 11.12	$ 11.75	$ 10.52	$ 9.16
Total return (d)	5.46%	(3.13)%	3.83%	13.25%	15.20%	(8.40)%
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 1,690	$ 1,604	$ 129	$ 2,002	$ 936	$ 499
Ratio of expenses to average net assets (e)	0.20% (f)	0.20%	0.20%	0.20%	0.20%	0.20% (f)
Ratio of net investment income to average net assets (c) (e)	1.98% (f)	2.53%	1.83%	2.43%	2.93%	8.56% (f)
Portfolio turnover rate	10% (g)	37%	46%	80%	21%	9% (g)

(a) The Moderate Growth ETF Portfolio Class 1 Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

See accompanying notes to financial statements.

Financial Highlights
Moderate Growth ETF Portfolio

Selected data based on a share outstanding throughout each period indicated.

	Class 2 Shares					
	Six Months Ended June 30, 2016 (Unaudited)	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Period Ended December 31, 2011[a]
Net asset value, beginning of period	$ 9.77	$ 11.04	$ 11.69	$ 10.48	$ 9.15	$ 10.00
Income (loss) from investment operations:						
Net investment income (b) (c)	0.09	0.21	0.22	0.21	0.36	0.60
Net realized and unrealized gain (loss) on investments	0.43	(0.62)	0.18	1.15	1.00	(1.45)
Total income (loss) from investment operations	0.52	(0.41)	0.40	1.36	1.36	(0.85)
Less distributions from:						
Net investment income	-	(0.18)	(0.26)	(0.11)	(0.03)	-
Net realized gain	-	(0.68)	(0.79)	(0.04)	-	-
Total distributions from net investment income and net realized gains	-	(0.86)	(1.05)	(0.15)	(0.03)	-
Net asset value, end of period	$ 10.29	$ 9.77	$ 11.04	$ 11.69	$ 10.48	$ 9.15
Total return (d)	5.32%	(3.43)%	3.48%	13.02%	14.89%	(8.50)%
Ratios and Supplemental Data:						
Net assets, end of period (in 000's)	$ 6,164	$ 4,897	$ 2,765	$ 2,240	$ 1,645	$ 14
Ratio of expenses to average net assets (e)	0.45% (f)	0.45%	0.45%	0.45%	0.45%	0.45% (f)
Ratio of net investment income to average net assets (c) (e)	1.78% (f)	1.94%	1.91%	1.92%	3.55%	9.63% (f)
Portfolio turnover rate	10% (g)	37%	46%	80%	21%	9% (g)

(a) The Moderate Growth ETF Portfolio Class 2 Shares commenced operations on April 26, 2011.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

See accompanying notes to financial statements.

Financial Highlights
Moderate Growth ETF Portfolio

Selected data based on a share outstanding throughout the period indicated.

	Investor Class Shares	
	Six Months Ended June 30, 2016 (Unaudited)	Period Ended December 31, 2015[a]
Net asset value, beginning of period	$ 10.63	$ 11.22
Income (loss) from investment operations:		
Net investment income (b) (c)	0.12	0.21
Net realized and unrealized gain (loss) on investments	0.40	(0.80)
Total gain (loss) from investment operations	0.52	(0.59)
Net asset value, end of period	$ 11.15	$ 10.63
Total return (d)	4.89%	(5.26)%
Ratios and Supplemental Data:		
Net assets, end of period	$ 11 (h)	$ 11 (h)
Ratio of expenses to average net assets (e)	0.70% (f)	0.70% (f)
Ratio of net investment income to average net assets (c) (e)	1.53% (f)	1.69% (f)
Portfolio turnover rate	10% (g)	37% (g)

(a) The Moderate Growth ETF Portfolio Investor Class Shares commenced operations on July 22, 2015.

(b) Net investment income has been calculated using the average shares method, which more appropriately presents the per share data for the period.

(c) Recognition of net investment income by the Portfolio is affected by the timing of the declaration of dividends by the underlying investment companies in which the Portfolio invests.

(d) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, if any. Total returns for periods of less than one year are not annualized.

(e) Does not include the expenses of the underlying investment companies in which the Portfolio invests.

(f) Annualized.

(g) Not annualized.

(h) Actual net assets, not truncated.

See accompanying notes to financial statements.

TOPS® ETF Portfolios
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 (Unaudited)

1. ORGANIZATION

The TOPS® ETF Portfolios (each a "Portfolio", collectively the "Portfolios") are comprised of five different actively managed portfolios. Each Portfolio is a diversified series of shares of beneficial interest of Northern Lights Variable Trust (the "Trust"), a statutory trust organized on November 2, 2005 under the laws of the State of Delaware and registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. The Portfolios are intended to be funding vehicles for variable annuity contracts and flexible premium variable life insurance policies offered by the separate accounts of various insurance companies. The assets of each Portfolio are segregated and a shareholder's interest is limited to the Portfolio in which shares are held. Each Portfolio pays its own expenses. The investment objective of each Portfolio is as follows:

Portfolio	Primary Objective
Aggressive Growth ETF Portfolio	Capital appreciation.
Balanced ETF Portfolio	Income and capital appreciation.
Conservative ETF Portfolio	Preserve capital and provide moderate income and moderate capital appreciation.
Growth ETF Portfolio	Capital appreciation.
Moderate Growth ETF Portfolio	Capital appreciation.

The Portfolios currently offer three classes of shares: Class 1 Shares, Class 2 Shares, and Investor Class Shares. Each class of shares of the Portfolios has identical rights and privileges except with respect to arrangements pertaining to shareholder servicing or distribution, class-related expenses, voting rights on matters affecting a single class of shares, and the exchange privilege of each class of shares. The Portfolios' share classes differ in the fees and expenses charged to shareholders. The Portfolios' income, expenses (other than class specific distribution fees) and realized and unrealized gains and losses are allocated proportionately each day based upon the relative net assets of each class.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Portfolios in the preparation of their financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, 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. The Portfolios follow the specialized accounting and reporting requirements under GAAP that are applicable to investment companies.

Securities Valuation – Securities listed on an exchange are valued at the last reported sale price at the close of the regular trading session of the primary exchange on the business day the value is being determined, or in the case of securities listed on NASDAQ at the NASDAQ Official Closing Price ("NOCP"). In the absence of a sale such securities shall be valued at the mean between the current bid and ask prices on the primary exchange on the day of valuation. Short-term debt obligations having 60 days or less remaining until maturity, at time of purchase, may be valued at amortized cost.

Valuation of Funds of Funds - The Portfolios may invest in portfolios of open-end investment companies (the "underlying funds"). Open-end investment companies are valued at their respective net asset values as reported by such investment companies. Open-end investment companies value securities in their portfolios for which market quotations are readily available at their market values (generally the last reported sale price) and all other securities and assets at their fair value based on the methods established by the board of directors of the open-end funds.

The Portfolios may hold securities, such as private investments, interests in commodity pools, other non-traded securities or temporarily illiquid securities, for which market quotations are not readily available or are determined to be unreliable. These securities will be valued using the "fair value" procedures approved by the Trust's Board of Trustees (the "Board"). The Board has delegated execution of these procedures to a fair value team composed of one or more representatives from each of the (i) Trust, (ii) administrator, and (iii) advisor. The team may also enlist third party consultants such as an audit firm, valuation consultant or financial officer of a security issuer on an as-needed basis to assist in determining a security-specific fair value. The Board reviews and ratifies the execution of this process and the resultant fair value prices at least quarterly to assure the process produces reliable results.

Fair Valuation Process – As noted above, the fair value team is composed of one or more representatives from each of the (i) Trust, (ii) administrator, and (iii) advisor. The applicable investments are valued collectively via inputs from each of these groups. For example, fair value determinations are required for the following securities: (i) securities for which market quotations are insufficient or not readily available on a particular business day (including securities for which there is a short and temporary lapse in the provision of a price by the regular pricing source), (ii) securities for which, in the judgment of the advisor, the prices or values available do not represent the fair value of the instrument. Factors which may cause the advisor to make such a judgment include, but are not limited to, the following: only a bid price or an ask price is available; the spread between bid and ask prices is substantial; the frequency of sales; the thinness of the market; the size of reported trades; and actions of the securities markets, such as the suspension or limitation of trading; (iii) securities determined to be illiquid; (iv) securities with respect to which an event that will affect the value thereof has occurred (a "significant event") since the closing prices were established on the principal exchange on which they are traded, but prior to a Portfolio's calculation of its net asset value. Specifically, interests in commodity pools or managed futures pools are valued on a daily basis by reference to the closing market prices of each futures contract or other asset held by a pool, as adjusted for pool expenses. Restricted or illiquid securities, such as private placements or non-traded securities are valued via inputs from the advisor based upon the current bid for the security from two or more independent dealers or other parties reasonably familiar with the facts and circumstances of the security (who should take into consideration all relevant factors as may be appropriate under the circumstances). If the advisor is unable to obtain a current bid from such independent dealers or other independent parties, the fair value team shall determine the fair value of such security using the following factors: (i) the type of security; (ii) the cost at date of purchase; (iii) the size and nature of the Portfolio's holdings; (iv) the discount from market value of unrestricted securities of the same class at the time of purchase and subsequent thereto; (v) information as to any transactions or offers with respect to the security; (vi) the nature and duration of restrictions on disposition of the security and the existence of any registration rights; (vii) how the yield of the security compares to similar securities of companies of similar or equal creditworthiness; (viii) the level of recent trades of similar or comparable securities; (ix) the liquidity characteristics of the security; (x) current market conditions; and (xi) the market value of any securities into which the security is convertible or exchangeable.

Each Portfolio utilizes various methods to measure the fair value of all of its investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of input are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Portfolios have the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Portfolios' own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following tables summarize the inputs used as of June 30, 2016 for each Portfolio's investments measured at fair value:

Aggressive Growth ETF Portfolio

Assets*	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	$ 5,767,535	$ -	$ -	$ 5,767,535
Short-Term Investment	164,670	-	-	164,670
Total	$ 5,932,205	$ -	$ -	$ 5,932,205

Balanced ETF Portfolio

Assets*	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	$ 6,678,752	$ -	$ -	$ 6,678,752
Short-Term Investment	176,011	-	-	176,011
Total	$ 6,854,763	$ -	$ -	$ 6,854,763

Conservative ETF Portfolio

Assets*	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	$ 1,958,312	$ -	$ -	$ 1,958,312
Short-Term Investment	30,700	-	-	30,700
Total	$ 1,989,012	$ -	$ -	$ 1,989,012

Growth ETF Portfolio

Assets*	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	$ 9,343,029	$ -	$ -	$ 9,343,029
Short-Term Investment	253,989	-	-	253,989
Total	$ 9,597,018	$ -	$ -	$ 9,597,018

Moderate Growth ETF Portfolio

Assets*	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	$ 7,701,692	$ -	$ -	$ 7,701,692
Short-Term Investment	182,029	-	-	182,029
Total	$ 7,883,721	$ -	$ -	$ 7,883,721

The Portfolios did not hold any Level 2 or Level 3 securities during the six months ended June 30, 2016.

There were no transfers into or out of any level during the six months ended June 30, 2016. It is the Portfolios' policy to record transfers between levels at the end of the reporting period.

*Refer to the Portfolios of Investments for security classifications.

Security Transactions and Related Income – Security transactions are accounted for on the trade date. Interest income is recognized on an accrual basis. Discounts are accreted and premiums are amortized on securities purchased over the lives of the respective securities. Dividend income is recorded on the ex-dividend date. Realized gains or losses from sales of securities are determined by comparing the identified cost of the security lot sold with the net sales proceeds.

Dividends and Distributions to Shareholders – Dividends from net investment income and distributions from net realized capital gains, if any, are declared and paid annually. Dividends and distributions to shareholders are recorded on ex-date and are determined in accordance with Federal income tax regulations, which may differ from GAAP. These "book/tax" differences are considered either temporary (e.g., deferred losses, capital loss carryforwards) or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the composition of net assets based on their Federal tax-basis treatment. Temporary differences do not require reclassification. These reclassifications have no effect on net assets, results from operations or net asset values per share of the Portfolios.

Federal Income Tax – It is each Portfolio's policy to continue to qualify as a regulated investment company by complying with the provisions of the Internal Revenue Code that are applicable to regulated investment companies and to distribute substantially all of their taxable income and net realized gains to shareholders. Therefore, no Federal income tax provision is required.

Each Portfolio will recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed each Portfolio's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken in each Portfolio's 2013-2015 tax returns or expected to be taken in each Portfolio's 2016 tax returns. Each Portfolio identified its major tax jurisdictions as U.S. Federal, Nebraska and foreign jurisdictions where the Portfolios make significant investments. The Portfolios are 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 twelve months.

Exchange Traded Funds – The Portfolios may invest in exchange traded funds ("ETFs"). ETFs are a type of index fund bought and sold on a securities exchange. An ETF trades like common stock and represents a fixed portfolio of securities designed to track the performance and dividend yield of a particular domestic or foreign market index. A Portfolio may purchase an ETF to gain exposure to a portion of the U.S. or a foreign market. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although the lack of liquidity on an ETF could result in it being more volatile. Additionally, ETFs have fees and expenses that reduce their value.

Expenses – Expenses of the Trust that are directly identifiable to a specific portfolio are charged to that portfolio. Expenses, which are not readily identifiable to a specific portfolio, are allocated in such a manner as deemed equitable, taking into consideration the nature and type of expense and the relative sizes of the portfolios in the Trust.

Indemnification – The Trust indemnifies its officers and Trustees for certain liabilities that may arise from the performance of their duties to the Trust. Additionally, in the normal course of business, the Portfolios enter into contracts that contain a variety of representations and warranties and which provide general indemnities. Each Portfolio's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Portfolios that have not yet occurred. However, based on experience, the Portfolios expect the risk of loss due to these warranties and indemnities to be remote.

3. INVESTMENT TRANSACTIONS

For the six months ended June 30, 2016, cost of purchases and proceeds from sales of portfolio securities, other than short-term investments, were as follows:

Portfolio	Purchases	Sales
Aggressive Growth ETF Portfolio	$ 1,080,316	$ 664,518
Balanced ETF Portfolio	2,558,548	1,829,550
Conservative ETF Portfolio	1,296,733	2,235,169
Growth ETF Portfolio	1,270,508	808,394
Moderate Growth ETF Portfolio	1,990,844	709,416

4. INVESTMENT ADVISORY AGREEMENT / TRANSACTIONS WITH RELATED PARTIES

ValMark Advisers, Inc. serves as the Portfolios' investment advisor (the "Advisor"). Pursuant to an advisory agreement with the Trust, on behalf of the Portfolios, the Advisor, under the oversight of the Board, directs the daily investment operations of the Portfolios and supervises the performance of administrative and professional services provided by others. As compensation for its services and the related expenses borne by the Advisor, the Portfolios pay the Advisor a management fee, computed on average daily net assets and accrued daily and paid monthly, at an annual rate of 0.10% of each Portfolio's average daily net assets. Please see below for the advisory fees incurred by each Portfolio.

Fund	Advisory Fees
Aggressive Growth ETF Portfolio	$ 2,590
Balanced ETF Portfolio	3,156
Conservative ETF Portfolio	1,264
Growth ETF Portfolio	4,310
Moderate Growth ETF Portfolio	3,567

The Trust, on behalf of the Portfolios, has adopted the Trust's Master Distribution and Shareholder Servicing Plan ("12b-1 Plan" or "Plan") for each of Class 2 shares and Investor Class shares. The fee is calculated at an annual rate of 0.25% and 0.50% of the average daily net assets attributable to each Portfolio's Class 2 shares and Investor Class shares, respectively, and is paid to Northern Lights Distributors, LLC (the "Distributor") to provide compensation for ongoing shareholder servicing and distribution related activities and/or maintenance of each Portfolio's shareholder accounts, not otherwise required to be provided by the Advisor. For the six months ended June 30, 2016, the Portfolios paid the following in distribution fees under the Plan.

Fund	Distribution Fees
Aggressive Growth ETF Portfolio	$ 6,379
Balanced ETF Portfolio	7,863
Conservative ETF Portfolio	2,843
Growth ETF Portfolio	8,498
Moderate Growth ETF Portfolio	6,913

In addition, certain affiliates of the Distributor provide services to the Portfolios as follows:

Gemini Fund Services, LLC ("GFS"), an affiliate of the Distributor, provides administration, fund accounting, and transfer agent services to the Trust. Pursuant to the terms of an administrative servicing agreement with GFS, each Portfolio pays to GFS a monthly fee for all operating expenses of the Portfolio, which is calculated by each Portfolio on its average daily net assets. Operating expenses include but are not limited to Fund Accounting, Fund Administration, Transfer Agency, Legal Fees, Audit Fees, Compliance Services, Shareholder Reporting Expenses, Trustees Fees and Custody Fees. For the six months ended June 30, 2016, the Trustees received fees in the amount of $4,534 on behalf of each Portfolio.

The approved entities may be affiliates of GFS and the Distributor. A Trustee and certain Officers of the Trust are Officers of GFS, and are not paid any fees directly by the Portfolios for serving in such capacities.

Northern Lights Compliance Services, LLC ("NLCS"), an affiliate of GFS and the Distributor, provides a Chief Compliance Officer to the Trust, as well as related compliance services, pursuant to a consulting agreement between NLCS and the Trust. Under the terms of such agreement, NLCS receives customary fees from GFS under the administrative servicing agreement.

Blu Giant, LLC ("Blu Giant"), an affiliate of GFS and the Distributor, provides EDGAR conversion and filing services as well as print management services for the Portfolios on an ad-hoc basis. For the provision of these services, Blu Giant receives fees from GFS under the administrative servicing agreement.

5. CONTROL OWNERSHIP

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a Portfolio creates presumption of the control of the Portfolio, under section 2(a)(9) of the 1940 Act. As of June 30, 2016, ownership percentages of the holders of the voting securities of each Portfolio that may be deemed to control the Portfolio was as follows:

Aggressive Growth ETF Portfolio	
Pruco Life Insurance Company	53%
Ohio National Life Insurance Company	44%
Balanced ETF Portfolio	
Pruco Life Insurance Company	38%
Ohio National Life Insurance Company	30%
New York Life Insurance Company	30%
Conservative ETF Portfolio	
Jefferson National Life Insurance Company	35%
Pruco Life Insurance Company	33%
Growth ETF Portfolio	
Ohio National Life Insurance Company	42%
Pruco Life Insurance Company	33%
Moderate Growth ETF Portfolio	
Pruco Life Insurance Company	51%

The Trust has no knowledge as to whether all or any portion of the shares owned of record are also owned beneficially.

6. DISTRIBUTIONS TO SHAREHOLDERS AND TAX COMPONENTS OF CAPITAL

The tax character of Portfolio distributions paid for the year ended December 31, 2015 and December 31, 2014 was as follows:

	For the year ended December 31, 2015			For the year ended December 31, 2014		
Fund	Ordinary Income	Long-Term Capital Gains	Total	Ordinary Income	Long-Term Capital Gains	Total
Aggressive Growth ETF Portfolio	$ 41,961	$ 158,382	$ 200,343	$ 24,856	$ 52,422	$ 77,278
Balanced ETF Portfolio	69,018	81,975	150,993	156,009	75,508	231,517
Conservative ETF Portfolio	46,775	4,086	50,861	25,075	14,994	40,069
Growth ETF Portfolio	100,330	202,996	303,326	71,258	56,871	128,129
Moderate Growth ETF Portfolio	191,797	137,052	328,849	124,410	110,276	234,686

As of December 31, 2015, the components of accumulated earnings/(deficit) on a tax basis were as follows:

Fund	Undistributed Ordinary Income	Undistributed Long-Term Capital Gains	Capital Loss Carry Forwards	Post October Loss and Late Year Loss	Unrealized Appreciation/ (Depreciation)	Total Accumulated Earnings/(Deficits)
Aggressive Growth ETF Portfolio	$ 66,562	$ 66,484	$ -	$ -	$ (179,092)	$ (46,046)
Balanced ETF Portfolio	81,500	57,963	-	-	(169,391)	(29,928)
Conservative ETF Portfolio	36,413	-	(2,491)	-	(98,311)	(64,389)
Growth ETF Portfolio	132,725	227,998	-	-	(193,650)	167,073
Moderate Growth ETF Portfolio	77,902	71,839	-	-	(261,477)	(111,736)

The difference between book basis and tax basis accumulated net realized gains and unrealized depreciation from investments is primarily attributable to the tax deferral of losses on wash sales.

At December 31, 2015, the Portfolios had capital loss carry forwards for federal income tax purposes available to offset future capital gains as follows:

	Non-Expiring		
Fund	Short-Term	Long-Term	Total
Conservative ETF Portfolio	$ -	$ 2,491	$ 2,491

Permanent book and tax differences, primarily attributable to the book/tax basis treatment of ordinary income distributions, resulted in reclassifications for the following Portfolios for the year ended December 31, 2015 as follows:

Fund	Undistributed Ordinary Income (Loss)	Undistributed Long-Term Gains (Loss)
Balanced ETF Portfolio	$ (42)	$ 42
Conservative ETF Portfolio	(26)	26
Moderate Growth ETF Portfolio	(15)	15

7. SUBSEQUENT EVENTS

Subsequent events after the date of the Statements of Assets and Liabilities have been evaluated through the date the financial statements were issued. Management has concluded that there are no subsequent events requiring adjustment or disclosure in the financial statements.

TOPS® ETF Portfolios

EXPENSE EXAMPLES (Unaudited)

June 30, 2016

As a shareholder of the Portfolios, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in each Portfolio 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 from January 1, 2016 through June 30, 2016.

Actual Expenses

The "Actual" expenses line in the table below provides information about actual account values and actual expenses. You may use the information below 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 "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The "Hypothetical" line in the table below provides information about hypothetical account values and hypothetical expenses based on each Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses you paid for the period. You may use this information to compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, or other expenses charged by your insurance contract or separate account. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

			Actual		***Hypothetical*** *(5% return before expenses)*	
Class I	*Portfolio's Annualized Expense Ratio*	*Beginning Account Value 1-1-16*	*Ending Account Value 6-30-16*	*Expenses Paid During Period**	*Ending Account Value 6-30-16*	*Expenses Paid During Period**
Aggressive Growth ETF Portfolio	0.20%	$1,000.00	$1,047.20	$1.02	$1,023.87	$1.01
Balanced ETF Portfolio	0.20%	$1,000.00	$1,049.40	$1.02	$1,023.87	$1.01
Conservative ETF Portfolio	0.20%	$1,000.00	$1,041.10	$1.01	$1,023.87	$1.01
Growth ETF Portfolio	0.20%	$1,000.00	$1,052.40	$1.02	$1,023.87	$1.01
Moderate Growth ETF Portfolio	0.20%	$1,000.00	$1,054.60	$1.02	$1,023.87	$1.01

TOPS® ETF Portfolios

EXPENSE EXAMPLES (Unaudited)(Continued)

June 30, 2016

			Actual		***Hypothetical*** *(5% return before expenses)*	
Class 2	*Portfolio's Annualized Expense Ratio*	*Beginning Account Value 1-1-16*	*Ending Account Value 6-30-16*	*Expenses Paid During Period**	*Ending Account Value 6-30-16*	*Expenses Paid During Period**
Aggressive Growth ETF Portfolio	0.45%	$1,000.00	$1,045.80	$2.29	$1,022.63	$2.26
Balanced ETF Portfolio	0.45%	$1,000.00	$1,048.10	$2.29	$1,022.63	$2.26
Conservative ETF Portfolio	0.45%	$1,000.00	$1,039.50	$2.28	$1,022.63	$2.26
Growth ETF Portfolio	0.45%	$1,000.00	$1,051.50	$2.30	$1,022.63	$2.26
Moderate Growth ETF Portfolio	0.45%	$1,000.00	$1,053.20	$2.30	$1,022.63	$2.26

			Actual		***Hypothetical*** *(5% return before expenses)*	
Investor Class	*Portfolio's Annualized Expense Ratio*	*Beginning Account Value 1-1-16*	*Ending Account Value 6-30-16*	*Expenses Paid During Period**	*Ending Account Value 6-30-16*	*Expenses Paid During Period**
Aggressive Growth ETF Portfolio	0.70%	$1,000.00	$1,043.50	$3.56	$1,021.38	$3.52
Balanced ETF Portfolio	0.70%	$1,000.00	$1,046.70	$3.56	$1,021.38	$3.52
Conservative ETF Portfolio	0.70%	$1,000.00	$1,038.70	$3.55	$1,021.38	$3.52
Growth ETF Portfolio	0.70%	$1,000.00	$1,049.10	$3.57	$1,021.38	$3.52
Moderate Growth ETF Portfolio	0.70%	$1,000.00	$1,048.90	$3.57	$1,021.38	$3.52

** Expenses are equal to the average account value over the period, multiplied by each Portfolio's annualized expense ratio, multiplied by the number of days in the period (182) divided by the number of days in the fiscal year (366).*

PRIVACY NOTICE

NORTHERN LIGHTS VARIABLE TRUST

Rev. February 2014

FACTS **WHAT DOES NORTHERN LIGHTS VARIABLE TRUST DO WITH YOUR PERSONAL INFORMATION?**

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some, but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depends on the product or service that you have with us. This information can include:

- Social Security number and wire transfer instructions
- account transactions and transaction history
- investment experience and purchase history

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Northern Lights Variable Trust chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information:	**Does Northern Lights Variable Trust share information?**	**Can you limit this sharing?**
For our everyday business purposes - such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus.	**YES**	**NO**
For our marketing purposes - to offer our products and services to you.	**NO**	**We don't share**
For joint marketing with other financial companies.	**NO**	**We don't share**
For our affiliates' everyday business purposes - information about your transactions and records.	**NO**	**We don't share**
For our affiliates' everyday business purposes - information about your credit worthiness.	**NO**	**We don't share**
For nonaffiliates to market to you	**NO**	**We don't share**

QUESTIONS? **Call 1-402-493-4603**

PRIVACY NOTICE

NORTHERN LIGHTS VARIABLE TRUST

Page 2

What we do:

How does Northern Lights Variable Trust protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. Our service providers are held accountable for adhering to strict policies and procedures to prevent any misuse of your nonpublic personal information.
How does Northern Lights Variable Trust collect my personal information?	We collect your personal information, for example, when you • open an account or deposit money • direct us to buy securities or direct us to sell your securities • seek advice about your investments We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only: • sharing for affiliates' everyday business purposes – information about your creditworthiness. • affiliates from using your information to market to you. • sharing for nonaffiliates to market to you. State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *Northern Lights Variable Trust does not share with our affiliates.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *Northern Lights Variable Trust does not share with nonaffiliates so they can market to you.*
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *Northern Lights Variable Trust doesn't jointly market*.

PROXY VOTING POLICY

Information regarding how the Portfolios voted proxies relating to portfolio securities for the most recent twelve month period ended June 30 as well as a description of the policies and procedures that the Portfolios use to determine how to vote proxies is available without charge, upon request, by calling 1-855-572-5945 or by referring to the Securities and Exchange Commission's ("SEC") website at http://www.sec.gov.

PORTFOLIO HOLDINGS

Each Portfolio files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is 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 (1-800-SEC-0330). The information on Form N-Q is available without charge, upon request, by calling 1-855-572-5945.

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June 30, 2016

Semiannual Report

Blue Chip Growth Portfolio

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Blue Chip Growth Portfolio

Highlights

- In a volatile six-month period for the financial markets, large-cap growth stocks significantly underperformed large-cap value shares.
- The Blue Chip Growth Portfolio returned -5.82% in the first half of the year and underperformed our market benchmarks.
- The portfolio is focused on holding high-quality growth stocks, but stock selection and our overweight allocations to the health care, consumer discretionary, and information technology sectors hurt our comparison with the benchmark.
- We believe that our holdings are high-quality, large-cap growth companies with durable-growth prospects that should perform well over time.

The views and opinions in this report were current as of June 30, 2016. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Manager's Letter
T. Rowe Price Blue Chip Growth Portfolio

Dear Investor

Global equity markets were quite volatile in the first six months of 2016, punctuated by a downdraft in late June resulting from the Brexit vote. Considering the many challenges facing investors, stock market performance was resilient. However, growth stocks underperformed both value stocks and the S&P 500 Index in the first half. After several years of strong performance, our results in the last six months lagged the relevant benchmarks by substantial margins. Several large holdings in the health care, industrials and business services, consumer discretionary, and information technology sectors were meaningful detractors.

Performance Review

Performance Comparison

Six-Month Period Ended 6/30/16	Total Return
Blue Chip Growth Portfolio	-5.82%
Blue Chip Growth Portfolio–II	-5.95
S&P 500 Index	3.84
Lipper Variable Annuity Underlying Large-Cap Growth Funds Average	-2.47
Russell 1000 Growth Index	1.36

The Blue Chip Growth Portfolio returned -5.82% for the six months ended June 30, 2016, underperforming its benchmark, the S&P 500 Index; the Lipper peer group; and the style-specific Russell 1000 Growth Index. Despite the poor performance in the last six months, the portfolio has performed well over the longer-term time frames. As shown in the Growth of $10,000 chart on page 9, the portfolio significantly outpaced the S&P 500 Index and the Lipper Variable Annuity Underlying Large-Cap Growth Funds Average for the 10-year period ended June 30, 2016. (Results for the Portfolio–II Class were slightly lower, reflecting its different fee structure, cash flows, and other factors.)

Your portfolio continued to compare favorably with its competitors. Lipper ranked the Blue Chip Growth Portfolio in the top quintile of its variable annuity underlying large-cap growth funds universe for the 3-, 5-, and 10-year periods ended June 30, 2016. (Based on cumulative total return, Lipper ranked the Blue Chip Growth Portfolio 115 of 224, 41 of 222, 18 of 213, and 28 of 172 portfolios for the 1-, 3-, 5-, and 10-year periods ended June 30, 2016, respectively. *Past performance cannot guarantee future results*.)

Recent volatility in global financial markets reinforces our view that some longstanding challenges and newly emergent risks are weighing on equity markets. Investors have been quite concerned about the breadth and sustainability of growth in the global economy. The sharp decline in oil and other commodity prices has helped consumers but created some stress for energy producers and related industries, although energy prices have rebounded to a degree. However, manufacturing and certain commodity-related industrial businesses continue to struggle, and overall growth in gross domestic product (GDP) and personal incomes has been lackluster.

Many global economies, including emerging markets, have slowed. China's economy is transitioning from a manufacturing and export-based economy to one that emphasizes services and domestic consumption. However, the transition cannot be managed seamlessly and has led to dislocation in certain areas of the economy. Brazil's economy has struggled, and there is significant political unrest in several Latin American countries. Unfortunately, it appears that the Zika virus will dampen travel to the Olympics being held in Brazil this year and may have a negative effect on travel in general.

Geopolitical risks have also become so substantial that they constitute a more important risk factor for global financial markets. The tragic terrorist actions in Paris underscore that terrorism can create significant economic disruption in addition to the regrettable loss of life and property damage being inflicted. The mass shootings in Orlando and the recent shootings of several police officers in Texas, as well as ISIS actions throughout the world, are indicative of an especially unsettled time.

We recognize that the recent UK vote to exit the European Union (Brexit) constitutes greater uncertainty for global growth, and there are some indications that the risk of a recession has increased modestly. However, there are reasons to be constructive and even optimistic. There are unmistakable signs of improvement in some sectors of the U.S. economy. A number of stocks in our investing universe are not particularly dependent on robust economic growth to generate strong profitability. Slow but sustained growth can sometimes be quite supportive for these types of stocks and the overall market. Subdued interest rates and improving corporate profits could offset various risks and drive continued positive stock performance.

Market Environment

The U.S. economy continued to grow, with housing, auto, and retail sales evidencing a recovery that appears to be slow but sustainable. Although first-quarter GDP growth and several jobs reports were disappointing, job creation showed notable improvement in the latest monthly report, with 287,000 nonfarm payroll jobs being created in June. Unfortunately, the labor force participation rate is near an all-time low, and the growth in average hourly earnings has been tepid. There has been stronger wage growth in certain industries, and there were enough signs of economic improvement that the Federal Reserve increased interest rates in December. However, weakness in manufacturing data, the continued deflationary behavior of oil and other commodities, and concerns surrounding the Brexit vote probably mean that additional rate increases will be incremental.

The U.S. economy is on sounder footing than the economies of many other developed countries, including most European nations. Although Europe appeared to be showing broader improvement, the Brexit vote introduces a new and possibly prolonged period of uncertainty surrounding European—and possibly global—growth. China's growth could continue to slow or remain inconsistent given stock market and foreign exchange volatility. Brazil and other resource-based economies, including some in the emerging markets, are experiencing moderating or inconsistent growth. China and Brazil need to be carefully monitored as their size and influence on the global economy are noteworthy.

Unfortunately, geopolitical risks are probably as great as we have seen in the last few decades. Egypt, Syria, and Turkey have experienced a notable amount of internal strife, and there have been a number of terrorist actions in the last several months, including recent tragic mass murders in several developed countries. It is also noteworthy that this is a U.S. election year and the pursuit of the White House is likely to be quite vigorous. The two major parties have different views on several issues that could have far-reaching effects on several industries, especially health care. If the Republicans are able to win the presidency and control the executive branch and both houses of Congress, it, perhaps, could lead to more significant changes. However, both parties appear to be favoring candidates with forceful agendas that could create greater opportunity, but also risk, for various industries.

Though investors face many challenges in today's market, there are still several powerful positives and solid potential rewards in many stocks. Solid revenue growth, improved efficiency and margins, and ultimately robust corporate earnings are being generated despite subdued capital expenditures. As overall demand improves, corporate earnings could be quite vibrant. Many companies have free cash flow yields approaching 10%, which is very favorable relative to the 10-year U.S. Treasury note's yield. Also, companies are repurchasing their shares consistently, leading to a rare decline in the net overall amount of shares outstanding. Some stocks have performed well, and we want to be clear that the opportunity for continued gains is necessarily less substantial for select stocks at current price levels.

Portfolio Review

The health care sector was our largest first-half detractor as several biotech stocks performed poorly. This was partly the result of greater scrutiny of drug pricing, and several companies experienced clinical setbacks or other fundamental disappointments. **Alexion Pharmaceuticals** was the portfolio's biggest detractor. Its largest product, Soliris, generated ambiguous trial data in the treatment of myasthenia gravis (MG), which would have been an important additional indication for the product (on top of its strong position in treating kidney ailments). The product met many secondary endpoints, and additional data released in the last few days of the period probably increase the chance that the product will be approved for MG. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Allergan was our second-largest detractor in the first half. The company was to be acquired by **Pfizer** (with holders expected to receive 11.3 shares of Pfizer stock), which would have resulted in value substantially above the current price. However, the deal was scuttled after tax rules changes made the merger less favorable. **Valeant Pharmaceuticals International** was among our largest detractors. The stock got clobbered by concerns that the company increased the prices on some acquired drugs by exorbitant amounts, and also by assertions that it had used a specialty pharmaceutical distributor to improperly inflate sales and profits. While some of the assertions (made by a short-selling firm) about using a distributor to improperly inflate sales and profits ultimately proved to be incorrect, the company clearly had raised drug pricing aggressively and became the target of intense scrutiny. Valeant also experienced slowing sales and inconsistent operating performance and disclosure, and the chief executive officer was replaced. Fortunately, as these risks became apparent, we sold large portions of our stock at much higher prices and eliminated the holding well above current levels. However, we acknowledge that our analysis was

flawed and that it certainly hurt performance. When we make mistakes (as we inevitably do), we try to acknowledge and learn from them so that we reduce their chance of reoccurring.

Our positions in **Biogen** and **Gilead Sciences** also generated large first-half losses. Biogen has experienced slowing sales of its key multiple sclerosis drug Tecfidera, and we reduced our position size moderately. However, the company is now trading at a valuation that we think is attractive, and it should receive clinical data on several important pipeline products in the next year. In the interim, this well-managed company has remained disciplined in controlling expenses, has been developing new early-stage products internally, and is studying various external product and company acquisition candidates. In a similar way, Gilead's hepatitis C remedies, Harvoni and Sovaldi, have been so successful that the company now trades below 10 times forward earnings estimates. However, pricing for these key products had eroded, and we prefer to observe and evaluate the significant acquisitions we feel the company must inevitably make. Consequently, we elected to sharply reduce our exposure to this company.

Sector Diversification

	Percent of Net Assets	
	12/31/15	6/30/16
Information Technology	28.1%	29.5%
Consumer Discretionary	25.9	26.4
Health Care	25.2	21.5
Industrials and Business Services	9.9	10.0
Financials	6.1	8.0
Consumer Staples	2.6	3.3
Materials	1.2	1.0
Energy	0.3	0.0
Telecommunication Services	0.0	0.0
Utilities	0.0	0.0
Other and Reserves	0.7	0.3
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

While health care was generally a challenging area, several of the top first-half performers also came from this area. **UnitedHealth Group** continued to grow consistently, and its Optum data services business now constitutes approximately 40% of the company's profits. This business is less susceptible to reimbursement risk and has grown rapidly over time. **Stryker**, a leading provider of hip and knee replacements and other health care devices, appears to be well positioned with its Mako product to participate in the rapid growth of robotic replacement of various joints. **Intuitive Surgical** is a leader in robotic systems and consumables used in many general surgical applications. Both companies generated solid earnings growth and stock performance. **Bristol-Myers Squibb** performed well as its cancer drug Opdivo could become the standard of care for treating many cancers, including lung cancer. The managed care area has been controversial, with many questioning whether several large mergers will pass antitrust review. However, **Aetna** performed well as investors began to appreciate that the company is well positioned regardless of whether their proposed merger with **Humana** is consummated. Our longtime holding in **Thermo Fisher Scientific** also produced solid gains as investors appear to have renewed appreciation that the company generates the majority of its profits from the sale of consumables to the health care industry.

In the industrials and business services sector, our airlines holdings declined. **American Airlines** was a significant detractor. We believed that a consolidated airline industry would be highly profitable and that American would generate substantial free cash flow in a consolidated industry. This has occurred, and American has repurchased a sizable portion of its outstanding stock. However, it is also clear that the airline companies have not been highly disciplined about restricting capacity growth, and there is new competition from several Middle Eastern airlines that provide high-quality service on international routes. The Zika virus, global terrorism, and less-than-robust economic growth delayed improvement in passenger revenue per average seat mile. Consequently, we reduced our positions in several airline holdings, including American, but we believe that these stocks can perform well over time.

Alphabet (formerly Google) was also a large detractor. The company's search and advertising businesses are thriving, and YouTube is experiencing torrid growth in viewing time and sharply improving profitability as increased advertising is being used to monetize that business. The new chief financial officer appears to be showing much greater discipline in expense management and capital allocation. Alphabet has also improved financial disclosure since it implemented a holding company financial reporting structure, disclosing distinct results for its core operations and its loss-producing new ventures. In our view, the decline in Alphabet's stock was the result of its strong performance in previous periods and subsequent profit taking. However, we believe the stock is reasonably valued at current levels.

In the consumer discretionary area, our large position in **Amazon.com** was the top contributor in the portfolio for first half. After generating stellar performance in 2015, the stock declined sharply early in the year but then performed well in the second quarter. Third-party sales and the Amazon Web Services (AWS) division (AWS provides cloud processing services for other companies) generate above-average margins, are growing rapidly, and propelled a meaningful recovery in profitability. The company is providing greater disclosure for AWS, demonstrating that this business is far more profitable than many had previously believed. **O'Reilly Automotive** is a high-quality auto parts retailer with a reputation for outstanding service. This longtime holding has consistently generated strong revenue and earnings growth and stock performance. The auto parts retailing industry has produced solid gains, and **AutoZone** also chipped in strong performance. Both of these auto parts companies have been aggressively repurchasing their shares. Home improvement retailing giant **Lowe's** produced a notable contribution. An ongoing housing recovery and improved merchandising and operational effiiciencies drove strong profit growth. Our longtime holding in **Constellation Brands**, a leading beer and wine distributer, also performed well as sales of Corona and Modelo beers grew strongly. A new position in **Dollar General** and a longer-held position in lodging giant **Hilton Worldwide Holdings** were also notable contributors.

In the technology area, **Facebook** posted standout performance as investors began to appreciate how well the company's advertising products, video strategy, and Instagram photo sharing are being received. Its investments in WhatsApp and Messenger provide solid positioning in the messaging market, which is growing in popularity. We are particularly excited by the company's efforts to promote the use of video in its offerings to better monetize Instagram and video. **Tencent Holdings** has been a substantial position for many years. This dominant Chinese company has leading positions in gaming and messaging (the WeChat messaging platform again generated solid gains in users and profits). **Fiserv**, a leading processing solutions provider for businesses and banks, also has generated consistent earnings growth for decades and again posted strong stock performance. Our positions in electronic games makers **Electronic Arts** and **Activision** also performed well. **Salesforce.com** is a leading provider of cloud-based software and services with operations that support sales, services, and marketing and analytics activities for clients. The company has been a holding for several years and continued to perform well.

We had other holdings that produced top gains coming from various sectors. For example, **Danaher** was our fifth-largest first-half contributor. We have held this company since the portfolio's inception 10 years ago. We prize the company for its outstanding management and strong free cash flow generation. It recently spun off the industrials portion of the business into a company called Fortive, and we believe the remaining Danaher operation, as well as Fortive, are well positioned. **American Tower**, the leading global operator of telecommunication towers, performed well and has been a steady performer for many years. Insurance broker **Marsh & McLennan** and leading paint provider **Sherwin-Williams** have been holdings for several years. Each has impressive long-term records of earnings and dividend growth, and both performed well.

Strategy: Major Purchases and Sales

Additions to existing holdings such as Bristol-Myers Squibb, Facebook, Aetna, **Microsoft**, **Priceline**, **Shire**, Stryker, and Amazon were significant enough to be included among our 10 largest purchases for the past six months. The two other top purchases included **NXP Semiconductors**, a leading manufacturer of semiconductors used in automotive, payment, and other technical solutions. The company has leading positions in several areas and recently divested some of its less differentiated products. NXP has an outstanding record of growth and profitability and should be valued more in line with other high-quality semiconductor companies. The other new portfolio holding, Dollar General, is perhaps the best managed of the dollar stores. It provides a broad array of products for reasonable prices. The company recently introduced several improved store formats—with more space for refrigerated items in some stores—and it is testing a smaller-store concept at other sites. With its offering of leading brands and a focus on goods that are frequently used and replenished, the company appears to be well positioned for further strong growth.

There were two eliminations large enough to be included in our list of top sales for the first half. **LinkedIn** had been a strong performer, but over the past year it had showed signs of slowing new subscriber growth, and we became less comfortable with its longer-term growth prospects. We eliminated the stock in the second quarter, preferring other ideas in the information technology sector. The other, Valeant, was discussed previously.

Outlook

The market has been volatile in 2016. Certain risks have either intensified or have been accompanied by new challenges. Global growth has been lackluster, and Brexit increases the risk of economic dislocation, especially in the eurozone. The energy and commodity complex remains under significant stress, and some respected economists believe the chance of a recession or a more significant slowdown has increased. Terrorism has intensified as a factor that could have a more frequent and significant injurious effect on global markets. Given the appreciation of selected stocks, the valuations of some stocks are no longer attractive in our view.

Although the recent U.S. employment report was encouraging, slow economic growth, a relatively high level of unemployment, and below-average income growth in many developed countries are disconcerting. While we have seen improvement in budget deficits and growth in Europe and the U.S., structural reform and spending reductions are almost certainly necessary. In addition to these fiscal actions, some central banks have begun to tighten the accommodative monetary policy they are currently pursuing. However, the latest data and developments suggest that the Federal Reserve could be quite restrained in increasing interest rates. On balance, the very low, or even negative, interest rates in many countries present additional challenges to both growth and pension stability as savers and pension funds struggle to earn acceptable returns.

We would also be quick to acknowledge that policy-making to address all of these situations is complex, risky, and unlikely to yield results that are unequivocally favorable. Said another way, all of the solutions have costs and, perhaps, unintended consequences. One unintended and undesirable side effect could be a sharp or persistent rise in inflation. However, we must acknowledge that despite recent upward moves, the overall level of gold and commodity prices would support the view that inflation is not a major problem at this juncture. There are other complicating factors that may weigh on markets for some time. Aside from the rising risk posed by terrorism, longstanding but intensifying unrest in the Middle East could affect general global stability. Cyberattacks, whether they are pursued by governments or terrorists, represent an evolving challenge for businesses and possibly financial markets. A potential downgrade of U.S. debt, instability in the dollar or other major currencies, and a sharp increase in interest rates—or pervasive negative interest rates—constitute threats that must be carefully monitored. For these reasons (and several others), we regard the current environment as having more complexity and risk than is typical.

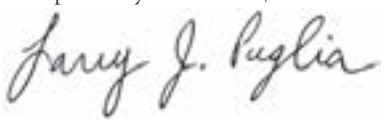
On balance, we continue to be constructive on the performance of stocks. While the challenges we have outlined will certainly require time to resolve and will test the patience of policymakers and investors, corporate earnings at select companies could continue to impress, interest rates and inflation should remain at acceptable levels, and the valuations of many high-quality companies are reasonable.

Despite the uncertainty surrounding how effective fiscal and monetary actions will be in addressing various risks, there are several things working in our favor:

1. Stocks have historically performed well following a lackluster period of stock performance. Essentially, we have experienced two very major bear markets since 2000.
2. Recent market strength over the past few years does temper the amount of potential appreciation. However, the valuations of stocks are appealing, especially in relation to the very low level of interest rates. The spread between the earnings yield on stocks and the 10-year Treasury yield is very attractive in any historical context. The free cash flow yield of many companies exceeds 10% and implies attractive valuation, particularly in the context of 10-year Treasury note yields of approximately 1.4%.
3. We believe that high-quality, consistent-growth companies that we seek to purchase are especially attractive and could conceivably do well even if the economy only experiences modest growth. Stringent management of expenses could also support rapid earnings growth if revenues begin to accelerate.
4. Many large-cap growth companies have strong balance sheets with record amounts of cash and strong capitalization. This should allow them to opportunistically invest in new products or businesses or make acquisitions as change creates dislocation.
5. Many of our holdings generate significant free cash flow. Shareholder-oriented management can use this cash to pay dividends, repurchase shares, or make value-added acquisitions. Several of our holdings have reduced the number of shares outstanding by a significant amount over time.

We continue to strive to enhance returns in a difficult environment by investing in quality companies with durable, sustainable earnings and cash flow growth. We appreciate your continued confidence in this endeavor.

Respectfully submitted,



Larry J. Puglia
President and chairman of the Investment Advisory Committee

July 13, 2016

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing its investment program.

Risks of Stock Investing

The portfolio's share price can fall because of weakness in the stock markets, a particular industry, or specific holdings. Stock markets can decline for many reasons, including adverse political or economic developments, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, the investment manager's assessment of companies held in a portfolio may prove incorrect, resulting in losses or poor performance even in rising markets. Growth stocks can be volatile because these companies usually invest a high portion of earnings in their businesses, and earnings disappointments often lead to sharply falling prices. The value approach carries the risk that a security's intrinsic value may not be recognized for a long time or that the stock may actually be appropriately priced.

Glossary

Free cash flow: The excess cash a company is generating from its operations—such as dividends, share repurchases, investments, and acquisitions—that can be taken out of the business for the benefit of shareholders.

Gross domestic product (GDP): The total market value of all goods and services produced in a country in a given year.

Lipper averages: The average of all portfolios in a particular category as tracked by Lipper Inc.

Price/book ratio: A valuation measure that compares a stock's market price with its book value, i.e., the company's net worth divided by the number of outstanding shares.

Russell 1000 Growth Index: Market capitalization-weighted index of those firms in the Russell 1000 Growth Index with higher price-to-book ratios and higher forecast growth values.

S&P 500 Index: An unmanaged index that tracks the stocks of 500 primarily large-cap U.S. companies.

Note: Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell indexes. Russell® is a trademark of Russell Investment Group.

Portfolio Highlights

Twenty-Five Largest Holdings

	Percent of Net Assets 6/30/16
Amazon.com	8.4%
Alphabet	6.5
Facebook	4.6
Priceline	3.5
Danaher	3.4
Visa	2.8
MasterCard	2.4
Microsoft	2.4
American Tower	2.0
Bristol-Myers Squibb	2.0
UnitedHealth Group	1.9
Salesforce.com	1.8
Allergan	1.8
Lowe's	1.6
McKesson	1.6
Tencent Holdings	1.5
Thermo Fisher Scientific	1.5
Celgene	1.5
Alibaba Group Holding	1.4
Boeing	1.3
Intercontinental Exchange	1.2
O'Reilly Automotive	1.2
Morgan Stanley	1.2
Alexion Pharmaceuticals	1.2
Home Depot	1.1
Total	59.8%

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

Major Portfolio Changes

Listed in descending order of size.
Six Months Ended 6/30/16

LARGEST PURCHASES

Bristol-Myers Squibb
Facebook
Aetna
Microsoft
Priceline
NXP Semiconductors*
Shire
Dollar General*
Stryker
Amazon.com

LARGEST SALES

Gilead Sciences
Alexion Pharmaceuticals
Walt Disney
Starbucks
Microsoft
Apple
LinkedIn**
McKesson
United Continental
Valeant Pharmaceuticals International**

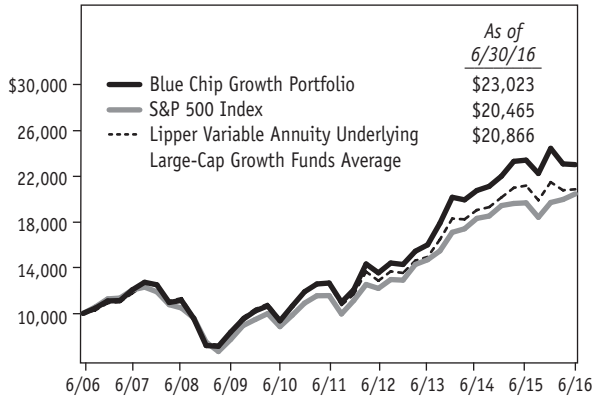
*Position added.

**Position eliminated.

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Blue Chip Growth Portfolio



Note: Performance for the II Class will vary due to its differing fee structure. See the returns table below.

Average Annual Compound Total Return

Periods Ended 6/30/16	1 Year	5 Years	10 Years
Blue Chip Growth Portfolio	-1.68%	12.70%	8.70%
Blue Chip Growth Portfolio–II	-1.96	12.41	8.43

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Returns do not reflect taxes that the shareholder may pay on distributions or the redemption of shares. Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following 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 most recent six-month period and held for the entire period.

Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. Please note that the fund has two classes of shares: the original share class and II Class. II Class shares are sold through financial intermediaries, which are compensated for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, 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 on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. 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 should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Fund Expense Example (continued)

Blue Chip Growth Portfolio

	Beginning Account Value 1/1/16	Ending Account Value 6/30/16	Expenses Paid During Period* 1/1/16 to 6/30/16
Blue Chip Growth Portfolio			
Actual	$1,000.00	$941.80	$4.10
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.64	4.27
Blue Chip Growth Portfolio–II			
Actual	1,000.00	940.50	5.31
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.39	5.52

*Expenses are equal to the portfolio's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (366) to reflect the half-year period. The annualized expense ratio of the Blue Chip Growth Portfolio was 0.85%, and the Blue Chip Growth Portfolio–II was 1.10%.

Financial Highlights

T. Rowe Price Blue Chip Growth Portfolio
(Unaudited)

Blue Chip Growth Class

	For a share outstanding throughout each period					
	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 23.01	$ 20.72	$ 18.98	$ 13.45	$ 11.39	$ 11.22
Investment activities						
Net investment income (loss)[1]	–[2]	(0.03)	(0.03)	(0.01)	0.03	–
Net realized and unrealized gain / loss	(1.34)	2.32	1.77	5.55	2.05	0.17
Total from investment activities	(1.34)	2.29	1.74	5.54	2.08	0.17
Distributions						
Net investment income	–	–	–	(0.01)	(0.02)	–
NET ASSET VALUE						
End of period	**$ 21.67**	**$ 23.01**	**$ 20.72**	**$ 18.98**	**$ 13.45**	**$ 11.39**
Ratios/Supplemental Data						
Total return[3]	**(5.82)%**	**11.05%**	**9.17%**	**41.15%**	**18.26%**	**1.52%**
Ratio of total expenses to average net assets	0.85%[4]	0.85%	0.85%	0.85%	0.85%	0.85%
Ratio of net investment income (loss) to average net assets	(0.04)%[4]	(0.12)%	(0.15)%	(0.07)%	0.23%	0.04%
Portfolio turnover rate	16.8%	31.4%	33.6%	37.6%	22.2%	40.4%
Net assets, end of period (in thousands)	$ 490,407	$ 531,415	$ 362,959	$ 266,888	$ 172,419	$ 115,951

(1) Per share amounts calculated using average shares outstanding method.
(2) Amounts round to less than $0.01 per share.
(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.
(4) Annualized

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

Financial Highlights

T. Rowe Price Blue Chip Growth Portfolio
(Unaudited)

Blue Chip Growth-II Class

	For a share outstanding throughout each period					
	6 Months Ended 6/30/16	Year Ended 12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
NET ASSET VALUE						
Beginning of period	$ 22.37	$ 20.19	$ 18.55	$ 13.17	$ 11.17	$ 11.02
Investment activities						
Net investment income (loss) [1]	(0.03)	(0.08)	(0.08)	(0.05)	–	(0.02)
Net realized and unrealized gain / loss	(1.30)	2.26	1.72	5.43	2.00	0.17
Total from investment activities	(1.33)	2.18	1.64	5.38	2.00	0.15
NET ASSET VALUE						
End of period	**$ 21.04**	**$ 22.37**	**$ 20.19**	**$ 18.55**	**$ 13.17**	**$ 11.17**
Ratios/Supplemental Data						
Total return[2]	**(5.95)%**	**10.80%**	**8.84%**	**40.85%**	**17.91%**	**1.36%**
Ratio of total expenses to average net assets	1.10%[3]	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment loss to average net assets	(0.29)%[3]	(0.37)%	(0.40)%	(0.32)%	(0.01)%	(0.22)%
Portfolio turnover rate	16.8%	31.4%	33.6%	37.6%	22.2%	40.4%
Net assets, end of period (in thousands)	$ 305,837	$ 293,023	$ 216,261	$ 209,689	$ 152,911	$ 103,303

(1) Per share amounts calculated using average shares outstanding method.
(2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.
(3) Annualized

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

Portfolio of Investments‡

T. Rowe Price Blue Chip Growth Portfolio
June 30, 2016 (Unaudited)

	Shares	$ Value
(Cost and value in $000s)		
COMMON STOCKS 99.7%		
Consumer Discretionary 26.4%		
Auto Components 0.5%		
Delphi Automotive	45,600	2,855
Johnson Controls	24,700	1,093
		3,948
Automobiles 0.7%		
Ferrari	6,430	263
Tesla Motors (1)(2)	25,537	5,421
		5,684
Hotels, Restaurants & Leisure 3.6%		
Carnival	10,400	460
Hilton Worldwide Holdings	281,180	6,335
Las Vegas Sands	15,200	661
Marriott, Class A (1)	52,871	3,514
McDonald's	1,300	157
MGM Resorts International (2)	173,900	3,935
Norwegian Cruise Line Holdings (2)	85,400	3,402
Royal Caribbean Cruises	62,000	4,163
Starbucks	102,000	5,826
Yum! Brands	8,900	738
		29,191
Internet & Catalog Retail 13.4%		
Amazon.com (2)	93,300	66,767
Ctrip.com International, ADR (2)	68,600	2,826
JD.com, ADR (2)	19,900	423
Netflix (2)	95,400	8,727
Priceline (2)	22,600	28,214
		106,957
Media 0.8%		
Charter Communications Class A (2)	10,726	2,452
Comcast, Class A	1,200	78
Time Warner	9,500	699
Walt Disney	29,500	2,886
		6,115
Multiline Retail 0.5%		
Dollar General	42,200	3,967
		3,967
Specialty Retail 5.8%		
AutoZone (2)	6,700	5,319
Home Depot	71,200	9,091
L Brands	2,600	175
Lowe's	158,800	12,572
O'Reilly Automotive (2)	35,200	9,543
Ross Stores	82,100	4,654
TSC	51,700	4,714
		46,068
Textiles, Apparel & Luxury Goods 1.1%		
Coach	10,900	444
Hanesbrands	159,200	4,001
Nike, Class B	75,300	4,156
		8,601
Total Consumer Discretionary		**210,531**
Consumer Staples 3.3%		
Beverages 0.7%		
Constellation Brands Class A	17,900	2,961
Molson Coors Brewing, Class B	12,500	1,264
Monster Beverage (2)	6,300	1,012
		5,237
Food & Staples Retailing 1.9%		
Costco Wholesale	10,300	1,617
CVS Health	46,900	4,490
Kroger	7,300	269
Walgreens Boots Alliance	106,700	8,885
		15,261
Food Products 0.2%		
Kraft Heinz	8,600	761

(Cost and value in $000s)	Shares	$ Value
Mondelez International	27,200	1,238
		1,999
Personal Products 0.1%		
Estee Lauder, Class A	9,400	856
		856
Tobacco 0.4%		
Philip Morris International	28,100	2,858
		2,858
Total Consumer Staples		**26,211**
Financials 8.0%		
Banks 0.2%		
Citigroup	17,200	729
JPMorgan Chase	20,000	1,243
		1,972
Capital Markets 3.3%		
Ameriprise Financial	23,696	2,129
Bank of New York Mellon	53,100	2,063
BlackRock	4,600	1,576
Morgan Stanley	358,600	9,316
Northern Trust	14,400	954
State Street	58,100	3,133
TD Ameritrade Holding	248,000	7,062
		26,233
Diversified Financial Services 1.5%		
CME Group	9,100	887
Intercontinental Exchange	38,620	9,885
S&P Global	11,200	1,201
		11,973
Insurance 0.9%		
Aon	5,300	579
Chubb	9,000	1,177
Marsh & McLennan	57,100	3,909
Willis Towers Watson	9,100	1,131
		6,796
Real Estate Investment Trusts 2.1%		
American Tower, REIT	140,600	15,973
Equinix, REIT	1,800	698
		16,671
Total Financials		**63,645**
Health Care 21.5%		
Biotechnology 5.4%		
Alexion Pharmaceuticals (2)	78,800	9,201
Biogen (2)	24,500	5,924
Celgene (2)	120,000	11,835
Gilead Sciences	5,500	459
Incyte (2)	10,800	864
Regeneron Pharmaceuticals (2)	9,100	3,178
Shire, ADR	25,238	4,646
Vertex Pharmaceuticals (2)	79,100	6,804
		42,911
Health Care Equipment & Supplies 3.0%		
Becton, Dickinson & Company	43,700	7,411
Dentsply Sirona	6,400	397
Hologic (2)	1,400	49
Intuitive Surgical (2)	11,400	7,540
Medtronic	10,267	891
Stryker	64,500	7,729
		24,017
Health Care Providers & Services 6.8%		
Aetna	73,883	9,024
Anthem	38,000	4,991
Cardinal Health	34,600	2,699
Cigna	17,800	2,278
Henry Schein (2)	20,600	3,642
Humana	22,900	4,119
McKesson	66,600	12,431
UnitedHealth Group	105,900	14,953
		54,137
Life Sciences Tools & Services 1.7%		
Agilent Technologies	24,800	1,100
Thermo Fisher Scientific	80,400	11,880
		12,980

	Shares	$ Value
(Cost and value in $000s)		
Pharmaceuticals 4.6%		
Allergan (2)	60,746	14,038
Bristol-Myers Squibb	211,500	15,556
Eli Lilly	62,200	4,898
Pfizer	2,300	81
Zoetis	46,100	2,188
		36,761
Total Health Care		**170,806**
Industrials & Business Services 10.0%		
Aerospace & Defense 1.9%		
Boeing	78,700	10,221
Northrop Grumman	10,200	2,267
Raytheon	6,200	843
Rockwell Collins	6,700	571
Textron	30,800	1,126
		15,028
Air Freight & Logistics 0.7%		
FedEx	35,600	5,403
		5,403
Airlines 1.7%		
Alaska Air Group	48,300	2,815
American Airlines	284,300	8,049
Delta Air Lines	31,600	1,151
United Continental (2)	35,800	1,469
		13,484
Commercial Services & Supplies 0.1%		
IHS (2)	7,200	832
		832
Industrial Conglomerates 3.8%		
Danaher	265,800	26,846
Roper Technologies	20,700	3,531
		30,377
Machinery 0.3%		
Pentair	17,300	1,009
Wabtec	27,700	1,945
		2,954
Road & Rail 1.5%		
Canadian Pacific Railway	39,000	5,023
J.B. Hunt Transport Services	45,700	3,698
Kansas City Southern	29,800	2,685
Union Pacific	5,800	506
		11,912
Total Industrials & Business Services		**79,990**
Information Technology 29.5%		
Internet Software & Services 14.5%		
Alibaba Group Holding, ADR (2)	136,059	10,821
Alphabet, Class A (2)	27,300	19,206
Alphabet, Class C (2)	47,280	32,723
Baidu, ADR (2)	24,300	4,013
Facebook (2)	319,915	36,560
Tencent Holdings (HKD)	528,500	12,054
		115,377
IT Services 6.9%		
Cognizant Technology Solutions (2)	11,900	681
Fidelity National Information	10,600	781
Fiserv (2)	82,600	8,981
FleetCor Technologies (2)	4,400	630
MasterCard, Class A	219,000	19,285
PayPal Holdings (2)	60,500	2,209
Visa, A Shares	298,300	22,125
		54,692
Semiconductor & Semiconductor Equipment 0.8%		
Broadcom	17,500	2,719
NXP Semiconductors (2)	46,500	3,643
		6,362
Software 6.5%		
Activision Blizzard	63,400	2,512
Electronic Arts (2)	51,600	3,909
Intuit	4,100	458
Microsoft	375,100	19,194
Red Hat (2)	59,281	4,304

	Shares	$ Value
(Cost and value in $000s)		
salesforce.com (2)	180,300	14,318
ServiceNow (2)	79,400	5,272
Workday (2)	21,100	1,575
		51,542
Technology Hardware, Storage & Peripherals 0.8%		
Apple	69,100	6,606
		6,606
Total Information Technology		**234,579**
Materials 1.0%		
Chemicals 1.0%		
Ashland	15,900	1,825
Ecolab	7,400	877
EI du Pont de Nemours	1,200	78
PPG Industries	10,300	1,073
Sherwin-Williams	13,100	3,847
		7,700
Containers & Packaging 0.0%		
Ball	4,500	325
		325
Total Materials		**8,025**
Total Common Stocks (Cost $567,294)		**793,787**
SHORT-TERM INVESTMENTS 0.4%		
Money Market Funds 0.4%		
T. Rowe Price Reserve Investment Fund, 0.32% (3)(4)	3,285,922	3,286
Total Short-Term Investments (Cost $3,286)		**3,286**

	Shares	$ Value
(Cost and value in $000s)		
SECURITIES LENDING COLLATERAL 0.2%		
Investments in a Pooled Account through Securities Lending Program with State Street Bank and Trust Company 0.2%		
Short-Term Funds 0.2%		
T. Rowe Price Short-Term Reserve Fund, 0.33% (3)(4)	165,278	1,653
Total Investments through Securities Lending Program with State Street Bank and Trust Company		**1,653**
Total Securities Lending Collateral (Cost $1,653)		**1,653**
Total Investments in Securities		
100.3% of Net Assets (Cost $572,233)		**$ 798,726**

‡ Shares are denominated in U.S. dollars unless otherwise noted.
(1) All or a portion of this security is on loan at June 30, 2016 -- total value of such securities at period-end amounts to $1,569. See Note 3.
(2) Non-income producing
(3) Seven-day yield
(4) Affiliated Company
ADR American Depository Receipts
HKD Hong Kong Dollar
REIT A domestic Real Estate Investment Trust whose distributions pass-through with original tax character to the shareholder

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the six months ended June 30, 2016. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/16	Value 12/30/15
T. Rowe Price Reserve Investment Fund	¤	¤	$ 7	$ 3,286	$ 10,990
T. Rowe Price Short-Term Reserve Fund	¤	¤	–^	1,653	12
Totals			$ 7	$ 4,939	$ 11,002

¤Purchase and sale information not shown for cash management funds.
^Excludes earnings on securities lending collateral, which are subject to rebates and fees as described in Note 3.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 4,939
Dividend income	7
Interest income	-
Investment income	$ 7
Realized gain (loss) on securities	$ -
Capital gain distributions from mutual funds	$ -

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

Statement of Assets and Liabilities

T. Rowe Price Blue Chip Growth Portfolio
June 30, 2016 (Unaudited)
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $572,233)	$	798,726
Receivable for shares sold		1,248
Receivable for investment securities sold		710
Dividends receivable		415
Cash		32
Other assets		4
Total assets		801,135
Liabilities		
Payable for shares redeemed		1,987
Obligation to return securities lending collateral		1,653
Investment management and administrative fees payable		688
Payable for investment securities purchased		563
Total liabilities		4,891
NET ASSETS	**$**	**796,244**
Net Assets Consist of:		
Accumulated net investment loss	$	(516)
Accumulated undistributed net realized loss		(34,068)
Net unrealized gain		226,493
Paid-in capital applicable to 37,173,903 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		604,335
NET ASSETS	**$**	**796,244**
NET ASSET VALUE PER SHARE		
Blue Chip Growth Class ($490,406,811 / 22,635,034 shares outstanding)	**$**	**21.67**
Blue Chip Growth - II Class ($305,837,478 / 14,538,869 shares outstanding)	**$**	**21.04**

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

Statement of Operations

T. Rowe Price Blue Chip Growth Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16
Investment Income (Loss)	
Income	
Dividend	$ 3,119
Securities lending	8
Total income	3,127
Expenses	
Investment management and administrative expense	3,289
Rule 12b-1 fees - Blue Chip Growth-II Class	354
Total expenses	3,643
Net investment loss	(516)
Realized and Unrealized Gain / Loss	
Net realized loss on securities	(8,853)
Change in net unrealized gain / loss on securities	(39,244)
Net realized and unrealized gain / loss	(48,097)
DECREASE IN NET ASSETS FROM OPERATIONS	**$ (48,613)**

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

Statement of Changes in Net Assets

T. Rowe Price Blue Chip Growth Portfolio
(Unaudited)
($000s)

	6 Months Ended 6/30/16	Year Ended 12/31/15
Increase (Decrease) in Net Assets		
Operations		
Net investment loss	$ (516)	$ (1,444)
Net realized gain (loss)	(8,853)	19,234
Change in net unrealized gain / loss	(39,244)	47,668
Increase (decrease) in net assets from operations	(48,613)	65,458
Capital share transactions*		
Shares sold		
Blue Chip Growth Class	76,405	241,639
Blue Chip Growth-II Class	65,403	106,656
Shares redeemed		
Blue Chip Growth Class	(85,904)	(114,744)
Blue Chip Growth-II Class	(35,485)	(53,791)
Increase in net assets from capital share transactions	20,419	179,760
Net Assets		
Increase (decrease) during period	(28,194)	245,218
Beginning of period	824,438	579,220
End of period	**$ 796,244**	**$ 824,438**
Undistributed (accumulated) net investment income (loss)	(516)	–
*Share information		
Shares sold		
Blue Chip Growth Class	3,579	10,768
Blue Chip Growth-II Class	3,152	4,905
Shares redeemed		
Blue Chip Growth Class	(4,043)	(5,189)
Blue Chip Growth-II Class	(1,715)	(2,515)
Increase in shares outstanding	973	7,969

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

T. Rowe Price Equity Series, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The Blue Chip Growth Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. Shares of the fund currently are offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks to provide long-term capital growth. Income is a secondary objective. The fund has two classes of shares: the Blue Chip Growth Portfolio original share class (Blue Chip Growth Class), incepted on December 29, 2000, and the Blue Chip Growth Portfolio–II (Blue Chip Growth–II Class), incepted on April 30, 2002. Blue Chip Growth–II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions, if any, are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions from REITs are initially recorded as dividend income and, to the extent such represent a return of capital or capital gain for tax purposes, are reclassified when such information becomes available. Income distributions are declared and paid by each class annually. Distributions to shareholders are recorded on the ex-dividend date. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting Investment income, investment management and administrative expense, and realized and unrealized gains and losses are allocated to the classes based upon the relative daily net assets of each class. Blue Chip Growth–II Class pays Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets.

Rebates Subject to best execution, the fund may direct certain security trades to brokers who have agreed to rebate a portion of the related brokerage commission to the fund in cash. Commission rebates are reflected as realized gain on securities in the accompanying financial statements and totaled $3,000 for the six months ended June 30, 2016.

NOTE 2 - VALUATION

The fund's financial instruments are valued and each class's net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business.

Fair Value The fund's financial instruments are reported at fair value, which GAAP defines 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. The T. Rowe Price Valuation Committee (the Valuation Committee) has been established by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 –inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

Valuation Techniques Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. OTC Bulletin Board securities are valued at the mean of the closing bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the closing bid and asked prices for domestic securities and the last quoted sale or closing price for international securities.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted to reflect the fair value of such securities at the close of the NYSE. If the fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the fund will adjust the previous quoted prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust quoted prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with quoted prices and information to evaluate or adjust those prices. The fund cannot predict how often it will use quoted prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares quoted prices, the next day's opening prices in the same markets, and adjusted prices.

Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. Non-U.S. equity securities generally are categorized in Level 2 of the fair value hierarchy despite the availability of quoted prices because, as described above, the fund evaluates and determines whether those quoted prices reflect fair value at the close of the NYSE or require adjustment. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2016:

($000s)	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total Value
Investments in Securities, except:	$ 4,939	$ –	$ –	$ 4,939
Common Stocks	781,733	12,054	–	793,787
Total	$ 786,672	$ 12,054	$ –	$ 798,726

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2016.

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Securities Lending The fund may lend its securities to approved brokers to earn additional income. Its securities lending activities are administered by a lending agent in accordance with a securities lending agreement. Security loans generally do not have stated maturity dates, and the fund may recall a security at any time. The fund receives collateral in the form of cash or U.S. government securities, valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested by the lending agent(s) in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At June 30, 2016, the value of loaned securities was $1,569,000; the value of cash collateral and related investments was $1,653,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $155,135,000 and $131,621,000, respectively, for the six months ended June 30, 2016.

NOTE 4 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

The fund intends to retain realized gains to the extent of available capital loss carryforwards. Because the fund is required to use capital loss carryforwards that do not expire before those with expiration dates, all or a portion of its capital loss carryforwards subject to expiration could ultimately go unused. As of December 31, 2015, the fund had $21,779,000 of available capital loss carryforwards, which all expire in fiscal 2017.

At June 30, 2016, the cost of investments for federal income tax purposes was $577,435,000. Net unrealized gain aggregated $221,291,000 at period-end, of which $243,076,000 related to appreciated investments and $21,785,000 related to depreciated investments.

NOTE 5 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.85% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and extraordinary expenses are paid directly by the fund.

The fund may invest in the T. Rowe Price Reserve Investment Fund, the T. Rowe Price Government Reserve Investment Fund, or the T. Rowe Price Short-Term Reserve Fund (collectively, the Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The Price Reserve Investment Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. The Price Reserve Investment Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended June 30, 2016, the aggregate value of purchases and sales cross trades with other funds or accounts advised by Price Associates was less than 1% of the fund's net assets as of June 30, 2016.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

and scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

Approval of Investment Management Agreement

On March 11, 2016, the fund's Board of Directors (Board), including a majority of the fund's independent directors, approved the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). In connection with its deliberations, the Board requested, and the Advisor provided, such information as the Board (with advice from independent legal counsel) deemed reasonably necessary. The Board considered a variety of factors in connection with its review of the Advisory Contract, also taking into account information provided by the Advisor during the course of the year, as discussed below:

Services Provided by the Advisor
The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's senior management team and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor.

Investment Performance of the Fund
The Board reviewed the fund's three-month, one-year, and year-by-year returns, as well as the fund's average annualized total returns over the 3-, 5-, and 10-year periods, and compared these returns with a wide variety of comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale
The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the applicable fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing T. Rowe Price mutual funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. The Board noted that, under the Advisory Contract, the fund pays the Advisor a single fee, or all-inclusive management fee, which is based on the fund's average daily net assets. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of the fund's ordinary, recurring operating expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the Advisory Contract provided for a reasonable sharing of any benefits from economies of scale with the fund.

Fees
The Board was provided with information regarding industry trends in management fees and expenses, and the Board reviewed the fund's management fee rate and total expense ratio for the Original Class and II Class in comparison with fees and expenses of other comparable funds based on information and data supplied by Lipper. For these purposes, the Board assumed that the fund's management fee rate was equal to the all-inclusive management fee rate less the fund's actual operating expenses, and the total expense ratio was equal to the all-inclusive management fee rate. The information provided to the Board indicated that the fund's management fee rate was above the median for comparable funds. The information also indicated that the total expense ratio for the Original Class was at or below the median for comparable funds and the total expense ratio for the II Class was above the median for comparable funds.

Approval of Investment Management Agreement (continued)

The Board also reviewed the fee schedules for institutional accounts (including subadvised mutual funds) and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business differ from those of the Advisor's proprietary mutual fund business. The Board considered information showing that the Advisor's proprietary mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various other relevant factors, including the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Advisor's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Advisor to manage its proprietary mutual fund business versus managing a discrete pool of assets as a subadvisor to another institution's mutual fund or for another institutional account and the degree to which the Advisor performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price mutual funds than it does for institutional account clients.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract

As noted, the Board approved the continuation of the Advisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract (including the fees to be charged for services thereunder). The independent directors were advised throughout the process by independent legal counsel.

100 East Pratt Street
Baltimore, MD 21202

2016-US-24607

E307-051 8/16

Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Capital Growth Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Capital Growth Portfolio

Advisor's Report

For the six months ended June 30, 2016, the Vanguard Capital Growth Portfolio returned –1.35%, below the 3.84% return of its benchmark, the S&P 500 Index, and slightly ahead of the –1.85% average return of its variable insurance multi-capitalization growth fund competitors. Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

The portfolio's underperformance relative to its unmanaged benchmark was driven by unfavorable sector allocations: underweight positions in energy, consumer staples, utilities, and telecommunication services, and overweight positions in information technology and health care. Weak stock selection in industrials, health care, and consumer discretionary also played a role.

Investment environment

Significant volatility in financial markets worldwide, including the U.S. stock market, characterized the period. The S&P 500 Index plummeted in January and early February as investors grew increasingly concerned about the global growth outlook, deflation, and negative interest rates, before rallying into the end of June.

Market leadership transitioned from a few large-capitalization growth stocks, epitomized by the so-called FANG stocks (Facebook, Amazon, Netflix, and Google) but also including other widely held growth stocks such as Starbucks, NIKE, and Visa, as well as defensive stocks in sectors such as consumer staples, utilities, and telecom services. Biotechnology stocks came under significant pressure during the first half of 2016, with the NYSE Arca Biotechnology Index returning –20% for the period while the S&P 500 had a total return of 4%. Energy stocks rallied after crude oil prices rebounded in February from their lowest levels since 2003.

Outlook for U.S. equities

We believe we are less pessimistic than most about the U.S. economic outlook. The U.S. economy is driven by consumption, and consumers are currently benefiting from low unemployment, rising wages, subdued inflation, and strong household balance sheets. Recent headlines related to "Brexit" and the potential disintegration of the European Union, the rise of populist political parties worldwide, the uncertain Chinese economy, and the unprecedented phenomenon of negative interest rates have caused a great deal of consternation in the United States and globally. While we share many of these concerns, we find U.S. equities to be a relatively attractive asset class as valuations are reasonable by historical standards, the dividend yield on the S&P 500 Index exceeds that of the 30-year U.S. Treasury Bond for the first time, and corporate balance sheets are strong.

Portfolio update and positioning

The portfolio remained overweighted in information technology, health care, and industrials. These sectors constituted about 79% of the portfolio's holdings, on average. The portfolio was underweighted in utilities, consumer staples, energy, telecommunication services, financials, and consumer discretionary.

Health care

The S&P health care index underperformed relative to the broader S&P 500, and the portfolio's health care holdings underperformed relative to the S&P health care index. Biotechnology stocks performed poorly, with the S&P biotechnology index returning –14% while the S&P health care index had only a fractional gain. Biogen (–21%), one of the portfolio's top ten holdings, declined following a disappointing pipeline update for one of its mid-stage compounds. We are optimistic about our biotechnology and pharmaceutical holdings over the long term, given favorable secular trends such as aging populations and rising living standards worldwide, significant

Total Returns

	Six Months Ended June 30, 2016
Vanguard Capital Growth Portfolio	-1.35%
S&P 500 Index	3.84
Variable Insurance Multi-Cap Growth Funds Average[1]	-1.85

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Multi-Cap Growth Funds Average
Capital Growth Portfolio	0.36%	0.79%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the Capital Growth Portfolio's annualized expense ratio was 0.36%. The peer-group expense ratio is derived from data provided by Lipper Inc. and captures information through year-end 2015.

ongoing innovation, and reasonable valuations. In the short term, we expect current concerns around drug pricing and reimbursement to remain an overhang on the industry, especially during the run-up to the U.S. presidential election.

Industrials

While the S&P industrials index returned 6% for the six months, the portfolio's industrials holdings returned –6%, mainly because of positioning within the sector. Although the portfolio's airline holdings (–19%) outperformed the S&P airline index (–24%), they still pulled down the portfolio's overall return for industrials. Airline stocks declined substantially in the wake of negative earnings revisions related to heightened price competition, rising labor and fuel costs, and fears that Brexit would result in significantly lower transatlantic air travel. We believe that these negatives have been more than priced in. Furthermore, current valuations for airlines—especially legacy carriers, which trade at among the lowest price-to-earnings multiples in the S&P 500—assume a highly adverse (and unlikely) fundamental scenario. We believe that consolidation and a shift in managerial focus from market share to profit maximization has made this industry capable of generating sustainable profits, even during periods of declining demand.

Information technology

The portfolio's information technology holdings returned 3%, a bit below the 4% return of the S&P 500 but ahead of the slightly negative return of the S&P 500 information technology index. Strong selection in semiconductors and hardware more than offset weak selection in internet and communications equipment. The largest contributors were NVIDIA (+44%), Texas Instruments (+16%), Hewlett Packard Enterprise (+21%), HP (+8%), and EMC (+7%). The biggest detractors were Alphabet (–10% Class A, –9% Class C) and LM Ericsson Telefon (–18%). We remain overweighted in information technology, an area we expect to become increasingly important to the economy. Technology continues to increase its impact on people's everyday lives as new internet-connected software applications proliferate—supported by ever-increasing computing power, higher bandwidth, and greater data storage capacity. We are confident that demand for the underlying infrastructure needed for these applications (semiconductors, for example) will also continue to increase.

Consumer discretionary

Poor results in a small number of the portfolio's consumer discretionary holdings, notably Carnival (–18%), Royal Caribbean Cruises (–33%), and L Brands (–27%) more than offset gains in Sony (+20%), TJX (+10%), and Ross Stores (+6%). We are optimistic about the portfolio's cruise line holdings because of favorable industry dynamics and low valuations. The industry should benefit from secular trends such as aging populations and rising living standards worldwide, while the high degree of industry consolidation (the top three companies comprise more than 85% of global capacity) should allow for moderate capacity growth and annual price increases. These stocks also trade at well-below-market price-to-earnings multiples despite superior earnings growth.

Conclusion

While we are disappointed with the recent underperformance of the portfolio, we remain committed to our investment philosophy, which is to invest in attractively priced individual stocks for the long term. This "bottom-up" approach often results in portfolios that bear little resemblance to market indexes; our results can therefore deviate substantially, both positively and negatively, from such indexes. Our long-term investment horizon results in low portfolio turnover, which creates the possibility for extended periods of underperformance when its stocks fall out of favor, as they recently have. We nonetheless believe that such periods of underperformance can generate superior results for investors over the long term.

PRIMECAP Management Company

July 20, 2016

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Comparative Index[1]
Number of Stocks	100	505
Median Market Cap	$58.2B	$78.7B
Price/Earnings Ratio	20.8x	20.7x
Price/Book Ratio	3.6x	2.8x
Yield[2]	1.2%	2.2%
Return on Equity	18.0%	17.3%
Earnings Growth Rate	7.3%	7.0%
Foreign Holdings	10.3%	0.0%
Turnover Rate[3]	5%	—
Expense Ratio[4]	0.36%	—
Short-Term Reserves	3.5%	—

Volatility Measures

	Portfolio Versus Comparative Index[1]
R-Squared	0.88
Beta	0.93

Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index[1]
Consumer Discretionary	7.9%	12.3%
Consumer Staples	0.6	10.6
Energy	1.6	7.4
Financials	6.9	15.7
Health Care	26.9	14.7
Industrials	15.7	10.2
Information Technology	37.1	19.8
Materials	2.0	2.8
Telecommunication Services	1.3	2.9
Utilities	0.0	3.6

Ten Largest Holdings[5] (% of total net assets)

Eli Lilly & Co.	Pharmaceuticals	5.2%
Texas Instruments Inc.	Semiconductors	5.0
Amgen Inc.	Biotechnology	4.8
Adobe Systems Inc.	Application Software	4.7
Microsoft Corp.	Systems Software	4.6
Alphabet Inc.	Internet Software & Services	4.5
Biogen Inc.	Biotechnology	4.4
Roche Holding AG	Pharmaceuticals	3.4
FedEx Corp.	Air Freight & Logistics	3.3
Southwest Airlines Co.	Airlines	3.0
Top Ten		42.9%

Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			■
	Medium			
	Small			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 S&P 500 Index.

2 30-day SEC yield for the portfolio; annualized dividend yield for the index.

3 Annualized.

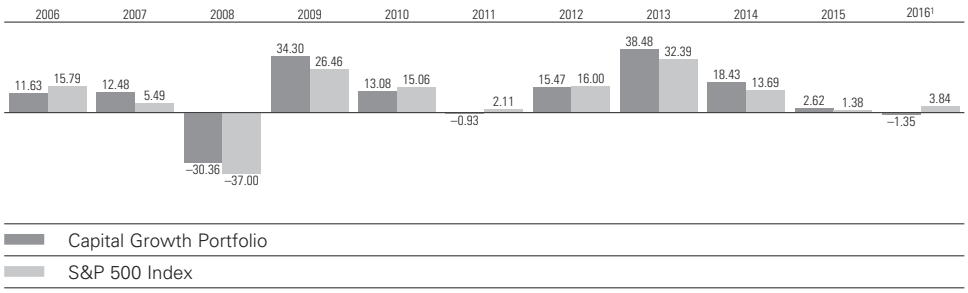
4 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.36%.

5 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Capital Growth Portfolio	12/3/2002	0.73%	12.36%	9.26%

1 Six months ended June 30, 2016.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (96.5%)		
Consumer Discretionary (7.6%)		
L Brands Inc.	187,500	12,587
TJX Cos. Inc.	133,000	10,272
Ross Stores Inc.	175,100	9,926
Sony Corp. ADR	324,900	9,536
Walt Disney Co.	86,700	8,481
Carnival Corp.	140,800	6,223
* Amazon.com Inc.	3,500	2,505
Bed Bath & Beyond Inc.	41,700	1,802
Royal Caribbean Cruises Ltd.	23,300	1,565
Whirlpool Corp.	6,600	1,100
VF Corp.	13,500	830
* Charter Communications Inc. Class A	2,298	525
		65,352
Consumer Staples (0.6%)		
CVS Health Corp.	41,300	3,954
Tyson Foods Inc. Class A	16,100	1,075
		5,029
Energy (1.6%)		
Schlumberger Ltd.	58,500	4,626
EOG Resources Inc.	41,700	3,479
Transocean Ltd.	193,600	2,302
Noble Energy Inc.	48,800	1,751
Exxon Mobil Corp.	11,200	1,050
National Oilwell Varco Inc.	10,800	363
		13,571
Financials (6.7%)		
Marsh & McLennan Cos. Inc.	211,900	14,507
Charles Schwab Corp.	488,600	12,366
JPMorgan Chase & Co.	173,800	10,800
Wells Fargo & Co.	212,600	10,062
Progressive Corp.	120,700	4,043
US Bancorp	53,400	2,154
CME Group Inc.	15,100	1,471
Discover Financial Services	21,400	1,147
American Express Co.	7,800	474
Chubb Ltd.	823	108
		57,132
Health Care (26.0%)		
Eli Lilly & Co.	561,500	44,218
Amgen Inc.	267,971	40,772
* Biogen Inc.	156,200	37,772
Roche Holding AG	109,900	29,017
Novartis AG ADR	246,250	20,318
Medtronic plc	171,900	14,916
* Boston Scientific Corp.	544,502	12,725
Thermo Fisher Scientific Inc.	49,700	7,343
Johnson & Johnson	41,300	5,010
Abbott Laboratories	123,300	4,847
AstraZeneca plc ADR	60,500	1,826
Sanofi ADR	36,800	1,540
GlaxoSmithKline plc ADR	25,100	1,088
AbbVie Inc.	14,000	867
		222,259
Industrials (15.1%)		
FedEx Corp.	188,700	28,641
Southwest Airlines Co.	661,750	25,947
Airbus Group SE	213,300	12,386
Honeywell International Inc.	69,600	8,096
Alaska Air Group Inc.	132,700	7,735
Union Pacific Corp.	71,100	6,203
Caterpillar Inc.	78,900	5,981
Deere & Co.	59,500	4,822
United Parcel Service Inc. Class B	43,550	4,691
* United Continental Holdings Inc.	107,200	4,400
American Airlines Group Inc.	152,900	4,329
Delta Air Lines Inc.	90,100	3,282
Boeing Co.	23,200	3,013
United Technologies Corp.	20,400	2,092
Pentair plc	28,300	1,650
CH Robinson Worldwide Inc.	21,700	1,611
Safran SA	18,900	1,285
CSX Corp.	42,500	1,108
Rockwell Automation Inc.	8,000	919
Expeditors International of Washington Inc.	14,100	691
* Hertz Global Holdings Inc.	38,400	425
		129,307
Information Technology (35.8%)		
Texas Instruments Inc.	686,500	43,009
* Adobe Systems Inc.	420,000	40,232
Microsoft Corp.	766,700	39,232
* Alphabet Inc. Class A	27,500	19,347
* Alphabet Inc. Class C	27,570	19,081
* Alibaba Group Holding Ltd. ADR	159,600	12,693
NVIDIA Corp.	251,750	11,835
Intel Corp.	355,000	11,644
Intuit Inc.	95,500	10,659
Hewlett Packard Enterprise Co.	536,250	9,797
QUALCOMM Inc.	182,000	9,750
EMC Corp.	340,700	9,257
Cisco Systems Inc.	291,400	8,360
KLA-Tencor Corp.	110,100	8,065
HP Inc.	618,550	7,763
* Micron Technology Inc.	533,500	7,341
NetApp Inc.	255,400	6,280
Oracle Corp.	141,300	5,783
Telefonaktiebolaget LM Ericsson ADR	717,500	5,510
Activision Blizzard Inc.	116,000	4,597
Plantronics Inc.	71,650	3,153
Visa Inc. Class A	35,400	2,626
Analog Devices Inc.	42,400	2,402
Corning Inc.	98,350	2,014
* BlackBerry Ltd.	195,800	1,314
* PayPal Holdings Inc.	31,700	1,157
Apple Inc.	9,500	908
MasterCard Inc. Class A	9,800	863
* eBay Inc.	31,700	742
* Entegris Inc.	46,900	679
Western Digital Corp.	10,192	482
		306,575
Materials (1.9%)		
Monsanto Co.	121,300	12,544
Praxair Inc.	17,400	1,956
Potash Corp. of Saskatchewan Inc.	104,700	1,700
		16,200
Telecommunication Services (1.2%)		
AT&T Inc.	238,608	10,310
Total Common Stocks (Cost $579,021)		825,735
Temporary Cash Investment (3.5%)		
Money Market Fund (3.5%)		
[1] Vanguard Market Liquidity Fund, 0.538%		
(Cost $29,996)	29,996,357	**29,996**
Total Investments (100.0%) (Cost $609,017)		**855,731**

	Amount ($000)
Other Assets and Liabilities (0.0%)	
Other Assets	
Investment in Vanguard	72
Receivables for Capital Shares Issued	2,368
Receivables for Accrued Income	886
Total Other Assets	**3,326**
Liabilities	
Payables to Investment Advisor	(324)
Payables for Capital Shares Redeemed	(1,811)
Payables to Vanguard	(856)
Other Liabilities	(19)
Total Liabilities	**(3,010)**
Net Assets (100%)	
Applicable to 33,910,170 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**856,047**
Net Asset Value Per Share	**$25.24**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	596,210
Undistributed Net Investment Income	6,446
Accumulated Net Realized Gains	6,687
Unrealized Appreciation (Depreciation)	
Investment Securities	246,714
Foreign Currencies	(10)
Net Assets	**856,047**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

1 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

ADR—American Depositary Receipt.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends[1]	8,838
Interest[2]	98
Securities Lending	41
Total Income	8,977
Expenses	
Investment Advisory Fees—Note B	637
The Vanguard Group—Note C	
Management and Administrative	786
Marketing and Distribution	82
Custodian Fees	8
Shareholders' Reports	10
Trustees' Fees and Expenses	1
Total Expenses	1,524
Net Investment Income	**7,453**
Realized Net Gain (Loss)	
Investment Securities Sold	6,775
Foreign Currencies	(6)
Realized Net Gain (Loss)	**6,769**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	(26,227)
Foreign Currencies	11
Change in Unrealized Appreciation (Depreciation)	**(26,216)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**(11,994)**

1 Dividends are net of foreign withholding taxes of $365,000.

2 Interest income from an affiliated company of the portfolio was $98,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	7,453	10,604
Realized Net Gain (Loss)	6,769	23,361
Change in Unrealized Appreciation (Depreciation)	(26,216)	(12,515)
Net Increase (Decrease) in Net Assets Resulting from Operations	(11,994)	21,450
Distributions		
Net Investment Income	(10,670)	(9,459)
Realized Capital Gain	(23,420)	(28,597)
Total Distributions	(34,090)	(38,056)
Capital Share Transactions		
Issued	54,091	191,432
Issued in Lieu of Cash Distributions	34,090	38,056
Redeemed	(79,879)	(148,174)
Net Increase (Decrease) from Capital Share Transactions	8,302	81,314
Total Increase (Decrease)	(37,782)	64,708
Net Assets		
Beginning of Period	**893,829**	**829,121**
End of Period[1]	**856,047**	**893,829**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $168,000 and $0, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $6,446,000 and $9,669,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$26.64**	**$27.15**	**$23.60**	**$17.68**	**$15.69**	**$16.38**
Investment Operations						
Net Investment Income	.220	.310	.304	.219	.255	.154
Net Realized and Unrealized Gain (Loss) on Investments	(.604)	.391	3.945	6.421	2.152	(.274)
Total from Investment Operations	(.384)	.701	4.249	6.640	2.407	(.120)
Distributions						
Dividends from Net Investment Income	(.318)	(.301)	(.218)	(.250)	(.165)	(.145)
Distributions from Realized Capital Gains	(.698)	(.910)	(.481)	(.470)	(.252)	(.425)
Total Distributions	(1.016)	(1.211)	(.699)	(.720)	(.417)	(.570)
Net Asset Value, End of Period	**$25.24**	**$26.64**	**$27.15**	**$23.60**	**$17.68**	**$15.69**
Total Return	**-1.35%**	**2.62%**	**18.43%**	**38.48%**	**15.47%**	**-0.93%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$856	$894	$829	$631	$395	$370
Ratio of Total Expenses to Average Net Assets	0.36%	0.36%	0.40%	0.41%	0.41%	0.42%
Ratio of Net Investment Income to Average Net Assets	1.71%	1.21%	1.31%	1.13%	1.48%	1.03%
Portfolio Turnover Rate	5%	5%	11%	7%	6%	11%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

Notes to Financial Statements

Vanguard Capital Growth Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the portfolio's pricing time. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value.

2. Foreign Currency: Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the portfolio's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. PRIMECAP Management Company, provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. For the six months ended June 30, 2016, the investment advisory fee represented an effective annual rate of 0.15% of the portfolio's average net assets.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of

trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $72,000, representing 0.01% of the portfolio's net assets and 0.03% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	783,047	42,688	—
Temporary Cash Investments	29,996	—	—
Total	813,043	42,688	—

E. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $609,017,000. Net unrealized appreciation of investment securities for tax purposes was $246,714,000, consisting of unrealized gains of $273,617,000 on securities that had risen in value since their purchase and $26,903,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended June 30, 2016, the portfolio purchased $19,468,000 of investment securities and sold $22,341,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	2,172	7,167
Issued in Lieu of Cash Distributions	1,382	1,442
Redeemed	(3,192)	(5,603)
Net Increase (Decrease) in Shares Outstanding	362	3,006

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 64% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

H. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Capital Growth Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Fund Return	$1,000.00	$986.48	$1.78
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.07	1.81

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratios for that period is 0.36%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Capital Growth Portfolio has renewed the portfolio's investment advisory arrangement with PRIMECAP Management Company (PRIMECAP Management). The board determined that renewing the portfolio's advisory arrangement was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that PRIMECAP Management, founded in 1983, is recognized for its long-term approach to equity investing. Five experienced portfolio managers are responsible for separate sub-portfolios, and each portfolio manager employs a fundamental, research-driven approach in seeking to identify companies with long-term growth potential that the market has yet to appreciate. The multi-counselor approach that the advisor employs is designed to emphasize individual decision-making and enable each portfolio manager to invest only in his or her highest-conviction ideas. PRIMECAP's fundamental research focuses on developing opinions independent from Wall Street's consensus and maintaining a long-term horizon. The firm has managed the portfolio since its inception in 2002.

The board concluded that the advisor's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a benchmark index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below the peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board did not consider profitability of PRIMECAP Management in determining whether to approve the advisory fee because PRIMECAP Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the portfolio realizes economies of scale that are built into the negotiated advisory fee rate without any need for asset-level breakpoints. The advisory fee rate is very low relative to the average rate paid by funds in the portfolio's peer group.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

Mortimer J. Buckley
Kathleen C. Gubanich
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Glenn W. Reed
Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Diversified Value Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Diversified Value Portfolio

Advisor's Report

Vanguard Diversified Value Portfolio returned 4.45% for the six months ended June 30, 2016, behind the 6.30% return of its benchmark (the Russell 1000 Value Index) but ahead of the average return of peer funds. Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

The investment environment

There is an adage that the market will do what confounds the most. This has certainly been true so far this year. After the Federal Reserve raised its benchmark interest rate last December for the first time in nearly a decade, investors debated how many times the Fed would further raise rates in 2016. In early July, the federal funds futures market was pricing in a less than 50% chance of the next increase occurring before the end of 2017. In addition, the yield of the 10-year U.S. Treasury note fell to a record low, and more than one-third of the world's sovereign debt had a negative yield.

The June 23 "Brexit" referendum was far down investors' list of concerns earlier this year, but it rose to the top when U.K. voters chose to leave the European Union. Investors now expect a recession in the United Kingdom and fear that Brexit could lead to a broader breakup of the EU.

In an uncertain world with record low interest rates, investors continue to search desperately for current yield and have bid up stocks that they perceive as "bond proxies." These include sectors with high current yields, such as utilities, real estate investment trusts (REITs), consumer staples, and telecommunication services. This strategy certainly provides a high current yield in the short run, but many of these sectors now trade at much higher-than-average price/earnings multiples and offer below-average dividend growth prospects. The bond proxies, with their steep valuation premiums, could quickly lose favor with investors if the economy improves and rates move higher.

Our successes and shortfalls

Although the portfolio was up for the half year, it lagged its benchmark.

Energy was the fund's largest relative detractor. Stocks in the sector generally outperformed as oil prices rebounded from their February lows, but our holdings underperformed. Marathon Petroleum and Phillips 66 declined given that higher oil prices and ample gasoline inventories will pinch refiner profit margins in the near term. ConocoPhillips, which was forced to cut its dividend just as oil prices bottomed in early February, underperformed its peers. Although our BP, Chevron, and Occidental Petroleum holdings rebounded along with oil, they did not do as well as many exploration and production companies that have more exposure to the commodity price.

The financial sector also detracted significantly. The reversal in interest rate expectations weighed on the performance of our bank holdings and boosted REITs, which we do not own.

Lower interest rates benefited our Altria and Philip Morris International holdings, in consumer staples, and our AT&T and Verizon holdings, in telecom, by making these stocks more attractive in the short run. The tobacco companies also continued to benefit from strong pricing and more moderate volume declines, and the telecoms' earnings held up better than anticipated by those focused on renewed competition from second-tier companies such as T-Mobile and Sprint.

Stock selection in consumer discretionary helped results. Target outperformed after exiting its money-losing Canadian business to refocus on its profitable U.S. business under new CEO Brian Cornell. Johnson Controls outperformed as it divests its automotive seating business and reinvests in its attractive commercial HVAC and security businesses.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Diversified Value Portfolio	4.45%
Russell 1000 Value Index	6.30
Variable Insurance Large-Cap Value Funds Average[1]	3.39

Expense Ratios[2]

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Large-Cap Value Funds Average
Diversified Value Portfolio	0.28%	0.86%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the Diversified Value Portfolio's annualized expense ratio was 0.27%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Our portfolio positioning

Our investment process places a lot of value on dividends, but not simply on high current yield. We look for dividends supported by above-average cash earnings growth that will lead to dividend growth well above that of the overall market. The appeal of high current yield may come and go as interest rates fluctuate, but we believe that the attraction of strong and rising dividends is more enduring.

We remain focused on buying a concentrated portfolio of good companies trading at valuations below the broad market for reasons that we believe to be temporary or overblown. There are many ways to define the quality of an investment, but the companies in our portfolio have higher-than-average returns on invested capital and higher-than-average free cash flow margins while returning a greater-than-average amount of the free cash flow to shareholders, especially through dividends. This bottom-up investing approach leads us to a portfolio today that is overweighted in pharmaceutical and bank stocks, is underweighted in electric utilities, and has no REITs. We remain optimistic that a fundamental premium combined with a valuation advantage positions the portfolio well for the future.

Portfolio Managers:

Jeff Fahrenbruch, Managing Director

David Ganucheau, Managing Director

Barrow, Hanley, Mewhinney & Strauss, LLC

July 11, 2016

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Stocks	42	692	3,863
Median Market Cap	$85.8B	$57.8B	$53.0B
Price/Earnings Ratio	17.6x	19.2x	22.0x
Price/Book Ratio	2.0x	1.9x	2.7x
Yield[3]	2.3%	2.6%	2.1%
Return on Equity	14.7%	12.6%	16.5%
Earnings Growth Rate	4.6%	3.4%	7.3%
Foreign Holdings	9.8%	0.0%	0.0%
Turnover Rate[4]	28%	—	—
Expense Ratio[5]	0.28%	—	—
Short-Term Reserves	2.6%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.95	0.92
Beta	0.94	0.91

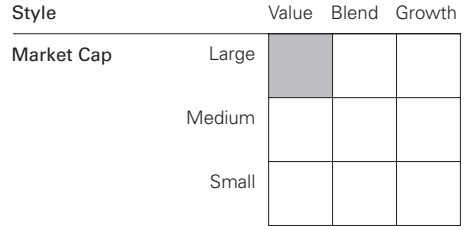
Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index[1]	Broad Index[2]
Consumer Discretionary	5.5%	4.8%	12.9%
Consumer Staples	9.3	9.1	9.3
Energy	13.3	13.6	6.7
Financials	21.6	27.6	17.5
Health Care	23.9	11.3	14.2
Industrials	8.4	9.8	10.6
Information Technology	9.0	9.5	19.2
Materials	3.2	2.8	3.3
Telecommunication Services	4.5	4.2	2.6
Utilities	1.3	7.3	3.7

Ten Largest Holdings[6] (% of total net assets)

Philip Morris International Inc.	Tobacco	3.8%
JPMorgan Chase & Co.	Diversified Banks	3.6
Johnson Controls Inc.	Auto Parts & Equipment	3.5
Wells Fargo & Co.	Diversified Banks	3.5
Medtronic plc	Health Care Equipment	3.3
United Technologies Corp.	Aerospace & Defense	3.2
Verizon Communications Inc.	Integrated Telecommunication Services	3.2
Air Products & Chemicals Inc.	Industrial Gases	3.1
PNC Financial Services Group Inc.	Regional Banks	3.1
Pfizer Inc.	Pharmaceuticals	3.1
Top Ten		33.4%

Investment Focus



30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 Russell 1000 Value Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

4 Annualized.

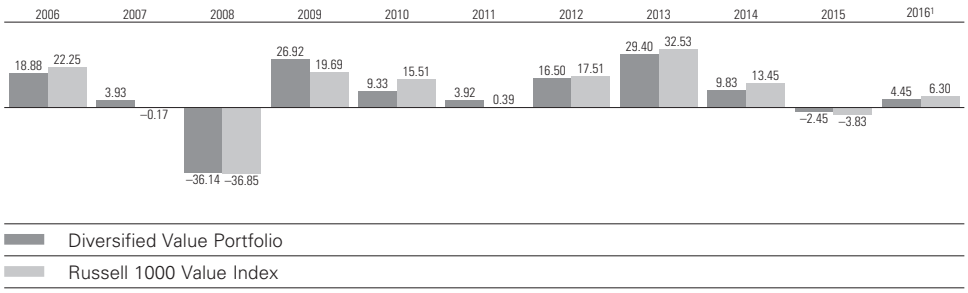
5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the Diversified Value Portfolio's annualized expense ratio was 0.27%.

6 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Diversified Value Portfolio	2/8/1999	1.09%	10.28%	6.27%

1 Six months ended June 30, 2016.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (97.2%)		
Consumer Discretionary (5.3%)		
Johnson Controls Inc.	843,500	37,333
Ford Motor Co.	1,580,300	19,865
		57,198
Consumer Staples (9.0%)		
Philip Morris International Inc.	403,900	41,085
Imperial Brands plc ADR	289,700	31,638
Altria Group Inc.	349,900	24,129
		96,852
Energy (13.0%)		
Occidental Petroleum Corp.	382,800	28,924
ConocoPhillips	616,044	26,860
Marathon Petroleum Corp.	646,100	24,526
Phillips 66	308,072	24,442
BP plc ADR	619,600	22,002
Chevron Corp.	114,900	12,045
		138,799
Financials (21.0%)		
JPMorgan Chase & Co.	619,550	38,499
Wells Fargo & Co.	787,000	37,249
PNC Financial Services Group Inc.	411,172	33,465
American Express Co.	409,500	24,881
Capital One Financial Corp.	362,400	23,016
Bank of America Corp.	1,631,446	21,649
Citigroup Inc.	458,030	19,416
State Street Corp.	303,900	16,386
Navient Corp.	589,100	7,040
* SLM Corp.	589,000	3,640
		225,241
Health Care (23.2%)		
Medtronic plc	407,700	35,376
Pfizer Inc.	948,114	33,383
Merck & Co. Inc.	532,500	30,677
Johnson & Johnson	238,000	28,870
* Express Scripts Holding Co.	366,500	27,781
Anthem Inc.	197,200	25,900
Sanofi ADR	618,700	25,893
Teva Pharmaceutical Industries Ltd. ADR	508,900	25,562
Cardinal Health Inc.	202,400	15,789
		249,231
Industrials (8.1%)		
United Technologies Corp.	335,600	34,416
Honeywell International Inc.	185,300	21,554
General Dynamics Corp.	149,200	20,775
Raytheon Co.	77,500	10,536
		87,281
Information Technology (8.8%)		
Microsoft Corp.	562,100	28,763
Oracle Corp.	665,800	27,251
QUALCOMM Inc.	466,100	24,969
Intel Corp.	391,000	12,825
		93,808
Materials (3.1%)		
Air Products & Chemicals Inc.	236,700	33,621
Telecommunication Services (4.4%)		
Verizon Communications Inc.	614,060	34,289
AT&T Inc.	296,927	12,830
		47,119
Utilities (1.3%)		
CenterPoint Energy Inc.	569,600	13,670
Total Common Stocks (Cost $932,859)		1,042,820
Temporary Cash Investment (2.6%)		
Money Market Fund (2.6%)		
1 Vanguard Market Liquidity Fund, 0.538%		
(Cost $28,131)	28,130,767	**28,131**
Total Investments (99.8%) (Cost $960,990)		1,070,951

	Amount ($000)
Other Assets and Liabilities (0.2%)	
Other Assets	
Investment in Vanguard	88
Receivables for Investment Securities Sold	1,632
Receivables for Accrued Income	2,226
Receivables for Capital Shares Issued	237
Other Assets	10
Total Other Assets	**4,193**
Liabilities	
Payables to Investment Advisor	(245)
Payables for Capital Shares Redeemed	(703)
Payables to Vanguard	(1,500)
Other Liabilities	(1)
Total Liabilities	**(2,449)**
Net Assets (100%)	
Applicable to 67,785,869 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,072,695**
Net Asset Value Per Share	**$15.82**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	912,458
Undistributed Net Investment Income	13,547
Accumulated Net Realized Gains	36,729
Unrealized Appreciation (Depreciation)	109,961
Net Assets	**1,072,695**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

1 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

ADR—American Depositary Receipt.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends[1]	16,754
Interest[2]	54
Securities Lending	20
Total Income	16,828
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	645
Performance Adjustment	(174)
The Vanguard Group—Note C	
Management and Administrative	811
Marketing and Distribution	93
Custodian Fees	8
Shareholders' Reports	10
Trustees' Fees and Expenses	1
Total Expenses	1,394
Expenses Paid Indirectly	(14)
Net Expenses	1,380
Net Investment Income	**15,448**
Realized Net Gain (Loss) on Investment Securities Sold	**36,754**
Change in Unrealized Appreciation (Depreciation) of Investment Securities	**(7,259)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**44,943**

1 Dividends are net of foreign withholding taxes of $180,000.

2 Interest income from an affiliated company of the portfolio was $54,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	15,448	28,931
Realized Net Gain (Loss)	36,754	59,117
Change in Unrealized Appreciation (Depreciation)	(7,259)	(115,268)
Net Increase (Decrease) in Net Assets Resulting from Operations	44,943	(27,220)
Distributions		
Net Investment Income	(28,893)	(29,016)
Realized Capital Gain[1]	(59,102)	(74,968)
Total Distributions	(87,995)	(103,984)
Capital Share Transactions		
Issued	45,280	82,020
Issued in Lieu of Cash Distributions	87,995	103,984
Redeemed	(77,489)	(207,797)
Net Increase (Decrease) from Capital Share Transactions	55,786	(21,793)
Total Increase (Decrease)	12,734	(152,997)
Net Assets		
Beginning of Period	**1,059,961**	**1,212,958**
End of Period[2]	**1,072,695**	**1,059,961**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $0 and $3,051,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $13,547,000 and $26,992,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$16.55**	**$18.65**	**$18.10**	**$14.31**	**$12.57**	**$12.33**
Investment Operations						
Net Investment Income	.240	.471	.447	.412	.358	.315
Net Realized and Unrealized Gain (Loss) on Investments	.434	(.901)	1.248	3.731	1.702	.175
Total from Investment Operations	.674	(.430)	1.695	4.143	2.060	.490
Distributions						
Dividends from Net Investment Income	(.461)	(.466)	(.415)	(.353)	(.320)	(.250)
Distributions from Realized Capital Gains	(.943)	(1.204)	(.730)	—	—	—
Total Distributions	(1.404)	(1.670)	(1.145)	(.353)	(.320)	(.250)
Net Asset Value, End of Period	**$15.82**	**$16.55**	**$18.65**	**$18.10**	**$14.31**	**$12.57**
Total Return	**4.45%**	**-2.45%**	**9.83%**	**29.40%**	**16.50%**	**3.92%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,073	$1,060	$1,213	$1,116	$868	$732
Ratio of Total Expenses to Average Net Assets[1]	0.27%	0.28%	0.34%	0.35%	0.35%	0.39%
Ratio of Net Investment Income to Average Net Assets	2.96%	2.55%	2.50%	2.50%	2.65%	2.41%
Portfolio Turnover Rate	28%	13%	16%	20%	14%	14%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Includes performance-based investment advisory fee increases (decreases) of (0.03%), (0.03%), (0.01%), (0.01%), (0.01%), and (0.01%).

Notes to Financial Statements

Vanguard Diversified Value Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value.

2. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

3. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

4. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

5. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

6. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Barrow, Hanley, Mewhinney & Strauss, LLC, provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. The basic fee is subject to quarterly adjustments based on the portfolio's performance relative to the MSCI Prime Market 750 Index for the preceding three years. For the six months ended June 30, 2016, the investment advisory fee represented an effective annual basic rate of 0.13% of the portfolio's average net assets before a decrease of $174,000 (0.03%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $88,000, representing 0.01% of the portfolio's net assets and 0.04% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. The portfolio has asked its investment advisor to direct certain security trades, subject to obtaining the best price and execution, to brokers who have agreed to rebate to the portfolio part of the commissions generated. Such rebates are used solely to reduce the portfolio's management and administrative expenses. For the six months ended June 30, 2016, these arrangements reduced the portfolio's expenses by $14,000 (an annual rate of 0.00% of average net assets).

E. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

At June 30, 2016, 100% of the market value of the portfolio's investments was determined based on Level 1 inputs.

F. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $960,990,000. Net unrealized appreciation of investment securities for tax purposes was $109,961,000, consisting of unrealized gains of $205,953,000 on securities that had risen in value since their purchase and $95,992,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2016, the portfolio purchased $144,461,000 of investment securities and sold $168,892,000 of investment securities, other than temporary cash investments.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	2,892	4,798
Issued in Lieu of Cash Distributions	5,808	6,178
Redeemed	(4,958)	(11,971)
Net Increase (Decrease) in Shares Outstanding	3,742	(995)

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 38% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Diversified Value Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Fund Return	$1,000.00	$1,044.48	$1.37
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.52	1.36

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratios for that period is 0.27%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Diversified Value Portfolio has renewed the portfolio's investment advisory arrangement with Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley). The board determined that renewing the portfolio's advisory arrangement was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Barrow Hanley, founded in 1979, is known for its commitment to value investing. A subsidiary of Old Mutual Asset Management, Barrow Hanley remains independently managed. Using fundamental research, the firm seeks to make long-term investments in quality or improving businesses that are undervalued because of short-term disappointments. Barrow Hanley seeks to construct a portfolio with strict adherence to valuation factors, with below-average price/earnings and price/book value ratios and above-average current yields. The firm has managed the portfolio since its inception in 1999.

The board concluded that the advisor's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a benchmark index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below the peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board did not consider profitability of Barrow Hanley in determining whether to approve the advisory fee because Barrow Hanley is independent of Vanguard and the advisory fee is the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the portfolio realizes economies of scale that are built into the advisory fee rate negotiated with Barrow Hanley without any need for asset-level breakpoints. The advisory fee rate is very low relative to the average rate paid by funds in the portfolio's peer group.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

Mortimer J. Buckley
Kathleen C. Gubanich
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Glenn W. Reed
Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Equity Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

A Message from Vanguard's Chairman	1
Market Perspective	2
Equity Index Portfolio	3

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Equity Index Portfolio

Despite significant volatility, the broad U.S. stock market finished the first half of 2016 with solid gains. For the six months ended June 30, 2016 Vanguard Equity Index Portfolio returned 3.78%, in line with its benchmark index (+3.84%) and better than the average return of peer funds (+2.54%).

The table below shows the returns of your portfolio and its comparative standards for the period.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Consumer staples and energy drove portfolio performance

The Equity Index Portfolio invests in 500 of the largest U.S. companies, which span many different industries and account for about three-fourths of the U.S. stock market's value. Stocks of large-capitalization companies returned more than those of smaller companies, helping the portfolio to slightly outpace the broad market.

Eight of the ten industry sectors represented in the portfolio advanced, with four of them—consumer staples, energy, telecommunication services, and utilities—posting double-digit returns. Aside from energy, these sectors are often viewed as safer and more defensive; their outperformance reflected the caution many investors felt during the period.

Consumer staples and energy lifted performance most, each adding more than 1 percentage point to the portfolio's overall result. Within consumer staples (+10%), tobacco, food, and household product companies were among the leaders.

As oil and commodity prices have bounced back a bit over the past few months, so has the energy sector (+16%). Integrated oil and gas companies and exploration and production firms have done particularly well.

Telecommunication services (+25%) and utilities (+23%), two of the fund's smaller-weighted sectors, also provided a significant boost to returns. Both industries deliver stable, steady dividend yields, which tend to be attractive to investors seeking income at a time when bond yields are historically low and stock volatility is high.

Industrials, which returned about 6%, was another notable performer. Gains were evident across most of the sector, with conglomerates, machinery, and aerospace and defense firms making solid contributions.

Financials (–3%) detracted the most from the index's return. Lower long-term interest rates have hurt banks, asset managers, consumer finance companies, and investment firms. Information technology was down slightly for the period; stocks of some internet and technology hardware firms experienced declines.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Equity Index Portfolio	3.78%
S&P 500 Index	3.84
Variable Insurance Large-Cap Core Funds Average[1]	2.54

Expense Ratios[2]

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Large-Cap Core Funds Average
Equity Index Portfolio	0.15%	0.40%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.15%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Target Index[1]	Broad Index[2]
Number of Stocks	507	505	3,863
Median Market Cap	$77.0B	$78.7B	$53.0B
Price/Earnings Ratio	20.7x	20.7x	22.0x
Price/Book Ratio	2.8x	2.8x	2.7x
Yield[3]	2.0%	2.2%	2.1%
Return on Equity	17.6%	17.3%	16.5%
Earnings Growth Rate	6.9%	7.0%	7.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate[4]	5%	—	—
Expense Ratio[5]	0.15%	—	—
Short-Term Reserves	0.5%	—	—

Volatility Measures

	Portfolio Versus Target Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.99
Beta	1.00	0.98

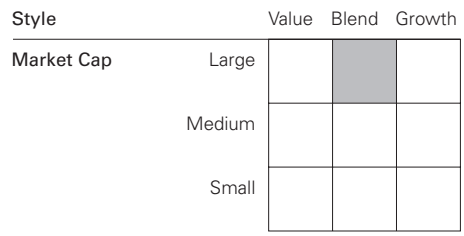
Sector Diversification (% of equity exposure)

	Portfolio	Target Index[1]	Broad Index[2]
Consumer Discretionary	12.3%	12.3%	12.9%
Consumer Staples	10.6	10.6	9.3
Energy	7.4	7.4	6.7
Financials	15.7	15.7	17.5
Health Care	14.7	14.7	14.2
Industrials	10.2	10.2	10.6
Information Technology	19.6	19.8	19.2
Materials	2.9	2.8	3.3
Telecommunication Services	2.9	2.9	2.6
Utilities	3.7	3.6	3.7

Ten Largest Holdings[6] (% of total net assets)

Apple Inc.	Technology Hardware, Storage & Peripherals	2.9%
Alphabet Inc.	Internet Software & Services	2.2
Microsoft Corp.	Systems Software	2.2
Exxon Mobil Corp.	Integrated Oil & Gas	2.1
Johnson & Johnson	Pharmaceuticals	1.8
General Electric Co.	Industrial Conglomerates	1.6
Amazon.com Inc.	Internet Retail	1.5
Berkshire Hathaway Inc.	Multi-Sector Holdings	1.5
AT&T Inc.	Integrated Telecommunication Services	1.5
Facebook Inc.	Internet Software & Services	1.4
Top Ten		18.7%

Investment Focus



30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds) its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 S&P 500 Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

4 Annualized.

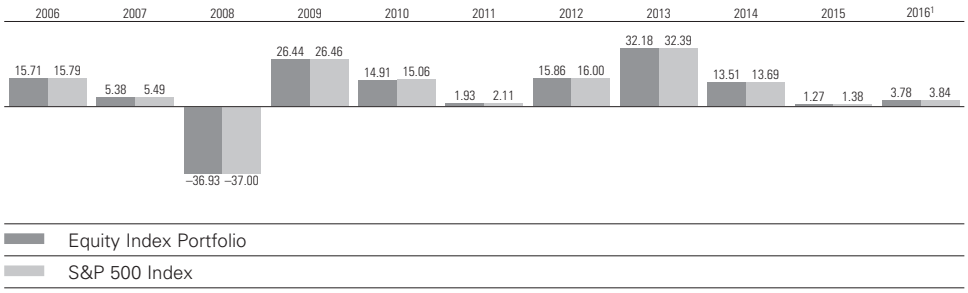
5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.15%.

6 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Equity Index Portfolio	4/29/1991	3.87%	11.94%	7.32%

1 Six months ended June 30, 2016.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (99.7%)[1]		
Consumer Discretionary (12.2%)		
* Amazon.com Inc.	87,692	62,754
Home Depot Inc.	282,011	36,010
Comcast Corp. Class A	548,008	35,725
Walt Disney Co.	338,335	33,096
McDonald's Corp.	198,991	23,947
Starbucks Corp.	332,102	18,970
NIKE Inc. Class B	301,878	16,664
Lowe's Cos. Inc.	200,901	15,905
* Priceline Group Inc.	11,259	14,056
Time Warner Inc.	178,251	13,109
TJX Cos. Inc.	149,925	11,579
Ford Motor Co.	884,481	11,118
Target Corp.	133,604	9,328
General Motors Co.	317,627	8,989
* Netflix Inc.	97,141	8,886
Yum! Brands Inc.	92,445	7,666
Twenty-First Century Fox Inc. Class A	248,371	6,718
Johnson Controls Inc.	147,025	6,507
Dollar General Corp.	64,388	6,052
* O'Reilly Automotive Inc.	21,867	5,928
* AutoZone Inc.	6,773	5,377
Ross Stores Inc.	90,952	5,156
CBS Corp. Class B	94,181	5,127
* Dollar Tree Inc.	53,287	5,022
Newell Brands Inc.	103,135	5,009
VF Corp.	75,740	4,657
Omnicom Group Inc.	54,215	4,418
Carnival Corp.	99,525	4,399
Delphi Automotive plc	62,019	3,882
L Brands Inc.	57,089	3,832
* Ulta Salon Cosmetics & Fragrance Inc.	14,263	3,475
Genuine Parts Co.	34,018	3,444
Viacom Inc. Class B	78,326	3,248
Marriott International Inc. Class A	43,104	2,865
Whirlpool Corp.	17,115	2,852
Starwood Hotels & Resorts Worldwide Inc.	38,247	2,828
Expedia Inc.	26,417	2,808
Tractor Supply Co.	30,246	2,758
* Mohawk Industries Inc.	14,478	2,747
Advance Auto Parts Inc.	16,676	2,695
Twenty-First Century Fox Inc.	97,757	2,664
* Chipotle Mexican Grill Inc. Class A	6,586	2,653
Royal Caribbean Cruises Ltd.	38,292	2,571
Coach Inc.	62,861	2,561
Mattel Inc.	77,258	2,417
DR Horton Inc.	74,927	2,359
Macy's Inc.	70,023	2,353
* LKQ Corp.	69,518	2,204
* CarMax Inc.	43,787	2,147
Hanesbrands Inc.	85,135	2,139
Hasbro Inc.	25,390	2,133
Interpublic Group of Cos. Inc.	91,267	2,108
* Michael Kors Holdings Ltd.	40,159	1,987
Best Buy Co. Inc.	63,991	1,958
Lennar Corp. Class A	41,445	1,911
Harley-Davidson Inc.	41,136	1,863
Wyndham Worldwide Corp.	25,176	1,793
PVH Corp.	18,505	1,744
Foot Locker Inc.	30,778	1,689
Wynn Resorts Ltd.	18,555	1,682
*,^ Under Armour Inc. Class A	41,367	1,660
* TripAdvisor Inc.	25,617	1,647
Darden Restaurants Inc.	25,649	1,625
Kohl's Corp.	42,071	1,595
Leggett & Platt Inc.	30,344	1,551
Goodyear Tire & Rubber Co.	60,184	1,544
Tiffany & Co.	25,107	1,523
* Under Armour Inc.	41,652	1,516
Bed Bath & Beyond Inc.	34,808	1,504
BorgWarner Inc.	49,850	1,472
Signet Jewelers Ltd.	17,820	1,469
PulteGroup Inc.	71,425	1,392
Scripps Networks Interactive Inc. Class A	21,371	1,331
* Discovery Communications Inc.	53,418	1,274
Staples Inc.	147,351	1,270
News Corp. Class A	109,223	1,240
H&R Block Inc.	52,718	1,213
Ralph Lauren Corp. Class A	13,232	1,186
TEGNA Inc.	49,632	1,150
Harman International Industries Inc.	15,752	1,131
Garmin Ltd.	26,615	1,129
Nordstrom Inc.	28,646	1,090
Gap Inc.	50,809	1,078
* Discovery Communications Inc. Class A	33,718	851
* AutoNation Inc.	15,981	751
* Urban Outfitters Inc.	19,709	542
		506,276
Consumer Staples (10.5%)		
Procter & Gamble Co.	603,324	51,083
Coca-Cola Co.	882,587	40,008
Philip Morris International Inc.	351,600	35,765
PepsiCo Inc.	327,400	34,685
Altria Group Inc.	443,475	30,582
Wal-Mart Stores Inc.	346,229	25,282
CVS Health Corp.	243,461	23,309
Walgreens Boots Alliance Inc.	195,935	16,316
Mondelez International Inc. Class A	351,855	16,013
Costco Wholesale Corp.	99,372	15,605
Colgate-Palmolive Co.	202,472	14,821
Kraft Heinz Co.	135,120	11,955
Kimberly-Clark Corp.	81,712	11,234
Reynolds American Inc.	187,656	10,120
General Mills Inc.	134,814	9,615
Kroger Co.	216,238	7,955
Constellation Brands Inc. Class A	39,905	6,600
Sysco Corp.	118,808	6,028
Archer-Daniels-Midland Co.	133,212	5,714
* Monster Beverage Corp.	31,822	5,114
ConAgra Foods Inc.	98,571	4,713
Kellogg Co.	57,218	4,672
Estee Lauder Cos. Inc. Class A	50,268	4,575
Tyson Foods Inc. Class A	68,232	4,557
Molson Coors Brewing Co. Class B	41,660	4,213
JM Smucker Co.	27,195	4,145
Dr Pepper Snapple Group Inc.	42,242	4,082
Clorox Co.	29,387	4,067
Mead Johnson Nutrition Co.	42,181	3,828
Hershey Co.	32,090	3,642
Church & Dwight Co. Inc.	29,294	3,014
McCormick & Co. Inc.	25,965	2,770
Campbell Soup Co.	40,716	2,709
Whole Foods Market Inc.	72,840	2,332
Brown-Forman Corp. Class B	22,775	2,272
Hormel Foods Corp.	61,020	2,233
		435,628
Energy (7.4%)		
Exxon Mobil Corp.	939,927	88,109
Chevron Corp.	427,261	44,790
Schlumberger Ltd.	314,975	24,908
Occidental Petroleum Corp.	173,145	13,083
ConocoPhillips	280,687	12,238
EOG Resources Inc.	124,782	10,409
Halliburton Co.	194,770	8,821
Phillips 66	106,040	8,413
Kinder Morgan Inc.	414,784	7,765
Anadarko Petroleum Corp.	115,709	6,162
Spectra Energy Corp.	155,233	5,686
Pioneer Natural Resources Co.	37,147	5,617
Valero Energy Corp.	106,635	5,438
Apache Corp.	85,489	4,759
Marathon Petroleum Corp.	119,704	4,544
Baker Hughes Inc.	98,985	4,467
Devon Energy Corp.	118,323	4,289
Hess Corp.	59,443	3,573
* Concho Resources Inc.	29,418	3,509
Noble Energy Inc.	96,986	3,479
Williams Cos. Inc.	154,431	3,340
EQT Corp.	39,057	3,024
Marathon Oil Corp.	191,483	2,874
National Oilwell Varco Inc.	85,222	2,868
Cabot Oil & Gas Corp.	104,924	2,701
Cimarex Energy Co.	21,506	2,566
Columbia Pipeline Group Inc.	90,651	2,311
ONEOK Inc.	47,512	2,255
Tesoro Corp.	27,063	2,028
* Newfield Exploration Co.	44,438	1,963

	Shares	Market Value• ($000)
Range Resources Corp.	38,281	1,651
Helmerich & Payne Inc.	24,328	1,633
* FMC Technologies Inc.	50,610	1,350
* Southwestern Energy Co.	106,875	1,345
Murphy Oil Corp.	36,637	1,163
Transocean Ltd.	77,558	922
* Chesapeake Energy Corp.	132,043	565
Diamond Offshore Drilling Inc.	14,976	364
		304,982
Financials (15.7%)		
* Berkshire Hathaway Inc. Class B	393,263	56,940
JPMorgan Chase & Co.	828,832	51,504
Wells Fargo & Co.	1,047,260	49,567
Bank of America Corp.	2,328,246	30,896
Citigroup Inc.	665,227	28,199
Simon Property Group Inc.	70,138	15,213
US Bancorp	367,882	14,837
Chubb Ltd.	105,332	13,768
American International Group Inc.	253,660	13,416
Goldman Sachs Group Inc.	87,566	13,011
American Express Co.	183,290	11,137
American Tower Corporation	96,240	10,934
MetLife Inc.	249,068	9,920
BlackRock Inc.	28,518	9,768
Bank of New York Mellon Corp.	244,168	9,486
PNC Financial Services Group Inc.	113,196	9,213
Morgan Stanley	342,516	8,899
Public Storage	33,409	8,539
Marsh & McLennan Cos. Inc.	118,171	8,090
Travelers Cos. Inc.	66,151	7,875
Crown Castle International Corp.	76,429	7,752
CME Group Inc.	76,835	7,484
Capital One Financial Corp.	116,128	7,375
Prudential Financial Inc.	100,265	7,153
Intercontinental Exchange Inc.	26,995	6,910
Charles Schwab Corp.	272,661	6,901
Aflac Inc.	93,964	6,780
BB&T Corp.	186,090	6,627
Aon plc	60,086	6,563
S&P Global Inc.	60,045	6,440
Welltower Inc.	81,031	6,172
Equinix Inc.	15,744	6,104
Allstate Corp.	84,684	5,924
Prologis Inc.	118,721	5,822
Equity Residential	82,604	5,690
AvalonBay Communities Inc.	31,020	5,596
Ventas Inc.	76,697	5,585
Weyerhaeuser Co.	168,725	5,023
Discover Financial Services	93,443	5,008
State Street Corp.	89,800	4,842
* Synchrony Financial	188,439	4,764
SunTrust Banks Inc.	113,831	4,676
Boston Properties Inc.	34,687	4,575
* Berkshire Hathaway Inc. Class A	21	4,556
Progressive Corp.	132,179	4,428
M&T Bank Corp.	35,959	4,251
T. Rowe Price Group Inc.	56,039	4,089
Realty Income Corp.	58,209	4,037
Vornado Realty Trust	40,094	4,014
Hartford Financial Services Group Inc.	88,964	3,948
General Growth Properties Inc.	131,682	3,927
Willis Towers Watson plc	31,331	3,895
HCP Inc.	105,531	3,734
Digital Realty Trust Inc.	33,241	3,623
Moody's Corp.	38,340	3,593
Essex Property Trust Inc.	14,837	3,384
Ameriprise Financial Inc.	37,627	3,381
Northern Trust Corp.	48,547	3,217
Fifth Third Bancorp	173,214	3,047
Kimco Realty Corp.	94,722	2,972
Franklin Resources Inc.	83,124	2,774
Host Hotels & Resorts Inc.	169,418	2,746
Federal Realty Investment Trust	16,098	2,665
Extra Space Storage Inc.	28,382	2,626
Cincinnati Financial Corp.	33,415	2,502
Principal Financial Group Inc.	60,864	2,502
Loews Corp.	60,727	2,495
Macerich Co.	28,677	2,449
Regions Financial Corp.	285,753	2,432
SL Green Realty Corp.	22,654	2,412
Invesco Ltd.	94,254	2,407
Citizens Financial Group Inc.	118,415	2,366
UDR Inc.	60,678	2,240
Iron Mountain Inc.	54,069	2,154
XL Group plc Class A	64,143	2,137
KeyCorp	190,082	2,100
Lincoln National Corp.	53,950	2,092
Arthur J Gallagher & Co.	40,274	1,917
* CBRE Group Inc. Class A	65,916	1,745
Unum Group	54,823	1,743
* Affiliated Managers Group Inc.	12,208	1,718
Nasdaq Inc.	25,917	1,676
Comerica Inc.	39,728	1,634
Huntington Bancshares Inc.	180,445	1,613
Torchmark Corp.	25,634	1,585
Apartment Investment & Management Co.	35,233	1,556
* E*TRADE Financial Corp.	62,851	1,476
Leucadia National Corp.	76,014	1,317
Assurant Inc.	13,887	1,199
Zions Bancorporation	45,795	1,151
People's United Financial Inc.	69,826	1,024
Navient Corp.	76,735	917
Legg Mason Inc.	24,224	714
		649,158
Health Care (14.6%)		
Johnson & Johnson	623,450	75,625
Pfizer Inc.	1,374,670	48,402
Merck & Co. Inc.	627,461	36,148
UnitedHealth Group Inc.	215,600	30,443
Bristol-Myers Squibb Co.	378,396	27,831
Medtronic plc	318,747	27,658
Amgen Inc.	170,346	25,918
Gilead Sciences Inc.	301,938	25,188
AbbVie Inc.	366,674	22,701
* Allergan plc	89,659	20,719
Eli Lilly & Co.	220,209	17,341
* Celgene Corp.	175,580	17,317
Thermo Fisher Scientific Inc.	89,239	13,186
Abbott Laboratories	333,030	13,091
* Biogen Inc.	49,658	12,008
* Express Scripts Holding Co.	143,510	10,878
Aetna Inc.	79,486	9,708
McKesson Corp.	51,074	9,533
Stryker Corp.	71,288	8,542
Becton Dickinson and Co.	48,147	8,165
Anthem Inc.	59,658	7,835
Cigna Corp.	58,209	7,450
* Boston Scientific Corp.	307,562	7,188
* Regeneron Pharmaceuticals Inc.	17,693	6,179
Humana Inc.	33,844	6,088
* Alexion Pharmaceuticals Inc.	50,903	5,943
Cardinal Health Inc.	73,969	5,770
* Intuitive Surgical Inc.	8,632	5,709
Baxter International Inc.	125,293	5,666
Zimmer Biomet Holdings Inc.	45,015	5,419
* HCA Holdings Inc.	68,280	5,258
St. Jude Medical Inc.	64,279	5,014
Zoetis Inc.	103,471	4,911
* Vertex Pharmaceuticals Inc.	55,885	4,807
* Edwards Lifesciences Corp.	48,022	4,789
* Illumina Inc.	33,262	4,669
* Mylan NV	96,432	4,170
* Cerner Corp.	67,876	3,978
CR Bard Inc.	16,584	3,900
AmerisourceBergen Corp. Class A	41,706	3,308
Agilent Technologies Inc.	74,431	3,302
* Henry Schein Inc.	18,550	3,280
Dentsply Sirona Inc.	52,804	3,276
* Laboratory Corp. of America Holdings	23,178	3,019
Perrigo Co. plc	32,754	2,970
* DaVita HealthCare Partners Inc.	37,404	2,892
* Centene Corp.	38,503	2,748
Universal Health Services Inc. Class B	20,352	2,729
Quest Diagnostics Inc.	31,980	2,604
* Waters Corp.	18,407	2,589
* Hologic Inc.	55,369	1,916
* Varian Medical Systems Inc.	21,472	1,766
* Mallinckrodt plc	24,661	1,499
PerkinElmer Inc.	24,856	1,303
Patterson Cos. Inc.	19,000	910
* Endo International plc	46,512	725
		605,981
Industrials (10.1%)		
General Electric Co.	2,084,242	65,612
3M Co.	137,537	24,085
Honeywell International Inc.	172,823	20,103
United Technologies Corp.	176,438	18,094
Boeing Co.	135,756	17,631
United Parcel Service Inc. Class B	156,495	16,858
Union Pacific Corp.	190,666	16,636
Lockheed Martin Corp.	59,346	14,728
Danaher Corp.	135,892	13,725
Caterpillar Inc.	132,433	10,040
Raytheon Co.	67,210	9,137
Northrop Grumman Corp.	40,907	9,093
General Dynamics Corp.	65,132	9,069
FedEx Corp.	56,655	8,599
Illinois Tool Works Inc.	73,310	7,636
Emerson Electric Co.	145,910	7,611
Delta Air Lines Inc.	175,032	6,376
Waste Management Inc.	93,735	6,212
Eaton Corp. plc	103,877	6,205
Norfolk Southern Corp.	67,061	5,709
Southwest Airlines Co.	144,889	5,681
CSX Corp.	216,749	5,653
Deere & Co.	67,691	5,486
Nielsen Holdings plc	81,845	4,253

	Shares	Market Value• ($000)
PACCAR Inc.	79,330	4,115
Tyco International plc	96,135	4,095
Cummins Inc.	35,984	4,046
Roper Technologies Inc.	22,957	3,915
Stanley Black & Decker Inc.	34,227	3,807
Ingersoll-Rand plc	58,379	3,718
American Airlines Group Inc.	130,408	3,692
Equifax Inc.	27,020	3,469
Rockwell Automation Inc.	29,556	3,394
Parker-Hannifin Corp.	30,412	3,286
* TransDigm Group Inc.	12,028	3,172
* United Continental Holdings Inc.	76,105	3,123
WW Grainger Inc.	12,930	2,938
Fastenal Co.	65,368	2,902
* Verisk Analytics Inc. Class A	35,072	2,844
Republic Services Inc. Class A	53,802	2,761
L-3 Communications Holdings Inc.	17,581	2,579
Rockwell Collins Inc.	29,361	2,500
Acuity Brands Inc.	9,908	2,457
AMETEK Inc.	53,004	2,450
Dover Corp.	35,254	2,444
CH Robinson Worldwide Inc.	32,382	2,404
Pentair plc	40,974	2,388
Masco Corp.	75,555	2,338
Textron Inc.	60,890	2,226
Kansas City Southern	24,557	2,212
Snap-on Inc.	13,136	2,073
Expeditors International of Washington Inc.	41,858	2,053
* Stericycle Inc.	19,312	2,011
Fortune Brands Home & Security Inc.	34,633	2,008
Cintas Corp.	19,650	1,928
Xylem Inc.	40,648	1,815
JB Hunt Transport Services Inc.	20,280	1,641
Alaska Air Group Inc.	27,914	1,627
Fluor Corp.	31,376	1,546
Allegion plc	21,593	1,499
* Jacobs Engineering Group Inc.	27,772	1,383
* United Rentals Inc.	20,558	1,379
Flowserve Corp.	29,644	1,339
Robert Half International Inc.	29,639	1,131
Dun & Bradstreet Corp.	8,367	1,019
Pitney Bowes Inc.	44,658	795
* Quanta Services Inc.	33,794	781
Ryder System Inc.	12,283	751
		420,286
Information Technology (19.7%)		
Apple Inc.	1,241,559	118,693
Microsoft Corp.	1,781,644	91,167
* Facebook Inc. Class A	524,088	59,893
* Alphabet Inc. Class A	66,572	46,835
* Alphabet Inc. Class C	66,951	46,337
Intel Corp.	1,070,289	35,105
Cisco Systems Inc.	1,140,043	32,708
Visa Inc. Class A	431,758	32,023
International Business Machines Corp.	200,252	30,394
Oracle Corp.	705,477	28,875
MasterCard Inc. Class A	220,050	19,378
QUALCOMM Inc.	332,963	17,837
Accenture plc Class A	141,465	16,027
Texas Instruments Inc.	227,669	14,263
Broadcom Ltd.	84,124	13,073
EMC Corp.	442,754	12,030
* salesforce.com Inc.	144,420	11,468
* Adobe Systems Inc.	113,379	10,861
Automatic Data Processing Inc.	103,333	9,493
* PayPal Holdings Inc.	250,274	9,137
* Cognizant Technology Solutions Corp. Class A	137,344	7,862
* Yahoo! Inc.	198,079	7,440
Hewlett Packard Enterprise Co.	376,640	6,881
Intuit Inc.	57,859	6,458
Applied Materials Inc.	246,904	5,918
* eBay Inc.	239,574	5,608
* Fiserv Inc.	50,230	5,461
NVIDIA Corp.	114,606	5,388
* Electronic Arts Inc.	68,460	5,186
Corning Inc.	243,888	4,995
HP Inc.	387,540	4,864
TE Connectivity Ltd.	81,179	4,636
Fidelity National Information Services Inc.	62,674	4,618
Activision Blizzard Inc.	115,081	4,561
Paychex Inc.	72,699	4,326
Amphenol Corp. Class A	69,800	4,002
Analog Devices Inc.	69,603	3,942
* Micron Technology Inc.	234,499	3,227
Lam Research Corp.	36,125	3,037
Western Digital Corp.	63,798	3,015
* Red Hat Inc.	41,168	2,989
Symantec Corp.	138,352	2,842
* Citrix Systems Inc.	35,096	2,811
* Autodesk Inc.	50,571	2,738
Skyworks Solutions Inc.	43,087	2,727
Xilinx Inc.	57,476	2,651
* Alliance Data Systems Corp.	13,269	2,600
KLA-Tencor Corp.	35,393	2,592
Linear Technology Corp.	53,997	2,512
Global Payments Inc.	34,905	2,491
Microchip Technology Inc.	48,607	2,467
Motorola Solutions Inc.	35,863	2,366
Harris Corp.	28,059	2,341
* Akamai Technologies Inc.	39,652	2,218
CA Inc.	67,247	2,208
Western Union Co.	112,099	2,150
Xerox Corp.	215,017	2,040
Total System Services Inc.	37,948	2,015
* VeriSign Inc.	21,950	1,898
Juniper Networks Inc.	80,271	1,805
* F5 Networks Inc.	15,106	1,720
Seagate Technology plc	67,750	1,650
NetApp Inc.	64,773	1,593
* Qorvo Inc.	28,749	1,589
FLIR Systems Inc.	30,963	958
* First Solar Inc.	17,525	850
* Teradata Corp.	29,208	732
CSRA Inc.	31,114	729
		815,304
Materials (2.9%)		
El du Pont de Nemours & Co.	198,012	12,831
Dow Chemical Co.	254,548	12,654
Monsanto Co.	99,080	10,246
Praxair Inc.	64,734	7,275
Ecolab Inc.	59,875	7,101
PPG Industries Inc.	60,346	6,285
Air Products & Chemicals Inc.	44,135	6,269
LyondellBasell Industries NV Class A	77,596	5,775
Sherwin-Williams Co.	17,823	5,234
Newmont Mining Corp.	119,881	4,690
International Paper Co.	93,306	3,954
Vulcan Materials Co.	30,277	3,644
Nucor Corp.	71,860	3,551
Freeport-McMoRan Inc.	283,190	3,155
Ball Corp.	39,372	2,846
Alcoa Inc.	298,079	2,763
Martin Marietta Materials Inc.	14,324	2,750
Eastman Chemical Co.	33,706	2,289
International Flavors & Fragrances Inc.	18,042	2,275
WestRock Co.	57,640	2,240
Mosaic Co.	79,143	2,072
Sealed Air Corp.	44,596	2,050
Albemarle Corp.	25,440	2,018
Avery Dennison Corp.	20,128	1,505
FMC Corp.	30,194	1,398
CF Industries Holdings Inc.	52,365	1,262
* Owens-Illinois Inc.	35,769	644
		118,776
Telecommunication Services (2.9%)		
AT&T Inc.	1,395,326	60,292
Verizon Communications Inc.	923,908	51,591
CenturyLink Inc.	123,774	3,591
* Level 3 Communications Inc.	65,565	3,376
Frontier Communications Corp.	265,702	1,312
		120,162
Utilities (3.7%)		
NextEra Energy Inc.	104,589	13,638
Duke Energy Corp.	156,212	13,401
Southern Co.	212,792	11,412
Dominion Resources Inc.	139,668	10,884
American Electric Power Co. Inc.	111,363	7,805
Exelon Corp.	209,023	7,600
PG&E Corp.	112,525	7,193
Sempra Energy	53,811	6,136
PPL Corp.	153,469	5,793
Edison International	73,613	5,718
Consolidated Edison Inc.	69,067	5,556
Public Service Enterprise Group Inc.	114,287	5,327
Xcel Energy Inc.	114,740	5,138
WEC Energy Group Inc.	71,302	4,656
Eversource Energy	71,634	4,291
DTE Energy Co.	40,748	4,039
American Water Works Co. Inc.	40,185	3,396
FirstEnergy Corp.	96,002	3,351
Entergy Corp.	40,393	3,286
Ameren Corp.	55,011	2,948
CMS Energy Corp.	63,060	2,892
SCANA Corp.	32,351	2,448
CenterPoint Energy Inc.	97,289	2,335
Pinnacle West Capital Corp.	25,157	2,039
NiSource Inc.	72,651	1,927
AES Corp.	149,070	1,860
AGL Resources Inc.	27,304	1,801
Alliant Energy Corp.	43,221	1,716
TECO Energy Inc.	52,849	1,461
NRG Energy Inc.	71,474	1,071
		151,118
Total Common Stocks (Cost $3,153,740)		**4,127,671**

	Shares	Market Value• ($000)
Temporary Cash Investments (0.9%)[1]		
Money Market Fund (0.9%)		
[2,3] Vanguard Market Liquidity Fund, 0.538%	36,780,094	36,780
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.0%)		
[4] Federal Home Loan Bank Discount Notes, 0.486%–0.496%, 8/24/16	300	300
[4,5] Federal Home Loan Bank Discount Notes, 0.511%, 9/2/16	1,000	999
		1,299
Total Temporary Cash Investments (Cost $38,079)		**38,079**
Total Investments (100.6%) (Cost $3,191,819)		**4,165,750**

	Amount ($000)
Other Assets and Liabilities (-0.6%)	
Other Assets	
Investment in Vanguard	337
Receivables for Accrued Income	4,653
Receivables for Capital Shares Issued	3,405
Other Assets	179
Total Other Assets	**8,574**
Liabilities	
Payables for Investment Securities Purchased	(26,885)
Collateral for Securities on Loan	(336)
Payables for Capital Shares Redeemed	(1,979)
Payables to Vanguard	(3,150)
Other Liabilities	(472)
Total Liabilities	**(32,822)**
Net Assets (100%)	
Applicable to 125,248,609 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**4,141,502**
Net Asset Value Per Share	**$33.07**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	3,093,535
Undistributed Net Investment Income	37,433
Accumulated Net Realized Gains	36,377
Unrealized Appreciation (Depreciation)	
Investment Securities	973,931
Futures Contracts	226
Net Assets	**4,141,502**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $329,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.1% and 0.5%, respectively, of net assets.

2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

3 Includes $336,000 of collateral received for securities on loan.

4 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

5 Securities with a value of $700,000 have been segregated as initial margin for open futures contracts.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends	44,004
Interest[1]	36
Securities Lending	52
Total Income	44,092
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	381
Management and Administrative	2,108
Marketing and Distribution	392
Custodian Fees	34
Shareholders' Reports	28
Trustees' Fees and Expenses	1
Total Expenses	2,944
Net Investment Income	**41,148**
Realized Net Gain (Loss)	
Investment Securities Sold	34,605
Futures Contracts	1,922
Realized Net Gain (Loss)	**36,527**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	74,011
Futures Contracts	214
Change in Unrealized Appreciation (Depreciation)	**74,225**
Net Increase (Decrease) in Net Assets Resulting from Operations	**151,900**

1 Interest income from an affiliated company of the portfolio was $33,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	41,148	91,367
Realized Net Gain (Loss)	36,527	74,917
Change in Unrealized Appreciation (Depreciation)	74,225	(119,916)
Net Increase (Decrease) in Net Assets Resulting from Operations	151,900	46,368
Distributions		
Net Investment Income	(91,047)	(63,303)
Realized Capital Gain[1]	(74,373)	(115,925)
Total Distributions	(165,420)	(179,228)
Capital Share Transactions		
Issued	238,397	608,805
Issued in Lieu of Cash Distributions	165,420	179,228
Redeemed	(233,612)	(454,226)
Net Increase (Decrease) from Capital Share Transactions	170,205	333,807
Total Increase (Decrease)	156,685	200,947
Net Assets		
Beginning of Period	**3,984,817**	**3,783,870**
End of Period[2]	**4,141,502**	**3,984,817**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $600,000 and $2,114,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $37,433,000 and $87,332,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$33.25**	**$34.44**	**$31.50**	**$24.93**	**$22.85**	**$23.51**
Investment Operations						
Net Investment Income	.329	.759[1]	.587	.545	.512	.466
Net Realized and Unrealized Gain (Loss) on Investments	.870	(.338)	3.522	7.235	3.062	.034
Total from Investment Operations	1.199	.421	4.109	7.780	3.574	.500
Distributions						
Dividends from Net Investment Income	(.759)	(.569)	(.555)	(.505)	(.474)	(.390)
Distributions from Realized Capital Gains	(.620)	(1.042)	(.614)	(.705)	(1.020)	(.770)
Total Distributions	(1.379)	(1.611)	(1.169)	(1.210)	(1.494)	(1.160)
Net Asset Value, End of Period	**$33.07**	**$33.25**	**$34.44**	**$31.50**	**$24.93**	**$22.85**
Total Return	**3.78%**	**1.27%**	**13.51%**	**32.18%**	**15.86%**	**1.93%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$4,142	$3,985	$3,784	$3,199	$2,418	$2,132
Ratio of Total Expenses to Average Net Assets	0.15%	0.15%	0.16%	0.16%	0.17%	0.17%
Ratio of Net Investment Income to Average Net Assets	2.10%	2.31%[1]	1.88%	1.96%	2.13%	1.92%
Portfolio Turnover Rate	5%	4%	7%	8%	9%	8%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Net investment income per share and the ratio of net investment income to average net assets include $.13 and 0.35%, respectively, resulting from a special dividend from Medtronic plc in January 2015.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Equity Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Other temporary cash investments are valued at amortized cost, which approximates market value.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, enhancing returns, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The portfolio may seek to enhance returns by using futures contracts instead of the underlying securities when futures are believed to be priced more attractively than the underlying securities. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the six months ended June 30, 2016, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a

counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $337,000, representing 0.01% of the portfolio's net assets and 0.13% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	4,127,671	—	—
Temporary Cash Investments	36,780	1,299	—
Futures Contracts—Assets[1]	179	—	—
Total	4,164,630	1,299	—

1 Represents variation margin on the last day of the reporting period.

D. At June 30, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

				($000)
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value Long (Short)	Unrealized Appreciation (Depreciation)
E-mini S&P 500 Index	September 2016	178	18,603	226

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

E. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $3,191,819,000. Net unrealized appreciation of investment securities for tax purposes was $973,931,000 consisting of unrealized gains of $1,234,677,000 on securities that had risen in value since their purchase and $260,746,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended June 30, 2016, the portfolio purchased $138,501,000 of investment securities and sold $97,867,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	7,470	18,193
Issued in Lieu of Cash Distributions	5,208	5,441
Redeemed	(7,268)	(13,658)
Net Increase (Decrease) in Shares Outstanding	5,410	9,976

At June 30, 2016, two shareholders (an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders and Vanguard Total Stock Market Index Portfolio), were each the record or beneficial owner of 35% or more of the portfolio's net assets, with a combined ownership of 70%. If one of these shareholders were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

H. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Equity Index Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,037.77	$0.76
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.12	0.75

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.15%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Equity Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Equity Index Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below its peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

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Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

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All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

High Yield Bond Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

A Message from Vanguard's Chairman	1
Market Perspective	2
High Yield Bond Portfolio	3

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® High Yield Bond Portfolio

Advisor's Report

The investment environment

For the first six months of 2016, Vanguard High Yield Bond Portfolio returned 5.78%, compared with the benchmark return of 7.24%. Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

High-yield markets benefited from declining U.S. Treasury yields, more accommodative global monetary policies, tightening credit spreads, and coupon income. The 10-year U.S. Treasury yield declined sharply to 1.47% on June 30, 2016, from 2.30% on December 31. Because bond yields and prices move in opposite directions, bond prices increased. Longer-duration and interest rate-sensitive fixed income assets generated strong returns in this environment. Credit-sensitive sectors, including the high-yield market, also performed well, supported by continued demand for yield given low absolute interest rates around much of the globe.

Oil and other commodity prices declined at the start of the period, but have rallied sharply since mid-February, and commodity-sensitive credits performed well. Investors turned more cautious in late June as the U.K. referendum on whether to remain in the European Union moved into sharper focus and the vote to leave the EU led to a flight to safety. However, this spike in global market volatility was not enough to reverse the favorable trends, resulting in a positive return overall for the high-yield market.

For the six months ended June 30, there was notable dispersion in performance by credit quality. The high-yield market favored relatively lower-credit-quality bonds amid the insatiable search for yield. Lower-rated CCC bonds performed best, returning 16.03%, according to Barclays High Yield Index data. Higher-rated BB bonds gained 7.60%, and B-rated bonds returned 7.41%. The spread of the high-yield market tightened to 594 basis points over Treasuries as of June 30, from 660 basis points at the end of 2015. The average dollar price of the high-yield market increased six points, to $95 from $89, during the period.

Overall corporate fundamentals and debt levels at most companies remain stable. We expect U.S. GDP growth to remain stable in 2016, and believe most high-yield issuers will be able to sustain solid credit profiles in that environment. Therefore, we believe the economic backdrop for the high-yield market is generally supportive. But we continue to closely monitor factors that could influence U.S. and global growth, including the United Kingdom's expected exit from the EU and broader global trends toward more protectionist policies.

We expect that default rates will peak in 2016 in the 5%–6% range, with the defaults mainly concentrated in the commodity-sensitive sectors (in energy and in metals and mining). Yields in these sectors are higher on average than in the broad market. We have been finding opportunities—for example, in oil-related exploration and production companies—but are selective in our approach. Moody's trailing 12-month global speculative-grade default rate was 4.5% at the end of May, crossing above the long-term average of 4.2%. As we look around the world, we are most positive about the U.S. economy. As a result, we are emphasizing issuers that we believe will benefit from a strong U.S. consumer and sectors that are less cyclical (for example, media cable and health care) as we believe they offer an attractive risk/reward profile.

Total Returns

	Six Months Ended June 30, 2016
Vanguard High Yield Bond Portfolio	5.78%
High-Yield Corporate Composite Index[1]	7.24
Variable Insurance High Yield Funds Average[2]	6.46

Expense Ratios[3]

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance High Yield Funds Average
High Yield Bond Portfolio	0.28%	0.84%

The portfolio's shortfalls

An underweight allocation to the metals and mining sector and to the energy sector detracted from relative returns. Security selection within wireless also hurt relative results.

The portfolio's successes

The fund benefited from positive credit selection in building materials as well as its underweight exposure to pharmaceuticals.

1 Consists of 95% Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Barclays U.S. 1–5 Year Treasury Bond Index.

2 Derived from data provided by Lipper, a Thomson Reuters Company.

3 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.28%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

An underweight allocation to Treasury securities also helped benchmark-relative performance.

The portfolio's positioning

The fund remains consistent in its investment objective and strategy and maintains a meaningful exposure to relatively higher-quality companies within the high-yield market. We believe these companies have more consistent businesses and greater predictability of cash flows than those at the lower end of the quality spectrum. We emphasize higher-quality issuers in an effort to minimize defaults and provide stable income. We continue to diversify the fund's holdings by issuer and industry and continue to deemphasize non-cash-paying securities, preferred stocks, and equity-linked securities such as convertibles because of their potential for volatility.

Michael L. Hong, CFA
Managing Director and
Fixed Income Portfolio Manager

Wellington Management Company LLP

July 20, 2016

Portfolio Profile

As of June 30, 2016

Financial Attributes

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Bonds	436	1,867	2,202
Yield[3]	5.5%	5.8%	7.3%
Yield to Maturity	5.9%[4]	6.0%	7.5%
Average Coupon	5.9%	6.0%	6.6%
Average Effective Maturity	5.8 years	5.6 years	5.5 years
Average Duration	4.6 years	4.3 years	4.3 years
Expense Ratio[5]	0.28%	—	—
Short-Term Reserves	3.1%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.97	0.93
Beta	0.91	0.77

Distribution by Effective Maturity (% of portfolio)

Under 1 Year	4.0%
1–5 Years	29.7
5–10 Years	58.1
10–20 Years	5.1
20–30 Years	2.7
Over 30 Years	0.4

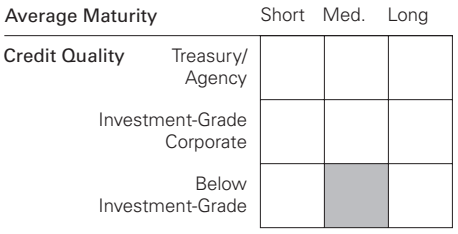
Sector Diversification[6] (% of portfolio)

Basic Industry	6.3%
Capital Goods	8.9
Communication	27.0
Consumer Cyclical	7.9
Consumer Non-Cyclical	11.9
Energy	10.7
Finance	10.7
Technology	9.3
Transportation	2.0
Treasury/Agency	1.7
Utilities	3.6

Distribution by Credit Quality (% of portfolio)

U.S. Government	1.7%
Aaa	0.0
Baa	3.8
Ba	50.7
B	35.6
Caa	7.8
C	0.0
Not Rated	0.4

Investment Focus



30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 High-Yield Corporate Composite Index.

2 Barclays U.S. Corporate High Yield Bond Index.

3 30-day SEC yield for the portfolio; index yield assumes that all bonds are called or prepaid at the earliest possible dates.

4 Before expenses.

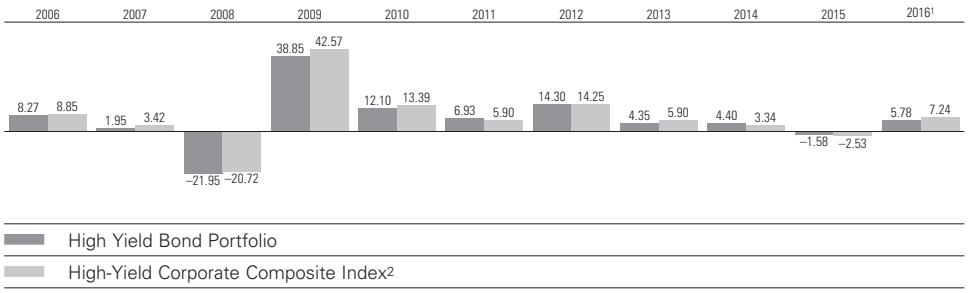
5 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.28%.

6 The agency sector may include issues from government-sponsored enterprises; such issues are not backed by the full faith and credit of the U.S. government.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

				Ten Years		
	Inception Date	One Year	Five Years	Capital	Income	Total
High Yield Bond Portfolio	6/3/1996	2.15%	5.77%	-0.58%	6.86%	6.28%

1 Six months ended June 30, 2016.

2 Consists of 95% Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Barclays U.S. 1–5 Year Treasury Bond Index.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back of the report for further information).

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
U.S. Government and Agency Obligations (1.7%)				
U.S. Government Securities (1.7%)				
United States Treasury Note/Bond	0.875%	11/30/16	4,060	4,069
United States Treasury Note/Bond	0.875%	2/28/17	5,250	5,265
Total U.S. Government and Agency Obligations (Cost $9,322)				**9,334**
Corporate Bonds (94.9%)				
Finance (10.6%)				
Banking (0.3%)				
Royal Bank of Scotland Group plc	6.125%	12/15/22	1,635	1,702
Finance Companies (7.8%)				
AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust	3.750%	5/15/19	1,480	1,482
AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust	4.500%	5/15/21	1,810	1,851
AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust	5.000%	10/1/21	755	784
AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust	4.625%	7/1/22	585	598
Aircastle Ltd.	6.250%	12/1/19	345	374
Aircastle Ltd.	5.125%	3/15/21	30	31
Aircastle Ltd.	5.500%	2/15/22	830	867
Aircastle Ltd.	5.000%	4/1/23	1,225	1,246
CIT Group Inc.	5.250%	3/15/18	3,045	3,140
[1] CIT Group Inc.	6.625%	4/1/18	2,555	2,702
[1] CIT Group Inc.	5.500%	2/15/19	2,270	2,372
CIT Group Inc.	3.875%	2/19/19	1,100	1,106
CIT Group Inc.	5.375%	5/15/20	2,915	3,032
CIT Group Inc.	5.000%	8/15/22	1,745	1,776
Homer City Generation LP	8.734%	10/1/26	3,575	2,073
International Lease Finance Corp.	3.875%	4/15/18	615	623
International Lease Finance Corp.	5.875%	4/1/19	1,455	1,550
International Lease Finance Corp.	6.250%	5/15/19	2,042	2,198
International Lease Finance Corp.	8.250%	12/15/20	1,511	1,768
International Lease Finance Corp.	4.625%	4/15/21	970	999
International Lease Finance Corp.	8.625%	1/15/22	900	1,089
International Lease Finance Corp.	5.875%	8/15/22	90	97
iStar Financial Inc.	4.875%	7/1/18	295	284
iStar Financial Inc.	5.000%	7/1/19	1,290	1,203
Navient Corp.	8.450%	6/15/18	815	880
Navient Corp.	5.500%	1/15/19	2,730	2,737
Navient Corp.	8.000%	3/25/20	2,000	2,040
Navient Corp.	7.250%	1/25/22	615	598
Navient Corp.	5.500%	1/25/23	2,325	2,011
[1] OneMain Financial Holdings LLC	6.750%	12/15/19	285	278
Springleaf Finance Corp.	5.250%	12/15/19	210	196
Springleaf Finance Corp.	8.250%	12/15/20	1,700	1,691
Springleaf Finance Corp.	7.750%	10/1/21	470	452
Insurance (1.7%)				
[1] Liberty Mutual Group Inc.	7.800%	3/15/37	1,560	1,700
LifePoint Health Inc.	5.875%	12/1/23	1,355	1,406
Radian Group Inc.	7.000%	3/15/21	1,345	1,436
Unum Group	7.375%	6/15/32	175	214
[2] Voya Financial Inc.	5.650%	5/15/53	2,725	2,568
WellCare Health Plans Inc.	5.750%	11/15/20	1,915	1,980
Other Finance (0.3%)				
CNO Financial Group Inc.	4.500%	5/30/20	150	154
CNO Financial Group Inc.	5.250%	5/30/25	665	685
[1,3] Lincoln Finance Ltd.	6.875%	4/15/21	265	315
[1] Lincoln Finance Ltd.	7.375%	4/15/21	485	503
Real Estate Investment Trusts (0.5%)				
Felcor Lodging LP	5.625%	3/1/23	2,325	2,331
Felcor Lodging LP	6.000%	6/1/25	660	663
				59,785
Industrial (81.2%)				
Basic Industry (6.8%)				
AK Steel Corp.	7.625%	10/1/21	355	329
AK Steel Corp.	7.500%	7/15/23	265	270
[1] Anglo American Capital plc	3.625%	5/14/20	1,025	984
[1] Anglo American Capital plc	4.125%	4/15/21	855	812
[1] Anglo American Capital plc	4.125%	9/27/22	665	627
[1] Anglo American Capital plc	4.875%	5/14/25	650	618
ArcelorMittal	5.125%	6/1/20	295	304
ArcelorMittal	6.250%	8/5/20	1,035	1,079
ArcelorMittal	6.500%	3/1/21	220	225
ArcelorMittal	7.250%	2/25/22	560	589
ArcelorMittal	6.125%	6/1/25	670	666
[4,5] Arch Coal Inc. Bank Loan	5.000%	5/16/18	800	791
[4,5] Arch Coal Inc. Bank Loan	7.500%	5/16/18	3,420	1,565
Axiall Corp.	4.875%	5/15/23	230	235
[1] Cascades Inc.	5.500%	7/15/22	300	291
Chemours Co.	6.625%	5/15/23	2,565	2,167
Chemours Co.	7.000%	5/15/25	490	412
[1,3] Constellium NV	4.625%	5/15/21	125	109
[1] Constellium NV	8.000%	1/15/23	1,520	1,326
[1] Constellium NV	5.750%	5/15/24	500	385
Eagle Spinco Inc.	4.625%	2/15/21	760	775
Freeport-McMoRan Inc.	3.875%	3/15/23	325	284
Freeport-McMoRan Inc.	4.550%	11/14/24	960	840
Freeport-McMoRan Inc.	5.400%	11/14/34	1,090	867
Freeport-McMoRan Inc.	5.450%	3/15/43	2,200	1,765
Hexion US Finance Corp.	6.625%	4/15/20	1,545	1,290
[1,3] INEOS Group Holdings SA	5.750%	2/15/19	790	882
[1] INEOS Group Holdings SA	5.875%	2/15/19	1,385	1,385
[1] New Gold Inc.	7.000%	4/15/20	260	268
[1] New Gold Inc.	6.250%	11/15/22	70	68
Novelis Inc.	8.375%	12/15/17	1,008	1,031
Novelis Inc.	8.750%	12/15/20	2,715	2,830
Steel Dynamics Inc.	5.125%	10/1/21	1,320	1,346
Steel Dynamics Inc.	5.500%	10/1/24	1,185	1,212
Teck Resources Ltd.	3.750%	2/1/23	295	223
[1] Teck Resources Ltd.	8.500%	6/1/24	525	541
Teck Resources Ltd.	6.125%	10/1/35	235	167
Teck Resources Ltd.	6.000%	8/15/40	200	140
Teck Resources Ltd.	6.250%	7/15/41	645	461
Teck Resources Ltd.	5.200%	3/1/42	150	98
Teck Resources Ltd.	5.400%	2/1/43	700	462
United States Steel Corp.	7.375%	4/1/20	938	881
United States Steel Corp.	6.875%	4/1/21	865	750
[1] United States Steel Corp.	8.375%	7/1/21	1,795	1,889
United States Steel Corp.	6.650%	6/1/37	460	304
[1,3] VWR Funding Inc.	4.625%	4/15/22	3,500	3,897

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Capital Goods (8.9%)				
[1] Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	7.250%	5/15/24	1,415	1,447
[1] Ashtead Capital Inc.	6.500%	7/15/22	825	852
Ball Corp.	4.375%	12/15/20	830	874
Berry Plastics Corp.	5.500%	5/15/22	60	61
Berry Plastics Corp.	5.125%	7/15/23	60	60
Berry Plastics Escrow LLC/Berry Plastics Escrow Corp.	6.000%	10/15/22	750	776
[1] Beverage Packaging Holdings Luxembourg II SA / Beverage Packaging Holdings II Is	6.000%	6/15/17	105	105
[1] BlueLine Rental Finance Corp.	7.000%	2/1/19	950	815
Case New Holland Inc.	7.875%	12/1/17	2,660	2,856
[1] Cemex Finance LLC	6.000%	4/1/24	290	281
[1] Cemex SAB de CV	6.125%	5/5/25	3,580	3,477
[1] Cemex SAB de CV	7.750%	4/16/26	735	771
Clean Harbors Inc.	5.250%	8/1/20	2,006	2,054
Clean Harbors Inc.	5.125%	6/1/21	2,033	2,079
CNH Industrial Capital LLC	3.625%	4/15/18	1,145	1,148
CNH Industrial Capital LLC	3.875%	7/16/18	2,015	2,023
CNH Industrial Capital LLC	3.375%	7/15/19	257	253
CNH Industrial Capital LLC	4.375%	11/6/20	1,230	1,242
CNH Industrial Capital LLC	4.875%	4/1/21	1,155	1,175
[1] HD Supply Inc.	5.250%	12/15/21	1,105	1,155
[1] HD Supply Inc.	5.750%	4/15/24	280	290
[1] Huntington Ingalls Industries Inc.	5.000%	11/15/25	385	407
Masco Corp.	7.750%	8/1/29	480	566
Masco Corp.	6.500%	8/15/32	120	128
Owens Corning	9.000%	6/15/19	143	165
[1] Owens-Brockway Glass Container Inc.	5.875%	8/15/23	895	935
[1] Owens-Brockway Glass Container Inc.	6.375%	8/15/25	355	375
PulteGroup Inc.	5.500%	3/1/26	1,060	1,092
Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.750%	10/15/20	985	1,017
Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	6.875%	2/15/21	1,165	1,206
Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	8.250%	2/15/21	2,070	2,158
[1] Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.125%	7/15/23	1,490	1,512
[1] Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	7.000%	7/15/24	440	453
[1] Signode Industrial Group Lux SA/ Signode Industrial Group US Inc.	6.375%	5/1/22	845	815
[1] Standard Industries Inc.	5.500%	2/15/23	295	301
[1] Standard Industries Inc.	5.375%	11/15/24	1,085	1,101
[1] Standard Industries Inc.	6.000%	10/15/25	4,295	4,510
Terex Corp.	6.000%	5/15/21	1,350	1,347
TransDigm Inc.	6.500%	5/15/25	2,635	2,635
United Rentals North America Inc.	7.625%	4/15/22	1,770	1,881
United Rentals North America Inc.	6.125%	6/15/23	355	369
United Rentals North America Inc.	4.625%	7/15/23	840	847
United Rentals North America Inc.	5.500%	7/15/25	1,025	1,008
United Rentals North America Inc.	5.875%	9/15/26	870	862
[1] USG Corp.	5.500%	3/1/25	263	276
Vulcan Materials Co.	7.150%	11/30/37	220	259
Communication (25.6%)				
[1] Altice Financing SA	6.625%	2/15/23	615	606
[1] Altice US Finance I Corp.	5.500%	5/15/26	1,900	1,898
[1] Bankrate Inc.	6.125%	8/15/18	385	382
Belo Corp.	7.750%	6/1/27	205	213
Belo Corp.	7.250%	9/15/27	616	642
CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	3/15/21	250	259
CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	9/30/22	365	374
CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	2/15/23	400	406
[1] CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	5/1/23	2,990	3,020
CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	9/1/23	1,150	1,187
CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	1/15/24	145	152
[1] CCO Holdings LLC / CCO Holdings Capital Corp.	5.375%	5/1/25	2,441	2,475
[1] CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	2/15/26	1,450	1,493
[1] CCO Holdings LLC / CCO Holdings Capital Corp.	5.500%	5/1/26	1,686	1,720
[1] CCO Holdings LLC / CCO Holdings Capital Corp.	5.875%	5/1/27	745	769
[1] Cequel Communications Holdings I LLC / Cequel Capital Corp.	5.125%	12/15/21	1,935	1,843
[1] Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	1,341	1,600
[1] Columbus International Inc.	7.375%	3/30/21	1,455	1,535
CSC Holdings LLC	7.625%	7/15/18	905	973
CSC Holdings LLC	8.625%	2/15/19	1,345	1,480
CSC Holdings LLC	6.750%	11/15/21	1,365	1,392
DISH DBS Corp.	6.750%	6/1/21	3,805	3,948
DISH DBS Corp.	5.875%	7/15/22	3,405	3,311
DISH DBS Corp.	5.000%	3/15/23	525	478
DISH DBS Corp.	5.875%	11/15/24	245	230
[1] DISH DBS Corp.	7.750%	7/1/26	2,350	2,420
Embarq Corp.	7.995%	6/1/36	720	720
Frontier Communications Corp.	11.000%	9/15/25	2,030	2,106
Gannett Co. Inc.	5.125%	7/15/20	1,995	2,060
[1] Gannett Co. Inc.	4.875%	9/15/21	410	420
Gannett Co. Inc.	6.375%	10/15/23	2,300	2,449
[1] Gannett Co. Inc.	5.500%	9/15/24	65	67
[1] Gray Television Inc.	5.875%	7/15/26	405	407
Hughes Satellite Systems Corp.	6.500%	6/15/19	1,732	1,866
[1] Inmarsat Finance plc	4.875%	5/15/22	1,115	1,015
Lamar Media Corp.	5.000%	5/1/23	1,070	1,102
[1] Lamar Media Corp.	5.750%	2/1/26	170	177
Level 3 Escrow II Inc.	5.375%	8/15/22	2,515	2,540
Level 3 Financing Inc.	5.625%	2/1/23	870	877
Level 3 Financing Inc.	5.125%	5/1/23	1,120	1,112
Level 3 Financing Inc.	5.375%	1/15/24	450	453
Level 3 Financing Inc.	5.375%	5/1/25	1,120	1,114
[1] Level 3 Financing Inc.	5.250%	3/15/26	1,500	1,470
Liberty Interactive LLC	8.500%	7/15/29	1,465	1,531
Liberty Interactive LLC	8.250%	2/1/30	3,945	4,108
MetroPCS Wireless Inc.	6.625%	11/15/20	2,035	2,096
National CineMedia LLC	6.000%	4/15/22	1,095	1,136
[1] NBCUniversal Enterprise Inc.	5.250%	3/29/49	1,940	1,999
Netflix Inc.	5.500%	2/15/22	980	1,022
Netflix Inc.	5.875%	2/15/25	2,995	3,130
[1] Nielsen Finance LLC / Nielsen Finance Co.	5.000%	4/15/22	4,155	4,248
[1] Numericable Group SA	6.000%	5/15/22	1,275	1,246
[1] Numericable-SFR SA	7.375%	5/1/26	1,450	1,428
Quebecor Media Inc.	5.750%	1/15/23	2,385	2,421
Qwest Corp.	6.875%	9/15/33	481	471
SBA Communications Corp.	4.875%	7/15/22	1,545	1,533
Sinclair Television Group Inc.	6.125%	10/1/22	205	214
[1] Sinclair Television Group Inc.	5.625%	8/1/24	115	117
[1] Sinclair Television Group Inc.	5.875%	3/15/26	2,740	2,815
[1] Sirius XM Radio Inc.	4.250%	5/15/20	305	310
[1] Sirius XM Radio Inc.	4.625%	5/15/23	390	378
[1] Sirius XM Radio Inc.	6.000%	7/15/24	1,193	1,233
[1] Sirius XM Radio Inc.	5.375%	4/15/25	382	380
[1] Softbank Corp.	4.500%	4/15/20	5,125	5,260

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Sprint Capital Corp.	8.750%	3/15/32	335	285
Sprint Corp.	7.250%	9/15/21	2,590	2,208
Sprint Corp.	7.875%	9/15/23	4,285	3,508
Sprint Corp.	7.125%	6/15/24	905	715
Sprint Corp.	7.625%	2/15/25	1,215	952
[1] Sprint Nextel Corp.	9.000%	11/15/18	3,785	4,022
[1] Sprint Nextel Corp.	7.000%	3/1/20	3,820	4,001
T-Mobile USA Inc.	6.633%	4/28/21	2,665	2,798
Telecom Italia Capital SA	6.375%	11/15/33	381	380
Telecom Italia Capital SA	6.000%	9/30/34	1,005	960
Telecom Italia Capital SA	7.721%	6/4/38	1,280	1,331
Time Warner Cable Inc.	5.875%	11/15/40	60	65
Time Warner Cable Inc.	5.500%	9/1/41	1,973	2,072
[4,5] Tribune Company Bank Loan	3.750%	12/27/20	1,903	1,895
Tribune Media Co.	5.875%	7/15/22	2,300	2,288
[1] Unitymedia Hessen GmbH & Co. KG / Unitymedia NRW GmbH	5.500%	1/15/23	1,190	1,208
[1] Univision Communications Inc.	5.125%	5/15/23	550	549
[1] Univision Communications Inc.	5.125%	2/15/25	3,920	3,871
[1] UPCB Finance V Ltd.	7.250%	11/15/21	1,233	1,286
[1] UPCB Finance VI Ltd.	6.875%	1/15/22	991	1,040
Videotron Ltd.	5.000%	7/15/22	3,053	3,160
[1] Videotron Ltd.	5.375%	6/15/24	260	265
[1] Virgin Media Secured Finance plc	5.375%	4/15/21	1,157	1,187
[1] Virgin Media Secured Finance plc	5.500%	1/15/25	610	599
[1] Virgin Media Secured Finance plc	5.500%	8/15/26	355	346
[1] VTR Finance BV	6.875%	1/15/24	2,720	2,706
[1] Wind Acquisition Finance SA	4.750%	7/15/20	2,185	2,136
[1] Wind Acquisition Finance SA	7.375%	4/23/21	1,900	1,819
[1] WMG Acquisition Corp.	6.750%	4/15/22	70	71
Zayo Group LLC / Zayo Capital Inc.	6.000%	4/1/23	3,315	3,381
Zayo Group LLC / Zayo Capital Inc.	6.375%	5/15/25	1,430	1,466
Consumer Cyclical (7.6%)				
[1] Activision Blizzard Inc.	6.125%	9/15/23	1,555	1,687
American Axle & Manufacturing Inc.	6.625%	10/15/22	1,300	1,372
[1] Carlson Travel Holdings Inc.	7.500%	8/15/19	525	505
[1] Carlson Wagonlit BV	6.875%	6/15/19	2,440	2,529
Cedar Fair LP / Canada's Wonderland Co. / MagnumManagement Corp.	5.375%	6/1/24	835	860
Dana Holding Corp.	5.375%	9/15/21	557	571
Dana Holding Corp.	5.500%	12/15/24	1,055	992
[4,5] Delta Alpha Topco Bank Loan	7.750%	7/29/22	1,650	1,557
GLP Capital LP / GLP Financing II Inc.	4.375%	4/15/21	105	108
GLP Capital LP / GLP Financing II Inc.	5.375%	11/1/23	2,630	2,748
GLP Capital LP / GLP Financing II Inc.	5.375%	4/15/26	1,810	1,873
Group 1 Automotive Inc.	5.000%	6/1/22	1,335	1,313
[1] Group 1 Automotive Inc.	5.250%	12/15/23	1,055	1,042
[1] Hanesbrands Inc.	4.625%	5/15/24	730	732
[1] Hanesbrands Inc.	4.875%	5/15/26	735	737
[4,5] Ion Media Networks Bank Loan	4.750%	12/18/20	1,368	1,359
KB Home	4.750%	5/15/19	830	832
KB Home	8.000%	3/15/20	120	129
KB Home	7.000%	12/15/21	150	152
KB Home	7.500%	9/15/22	215	221
KB Home	7.625%	5/15/23	1,300	1,313
[1] KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.000%	6/1/24	815	833
[1] KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.250%	6/1/26	760	778
L Brands Inc.	6.625%	4/1/21	1,430	1,612
[4,5] La Quinta Intermediate Holdings LLC Bank Loan	3.750%	4/14/21	1,833	1,785
Lennar Corp.	4.750%	4/1/21	740	770
Lennar Corp.	4.875%	12/15/23	625	623
Neiman Marcus Group Inc.	7.125%	6/1/28	1,820	1,670
Penske Automotive Group Inc.	5.750%	10/1/22	387	387
Penske Automotive Group Inc.	5.375%	12/1/24	813	789
Sally Holdings LLC / Sally Capital Inc.	5.750%	6/1/22	605	627
Sally Holdings LLC / Sally Capital Inc.	5.625%	12/1/25	650	680
Service Corp. International	8.000%	11/15/21	1,225	1,433
Service Corp. International	5.375%	1/15/22	905	934
[1] Shea Homes LP / Shea Homes Funding Corp.	5.875%	4/1/23	450	450
[1] Shea Homes LP / Shea Homes Funding Corp.	6.125%	4/1/25	450	450
Sonic Automotive Inc.	7.000%	7/15/22	30	32
Sonic Automotive Inc.	5.000%	5/15/23	265	260
Toll Brothers Finance Corp.	4.875%	11/15/25	295	292
Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.375%	3/15/22	3,705	3,733
[1] ZF North America Capital Inc.	4.500%	4/29/22	470	475
[1] ZF North America Capital Inc.	4.750%	4/29/25	1,725	1,725
Consumer Noncyclical (11.5%)				
Alere Inc.	6.500%	6/15/20	481	476
[1] Alere Inc.	6.375%	7/1/23	1,135	1,180
Amsurg Corp.	5.625%	7/15/22	2,645	2,711
Aramark Services Inc.	5.125%	1/15/24	395	403
[1] Aramark Services Inc.	5.125%	1/15/24	580	592
[1] Aramark Services Inc.	4.750%	6/1/26	580	568
[1] Capsugel SA	7.000%	5/15/19	1,155	1,159
CHS/Community Health Systems Inc.	7.125%	7/15/20	1,060	983
CHS/Community Health Systems Inc.	5.125%	8/1/21	525	522
CHS/Community Health Systems Inc.	6.875%	2/1/22	5,455	4,773
[1] Endo Finance LLC / Endo Finco Inc.	6.000%	2/1/25	2,845	2,468
[1] Endo Finance LLC / Endo Ltd. / Endo Finco Inc.	6.000%	7/15/23	2,515	2,213
[1] Envision Healthcare Corp.	5.125%	7/1/22	2,806	2,820
ExamWorks Group Inc.	5.625%	4/15/23	808	895
Grifols Worldwide Operations Ltd.	5.250%	4/1/22	510	516
HCA Holdings Inc.	6.250%	2/15/21	1,020	1,094
HCA Inc.	6.500%	2/15/20	3,875	4,297
HCA Inc.	5.875%	3/15/22	1,850	2,010
HCA Inc.	4.750%	5/1/23	2,100	2,147
HCA Inc.	5.875%	5/1/23	300	320
HCA Inc.	5.375%	2/1/25	505	519
HCA Inc.	5.250%	4/15/25	1,500	1,571
HCA Inc.	7.690%	6/15/25	130	142
HCA Inc.	5.875%	2/15/26	1,900	1,981
HCA Inc.	5.250%	6/15/26	975	1,012
[1] IMS Health Inc.	6.000%	11/1/20	3,136	3,191
Kinetic Concepts Inc / KCI USA Inc	10.500%	11/1/18	2,300	2,294
[1] Kinetic Concepts Inc / KCI USA Inc.	7.875%	2/15/21	1,570	1,660
[4,5] Lands' End, Inc. Bank Loan	4.250%	3/12/21	3,108	2,383
LifePoint Hospitals Inc.	5.500%	12/1/21	1,340	1,397
[1] MEDNAX Inc.	5.250%	12/1/23	580	586
[1] MPH Acquisition Holdings LLC	7.125%	6/1/24	295	310
[1] Quintiles Transnational Holdings Inc.	4.875%	5/15/23	750	761
[1] Sterigenics-Nordion Holdings LLC	6.500%	5/15/23	1,500	1,519
Tempur Sealy International Inc.	5.625%	10/15/23	375	386
Tenet Healthcare Corp.	5.000%	3/1/19	1,560	1,509
Tenet Healthcare Corp.	5.500%	3/1/19	785	771
Tenet Healthcare Corp.	4.750%	6/1/20	835	855
Tenet Healthcare Corp.	4.500%	4/1/21	932	939
Tenet Healthcare Corp.	4.375%	10/1/21	3,520	3,502
Tenet Healthcare Corp.	8.125%	4/1/22	2,830	2,887
THC Escrow Corp. II	6.750%	6/15/23	595	571
[1] Vizient Inc.	10.375%	3/1/24	1,935	2,066
Energy (10.4%)				
AmeriGas Finance LLC / AmeriGas Finance Corp.	7.000%	5/20/22	1,340	1,417
AmeriGas Finance LLC / AmeriGas Finance Corp.	5.625%	5/20/24	1,050	1,045
AmeriGas Finance LLC / AmeriGas Finance Corp.	5.875%	8/20/26	1,395	1,393
Anadarko Petroleum Corp.	5.550%	3/15/26	145	160
Anadarko Petroleum Corp.	6.200%	3/15/40	731	819
Anadarko Petroleum Corp.	6.600%	3/15/46	240	290
Antero Resources Corp.	5.375%	11/1/21	60	59
Antero Resources Corp.	5.125%	12/1/22	1,445	1,387

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Concho Resources Inc.	7.000%	1/15/21	1,032	1,063
Concho Resources Inc.	6.500%	1/15/22	745	765
Concho Resources Inc.	5.500%	10/1/22	2,440	2,458
Concho Resources Inc.	5.500%	4/1/23	1,095	1,098
Continental Resources Inc.	5.000%	9/15/22	3,354	3,258
Continental Resources Inc.	4.500%	4/15/23	1,015	946
Continental Resources Inc.	3.800%	6/1/24	505	442
Continental Resources Inc.	4.900%	6/1/44	706	588
[1] DCP Midstream LLC	9.750%	3/15/19	450	490
[1] DCP Midstream LLC	5.350%	3/15/20	335	325
DCP Midstream Operating LP	2.700%	4/1/19	600	576
DCP Midstream Operating LP	4.950%	4/1/22	1,436	1,411
DCP Midstream Operating LP	3.875%	3/15/23	325	294
DCP Midstream Operating LP	5.600%	4/1/44	875	735
Energy Transfer Equity LP	7.500%	10/15/20	2,460	2,620
Energy Transfer Equity LP	5.500%	6/1/27	2,430	2,284
Ferrellgas LP / Ferrellgas Finance Corp.	6.500%	5/1/21	2,303	2,107
Kerr-McGee Corp.	6.950%	7/1/24	985	1,139
Kinder Morgan Inc.	7.750%	1/15/32	740	837
Laredo Petroleum Inc.	5.625%	1/15/22	1,555	1,462
Laredo Petroleum Inc.	7.375%	5/1/22	550	551
Laredo Petroleum Inc.	6.250%	3/15/23	1,965	1,867
Marathon Oil Corp.	3.850%	6/1/25	1,190	1,089
Marathon Oil Corp.	6.800%	3/15/32	250	255
Marathon Oil Corp.	6.600%	10/1/37	300	302
Marathon Oil Corp.	5.200%	6/1/45	395	346
Matador Resources Co.	6.875%	4/15/23	1,420	1,448
[1] MEG Energy Corp.	6.500%	3/15/21	496	387
[1] MEG Energy Corp.	6.375%	1/30/23	850	633
[1] MEG Energy Corp.	7.000%	3/31/24	1,439	1,094
[1] MPLX LP	4.875%	12/1/24	1,410	1,375
[1] MPLX LP	4.875%	6/1/25	2,685	2,618
Newfield Exploration Co.	5.625%	7/1/24	600	600
QEP Resources Inc.	6.800%	3/1/20	220	221
QEP Resources Inc.	6.875%	3/1/21	460	465
QEP Resources Inc.	5.375%	10/1/22	235	220
QEP Resources Inc.	5.250%	5/1/23	295	271
Range Resources Corp.	5.750%	6/1/21	185	181
Rice Energy Inc.	7.250%	5/1/23	800	812
[1] Sabine Pass Liquefaction LLC	5.875%	6/30/26	1,255	1,255
SM Energy Co.	6.500%	11/15/21	100	94
SM Energy Co.	6.125%	11/15/22	935	859
SM Energy Co.	6.500%	1/1/23	75	69
SM Energy Co.	5.000%	1/15/24	1,749	1,495
SM Energy Co.	5.625%	6/1/25	496	429
[1] Southern Star Central Corp.	5.125%	7/15/22	480	466
Tesoro Corp.	5.125%	4/1/24	996	1,001
Tesoro Logistics LP / Tesoro Logistics Finance Corp.	5.500%	10/15/19	165	172
Tesoro Logistics LP / Tesoro Logistics Finance Corp.	6.250%	10/15/22	1,120	1,168
Tesoro Logistics LP / Tesoro Logistics Finance Corp.	6.375%	5/1/24	770	805
WPX Energy Inc.	6.000%	1/15/22	2,106	1,959
WPX Energy Inc.	5.250%	9/15/24	3,104	2,732
Technology (8.5%)				
Alcatel-Lucent USA Inc.	6.500%	1/15/28	1,355	1,389
Alcatel-Lucent USA Inc.	6.450%	3/15/29	2,500	2,613
CDW LLC / CDW Finance Corp.	6.000%	8/15/22	3,865	4,029
CDW LLC / CDW Finance Corp.	5.000%	9/1/23	730	734
CDW LLC / CDW Finance Corp.	5.500%	12/1/24	485	501
Equinix Inc.	5.375%	4/1/23	680	697
[1] First Data Corp.	5.375%	8/15/23	2,265	2,293
[1] First Data Corp.	7.000%	12/1/23	5,565	5,648
[1] First Data Corp.	5.000%	1/15/24	1,500	1,504
[1] First Data Corp.	5.750%	1/15/24	3,751	3,713
[4,5] First Data Corp. Bank Loan	4.452%	3/23/18	1,302	1,297
[4,5] First Data Corp. Bank Loan	4.202%	7/8/22	1,190	1,189
Flextronics International Ltd.	4.625%	2/15/20	585	605
Flextronics International Ltd.	5.000%	2/15/23	665	690
[1] Infor Software Parent LLC	7.125%	5/1/21	170	150
Infor US Inc.	6.500%	5/15/22	3,060	2,915
[1,6] Iron Mountain Europe plc	6.125%	9/15/22	755	1,009
Iron Mountain Inc.	5.750%	8/15/24	825	829
[1] MSCI Inc.	5.250%	11/15/24	150	153
[1] MSCI Inc.	5.750%	8/15/25	1,560	1,628
NCR Corp.	4.625%	2/15/21	2,375	2,339
NCR Corp.	5.875%	12/15/21	145	148
NCR Corp.	6.375%	12/15/23	455	464
Nokia Oyj	6.625%	5/15/39	1,765	1,866
[1] NXP BV / NXP Funding LLC	3.750%	6/1/18	1,190	1,217
[1] NXP BV / NXP Funding LLC	4.125%	6/15/20	545	553
[1] NXP BV / NXP Funding LLC	4.625%	6/15/22	1,080	1,085
[1] NXP BV / NXP Funding LLC	5.750%	3/15/23	255	266
[1] NXP BV / NXP Funding LLC	4.625%	6/1/23	1,035	1,053
[1] Open Text Corp.	5.625%	1/15/23	970	992
[1] Sensata Technologies BV	5.625%	11/1/24	70	72
[1] Sensata Technologies BV	5.000%	10/1/25	1,500	1,498
[1] Sensata Technologies UK Financing Co. plc	6.250%	2/15/26	1,520	1,566
SS&C Technologies Holdings Inc.	5.875%	7/15/23	890	912
Transportation (1.9%)				
[1] Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.125%	6/1/22	1,876	1,787
Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.500%	4/1/23	2,028	2,003
[1] Avis Budget Car Rental LLC / Avis Budget Finance Inc.	6.375%	4/1/24	580	574
[2] Continental Airlines 2007-1 Class B Pass Through Trust	6.903%	4/19/22	354	372
Hertz Corp.	4.250%	4/1/18	390	396
Hertz Corp.	6.750%	4/15/19	2,000	2,038
Hertz Corp.	5.875%	10/15/20	1,330	1,363
Hertz Corp.	7.375%	1/15/21	2,230	2,302
				457,954
Utilities (3.1%)				
Electric (3.1%)				
AES Corp.	8.000%	6/1/20	815	952
AES Corp.	4.875%	5/15/23	600	588
AES Corp.	5.500%	3/15/24	3,706	3,799
Calpine Corp.	5.375%	1/15/23	1,025	999
[1] Calpine Corp.	5.875%	1/15/24	285	296
Calpine Corp.	5.750%	1/15/25	3,800	3,691
GenOn Energy Inc.	7.875%	6/15/17	575	483
GenOn Energy Inc.	9.500%	10/15/18	1,800	1,431
GenOn Energy Inc.	9.875%	10/15/20	745	538
NRG Energy Inc.	7.875%	5/15/21	190	197
NRG Energy Inc.	6.250%	7/15/22	1,544	1,502
NRG Energy Inc.	6.625%	3/15/23	300	295
NRG Energy Inc.	6.250%	5/1/24	1,416	1,345
[1] NRG Energy Inc.	7.250%	5/15/26	1,425	1,418
				17,534
Total Corporate Bonds (Cost $537,810)				**535,273**
			Shares	
Preferred Stocks (0.4%)				
Hartford Financial Services Group Inc. Pfd. **(Cost $1,588)**	7.875%		63,500	**2,002**
Other (0.0%)				
* MediaNews Group Inc. Warrants Exp. 03/19/2017 **(Cost $778)**			2,084	**44**

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Temporary Cash Investment (1.9%)				
Repurchase Agreement (1.9%)				
Bank of America Securities, LLC (Dated 6/30/16, Repurchase Value $10,800,000, collateralized by Government National Mortgage Assn. 4.500%, 4/20/44, with a value of $11,016,000) **(Cost $10,800)**	0.440%	7/1/16	10,800	**10,800**
Total Investments (98.9%) (Cost $560,298)				**557,453**

	Amount ($000)
Other Assets and Liabilities (1.1%)	
Other Assets	
Investment in Vanguard	46
Receivables for Investment Securities Sold	736
Receivables for Accrued Income	8,217
Receivables for Capital Shares Issued	201
Other Assets	158
Total Other Assets	**9,358**
Liabilities	
Payables for Investment Securities Purchased	(1,218)
Payables to Investment Advisor	(82)
Payables for Capital Shares Redeemed	(722)
Payables to Vanguard	(816)
Other Liabilities	(56)
Total Liabilities	**(2,894)**
Net Assets (100%)	
Applicable to 74,285,034 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**563,917**
Net Asset Value Per Share	**$7.59**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	566,688
Undistributed Net Investment Income	13,947
Accumulated Net Realized Losses	(13,824)
Unrealized Appreciation (Depreciation)	
Investment Securities	(2,845)
Forward Currency Contracts	(47)
Foreign Currencies	(2)
Net Assets	**563,917**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

1 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2016, the aggregate value of these securities was $179,821,000, representing 31.9% of net assets.

2 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

3 Face amount denominated in euro.

4 Adjustable-rate security.

5 Security is a senior, secured, high-yield floating-rate loan. These loans are debt obligations issued by public and private companies and are comparable to high-yield bonds from a ratings and leverage perspective. At June 30, 2016, the aggregate value of these securities was $13,821,000, representing 2.5% of net assets.

6 Face amount denominated in British pounds.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends	68
Interest	15,319
Total Income	15,387
Expenses	
Investment Advisory Fees—Note B	160
The Vanguard Group—Note C	
Management and Administrative	514
Marketing and Distribution	51
Custodian Fees	11
Shareholders' Reports	8
Total Expenses	744
Net Investment Income	**14,643**
Realized Net Gain (Loss)	
Investment Securities Sold	(13,508)
Swap Contracts	189
Foreign Currencies and Forward Currency Contracts	119
Realized Net Gain (Loss)	**(13,200)**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	28,869
Swap Contracts	51
Foreign Currencies and Forward Currency Contracts	(112)
Change in Unrealized Appreciation (Depreciation)	**28,808**
Net Increase (Decrease) in Net Assets Resulting from Operations	**30,251**

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	14,643	29,362
Realized Net Gain (Loss)	(13,200)	(254)
Change in Unrealized Appreciation (Depreciation)	28,808	(37,925)
Net Increase (Decrease) in Net Assets Resulting from Operations	30,251	(8,817)
Distributions		
Net Investment Income	(29,106)	(27,866)
Realized Capital Gain[1]	—	(856)
Total Distributions	(29,106)	(28,722)
Capital Share Transactions		
Issued	56,270	98,465
Issued in Lieu of Cash Distributions	29,106	28,722
Redeemed	(43,235)	(102,606)
Net Increase (Decrease) from Capital Share Transactions	42,141	24,581
Total Increase (Decrease)	43,286	(12,958)
Net Assets		
Beginning of Period	**520,631**	**533,589**
End of Period[2]	**563,917**	**520,631**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $0 and $0, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $13,947,000 and $28,155,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$7.59**	**$8.14**	**$8.24**	**$8.33**	**$7.72**	**$7.78**
Investment Operations						
Net Investment Income	.197	.427	.416	.458	.420	.516
Net Realized and Unrealized Gain (Loss) on Investments	.226	(.541)	(.061)	(.108)	.641	.004
Total from Investment Operations	.423	(.114)	.355	.350	1.061	.520
Distributions						
Dividends from Net Investment Income	(.423)	(.423)	(.455)	(.440)	(.451)	(.580)
Distributions from Realized Capital Gains	—	(.013)	—	—	—	—
Total Distributions	(.423)	(.436)	(.455)	(.440)	(.451)	(.580)
Net Asset Value, End of Period	**$7.59**	**$7.59**	**$8.14**	**$8.24**	**$8.33**	**$7.72**
Total Return	**5.78%**	**-1.58%**	**4.40%**	**4.35%**	**14.30%**	**6.93%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$564	$521	$534	$509	$546	$397
Ratio of Total Expenses to Average Net Assets	0.28%	0.28%	0.29%	0.29%	0.29%	0.29%
Ratio of Net Investment Income to Average Net Assets	5.52%	5.41%	5.24%	5.51%	6.10%	6.85%
Portfolio Turnover Rate	32%	38%	35%	37%	29%	37%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard High Yield Bond Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. Certain of the portfolio's investments are in corporate debt instruments; the issuers' abilities to meet their obligations may be affected by economic developments in their respective industries.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Bonds and temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Other temporary cash investments are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value.

2. Foreign Currency: Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the portfolio's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. Forward Currency Contracts: The portfolio enters into forward currency contracts to protect the value of securities and related receivables and payables against changes in future foreign exchange rates. The portfolio's risks in using these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the ability of the counterparties to fulfill their obligations under the contracts. The portfolio mitigates its counterparty risk by entering into forward currency contracts only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. The master netting arrangements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate the forward currency contracts, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements. The forward currency contracts contain provisions whereby a counterparty may terminate open contracts if the portfolio's net assets decline below a certain level, triggering a payment by the portfolio if the portfolio is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the portfolio has pledged. Any assets pledged as collateral for open contracts are noted in the Statement of Net Assets. The value of collateral received or pledged is compared daily to the value of the forward currency contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

Forward currency contracts are valued at their quoted daily prices obtained from an independent third party, adjusted for currency risk based on the expiration date of each contract. The notional amounts of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized forward currency contract gains (losses).

During the six months ended June 30, 2016, the portfolio's average investment in forward currency contracts represented 1% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. Swap Contracts: The portfolio invests in credit default swaps to adjust the overall credit risk of the portfolio or to actively overweight or underweight credit risk to a specific issuer or group of issuers. The portfolio may sell credit protection through credit default swaps to simulate investments in long positions that are either unavailable or considered to be less attractively priced in the bond market. The portfolio may purchase credit protection through credit default swaps to reduce credit exposure to a given issuer or issuers. Under the terms of the swaps, an up-front payment may be exchanged between the seller and buyer. In addition, the seller of the credit protection receives a periodic payment of premium from the buyer that is a fixed percentage applied to a notional amount. If, for example, the reference entity is subject to a credit event (such as bankruptcy, failure to pay, or obligation acceleration) during the term of the swap, the seller agrees to either physically settle or cash settle the swap contract. If the swap is physically settled, the seller agrees to pay the buyer an amount equal to the notional amount and take delivery of a debt instrument of the reference issuer with a par amount equal to such notional amount. If the swap is cash settled, the seller agrees to pay the buyer the difference between the notional amount and the final price for the relevant debt instrument, as determined either in a market auction or pursuant to a pre-agreed-upon valuation procedure.

The notional amounts of swap contracts are not recorded in the Statement of Net Assets. Swaps are valued daily based on market quotations received from independent pricing services or recognized dealers and the change in value is recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the seller of credit protection is required to take delivery (or, in a cash settled swap, pay the settlement amount determined) upon occurrence of a credit event, periodic payments are made, or the swap terminates, at which time realized gain (loss) is recorded. The net premium to be received or paid by the portfolio under swap contracts is accrued daily and recorded as realized gain (loss) over the life of the contract.

The primary risk associated with selling credit protection is that, upon the occurrence of a defined credit event, the market value of the debt instrument received by the portfolio (or, in a cash settled swap, the debt instruments used to determine the settlement payment by the portfolio) will be significantly less than the amount paid by the portfolio and, in a physically settled swap, the portfolio may receive an illiquid debt instrument. A risk associated with all types of swaps is the possibility that a counterparty may default on its obligation to pay net amounts due to the portfolio. The portfolio's maximum amount subject to counterparty risk is the unrealized appreciation on the swap contract. The portfolio mitigates its counterparty risk by entering into swaps only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the event of a counterparty's default (including bankruptcy), the portfolio may terminate any swap contracts with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements. The swap contracts contain provisions whereby a counterparty may terminate open contracts if the portfolio's net assets decline below a certain level, triggering a payment by the portfolio if the portfolio is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the portfolio has pledged. Any securities pledged as collateral for open contracts are noted in the Statement of Net Assets. The value of collateral received or pledged is compared daily to the value of the swap contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

The portfolio enters into centrally cleared credit default swaps to achieve the same objectives specified with respect to the equivalent over-the-counter swaps but with less counterparty risk because a regulated clearinghouse is the counterparty instead of the clearing broker or executing broker. The clearinghouse imposes initial margin requirements to secure the portfolio's performance, and requires daily settlement of variation margin representing changes in the market value of each contract. To further mitigate counterparty risk, the portfolio trades with a diverse group of prequalified executing brokers; monitors the financial strength of its clearing brokers, executing brokers, and clearinghouse; and has entered into agreements with its clearing brokers and executing brokers.

During the six months ended June 30, 2016, the portfolio's average amounts of investments in credit protection sold and credit protection purchased swaps represented less than 1% and 0% of net assets, respectively, based on the average of notional amounts at each quarter-end during the period. The portfolio had no open swap contracts at June 30, 2016.

5. Repurchase Agreements: The portfolio enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the portfolio under repurchase agreements are held by a custodian bank until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The portfolio further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

6. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

7. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

8. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

9. Other: Dividend income is recorded on the ex-dividend date. Interest income is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Wellington Management Company LLP provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. For the six months ended June 30, 2016, the investment advisory fee represented an effective annual rate of 0.06% of the portfolio's average net assets.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $46,000, representing 0.01% of the portfolio's net assets and 0.02% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
U.S. Government and Agency Obligations	—	9,334	—
Corporate Bonds	—	535,273	—
Preferred Stocks	—	2,002	—
Other	—	—	44
Temporary Cash Investments	—	10,800	—
Forward Currency Contracts—Liabilities	—	(47)	—
Total	—	557,362	44

E. Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2016, were:

Realized Net Gain (Loss) on Derivatives	Currency Contracts ($000)	Credit Contracts ($000)	Total ($000)
Forward Currency Contracts	117	—	117
Swap Contracts	—	189	189
Realized Net Gain (Loss) on Derivatives	117	189	306
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Forward Currency Contracts	(111)	—	(111)
Swap Contracts	—	51	51
Change in Unrealized Appreciation (Depreciation) on Derivatives	(111)	51	(60)

At June 30, 2016, the portfolio had open forward currency contracts to receive and deliver currencies as follows. Unrealized appreciation (depreciation) on open forward currency contracts is treated as ordinary income for tax purposes.

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (Depreciation) ($000)
			Receive		Deliver	
J.P. Morgan Securities, Inc.	7/29/16	USD	5,197	EUR	4,710	(36)
BNP Paribas	7/29/16	USD	1,016	GBP	771	(11)
						(47)

EUR—Euro.
GBP—British pound.
USD—U.S. dollar.

F. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

During the six months ended June 30, 2016, the portfolio realized net foreign currency gains of $161,000 (including gains and losses on forward currency contracts and the foreign currency component on sales of foreign currency denominated bonds), which increased distributable net income for tax purposes; accordingly, such gains have been reclassified from accumulated net realized losses to undistributed net investment income.

Realized and unrealized gains (losses) on certain of the portfolio's swap contracts are treated as ordinary income (loss) for tax purposes; the effect on the portfolio's income dividends to shareholders is offset by a change in principal return. Realized gains of $94,000 on swap contracts have been reclassified from accumulated net realized losses to undistributed net investment income.

The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at December 31, 2015, the portfolio had available capital losses totaling $167,000 that may be carried forward indefinitely to offset future net capital gains. The portfolio will use these capital losses to offset net taxable capital gains, if any, realized during the year ending December 31, 2016; should the portfolio realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

At June 30, 2016, the cost of investment securities for tax purposes was $560,298,000. Net unrealized depreciation of investment securities for tax purposes was $2,845,000, consisting of unrealized gains of $11,247,000 on securities that had risen in value since their purchase and $14,092,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2016, the portfolio purchased $109,577,000 of investment securities and sold $78,933,000 of investment securities, other than U.S. government securities and temporary cash investments. There were no purchases and sales of U.S. government securities.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	7,501	12,410
Issued in Lieu of Cash Distributions	3,976	3,659
Redeemed	(5,785)	(13,025)
Net Increase (Decrease) in Shares Outstanding	5,692	3,044

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 57% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

High Yield Bond Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,057.79	$1.43
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.47	1.41

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.28%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund High Yield Bond Portfolio has renewed the portfolio's investment advisory arrangement with Wellington Management Company LLP (Wellington Management). The board determined that renewing the portfolio's advisory arrangement was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Wellington Management, founded in 1928, is among the nation's oldest and most respected institutional investment managers. The portfolio manager is supported by a dedicated team of high-yield and bank loan analysts who conduct in-depth credit research on the universe of high-yield issuers, seeking to identify issuers with stable or improving business prospects and attractive yields. Wellington Management focuses on higher-quality bonds, as it believes that these issues offer a more attractive risk/return trade-off over the long term than lower-rated bonds within the high-yield universe. Wellington Management seeks to maintain credit quality and diversification guidelines in order to minimize the risk of potential defaults. Wellington Management has advised the portfolio since its inception in 1996.

The board concluded that the advisor's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a benchmark index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below the peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board did not consider profitability of Wellington Management in determining whether to approve the advisory fee, because Wellington Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the portfolio realizes economies of scale that are built into the negotiated advisory fee rate without any need for asset-level breakpoints. The advisory fee rate is very low relative to the average rate paid by funds in the portfolio's peer group.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

Mortimer J. Buckley
Kathleen C. Gubanich
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Glenn W. Reed
Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

International Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® International Portfolio

Advisors' Report

For the six months ended June 30, 2016, the International Portfolio returned –1.57%. By comparison, the benchmark index returned –1.02% and peer funds, on average, returned –3.11%. Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Please be aware that, after the close of the period, Vanguard announced that M&G Investment Management Ltd. will no longer serve as an advisor for the portfolio. Baillie Gifford Overseas Ltd. and Schroder Investment Management North America, Inc. continue to advise the portfolio, with the portion of assets that had been managed by M&G allocated to Schroder Investment Management.

An accompanying table shows the division of assets among advisors at the end of the period, before the advisory arrangement changed. Each advisor has prepared a discussion of the investment environment that existed during the half year and its effect on the portfolio's positioning. These reports were prepared on July 14, 2016.

Baillie Gifford Overseas Ltd.

Portfolio Managers:

James K. Anderson,
Head of Global Equities

Kave Sigaroudinia,
Head of EAFE Alpha Research

As we reflect on the past six months, amid concerns about global growth and geopolitics, we are reminded that most of what passes for "news" in the investment world is "noise" that is either irrelevant or misleading to the long-term investor. In contrast, significant trends can emerge from incremental developments over time that may seem benign and boring, but are in fact quite powerful.

The world is changing at a remarkable pace, driven by technological innovation. The internet is transforming a wide range of industries, from advertising to media and from financial services to retail. We have invested heavily in a small number of leading internet companies that are poised to benefit, particularly in China. Health care will also look very different in five to ten years' time, such is the acceleration in our understanding of human biology. We find this increasingly exciting and have steadily increased our health care investments. We are looking for companies with strong cultures, ones that focus on reducing system costs, and ones that cure rather than treat diseases.

Three of our health care companies performed strongly in the first half of 2016. Each promises to improve this huge industry in different ways. M3 uses the internet to connect physicians, patients, and pharmaceutical companies more efficiently; it is growing rapidly outside its Japanese base. Denmark's Genmab is developing antibody therapy for cancer and has delivered promising data in the trial of its treatment for multiple myeloma. South Korea's Celltrion offers generic versions of existing biological drugs and is expanding the markets where it enjoys regulatory approval.

Our European bank holdings Banco Popular, UniCredit, and Bank of Ireland again performed weakly. Low interest rates continue to hinder their profitability, and uncertainty about economic growth has reignited concerns about their financial solidity. We sold off our holdings in Bank of Ireland, UniCredit, and Santander as a result.

We have also exited our positions in Turkey's BIM Birlesik Magazalar and Russia's Magnit. The deteriorating political and economic situation in their home countries reduces the growth prospects of these two food retailers. We have reinvested the proceeds in TAL Education, a Chinese K-12 after-school tutoring company; Pigeon, a Japanese consumer goods company

Total Returns

	Six Months Ended June 30, 2016
Vanguard International Portfolio	-1.57%
MSCI All Country World Index ex USA	-1.02
Variable Insurance International Funds Average[1]	-3.11

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance International Funds Average
International Portfolio	0.40%	0.94%

1 Derived from data provided by Lipper, a Thomson Reuters Company

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the International Portfolio's annualized expense ratio was 0.41%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

expanding in Asia, and Spain's Banco Bilbao Vizcaya Argentaria, a bank whose focus on technology should strongly differentiate it from competitors over the next decade. We also increased our investments in American gene sequencing company Illumina and Chinese ecommerce leader Alibaba.

Schroder Investment Management North America Inc.

Portfolio Manager:

Simon Webber, CFA

Following sharp declines at the beginning of the year, international markets put in a strong performance until late June, when the United Kingdom's surprise "yes" vote on leaving the European Union sparked a sell-off in risk assets.

Some of the top contributors have been our emerging markets holdings; standout performers include Brazilian firms Raia Drogasil and BM&FBovespa, chip manufacturer Taiwan Semiconductor Manufacturing Company, and Thai bank Kasikornbank. We are increasingly finding good opportunities in emerging markets in countries where the operating environment is beginning to improve. Notable purchases here include internet firm NAVER, telecommunications company Telefonica Brasil and Peru's Credicorp. These companies have emerged stronger from the economic slowdown of the last few years; their competitive position is more sustainable, and their growth outlook is stronger, than those of comparable developed market peers.

Although both stock selection and our underweight exposure to financials helped performance, some of our biggest individual detractors were found in that sector. These included banks such as Sumitomo Mitsui Financial Group (SMFG), Lloyds, and Intesa. The declines at Intesa reflect concern that bank may be required to help recapitalize some of its weaker Italian peers. We do not expect this to happen, and Intesa itself retains significant excess capital. Meanwhile, SMFG was hit hard by the Bank of Japan's move to introduce negative interest rates. While this is clearly negative for margins, we believe banks are likely to move charges to a more fee-based system to offset some of the impact.

There are a variety of other hurdles (including European and U.S. elections, and the economic slowdown in China) that have the potential to continue to worry financial markets. However, lost among all the noise around the U.K. referendum has been a recent stream of improving economic data that point to a continuation of the modest global growth that we have had for some years now. Strong companies with a competitive advantage and clear strategies for growth will continue to thrive in this environment.

M&G Investment Management Limited

Portfolio Manager:

Charles Anniss, CFA

International equity markets experienced a difficult start to 2016, with ongoing concerns over global growth affecting sentiment and markets moving almost in tandem with fluctuations in the price of oil.

The mood then improved from the middle of February onward, amid well-received central bank action, waning fears over a slowing Chinese economy, more buoyant commodities pricing and easing concerns over the banking sector. As we moved through the six months, though, investor focus came to be dominated by the United Kingdom's referendum on membership of the European Union, and the subsequent vote to leave. Extreme volatility, particularly within continental European and U.K. markets, followed the U.K electorate's "Brexit" decision, before an element of calm eventually returned.

In this environment, investors favored the perceived safety of more defensive sectors, including consumer staples, utilities, and telecommunications. That said, however, the standout performers for the period were energy and materials, as sentiment was buoyed by ongoing improvement in the price of oil and some

Vanguard International Portfolio Investment Advisors

	Portfolio Assets Managed		
Investment Advisor	%	$ Million	Investment Strategy
Baillie Gifford Overseas Ltd.	60	1,294	Uses a bottom-up, stock-driven approach to select stocks that it believes have above-average growth rates and trade at reasonable prices.
Schroder Investment Management North America Inc.	24	512	Uses fundamental research to identify high-quality companies in developed and emerging markets that it believes have above-average growth potential.
M&G Investment Management Limited[1]	15	313	Uses a long-term, bottom-up investment approach that focuses on identifying the stocks of under-appreciated, quality companies that it believes will deliver high returns and have the potential for growth.
Cash Investments	1	32	These short-term reserves are invested by Vanguard in equity index products to simulate investment in stocks. Each advisor may also maintain a modest cash position.

1 M&G Investment Management Limited will no longer serve as an advisor for the portfolio after June 2016.

metals. Our overweight position in energy was supportive of relative returns, while our underweight allocation to materials weighed on performance.

Sectors that were out of favor for the period included consumer discretionary and financials, but, overall, stock selection in both sectors proved beneficial. In the former, our top contributor was adidas; shares of the German sportswear manufacturer have performed well for some time because of ongoing positive operational developments. This success continued in June, as the company forecast record sales in its soccer division, with business boosted by the European championship in France. Among financials, Banco Bradesco, Brazil's second-largest bank, also delivered robust share price performance amid a healthy recovery in the Brazilian market (at the end of the period, Brazil was up by some 47 percent).

Other supportive holdings included Japanese engineering components distributor MISUMI, which performed well despite difficult market conditions in Japan, and Canadian metals and mining firm First Quantum Minerals, which saw its shares boosted as metals pricing improved. ResMed, a global manufacturer of equipment to treat respiratory conditions, was also supportive, as investors were pleased by its ongoing operational success.

On the downside, while overall stock selection within financials aided relative returns, several individual stocks were negatively affected by poor sentiment in the sector. These included French banking group Societe Generale, Dutch financial institution ING, and Japanese insurer Tokio Marine, all of which detracted from returns.

It was a similar case within consumer discretionary, which was particularly hard hit in the United Kingdom following the referendum; notable decliners included automobile distributor Inchcape and cruise ship operator Carnival. In Germany, luxury clothing retailer HUGO BOSS was another key detractor. The company has faced a number of headwinds, including disappointing top-line growth in the United States and China, a shift in its business model from wholesale to retail and the costs associated with that shift, and the unexpected departure of its chief executive.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Comparative Index[1]
Number of Stocks	165	1,849
Turnover Rate[2]	25%	—
Expense Ratio[3]	0.40%	—
Short-Term Reserves	0.4%	—

Volatility Measures

	Portfolio Versus Comparative Index[1]
R-Squared	0.94
Beta	1.08

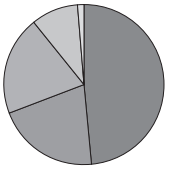
Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index[1]
Consumer Discretionary	22.0%	11.3%
Consumer Staples	6.7	11.6
Energy	2.1	6.9
Financials	17.3	24.6
Health Care	11.5	9.4
Industrials	10.7	11.3
Information Technology	19.6	8.9
Materials	4.2	7.1
Other	2.5	0.0
Telecommunication Services	3.3	5.3
Utilities	0.1	3.6

Ten Largest Holdings[4] (% of total net assets)

Tencent Holdings Ltd.	Internet Software & Services	4.6%
AIA Group Ltd.	Life & Health Insurance	3.5
Industria de Diseno Textil SA	Apparel Retail	3.5
Alibaba Group Holding Ltd.	Internet Software & Services	3.4
Amazon.com Inc.	Internet Retail	3.2
Baidu Inc.	Internet Software & Services	3.1
M3 Inc.	Health Care Technology	2.0
SoftBank Group Corp.	Wireless Telecommunication Services	1.9
ARM Holdings plc	Semiconductors	1.9
Rolls-Royce Holdings plc	Aerospace & Defense	1.8
Top Ten		28.9%

Allocation by Region



48.5%	Europe
20.7%	Pacific
20.0%	Emerging Markets
9.5%	North America
1.3%	Middle East

Market Diversification (% of equity exposure)

	Portfolio[5]	Comparative Index[1]
Europe		
United Kingdom	12.9%	13.8%
Germany	8.2	6.1
Sweden	5.3	2.0
Spain	5.2	2.1
France	4.2	6.8
Switzerland	3.6	6.6
Denmark	2.6	1.4
Italy	2.5	1.4
Netherlands	1.4	2.2
Norway	1.3	0.5
Other European Markets	1.3	1.3
Subtotal	48.5%	44.2%
Pacific		
Japan	12.5%	16.4%
Hong Kong	5.0	2.3
South Korea	2.3	3.3
Other Pacific Markets	0.9	6.2
Subtotal	20.7%	28.2%
Emerging Markets		
China	14.7%	5.8%
India	2.3	1.9
Other Emerging Markets	3.0	12.3
Subtotal	20.0%	20.0%
North America		
United States	7.6%	0.0%
Canada	1.9	6.8
Subtotal	9.5%	6.8%
Middle East		
Israel	1.3%	0.6%
Other	0.0%	0.2%

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 MSCI All Country World Index ex USA.

2 Annualized.

3 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the International Portfolio's annualized expense ratio was 0.41%.

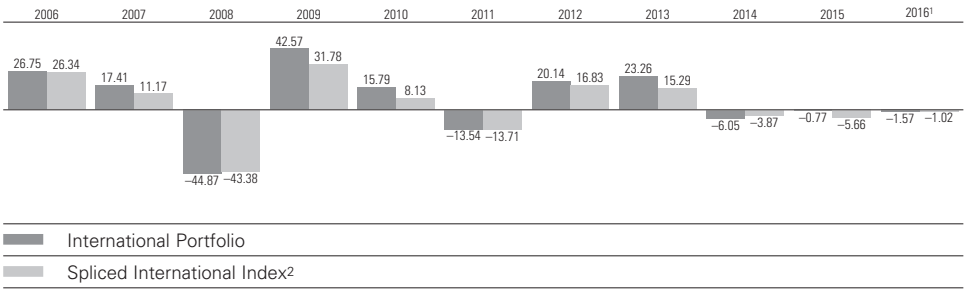
4 The holdings listed exclude any temporary cash investments and equity index products.

5 Market percentages exclude currency contracts held by the portfolio.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
International Portfolio	6/3/1994	-8.50%	2.33%	3.71%

1 Six months ended June 30, 2016.

2 MSCI EAFE Index through May 31, 2010; MSCI All Country World Index ex USA thereafter.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (98.3%)[1]		
Australia (0.5%)		
Brambles Ltd.	699,055	6,487
Orica Ltd.	421,303	3,903
		10,390
Belgium (0.0%)		
Umicore SA	1,358	70
Brazil (0.8%)		
Raia Drogasil SA	377,286	7,416
BM&FBovespa SA - Bolsa de Valores Mercadorias e Futuros	1,055,893	5,917
Telefonica Brasil SA Preference Shares	286,300	3,921
Banco Bradesco SA Preference Shares	62,742	492
		17,746
Canada (1.9%)		
Toronto-Dominion Bank	390,236	16,758
Canadian Pacific Railway Ltd.	49,759	6,406
Gildan Activewear Inc.	186,100	5,451
Goldcorp Inc.	230,061	4,402
First Quantum Minerals Ltd.	399,592	2,805
^ Bank of Nova Scotia	53,240	2,609
ShawCor Ltd.	83,700	2,075
		40,506
China (14.0%)		
Tencent Holdings Ltd.	4,333,500	98,725
* Alibaba Group Holding Ltd. ADR	924,543	73,529
* Baidu Inc. ADR	403,200	66,589
* Ctrip.com International Ltd. ADR	636,027	26,204
New Oriental Education & Technology Group Inc. ADR	304,665	12,759
* JD.com Inc. ADR	440,248	9,346
China Pacific Insurance Group Co. Ltd.	1,757,200	5,999
* TAL Education Group ADR	55,253	3,429
CNOOC Ltd.	2,618,000	3,265
		299,845
Denmark (2.6%)		
* Genmab A/S	114,168	20,797
Novozymes A/S	338,400	16,308
Chr Hansen Holding A/S	163,100	10,710
Novo Nordisk A/S Class B	166,939	8,977
		56,792
France (4.0%)		
L'Oreal SA	105,858	20,249
Essilor International SA	124,274	16,540
Kering	89,975	14,674
Schneider Electric SE	139,520	8,257
Sanofi	71,514	6,011
Airbus Group SE	93,662	5,439
Publicis Groupe SA	79,453	5,383
Danone SA	72,594	5,119
Societe Generale SA	112,332	3,550
		85,222
Germany (8.0%)		
*,2 Zalando SE	1,013,535	26,832
BASF SE	294,049	22,432
SAP SE	273,070	20,411
Fresenius Medical Care AG & Co. KGaA	175,663	15,199
Bayerische Motoren Werke AG	200,718	14,711
Bayer AG	82,121	8,262
GEA Group AG	163,965	7,707
*,3 Home 24AG	2,691	7,602
adidas AG	51,407	7,331
Continental AG	35,263	6,627
MTU Aero Engines AG	68,710	6,428
HeidelbergCement AG	83,246	6,242
*,3 HelloFresh	249,150	5,759
^,*,2 Rocket Internet SE	278,557	5,382
HUGO BOSS AG	73,031	4,126
*,3 CureVac GmbH	1,452	3,440
* MorphoSys AG	67,732	2,825
^,* AIXTRON SE	274,000	1,663
Bayer AG (London Shares)	889	89
		173,068
Hong Kong (5.0%)		
AIA Group Ltd.	12,559,600	75,683
Jardine Matheson Holdings Ltd.	231,951	13,583
Hong Kong Exchanges and Clearing Ltd.	503,560	12,278
Techtronic Industries Co. Ltd.	1,457,000	6,099
		107,643
India (2.2%)		
Housing Development Finance Corp. Ltd.	863,800	16,118
HDFC Bank Ltd.	459,280	8,031
Zee Entertainment Enterprises Ltd.	952,409	6,467
Idea Cellular Ltd.	3,965,215	6,283
*,3 ANI Technologies	142	5,886
*,2,3 Flipkart G Series	37,575	3,857
*,2,3 Flipkart H Series	16,044	1,711
		48,353
Indonesia (0.3%)		
Bank Mandiri Persero Tbk PT	8,374,700	6,071
Ireland (0.7%)		
Kerry Group plc Class A	173,286	15,396
Kerry Group plc Class A (London Shares)	3,475	311
		15,707
Israel (1.3%)		
* Check Point Software Technologies Ltd.	196,452	15,653
Teva Pharmaceutical Industries Ltd. ADR	235,192	11,814
		27,467
Italy (2.5%)		
Fiat Chrysler Automobiles NV	2,947,282	18,194
Ferrari NV	404,824	16,503
EXOR SPA	331,840	12,259
Intesa Sanpaolo SPA (Registered)	3,274,726	6,281
		53,237
Japan (12.1%)		
M3 Inc.	1,260,800	43,666
SoftBank Group Corp.	707,700	40,038
SMC Corp.	121,800	29,711
Rakuten Inc.	2,248,700	24,254
Bridgestone Corp.	400,500	12,789
Sumitomo Mitsui Financial Group Inc.	441,400	12,655
Pigeon Corp.	319,600	9,425
MISUMI Group Inc.	504,600	9,037
KDDI Corp.	269,900	8,216
Tokio Marine Holdings Inc.	238,000	7,873
Kubota Corp.	575,900	7,713
Japan Tobacco Inc.	191,900	7,688
Sekisui Chemical Co. Ltd.	609,100	7,466
Astellas Pharma Inc.	474,800	7,430
Keyence Corp.	9,500	6,407
ORIX Corp.	417,500	5,331
SBI Holdings Inc.	477,700	4,723
Suntory Beverage & Food Ltd.	97,600	4,392
Suzuki Motor Corp.	152,100	4,105
FANUC Corp.	23,500	3,804
Toyota Motor Corp.	67,300	3,365
		260,088
Luxembourg (0.3%)		
*,3 Spotify Technology SA	2,961	6,599
Mexico (0.2%)		
Grupo Financiero Banorte SAB de CV	812,758	4,558
Netherlands (1.4%)		
ASML Holding NV	202,511	20,073
ING Groep NV	473,144	4,918
Akzo Nobel NV	77,406	4,870
		29,861
Norway (1.3%)		
^ Statoil ASA	713,531	12,354
Schibsted ASA Class A	214,063	6,388
Schibsted ASA Class B	214,063	6,127
DNB ASA	310,304	3,752
		28,621

	Shares	Market Value• ($000)
Other (0.6%)		
[4] Vanguard FTSE All-World ex-US ETF	298,796	12,803
Peru (0.1%)		
Credicorp Ltd.	10,912	1,684
Portugal (0.2%)		
Jeronimo Martins SGPS SA	343,323	5,409
Singapore (0.2%)		
DBS Group Holdings Ltd.	405,745	4,781
South Africa (0.2%)		
^ Sasol Ltd.	133,647	3,628
South Korea (2.3%)		
NAVER Corp.	34,577	21,500
^,* Celltrion Inc.	215,478	18,142
Hankook Tire Co. Ltd.	119,570	5,322
Samsung Electronics Co. Ltd.	3,552	4,422
		49,386
Spain (5.2%)		
Industria de Diseno Textil SA	2,261,342	75,410
Banco Bilbao Vizcaya Argentaria SA	2,789,491	15,985
Banco Popular Espanol SA	8,775,317	11,434
Distribuidora Internacional de Alimentacion SA	1,433,395	8,420
		111,249
Sweden (5.3%)		
^ Atlas Copco AB Class A	1,258,070	32,576
Svenska Handelsbanken AB Class A	2,636,360	31,890
* Kinnevik AB	1,100,606	26,160
Assa Abloy AB Class B	436,925	8,956
^ Elekta AB Class B	920,856	7,430
Alfa Laval AB	393,219	6,172
		113,184
Switzerland (3.5%)		
Nestle SA	378,029	29,159
Roche Holding AG	71,085	18,769
Cie Financiere Richemont SA	190,704	11,188
Novartis AG	74,615	6,138
Lonza Group AG	34,929	5,788
LafargeHolcim Ltd.	109,548	4,576
		75,618
Taiwan (0.9%)		
Taiwan Semiconductor Manufacturing Co. Ltd.	3,685,000	18,633
Thailand (0.5%)		
Kasikornbank PCL	1,551,700	7,537
Kasikornbank PCL (Foreign)	765,700	3,774
		11,311
United Kingdom (12.6%)		
ARM Holdings plc	2,632,784	39,876
Rolls-Royce Holdings plc	4,161,746	39,519
Prudential plc	1,289,555	21,969
Royal Dutch Shell plc Class A	757,515	20,776
Aggreko plc	729,423	12,528
Reckitt Benckiser Group plc	107,416	10,807
BHP Billiton plc	841,843	10,589
Standard Chartered plc	1,372,964	10,443
Vodafone Group plc	3,336,699	10,158
Burberry Group plc	641,726	10,031
Diageo plc	308,093	8,621
Unilever plc	166,010	7,963
Lloyds Banking Group plc	9,592,181	7,053
GlaxoSmithKline plc	300,918	6,469
WPP plc	274,334	5,696
Capita plc	438,602	5,634
*,3 Skyscanner	41,148	5,591
Carnival plc	119,235	5,294
Intertek Group plc	112,994	5,277
Ultra Electronics Holdings plc	217,650	5,062
Spectris plc	200,734	4,888
Inchcape plc	531,168	4,459
G4S plc	1,780,840	4,408
^,* Ocado Group plc	1,403,300	4,324
Barclays plc	1,364,813	2,598
		270,033
United States (7.6%)		
* Amazon.com Inc.	96,420	69,000
* Illumina Inc.	228,479	32,074
^,* Tesla Motors Inc.	123,640	26,246
MercadoLibre Inc.	151,400	21,297
ResMed Inc.	125,396	7,929
Samsonite International SA	2,552,000	7,074
		163,620
Total Common Stocks (Cost $1,958,157)		**2,113,183**

	Shares	Market Value• ($000)
Preferred Stocks (0.6%)		
*,3 You & Mr. Jones	5,200,000	5,200
*,3 Internet Plus Holdings Ltd.	2,083,522	7,313
Total Preferred Stocks (Cost $13,244)		**12,513**
Temporary Cash Investments (3.2%)[1]		
Money Market Fund (3.0%)		
[5,6] Vanguard Market Liquidity Fund, 0.538%	64,698,181	64,698
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.2%)		
[7,8] Federal Home Loan Bank Discount Notes, 0.335%, 7/22/16	4,000	3,999
[7] Federal Home Loan Bank Discount Notes, 0.446%, 9/14/16	600	600
		4,599
Total Temporary Cash Investments (Cost $69,297)		**69,297**
Total Investments (102.1%) (Cost $2,040,698)		**2,194,993**

	Amount ($000)
Other Assets and Liabilities (-2.1%)	
Other Assets	
Investment in Vanguard	180
Receivables for Investment Securities Sold	55,967
Receivables for Accrued Income	5,063
Receivables for Capital Shares Issued	126
Other Assets	753
Total Other Assets	**62,089**
Liabilities	
Payables for Investment Securities Purchased	(66,225)
Collateral for Securities on Loan	(34,128)
Payables to Investment Advisor	(1,008)
Payables for Capital Shares Redeemed	(1,102)
Payables to Vanguard	(2,993)
Other Liabilities	(977)
Total Liabilities	**(106,433)**
Net Assets (100%)	
Applicable to 113,951,772 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**2,150,649**
Net Asset Value Per Share	**$18.87**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	2,000,414
Undistributed Net Investment Income	20,639
Accumulated Net Realized Losses	(24,430)
Unrealized Appreciation (Depreciation)	
Investment Securities	154,295
Futures Contracts	75
Forward Currency Contracts	(57)
Foreign Currencies	(287)
Net Assets	**2,150,649**

• See Note A in Notes to Financial Statements.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $33,075,000.

* Non-income-producing security.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 99.5% and 2.0%, respectively, of net assets.

2 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2016, the aggregate value of these securities was $37,782,000, representing 1.8% of net assets.

3 Restricted securities totaling $52,958,000, representing 2.5% of net assets.

4 Considered an affiliated company of the portfolio as the issuer is another member of The Vanguard Group.

5 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

6 Includes $34,128,000 of collateral received for securities on loan.

7 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

8 Securities with a value of $1,600,000 have been segregated as initial margin for open futures contracts.

ADR—American Depositary Receipt.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends[1,2]	26,549
Interest[2]	118
Securities Lending	1,864
Total Income	28,531
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	1,599
Performance Adjustment	378
The Vanguard Group—Note C	
Management and Administrative	1,933
Marketing and Distribution	211
Custodian Fees	151
Shareholders' Reports	20
Trustees' Fees and Expenses	1
Total Expenses	4,293
Net Investment Income	**24,238**
Realized Net Gain (Loss)	
Investment Securities Sold[2]	(21,515)
Futures Contracts	(2,486)
Foreign Currencies and Forward Currency Contracts	711
Realized Net Gain (Loss)	**(23,290)**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	(37,640)
Futures Contracts	(1,008)
Foreign Currencies and Forward Currency Contracts	62
Change in Unrealized Appreciation (Depreciation)	**(38,586)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**(37,638)**

1 Dividends are net of foreign withholding taxes of $2,683,000.

2 Dividend income, interest income, and realized net gain (loss) from affiliated companies of the portfolio were $203,000, $105,000, and $0, respectively.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	24,238	32,077
Realized Net Gain (Loss)	(23,290)	35,970
Change in Unrealized Appreciation (Depreciation)	(38,586)	(96,855)
Net Increase (Decrease) in Net Assets Resulting from Operations	(37,638)	(28,808)
Distributions		
Net Investment Income	(31,437)	(42,431)
Realized Capital Gain	(36,602)	(34,854)
Total Distributions	(68,039)	(77,285)
Capital Share Transactions		
Issued	81,081	430,123
Issued in Lieu of Cash Distributions	68,039	77,285
Redeemed	(145,898)	(350,922)
Net Increase (Decrease) from Capital Share Transactions	3,222	156,486
Total Increase (Decrease)	(102,455)	50,393
Net Assets		
Beginning of Period	**2,253,104**	**2,202,711**
End of Period[1]	**2,150,649**	**2,253,104**

1 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $20,639,000 and $27,955,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$19.80**	**$20.63**	**$22.28**	**$18.35**	**$15.58**	**$18.29**
Investment Operations						
Net Investment Income	.216	.278	.401[1]	.301	.324	.352
Net Realized and Unrealized Gain (Loss) on Investments	(.540)	(.394)	(1.736)	3.909	2.792	(2.782)
Total from Investment Operations	(.324)	(.116)	(1.335)	4.210	3.116	(2.430)
Distributions						
Dividends from Net Investment Income	(.280)	(.392)	(.315)	(.280)	(.346)	(.280)
Distributions from Realized Capital Gains	(.326)	(.322)	—	—	—	—
Total Distributions	(.606)	(.714)	(.315)	(.280)	(.346)	(.280)
Net Asset Value, End of Period	**$18.87**	**$19.80**	**$20.63**	**$22.28**	**$18.35**	**$15.58**
Total Return	**-1.57%**	**-0.77%**	**-6.05%**	**23.26%**	**20.14%**	**-13.54%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$2,151	$2,253	$2,203	$2,284	$1,754	$1,507
Ratio of Total Expenses to Average Net Assets[2]	0.41%	0.40%	0.46%	0.47%	0.49%	0.51%
Ratio of Net Investment Income to Average Net Assets	2.12%	1.37%	1.89%[1]	1.63%	1.89%	1.97%
Portfolio Turnover Rate	25%	23%	24%	22%	29%	33%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Net investment income per share and the ratio of net investment income to average net assets include $.061 and 0.28%, respectively, resulting from income received from Vodafone Group plc in the form of cash and shares in Verizon Communications Inc. in February 2014.

2 Includes performance-based investment advisory fee increases (decreases) of 0.04%, 0.03%, 0.03%, 0.03%, 0.04%, and 0.04%.

Notes to Financial Statements

Vanguard International Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. The portfolio invests in securities of foreign issuers, which may subject it to investment risks not normally associated with investing in securities of U.S. corporations.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the portfolio's pricing time. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments acquired

over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Other temporary cash investments are valued at amortized cost, which approximates market value.

2. Foreign Currency: Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the portfolio's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. Futures and Forward Currency Contracts: The portfolio uses index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The portfolio may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

The portfolio enters into forward currency contracts to provide the appropriate currency exposure related to any open futures contracts or to protect the value of securities and related receivables and payables against changes in foreign exchange rates. The portfolio's risks in using these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the ability of the counterparties to fulfill their obligations under the contracts. The portfolio mitigates its counterparty risk by entering into forward currency contracts only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. The master netting arrangements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate the forward currency contracts, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements. The forward currency contracts contain provisions whereby a counterparty may terminate open contracts if the portfolio's net assets decline below a certain level, triggering a payment by the portfolio if the portfolio is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the portfolio has pledged. Any assets pledged as collateral for open contracts are noted in the Statement of Net Assets. The value of collateral received or pledged is compared daily to the value of the forward currency contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

Futures contracts are valued at their quoted daily settlement prices. Forward currency contracts are valued at their quoted daily prices obtained from an independent third party, adjusted for currency risk based on the expiration date of each contract. The aggregate settlement values and notional amounts of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized gains (losses) on futures or forward currency contracts.

During the six months ended June 30, 2016, the portfolio's average investments in long and short futures contracts represented 2% and 0% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period. The portfolio's average investment in forward currency contracts represented 2% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

5. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

6. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

7. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

8. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. The investment advisory firms Baillie Gifford Overseas Ltd. and Schroder Investment Management North America Inc. each provide investment advisory services to a portion of the portfolio for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fees of Baillie Gifford Overseas Ltd. and Schroder Investment Management North America Inc. are subject to quarterly adjustments based on performance relative to the MSCI All Country World Index ex USA for the preceding three years. Until June 2016, a portion of the portfolio was managed by M&G Investment Management Limited. The basic fee paid to M&G Investment Management Limited was subject to quarterly adjustments based on performance relative to the MSCI All Country World Index ex USA for the preceding three years.

Vanguard manages the cash reserves of the portfolio as described below.

For the six months ended June 30, 2016, the aggregate investment advisory fee represented an effective annual basic rate of 0.15% of the portfolio's average net assets, before a net increase of $378,000 (0.04%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing, distribution, and cash management services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $180,000, representing 0.01% of the portfolio's net assets and 0.07% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks—North and South America	221,040	7,074	—
Common Stocks—Other	232,126	1,612,498	40,445
Preferred Stocks	—	—	12,513
Temporary Cash Investments	64,698	4,599	—
Futures Contracts—Assets[1]	310	—	—
Futures Contracts—Liabilities[1]	(23)	—	—
Forward Currency Contracts—Assets	—	442	—
Forward Currency Contracts—Liabilities	—	(499)	—
Total	518,151	1,624,114	52,958

1 Represents variation margin on the last day of the reporting period.

The determination of Level 3 fair value measurements is governed by documented policies and procedures adopted by the board of trustees. The board has designated a pricing review committee, as an agent of the board, to ensure the timely analysis and valuation of Level 3 securities held by the portfolio in accordance with established policies and procedures. The pricing review committee employs various methods for calibrating valuation approaches, including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity. All valuation decisions made by the pricing review committee are reported to the board on a quarterly basis for review and ratification. The board reviews the adequacy of the fair value measurement policies and procedures in place on an annual basis.

The following table summarizes changes in investments valued based on Level 3 inputs during the six months ended June 30, 2016. Transfers into or out of Level 3 are recognized based on values as of the date of transfer.

Amount Valued Based on Level 3 Inputs	Investments in Common Stocks ($000)	Investments in Preferred Stocks ($000)
Balance as of December 31, 2015	42,674	13,242
Change in Unrealized Appreciation (Depreciation)	(2,229)	(729)
Balance as of June 30, 2016	40,445	12,513

Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2016, was ($2,958,000).

The following table provides quantitative information about the significant unobservable inputs used in fair value measurement as of June 30, 2016:

Security Type	Fair Value ($000)	Valuation Technique	Unobservable Input	Amount
Common Stocks	40,445	Market Approach	Purchase Price	$41,448.661
			Purchase Price	2,824.914
			Purchase Price	2,369.171
			Purchase Price	2,228.610
			Purchase Price	135.881
			Discounted Purchase Price	106.680
			Discounted Recent Market Transaction	102.650
			Purchase Price	23.116
Preferred Stocks	12,513	Market Approach	Discounted Purchase Price	3.510
			Purchase Price	1.000

Significant increases or decreases in the significant unobservable inputs used in the fair value measurement of the portfolio's Level 3 securities, in isolation, could result in a significantly higher or lower fair value measurement.

E. At June 30, 2016, the fair values of derivatives were reflected in the Statement of Net Assets as follows:

Statement of Net Assets Caption	Equity Contracts ($000)	Foreign Exchange Contracts ($000)	Total ($000)
Other Assets	310	442	752
Other Liabilities	(23)	(499)	(522)

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2016, were:

Realized Net Gain (Loss) on Derivatives	Equity Contracts ($000)	Foreign Exchange Contracts ($000)	Total ($000)
Futures Contracts	(2,486)	—	(2,486)
Forward Currency Contracts	—	828	828
Realized Net Gain (Loss) on Derivatives	(2,486)	828	(1,658)
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Futures Contracts	(1,008)	—	(1,008)
Forward Currency Contracts	—	48	48
Change in Unrealized Appreciation (Depreciation) on Derivatives	(1,008)	48	(960)

At June 30, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

				($000)
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value Long (Short)	Unrealized Appreciation (Depreciation)
Dow Jones EURO STOXX 50 Index	September 2016	344	10,911	181
Topix Index	September 2016	54	6,556	(471)
FTSE 100 Index	September 2016	60	5,151	364
S&P ASX 200 Index	September 2016	41	3,950	1
				75

Unrealized appreciation (depreciation) on open Dow Jones EURO STOXX 50 Index and FTSE 100 Index futures contracts is required to be treated as realized gain (loss) for tax purposes.

At June 30, 2016, the portfolio had open forward currency contracts to receive and deliver currencies as follows. Unrealized appreciation (depreciation) on open forward currency contracts is treated as realized gain (loss) for tax purposes.

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (Depreciation) ($000)
			Receive		Deliver	
BNP Paribas	9/21/16	EUR	7,992	USD	8,991	(94)
Citibank, N.A.	9/13/16	JPY	774,268	USD	7,239	279
Morgan Stanley Capital Services LLC	9/21/16	GBP	4,199	USD	5,923	(329)
BNP Paribas	9/20/16	AUD	5,149	USD	3,777	51
Barclays Bank plc	9/21/16	EUR	2,908	USD	3,237	—
JPMorgan Chase Bank, N.A.	9/13/16	JPY	211,565	USD	2,062	(8)
Goldman Sachs International	9/21/16	GBP	1,032	USD	1,386	(12)
UBS AG	9/20/16	AUD	1,655	USD	1,228	3
Barclays Bank plc	9/13/16	JPY	108,000	USD	1,013	35
Citibank, N.A.	9/13/16	USD	2,285	JPY	239,150	(37)
Goldman Sachs International	9/21/16	USD	1,622	GBP	1,221	(4)
Barclays Bank plc	9/13/16	USD	1,212	JPY	123,200	16
Citibank, N.A.	9/21/16	USD	1,082	EUR	959	14
Citibank, N.A.	9/21/16	USD	675	GBP	474	44
JPMorgan Chase Bank, N.A.	9/20/16	USD	650	AUD	887	(9)
Citibank, N.A.	9/20/16	USD	466	AUD	634	(5)
BNP Paribas	9/21/16	USD	399	EUR	360	(1)
						(57)

AUD—Australian dollar.
EUR—Euro.
GBP—British pound.
JPY—Japanese yen.
USD—U.S. dollar.

At June 30, 2016, the counterparty had deposited in segregated accounts securities with a value of $260,000 in connection with open forward currency contracts.

F. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

During the six months ended June 30, 2016, the portfolio realized net foreign currency losses of $117,000, which decreased distributable net income for tax purposes; accordingly, such losses have been reclassified from accumulated net realized losses to undistributed net investment income.

At June 30, 2016, the cost of investment securities for tax purposes was $2,040,698,000. Net unrealized appreciation of investment securities for tax purposes was $154,295,000, consisting of unrealized gains of $405,907,000 on securities that had risen in value since their purchase and $251,612,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2016, the portfolio purchased $264,509,000 of investment securities and sold $268,628,000 of investment securities, other than temporary cash investments.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	4,384	20,336
Issued in Lieu of Cash Distributions	3,688	3,671
Redeemed	(7,887)	(17,013)
Net Increase (Decrease) in Shares Outstanding	185	6,994

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 38% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

International Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Fund Return	$1,000.00	$984.33	$2.02
Based on Hypothetical 5% Yearly Return	1,000.00	1,022.82	2.06

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.41%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangements

The board of trustees of Vanguard Variable Insurance Fund International Portfolio has renewed the portfolio's investment advisory arrangements with Baillie Gifford Overseas Ltd. (Baillie Gifford), and Schroder Investment Management North America Inc. (Schroder Inc.), as well as the sub-advisory agreement with Schroder Investment North America Ltd. (Schroder Ltd.). The board determined that renewing the portfolio's advisory arrangements was in the best interests of the portfolio and its shareholders. Please note that in June, the portfolio's board of trustees modified its investment advisory arrangements. M&G Investment Management Limited no longer serves as an advisor to the portfolio.

The board based its decisions upon an evaluation of each advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangements. Rather, it was the totality of the circumstances that drove the board's decisions.

Nature, extent, and quality of services
The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of each advisor. The board considered the following:

Baillie Gifford. Baillie Gifford, a unit of Baillie Gifford & Co., founded in 1908, is among the largest independently owned investment management firms in the United Kingdom. Baillie Gifford uses fundamental research to make long-term investments in companies that have above-average growth potential resulting from sustainable competitive advantages, special cultures and management, or competitive strength in underestimated technology shifts. Baillie Gifford believes that equities' asymmetrical return pattern means that alpha is generated by focusing on the upside and the potential to earn exponential returns rather than being overly concerned with avoiding losing investments. The advisor takes a bottom-up, stock-driven approach to sector and country allocation. Baillie Gifford has advised a portion of the portfolio since 2003.

Schroder. Schroders plc, the parent company of Schroder Inc. and Schroder Ltd. (collectively, Schroder), has existed for more than 200 years and has investment management experience dating back to 1926. Schroder uses fundamental research to identify quality growth stocks with sustainable competitive advantages selling at attractive valuations. Bottom-up research is conducted within the context of key structural trends shaping the global economy or a given industry that will drive a company's growth prospects. The portfolio's holdings are classified as either "core" or "opportunistic." Core holdings generally constitute two-thirds of the portfolio and tend to be longer-term holdings because of competitive advantages that can support above-average growth rates for an extended period. Opportunistic holdings tend to be shorter-term and more cyclical in nature. Schroder Inc. has advised the portfolio since its inception in 1994, and its affiliate Schroder Ltd. has advised the portfolio since 2003.

The board concluded that each advisor's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangements.

Investment performance
The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a benchmark index and peer group. The board concluded that the performance was such that the advisory arrangements should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost
The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below the peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board did not consider profitability of Baillie Gifford or Schroder in determining whether to approve the advisory fees, because the firms are independent of Vanguard, and the advisory fees are the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the portfolio realizes economies of scale that are built into the advisory fee rates negotiated with Baillie Gifford and Schroder without any need for asset-level breakpoints. The advisory fee rates are very low relative to the average rate paid by funds in the portfolio's peer group.

The board will consider whether to renew the advisory arrangements again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

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Kathleen C. Gubanich
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Glenn W. Reed
Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

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All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Mid-Cap Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Mid-Cap Index Portfolio

Vanguard Mid-Cap Index Portfolio returned 3.48% for the six months ended June 30, 2016, as U.S. stocks finished the half year with solid gains despite significant volatility. The portfolio's performance was in line with its benchmark index (+3.52%) but behind the average return of peer funds (+4.62%).

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Sectors with double-digit gains were among the top contributors

Seven of the ten industry sectors represented in the portfolio advanced, with three posting double-digit gains.

One of the smaller sectors, utilities (+30%), made an outsized contribution. The sector is often viewed as a safer one, and its outperformance reflected the caution many investors felt during the period. It delivers stable, steady dividend yields, which tend to be attractive to those seeking income at a time when bond yields are historically low and stock volatility is high.

Consumer goods and industrials were also notable contributors. Within the first sector, food, household product, and home construction companies were among the leaders. Home construction benefited from the continued recovery of the housing market. The same dynamic was seen among industrials, where construction and materials firms did particularly well. Engineering and transportation companies also outperformed.

Meanwhile, oil and natural gas prices bounced back over the past few months, helping oil and gas producers. As a result, the oil and gas sector returned about 15%.

Financials recorded mixed results, with only a 1% return. Lower long-term interest rates have hurt banks, financial services, and insurance firms, which all lost more than 7%. On the other hand, real estate investment trusts (REITs) rose sharply, more than making up for those losses. REITs climbed as investors gravitated to assets that generate regular income; REITs are required to pay out at least 90% of their income as investment dividends. Falling interest rates can also benefit REITs, because lower capital costs can help their profit margins, particularly in a growing economy.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Mid-Cap Index Portfolio	3.48%
CRSP US Mid Cap Index	3.52
Variable Insurance Mid-Cap Core Funds Average[1]	4.62

Expense Ratios[2]

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Multi-Cap Core Funds Average
Mid-Cap Index Portfolio	0.19%	0.78%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.19%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Target Index[1]	Broad Index[2]
Number of Stocks	342	343	3,863
Median Market Cap	$11.1B	$11.1B	$53.0B
Price/Earnings Ratio	26.5x	25.8x	22.0x
Price/Book Ratio	2.6x	2.6x	2.7x
Yield[3]	1.4%	1.6%	2.1%
Return on Equity	15.6%	15.2%	16.5%
Earnings Growth Rate	10.4%	10.4%	7.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate[4]	24%	—	—
Expense Ratio[5]	0.19%	—	—
Short-Term Reserves	0.0%	—	—

Volatility Measures

	Portfolio Versus Spliced Target Index[6]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.94
Beta	1.00	1.02

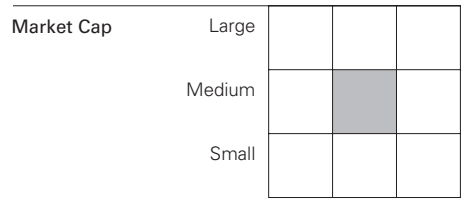
Sector Diversification (% of equity exposure)

	Portfolio	Target Index[1]	Broad Index[2]
Basic Materials	4.4%	4.4%	2.4%
Consumer Goods	14.2	14.2	10.7
Consumer Services	12.5	12.5	13.6
Financials	19.4	19.5	18.6
Health Care	8.4	8.4	13.4
Industrials	17.0	17.0	12.6
Oil & Gas	5.4	5.4	6.7
Technology	11.7	11.6	15.7
Telecommunications	1.2	1.2	2.6
Utilities	5.8	5.8	3.7

Ten Largest Holdings[7] (% of total net assets)

Equinix Inc.	Specialty REITs	0.9%
Fiserv Inc.	Financial Administration	0.8
Fidelity National Information Services Inc.	Financial Administration	0.8
NVIDIA Corp.	Semiconductors	0.8
Newell Brands Inc.	Durable Household Products	0.8
Ross Stores Inc.	Apparel Retailers	0.7
Electronic Arts Inc.	Toys	0.7
Edwards Lifesciences Corp.	Medical Supplies	0.7
Dollar Tree Inc.	Specialty Retailers	0.7
ConAgra Foods Inc.	Food Products	0.7
Top Ten		7.6%

Investment Focus



30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 CRSP US Mid Cap Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

4 Annualized.

5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.19%.

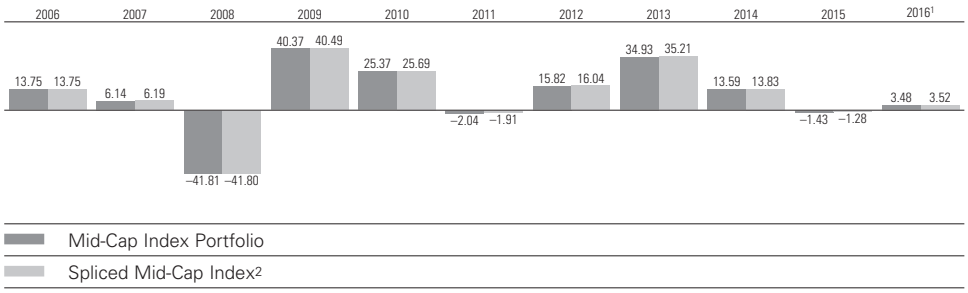
6 Spliced Mid-Cap Index: MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

7 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Mid-Cap Index Portfolio	2/9/1999	–1.00%	10.42%	7.68%

1 Six months ended June 30, 2016.

2 MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (100.2%)[1]		
Basic Materials (4.4%)		
Newmont Mining Corp.	240,764	9,419
Freeport-McMoRan Inc.	511,454	5,698
Alcoa Inc.	596,840	5,533
International Flavors & Fragrances Inc.	36,133	4,555
Celanese Corp. Class A	66,991	4,384
Eastman Chemical Co.	63,737	4,328
Mosaic Co.	158,850	4,159
Albemarle Corp.	50,964	4,042
Ashland Inc.	28,089	3,224
Avery Dennison Corp.	40,412	3,021
FMC Corp.	60,512	2,802
CF Industries Holdings Inc.	105,330	2,538
Reliance Steel & Aluminum Co.	31,056	2,388
WR Grace & Co.	31,916	2,336
* Axalta Coating Systems Ltd.	75,576	2,005
Westlake Chemical Corp.	17,702	760
		61,192
Consumer Goods (14.2%)		
Newell Brands Inc.	216,908	10,535
* Electronic Arts Inc.	133,328	10,101
ConAgra Foods Inc.	198,112	9,472
Tyson Foods Inc. Class A	136,433	9,112
Dr Pepper Snapple Group Inc.	84,348	8,151
Clorox Co.	58,697	8,123
Molson Coors Brewing Co. Class B	79,224	8,012
JM Smucker Co.	51,680	7,877
Genuine Parts Co.	64,501	6,531
Church & Dwight Co. Inc.	58,301	5,999
Whirlpool Corp.	34,537	5,755
McCormick & Co. Inc.	52,342	5,583
* Mohawk Industries Inc.	28,579	5,423
Coach Inc.	126,239	5,143
DR Horton Inc.	159,909	5,034
Mattel Inc.	154,586	4,837
Hormel Foods Corp.	120,334	4,404
Hanesbrands Inc.	171,416	4,308
Hasbro Inc.	50,969	4,281
Snap-on Inc.	26,471	4,178
* LKQ Corp.	125,355	3,974
Delphi Automotive plc	62,010	3,882
* Michael Kors Holdings Ltd.	77,105	3,815
Lennar Corp. Class A	82,413	3,799
Bunge Ltd.	63,319	3,745
Harley-Davidson Inc.	81,910	3,710
PVH Corp.	36,747	3,463
Lear Corp.	33,381	3,397
*,^ Under Armour Inc. Class A	83,170	3,338
* lululemon athletica Inc.	43,428	3,208
* Under Armour Inc.	84,192	3,065
* NVR Inc.	1,683	2,996
BorgWarner Inc.	98,508	2,908
PulteGroup Inc.	141,423	2,756
Leucadia National Corp.	147,422	2,555
Ralph Lauren Corp. Class A	25,819	2,314
Harman International Industries Inc.	32,127	2,307
Polaris Industries Inc.	27,806	2,273
* Edgewell Personal Care Co.	26,875	2,268
* WABCO Holdings Inc.	24,312	2,226
* WhiteWave Foods Co. Class A	39,977	1,876
Goodyear Tire & Rubber Co.	60,110	1,542
Pilgrim's Pride Corp.	28,522	727
^ Coty Inc. Class A	22,636	588
Lennar Corp. Class B	4,820	180
		199,771
Consumer Services (12.5%)		
Ross Stores Inc.	182,353	10,338
* Dollar Tree Inc.	101,624	9,577
Nielsen Holdings plc	155,549	8,084
* Ulta Salon Cosmetics & Fragrance Inc.	27,000	6,578
Expedia Inc.	52,618	5,593
Tractor Supply Co.	60,569	5,523
* Chipotle Mexican Grill Inc. Class A	13,253	5,338
Royal Caribbean Cruises Ltd.	78,173	5,249
Advance Auto Parts Inc.	31,744	5,131
* MGM Resorts International	218,038	4,934
Whole Foods Market Inc.	145,731	4,666
Marriott International Inc. Class A	69,287	4,605
* CarMax Inc.	87,864	4,308
Interpublic Group of Cos. Inc.	182,650	4,219
Best Buy Co. Inc.	125,057	3,827
Aramark	110,287	3,686
Wyndham Worldwide Corp.	50,645	3,607
Darden Restaurants Inc.	54,736	3,467
Foot Locker Inc.	61,847	3,393
Wynn Resorts Ltd.	36,992	3,353
* IHS Inc. Class A	28,991	3,352
AmerisourceBergen Corp. Class A	41,508	3,292
* TripAdvisor Inc.	51,108	3,286
Alaska Air Group Inc.	55,774	3,251
Kohl's Corp.	83,746	3,176
Tiffany & Co.	48,481	2,940
Signet Jewelers Ltd.	35,645	2,938
Bed Bath & Beyond Inc.	66,943	2,893
* Norwegian Cruise Line Holdings Ltd.	71,844	2,862
Starwood Hotels & Resorts Worldwide Inc.	38,360	2,837
FactSet Research Systems Inc.	17,555	2,834
* Liberty SiriusXM Group Class C	91,025	2,810
* United Continental Holdings Inc.	68,326	2,804
News Corp. Class A	227,053	2,577
* Discovery Communications Inc.	107,353	2,560
Staples Inc.	292,029	2,517
* Liberty Interactive Corp. QVC Group Class A	97,368	2,470
Macy's Inc.	70,094	2,356
H&R Block Inc.	101,935	2,345
Scripps Networks Interactive Inc. Class A	36,587	2,278
Gap Inc.	99,424	2,110
Nordstrom Inc.	55,009	2,093
Williams-Sonoma Inc.	36,236	1,889
* Rite Aid Corp.	236,879	1,774
* Discovery Communications Inc. Class A	67,993	1,716
* AutoNation Inc.	32,671	1,535
* Liberty SiriusXM Group Class A	43,853	1,375
* Hertz Global Holdings Inc.	81,253	900
* Hyatt Hotels Corp. Class A	10,524	517
		175,763
Financials (19.5%)		
Equinix Inc.	31,503	12,215
Realty Income Corp.	116,972	8,113
Hartford Financial Services Group Inc.	178,532	7,923
Digital Realty Trust Inc.	72,385	7,889
M&T Bank Corp.	64,999	7,685
Willis Towers Watson plc	59,689	7,420
Moody's Corp.	75,030	7,031
Equifax Inc.	54,067	6,942
Essex Property Trust Inc.	29,696	6,773
Macerich Co.	67,421	5,757
* Markel Corp.	6,028	5,743
Kimco Realty Corp.	180,975	5,679
AvalonBay Communities Inc.	31,177	5,624
Host Hotels & Resorts Inc.	339,194	5,498
Principal Financial Group Inc.	131,606	5,410
Federal Realty Investment Trust	32,258	5,340
Cincinnati Financial Corp.	70,977	5,316
Extra Space Storage Inc.	53,998	4,997
Regions Financial Corp.	574,830	4,892
SL Green Realty Corp.	45,565	4,851
First Republic Bank	67,536	4,727
Citizens Financial Group Inc.	234,314	4,682
Annaly Capital Management Inc.	419,732	4,646
FNF Group	119,683	4,488
UDR Inc.	121,323	4,479
XL Group plc Class A	128,638	4,285
Western Union Co.	222,940	4,276
KeyCorp	382,295	4,224
Lincoln National Corp.	108,146	4,193
VEREIT Inc.	410,728	4,165

	Shares	Market Value• ($000)
* Arch Capital Group Ltd.	52,493	3,780
* CBRE Group Inc. Class A	136,542	3,616
* Ally Financial Inc.	208,662	3,562
Everest Re Group Ltd.	19,300	3,526
Camden Property Trust	39,519	3,494
Alexandria Real Estate Equities Inc.	33,466	3,464
Iron Mountain Inc.	86,674	3,452
* Affiliated Managers Group Inc.	24,426	3,438
Unum Group	107,985	3,433
Nasdaq Inc.	52,356	3,386
Comerica Inc.	79,187	3,257
Huntington Bancshares Inc.	362,672	3,242
MSCI Inc. Class A	41,663	3,213
Torchmark Corp.	51,852	3,206
SEI Investments Co.	66,034	3,177
New York Community Bancorp Inc.	210,065	3,149
American Capital Agency Corp.	149,743	2,968
* E*TRADE Financial Corp.	126,031	2,961
CIT Group Inc.	91,202	2,910
Raymond James Financial Inc.	57,572	2,838
Reinsurance Group of America Inc. Class A	28,999	2,813
Brixmor Property Group Inc.	97,200	2,572
WR Berkley Corp.	41,621	2,494
Invesco Ltd.	94,292	2,408
Zions Bancorporation	92,493	2,324
Axis Capital Holdings Ltd.	42,242	2,323
Voya Financial Inc.	92,591	2,293
People's United Financial Inc.	140,517	2,060
Jones Lang LaSalle Inc.	20,550	2,003
* Liberty Broadband Corp.	32,815	1,969
* Realogy Holdings Corp.	66,491	1,930
* Alleghany Corp.	3,321	1,825
Lazard Ltd. Class A	58,684	1,748
Assurant Inc.	13,964	1,205
Navient Corp.	74,523	891
* Liberty Broadband Corp. Class A	5,612	333
* Santander Consumer USA Holdings Inc.	24,438	252
		272,778
Health Care (8.4%)		
* Edwards Lifesciences Corp.	96,170	9,591
CR Bard Inc.	33,272	7,824
Dentsply Sirona Inc.	106,367	6,599
* Henry Schein Inc.	37,288	6,592
* Laboratory Corp. of America Holdings	46,532	6,062
* DaVita HealthCare Partners Inc.	75,011	5,800
* Incyte Corp.	72,417	5,792
Universal Health Services Inc. Class B	40,826	5,475
* BioMarin Pharmaceutical Inc.	69,985	5,445
* Centene Corp.	73,543	5,249
Quest Diagnostics Inc.	64,200	5,226
* Waters Corp.	34,899	4,909
* Medivation Inc.	74,742	4,507
* Hologic Inc.	126,605	4,380
ResMed Inc.	63,758	4,031
* IDEXX Laboratories Inc.	40,692	3,779
Cooper Cos. Inc.	21,933	3,763
* Jazz Pharmaceuticals plc	26,027	3,678
* Varian Medical Systems Inc.	43,225	3,554
* Mallinckrodt plc	49,412	3,003
* Alkermes plc	68,342	2,954
* Quintiles Transnational Holdings Inc.	38,086	2,488
* Envision Healthcare Holdings Inc.	84,587	2,146
* Alnylam Pharmaceuticals Inc.	32,907	1,826
Patterson Cos. Inc.	38,008	1,820
* Endo International plc	45,129	704
		117,197
Industrials (17.1%)		
* Fiserv Inc.	100,976	10,979
Fidelity National Information Services Inc.	148,139	10,915
Amphenol Corp. Class A	139,789	8,014
Roper Technologies Inc.	45,989	7,844
Vulcan Materials Co.	60,440	7,275
* TransDigm Group Inc.	22,845	6,024
Fastenal Co.	131,148	5,822
* FleetCor Technologies Inc.	39,947	5,718
WW Grainger Inc.	25,050	5,693
* Verisk Analytics Inc. Class A	68,719	5,572
Martin Marietta Materials Inc.	28,778	5,525
Rockwell Collins Inc.	59,140	5,035
Global Payments Inc.	69,961	4,994
* Alliance Data Systems Corp.	25,354	4,967
Acuity Brands Inc.	19,897	4,934
AMETEK Inc.	105,946	4,898
Dover Corp.	70,413	4,881
CH Robinson Worldwide Inc.	64,620	4,798
Masco Corp.	151,094	4,675
Ball Corp.	64,398	4,655
L-3 Communications Holdings Inc.	31,354	4,599
WestRock Co.	114,661	4,457
* Mettler-Toledo International Inc.	12,150	4,434
Kansas City Southern	49,031	4,417
Pentair plc	73,855	4,305
Xerox Corp.	436,796	4,145
Sealed Air Corp.	89,557	4,117
Expeditors International of Washington Inc.	82,718	4,057
Fortune Brands Home & Security Inc.	69,388	4,022
Textron Inc.	109,881	4,017
* Stericycle Inc.	38,580	4,017
* Vantiv Inc. Class A	70,951	4,016
Total System Services Inc.	75,026	3,985
Cintas Corp.	38,726	3,800
Xylem Inc.	81,240	3,627
JB Hunt Transport Services Inc.	40,774	3,300
* Crown Holdings Inc.	63,069	3,196
Fluor Corp.	63,220	3,116
* Waste Connections Inc.	39,665	2,858
* Trimble Navigation Ltd.	113,470	2,764
* Jacobs Engineering Group Inc.	55,438	2,761
Wabtec Corp.	38,686	2,717
* Sensata Technologies Holding NV	77,081	2,689
* United Rentals Inc.	40,064	2,688
Flowserve Corp.	58,932	2,662
Hubbell Inc. Class B	24,950	2,631
* Arrow Electronics Inc.	41,684	2,580
Owens Corning	49,884	2,570
Macquarie Infrastructure Corp.	32,735	2,424
Avnet Inc.	58,148	2,356
Robert Half International Inc.	56,445	2,154
B/E Aerospace Inc.	46,461	2,145
ManpowerGroup Inc.	32,513	2,092
FLIR Systems Inc.	62,567	1,936
Allison Transmission Holdings Inc.	65,518	1,850
* First Data Corp. Class A	145,264	1,608
AGCO Corp.	15,731	741
		239,071
Oil & Gas (5.4%)		
* Concho Resources Inc.	59,717	7,122
EQT Corp.	78,430	6,073
Marathon Oil Corp.	384,664	5,774
National Oilwell Varco Inc.	171,172	5,760
Cabot Oil & Gas Corp.	211,082	5,433
Cimarex Energy Co.	43,079	5,140
Columbia Pipeline Group Inc.	180,849	4,610
Devon Energy Corp.	113,037	4,098
Tesoro Corp.	54,547	4,087
* Cheniere Energy Inc.	90,924	3,414
Range Resources Corp.	72,926	3,146
Helmerich & Payne Inc.	46,678	3,134
OGE Energy Corp.	90,334	2,958
* FMC Technologies Inc.	102,305	2,728
Core Laboratories NV	19,867	2,461
* Antero Resources Corp.	89,364	2,322
* Weatherford International plc	406,596	2,257
HollyFrontier Corp.	80,205	1,906
Murphy Oil Corp.	36,778	1,168
Energen Corp.	21,955	1,058
* Continental Resources Inc.	21,265	963
		75,612
Technology (11.7%)		
NVIDIA Corp.	230,231	10,823
* Cerner Corp.	138,144	8,095
Lam Research Corp.	72,470	6,092
* Red Hat Inc.	82,376	5,981
Western Digital Corp.	121,393	5,737
Symantec Corp.	277,849	5,707
Skyworks Solutions Inc.	86,402	5,468
* Citrix Systems Inc.	66,924	5,360
Xilinx Inc.	115,998	5,351
* Autodesk Inc.	96,892	5,246
KLA-Tencor Corp.	70,736	5,181
Linear Technology Corp.	108,540	5,050
Harris Corp.	56,626	4,725
Microchip Technology Inc.	92,655	4,703
* Palo Alto Networks Inc.	38,132	4,677
* ServiceNow Inc.	70,318	4,669
Maxim Integrated Products Inc.	129,048	4,606
* Akamai Technologies Inc.	75,706	4,234
CDK Global Inc.	70,266	3,899
* Workday Inc. Class A	50,929	3,803
* Synopsys Inc.	68,937	3,728
Juniper Networks Inc.	165,599	3,724
* VeriSign Inc.	41,890	3,622
* ANSYS Inc.	39,816	3,613
* Gartner Inc.	35,607	3,468
* F5 Networks Inc.	30,434	3,465
* Qorvo Inc.	62,271	3,441
Seagate Technology plc	135,563	3,302
* Splunk Inc.	59,985	3,250
* Micron Technology Inc.	234,395	3,225

	Shares	Market Value• ($000)
NetApp Inc.	130,728	3,215
Motorola Solutions Inc.	37,505	2,474
Garmin Ltd.	51,576	2,188
* Twitter Inc.	127,532	2,157
* Nuance Communications Inc.	125,965	1,969
Marvell Technology Group Ltd.	186,698	1,779
Computer Sciences Corp.	31,279	1,553
* IMS Health Holdings Inc.	52,290	1,326
* NetSuite Inc.	18,160	1,322
CSRA Inc.	36,500	855
* Premier Inc. Class A	20,732	678
		163,761
Telecommunications (1.2%)		
* Level 3 Communications Inc.	130,008	6,694
* SBA Communications Corp. Class A	57,001	6,153
Frontier Communications Corp.	530,009	2,618
* Zayo Group Holdings Inc.	54,680	1,527
		16,992
Utilities (5.8%)		
WEC Energy Group Inc.	143,298	9,357
Eversource Energy	143,956	8,623
DTE Energy Co.	81,476	8,076
American Water Works Co. Inc.	80,695	6,820
Ameren Corp.	110,200	5,905
CMS Energy Corp.	127,136	5,830
ONEOK Inc.	95,381	4,526
CenterPoint Energy Inc.	185,717	4,457
SCANA Corp.	58,456	4,423
Alliant Energy Corp.	103,146	4,095
Pinnacle West Capital Corp.	50,469	4,091
NiSource Inc.	145,949	3,871
AES Corp.	299,102	3,733
Entergy Corp.	40,595	3,302
* Calpine Corp.	162,267	2,393
Avangrid Inc.	27,916	1,286
		80,788
Total Common Stocks (Cost $1,163,948)		**1,402,925**

	Shares	Market Value• ($000)
Temporary Cash Investments (0.3%)[1]		
Money Market Fund (0.3%)		
[2,3] Vanguard Market Liquidity Fund, 0.538%	4,123,327	4,123

	Face Amount ($000)	
U.S. Government and Agency Obligations (0.0%)		
[4,5] Federal Home Loan Bank Discount Notes, 0.486%–0.496%, 8/24/16	300	300
Total Temporary Cash Investments (Cost $4,423)		**4,423**
Total Investments (100.5%) (Cost $1,168,371)		**1,407,348**

	Amount ($000)
Other Assets and Liabilities (-0.5%)	
Other Assets	
Investment in Vanguard	115
Receivables for Investment Securities Sold	1,313
Receivables for Accrued Income	1,425
Receivables for Capital Shares Issued	242
Other Assets	60
Total Other Assets	**3,155**
Liabilities	
Payables for Investment Securities Purchased	(6,652)
Collateral for Securities on Loan	(889)
Payables for Capital Shares Redeemed	(1,024)
Payables to Vanguard	(1,185)
Other Liabilities	(25)
Total Liabilities	**(9,775)**
Net Assets (100%)	
Applicable to 71,241,916 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,400,728**
Net Asset Value Per Share	**$19.66**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,129,656
Undistributed Net Investment Income	7,237
Accumulated Net Realized Gains	24,840
Unrealized Appreciation (Depreciation)	
Investment Securities	238,977
Futures Contracts	18
Net Assets	**1,400,728**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $867,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.4% and 0.1%, respectively, of net assets.

2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

3 Includes $889,000 of collateral received for securities on loan.

4 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

5 Securities with a value of $200,000 have been segregated as initial margin for open futures contracts.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends	9,842
Interest[1]	7
Securities Lending	152
Total Income	10,001
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	129
Management and Administrative	937
Marketing and Distribution	134
Custodian Fees	37
Shareholders' Reports	19
Total Expenses	1,256
Net Investment Income	**8,745**
Realized Net Gain (Loss)	
Investment Securities Sold	24,309
Futures Contracts	585
Realized Net Gain (Loss)	**24,894**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	12,090
Futures Contracts	18
Change in Unrealized Appreciation (Depreciation)	**12,108**
Net Increase (Decrease) in Net Assets Resulting from Operations	**45,747**

1 Interest income from an affiliated company of the portfolio was $6,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	8,745	19,073
Realized Net Gain (Loss)	24,894	94,508
Change in Unrealized Appreciation (Depreciation)	12,108	(135,451)
Net Increase (Decrease) in Net Assets Resulting from Operations	45,747	(21,870)
Distributions		
Net Investment Income	(18,997)	(16,326)
Realized Capital Gain[1]	(94,466)	(73,163)
Total Distributions	(113,463)	(89,489)
Capital Share Transactions		
Issued	85,420	225,446
Issued in Lieu of Cash Distributions	113,463	89,489
Redeemed	(93,829)	(203,732)
Net Increase (Decrease) from Capital Share Transactions	105,054	111,203
Total Increase (Decrease)	37,338	(156)
Net Assets		
Beginning of Period	**1,363,390**	**1,363,546**
End of Period[2]	**1,400,728**	**1,363,390**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $0 and $2,315,000, respectively. Short-term gain distributions are treated as ordinary income for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $7,237,000 and $17,489,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$20.76**	**$22.49**	**$20.77**	**$16.13**	**$14.49**	**$14.93**
Investment Operations						
Net Investment Income	.128	.291	.266	.203	.205	.172
Net Realized and Unrealized Gain (Loss) on Investments	.516	(.552)	2.446	5.262	2.071	(.462)
Total from Investment Operations	.644	(.261)	2.712	5.465	2.276	(.290)
Distributions						
Dividends from Net Investment Income	(.292)	(.268)	(.200)	(.200)	(.178)	(.150)
Distributions from Realized Capital Gains	(1.452)	(1.201)	(.792)	(.625)	(.458)	—
Total Distributions	(1.744)	(1.469)	(.992)	(.825)	(.636)	(.150)
Net Asset Value, End of Period	**$19.66**	**$20.76**	**$22.49**	**$20.77**	**$16.13**	**$14.49**
Total Return	**3.48%**	**-1.43%**	**13.59%**	**34.93%**	**15.82%**	**-2.04%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,401	$1,363	$1,364	$1,172	$820	$750
Ratio of Total Expenses to Average Net Assets	0.19%	0.19%	0.24%	0.25%	0.26%	0.26%
Ratio of Net Investment Income to Average Net Assets	1.39%	1.35%	1.29%	1.15%	1.30%	1.11%
Portfolio Turnover Rate	24%	23%	16%	35%	23%	27%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Mid-Cap Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Other temporary cash investments are valued at amortized cost, which approximates market value.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, enhancing returns, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The portfolio may seek to enhance returns by using futures contracts instead of the underlying securities when futures are believed to be priced more attractively than the underlying securities. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the six months ended June 30, 2016, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's

default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $115,000, representing 0.01% of the portfolio's net assets and 0.05% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,402,925	—	—
Temporary Cash Investments	4,123	300	—
Futures Contracts—Assets[1]	60	—	—
Total	1,407,108	300	—

1 Represents variation margin on the last day of the reporting period.

D. At June 30, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

			($000)	
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value Long (Short)	Unrealized Appreciation (Depreciation)
E-mini S&P Mid-Cap 400 Index	September 2016	21	3,135	18

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

E. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $1,168,371,000. Net unrealized appreciation of investment securities for tax purposes was $238,977,000, consisting of unrealized gains of $314,764,000 on securities that had risen in value since their purchase and $75,787,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended June 30, 2016, the portfolio purchased $162,884,000 of investment securities and sold $158,907,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	4,419	10,312
Issued in Lieu of Cash Distributions	6,032	4,130
Redeemed	(4,873)	(9,404)
Net Increase (Decrease) in Shares Outstanding	5,578	5,038

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 47% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

H. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Mid-Cap Index Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,034.82	$0.96
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.92	0.96

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.19%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Mid-Cap Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Equity Index Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below its peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

Mortimer J. Buckley
Kathleen C. Gubanich
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Glenn W. Reed
Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Money Market Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Money Market Portfolio

The Federal Reserve held its target for short-term interest rates between 0.25%–0.5% over the half year ended June 30, 2016. While the level is still exceptionally low, the Fed's 0.25% rate hike last December was its first in almost a decade and marked a start to the normalizing of monetary policy.

Vanguard Money Market Portfolio's 0.20% return reflects the environment created by the Fed's monetary policy. This slight return nevertheless surpassed the 0.11% return of its benchmark and the 0.01% average return of its variable insurance money market fund peers. The portfolio maintained a net asset value of $1 per share during the period, as is expected but not guaranteed. On June 30, the portfolio's 7-day SEC yield was 0.45%, up from 0.32% six months earlier.

Please note that the portfolio returns and yield of Vanguard Variable Insurance Fund Money Market Portfolio are different from those in Vanguard Variable Annuity (and other plans that invest in the portfolio), which take into account insurance-related expenses. Accordingly, given the low-rate environment, it is possible that while the portfolio maintains a $1 net asset value, the value of shares of the portfolio held indirectly through either Vanguard Variable Annuity or one of the other plans that invest in the portfolio could fall below $1.

Also, as a reminder, the Securities and Exchange Commission in 2014 adopted regulatory changes governing money market funds, which fund sponsors must adopt by October 2016. A year ago, we announced plans that preserve our money market funds as a cash management option with a stable price for both individual and institutional clients.

Careful approach, low costs have benefited the portfolio

The Fed's strategy to normalize monetary policy hinges on the health of the U.S. economy, which generally fared better over the six months than many of its international counterparts.

However, indications point to a long and gradual process. In March, the Fed scaled back its original plan for interest rate increases in 2016 as concerns grew about weaker global economic growth.

The Money Market Portfolio's small returns have no doubt discouraged investors, many of whom have traditionally counted on such accounts for a degree of income. While delivering income is one of the portfolio's primary objectives, it comes in third behind providing safety and liquidity. Nevertheless, the portfolio's advisor, Vanguard Fixed Income Group, was able to add value without sacrificing safety.

Because of its low costs, the portfolio isn't forced to reach for riskier, higher-yielding securities in an effort to maintain competitive after-cost yields. The advisor invests only in holdings from top-tier issuers (as determined by nationally recognized credit-rating services). Every investment is researched by our team of experienced credit analysts.

Yankee/foreign issues were the portfolio's largest holding over the period and made up about 48% of assets at June 30. Because the advisor takes a conservative approach, we had no exposure to Greece or to other financial short-term debt from economically struggling nations in southern Europe. Other significant categories of holdings, at period's end, included U.S. government obligations (about 25%), U.S. Treasury bills and notes (about 12%), U.S. certificates of deposit (about 12%), and U.S. commercial paper (about 5%).

The United Kingdom's vote to leave the European Union, a decision known as "Brexit," is also being monitored by the advisor. Over the six months, the portfolio's exposure to U.K. short-term debt varied between about 2% and 3%. The advisor doesn't expect material changes to the portfolio's yield or performance relative to its benchmark or peers based on what happens in the United Kingdom.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Money Market Portfolio (7-Day SEC Yield: 0.45%)	0.20%
Citigroup Three-Month U.S. Treasury Bill Index	0.11
Variable Insurance Money Market Funds Average[1]	0.01

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Money Market Funds Average
Money Market Portfolio	0.16%	0.19%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015. In most, if not all, cases, the expense ratios for funds in the peer group are based on net operating expenses after reimbursement and/or fee waivers by fund sponsors. In contrast, the expense ratio for Vanguard Money Market Portfolio shown in the table above does not reflect expense reductions. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.16%.

Portfolio Profile

As of June 30, 2016

Financial Attributes

Yield[1]	0.45%
Average Weighted Maturity	53 days
Expense Ratio[2]	0.16%

Sector Diversification[3] (% of portfolio)

Certificates of Deposit	11.5%
U.S. Commercial Paper	4.5
U.S. Government Obligations	24.6
U.S. Treasury Bills	11.7
Yankee/Foreign	47.7
Other	0.0

Distribution by Credit Quality (% of portfolio)

First Tier	100.0%

7-Day SEC Yield. A money market portfolio's 7-day SEC yield is calculated by annualizing its income distributions for the previous seven days, as required by the U.S. Securities and Exchange Commission.

Credit Quality. The Distribution by Credit Quality table includes tier ratings for consistency with SEC Rule 2a-7 under the Investment Company Act of 1940, which governs money market funds. A First Tier security is one that is eligible for money market funds and has been rated in the highest short-term rating category for debt obligations by nationally recognized statistical rating organizations. Credit-quality ratings are obtained from Moody's, Fitch, and S&P. For securities rated by all three agencies, where two of them are in agreement and assign the highest rating category, the highest rating applies. If a security is only rated by two agencies, and their ratings are in different categories, the lower of the ratings applies. An unrated security is First Tier if it represents quality comparable to that of a rated security, as determined in accordance with SEC Rule 2a-7.

1 7-day SEC yield.

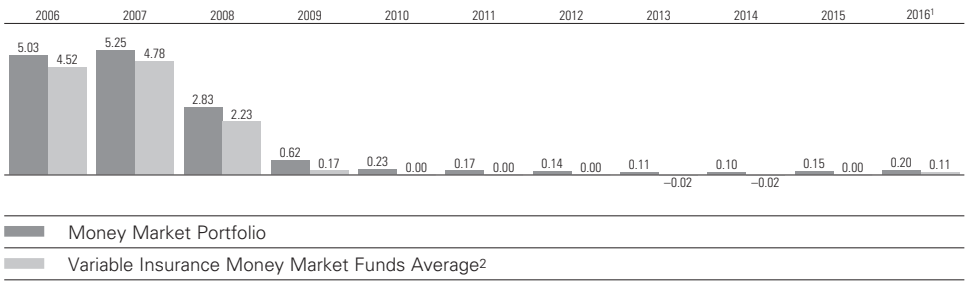
2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.16%.

3 The agency sector may include issues from government-sponsored enterprises; such issues are not backed by the full faith and credit of the U.S. government.

Performance Summary

Investment returns will fluctuate. All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions. **An investment in a money market portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the portfolio seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in the portfolio.** The portfolio's SEC 7-day annualized yield as of June 30, 2016, was 0.45%. This yield reflects the current earnings of the portfolio more closely than do the average annual returns. Note that the returns do not reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Money Market Portfolio	5/2/1991	0.29%	0.15%	1.23%

1 Six months ended June 30, 2016.

2 Derived from data provided by Lipper, a Thomson Reuters Company.

See Financial Highlights for dividend information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in various monthly and quarterly regulatory filings. The portfolio publishes its holdings on a monthly basis at vanguard.com and files them with the Securities and Exchange Commission on Form N-MFP. The portfolio's Form N-MFP filings become public 60 days after the relevant month-end, and may be viewed at sec.gov or via a link on the "Portfolio Holdings" page on vanguard.com. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the SEC on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

		Yield[1]	Maturity Date	Face Amount ($000)	Market Value• ($000)
U.S. Government and Agency Obligations (36.4%)					
[2]	Fannie Mae Discount Notes	0.330%	7/19/16	1,205	1,205
[2]	Fannie Mae Discount Notes	0.300%	8/3/16	21,698	21,692
[3]	Federal Home Loan Bank Discount Notes	0.360%–0.370%	7/13/16	5,700	5,699
[3]	Federal Home Loan Bank Discount Notes	0.370%	7/15/16	500	500
[3]	Federal Home Loan Bank Discount Notes	0.360%	7/20/16	10,000	9,998
[3]	Federal Home Loan Bank Discount Notes	0.350%–0.370%	7/22/16	25,629	25,624
[3]	Federal Home Loan Bank Discount Notes	0.330%	7/25/16	1,600	1,600
[3]	Federal Home Loan Bank Discount Notes	0.370%	7/27/16	6,000	5,998
[3]	Federal Home Loan Bank Discount Notes	0.320%	8/1/16	2,500	2,499
[3]	Federal Home Loan Bank Discount Notes	0.320%–0.340%	8/2/16	13,400	13,396
[3]	Federal Home Loan Bank Discount Notes	0.305%–0.340%	8/3/16	11,817	11,814
[3]	Federal Home Loan Bank Discount Notes	0.330%–0.355%	8/5/16	10,324	10,321
[3]	Federal Home Loan Bank Discount Notes	0.320%–0.335%	8/10/16	21,400	21,392
[3]	Federal Home Loan Bank Discount Notes	0.325%–0.340%	8/12/16	21,500	21,492
[3]	Federal Home Loan Bank Discount Notes	0.330%–0.355%	8/17/16	31,000	30,987
[3]	Federal Home Loan Bank Discount Notes	0.340%–0.350%	8/19/16	10,400	10,395
[3]	Federal Home Loan Bank Discount Notes	0.345%–0.350%	8/22/16	7,500	7,496
[3]	Federal Home Loan Bank Discount Notes	0.461%	10/12/16	2,300	2,297
[3]	Federal Home Loan Bank Discount Notes	0.501%	11/2/16	500	499
[3]	Federal Home Loan Bank Discount Notes	0.451%	11/4/16	5,000	4,992
[2]	Freddie Mac Discount Notes	0.340%	7/13/16	1,100	1,100
[2]	Freddie Mac Discount Notes	0.350%	7/15/16	1,365	1,365
	United States Treasury Bill	0.241%	7/14/16	8,921	8,920
	United States Treasury Bill	0.421%	8/11/16	30,000	29,986
	United States Treasury Bill	0.411%	8/18/16	25,000	24,986
	United States Treasury Bill	0.381%	11/10/16	50,000	49,930
	United States Treasury Bill	0.371%	11/17/16	25,000	24,964
[4]	United States Treasury Floating Rate Note	0.313%	10/31/16	14,500	14,497
[4]	United States Treasury Floating Rate Note	0.344%	1/31/17	24,296	24,295
	United States Treasury Note/Bond	4.875%	8/15/16	9,150	9,201
	United States Treasury Note/Bond	3.125%	10/31/16	5,000	5,045
	United States Treasury Note/Bond	1.000%	10/31/16	2,500	2,505
	United States Treasury Note/Bond	4.625%	11/15/16	10,000	10,156
	United States Treasury Note/Bond	3.250%	12/31/16	15,000	15,209
Total U.S. Government and Agency Obligations (Cost $432,055)					**432,055**
Commercial Paper (27.9%)					
Bank Holding Company (0.6%)					
[5]	ABN Amro Funding USA LLC	0.621%	8/18/16	2,000	1,998
[5]	ABN Amro Funding USA LLC	0.651%	8/24/16	5,000	4,995
[5]	ABN Amro Funding USA LLC	0.621%	9/12/16	500	500
					7,493
Finance—Auto (1.8%)					
	American Honda Finance Corp.	0.521%	7/25/16	750	750
	American Honda Finance Corp.	0.520%	7/26/16	250	250
	American Honda Finance Corp.	0.581%	8/15/16	2,500	2,498
	American Honda Finance Corp.	0.581%	8/16/16	3,000	2,998
	American Honda Finance Corp.	0.581%	8/18/16	1,250	1,249
	American Honda Finance Corp.	0.541%	8/29/16	750	749
[5]	BMW US Capital LLC	0.511%	7/25/16	250	250
[5]	BMW US Capital LLC	0.511%	7/26/16	1,500	1,499
[5]	BMW US Capital LLC	0.511%	8/1/16	1,250	1,249
[5]	BMW US Capital LLC	0.511%	8/2/16	750	750
[5]	BMW US Capital LLC	0.511%	8/17/16	750	749
	Toyota Motor Credit Corp.	0.571%	7/1/16	2,200	2,200
	Toyota Motor Credit Corp.	0.823%	7/7/16	250	250
[4]	Toyota Motor Credit Corp.	0.709%	7/22/16	1,000	1,000
[4]	Toyota Motor Credit Corp.	0.713%	7/22/16	500	500
	Toyota Motor Credit Corp.	0.591%	8/2/16	250	250
[4]	Toyota Motor Credit Corp.	0.721%	8/18/16	1,000	1,000
[4]	Toyota Motor Credit Corp.	0.721%	8/19/16	1,000	1,000
[4]	Toyota Motor Credit Corp.	0.730%	8/25/16	1,000	1,000
	Toyota Motor Credit Corp.	0.601%	9/22/16	1,750	1,748
					21,939
Foreign Banks (13.2%)					
[5]	Australia & New Zealand Banking Group, Ltd.	0.551%	7/25/16	3,000	2,999
[4,5]	Australia & New Zealand Banking Group, Ltd.	0.663%	7/27/16	3,000	3,000
[5]	Australia & New Zealand Banking Group, Ltd.	0.551%	7/28/16	250	250
[4,5]	Australia & New Zealand Banking Group, Ltd.	0.680%	8/3/16	1,000	1,000
[5]	Australia & New Zealand Banking Group, Ltd.	0.910%	8/4/16	4,000	3,997
[5]	Australia & New Zealand Banking Group, Ltd.	0.551%	8/9/16	5,000	4,997
[5]	Australia & New Zealand Banking Group, Ltd.	0.651%	10/3/16	3,000	2,995
[5]	Australia & New Zealand Banking Group, Ltd.	0.823%	11/3/16	2,000	1,994

	Yield[1]	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4,5] Australia & New Zealand Banking Group, Ltd.	0.947%	2/1/17	3,250	3,250
[4,5] Bank of Nova Scotia	0.797%	8/12/16	3,000	3,000
[4,5] Bank of Nova Scotia	0.847%	11/8/16	2,000	2,000
[4,5] Commonwealth Bank of Australia	0.796%	8/17/16	3,000	3,000
[5] Commonwealth Bank of Australia	0.854%	9/14/16	2,750	2,745
[5] Commonwealth Bank of Australia	0.844%	9/23/16	1,750	1,747
[4,5] Commonwealth Bank of Australia	0.803%	9/26/16	2,500	2,500
[4,5] Commonwealth Bank of Australia	0.819%	10/4/16	5,000	5,000
[4,5] Commonwealth Bank of Australia	0.797%	10/11/16	3,000	3,000
[4,5] Commonwealth Bank of Australia	0.829%	10/31/16	2,250	2,250
[4,5] Commonwealth Bank of Australia	0.830%	11/1/16	2,250	2,250
[4,5] Commonwealth Bank of Australia	0.956%	2/3/17	1,000	1,000
[4,5] Commonwealth Bank of Australia	1.003%	5/19/17	1,250	1,250
[4,5] Commonwealth Bank of Australia	1.010%	5/26/17	3,750	3,750
[5] Danske Corp.	0.571%	8/18/16	2,000	1,998
[5] Danske Corp.	0.571%	8/19/16	2,000	1,998
[5] DNB Bank ASA	0.641%	7/18/16	5,000	4,999
ING US Funding LLC	0.641%	8/3/16	6,000	5,996
ING US Funding LLC	0.712%	9/6/16	2,500	2,497
Lloyds Bank plc	0.682%	9/20/16	3,000	2,995
[5] National Australia Bank Ltd.	0.803%	7/5/16	1,000	1,000
[5] National Australia Bank Ltd.	0.773%	7/26/16	1,000	999
[5] National Australia Bank Ltd.	0.854%	9/12/16	3,000	2,995
[5] National Australia Bank Ltd.	0.823%	10/13/16	5,000	4,988
[5] National Australia Bank Ltd.	0.844%	10/24/16	4,000	3,989
[5] National Australia Bank Ltd.	0.934%	11/21/16	5,000	4,982
[4,5] National Australia Bank Ltd.	0.877%	3/3/17	3,000	3,000
[5] Nordea Bank AB	0.849%	9/14/16	2,750	2,745
[5] Nordea Bank AB	0.828%	9/20/16	2,000	1,996
[5] Nordea Bank AB	0.828%	9/21/16	6,000	5,989
[5] Nordea Bank AB	0.910%	11/14/16	3,000	2,990
[5] Skandinaviska Enskilda Banken AB	0.591%	9/7/16	5,000	4,994
[5] Sumitomo Mitsui Banking Corporation	0.661%	8/22/16	2,350	2,348
[5] Svenska Handelsbanken AB	0.808%	7/18/16	5,000	4,998
[5] Svenska Handelsbanken AB	0.662%	8/3/16	1,000	999
[5] Svenska Handelsbanken AB	0.833%	11/1/16	5,000	4,986
Swedbank AB	0.793%	7/1/16	2,500	2,500
Swedbank AB	0.793%	7/7/16	2,500	2,500
Swedbank AB	0.773%	7/19/16	1,000	1,000
Swedbank AB	0.586%	9/20/16	7,000	6,991
[4,5] Westpac Banking Corp.	0.943%	1/27/17	7,000	7,000
[4,5] Westpac Banking Corp.	0.993%	5/26/17	4,250	4,250
				156,696
Foreign Governments (6.8%)				
[5] CDP Financial Inc.	0.853%	7/20/16	2,675	2,674
[5] CDP Financial Inc.	0.571%	7/28/16	1,000	999
[5] CDP Financial Inc.	0.571%	7/29/16	250	250
[5] CDP Financial Inc.	0.571%–0.651%	8/2/16	10,000	9,994
[5] CDP Financial Inc.	0.601%	9/8/16	250	250
[5] CDP Financial Inc.	0.601%	9/12/16	250	250
[5] CDP Financial Inc.	0.601%	9/13/16	6,000	5,993
[5] CDP Financial Inc.	0.611%	9/14/16	1,750	1,748
[5] CDP Financial Inc.	0.834%–0.864%	9/16/16	2,250	2,246
[5] CDP Financial Inc.	0.722%	10/13/16	5,000	4,990
[4,6] CPPIB Capital Inc.	0.748%	7/12/16	2,250	2,250
[4,6] CPPIB Capital Inc.	0.748%	7/13/16	2,250	2,250
Export Development Canada	0.611%	8/1/16	500	500
Export Development Canada	0.611%	8/2/16	500	500
Export Development Canada	0.642%	8/8/16	1,250	1,249
Export Development Canada	0.642%	8/9/16	4,000	3,997
[5] Ontario Teachers' Finance Trust	0.581%	9/12/16	1,000	999
[5] Ontario Teachers' Finance Trust	0.874%	10/11/16	738	736
[5] Ontario Teachers' Finance Trust	0.884%	10/26/16	1,000	997
[5] Ontario Teachers' Finance Trust	0.894%	10/31/16	10,000	9,970
[5] Ontario Teachers' Finance Trust	0.945%	11/15/16	1,000	996
[5] Ontario Teachers' Finance Trust	0.995%	12/5/16	5,000	4,978
Province of British Columbia	0.561%	7/7/16	3,805	3,805
[6] PSP Capital Inc.	0.803%	7/5/16	750	750
[6] PSP Capital Inc.	0.823%	7/20/16	750	750
[6] PSP Capital Inc.	0.591%	8/11/16	250	250
[6] PSP Capital Inc.	0.551%	8/18/16	750	749
[6] PSP Capital Inc.	0.561%	9/6/16	250	250
[6] PSP Capital Inc.	0.571%	9/8/16	250	250
[6] PSP Capital Inc.	0.611%	9/19/16	5,000	4,993
[6] PSP Capital Inc.	0.651%–0.661%	10/3/16	5,061	5,052
[6] PSP Capital Inc.	0.651%	10/4/16	2,000	1,996
[5] Quebec	0.491%	7/25/16	3,000	2,999
				80,660
Foreign Industrial (2.2%)				
[5] Nestle Capital Corp.	0.551%	8/8/16	500	500
[5] Nestle Capital Corp.	0.561%	9/1/16	500	500
[5] Nestle Capital Corp.	0.561%	9/6/16	500	499
Nestle Finance International Ltd.	0.581%	8/4/16	500	500
Nestle Finance International Ltd.	0.566%	8/12/16	500	500
Nestle Finance International Ltd.	0.561%	9/6/16	1,000	999
[5] Novartis Securities Investment Ltd.	0.521%	8/23/16	2,000	1,998
[5] Novartis Securities Investment Ltd.	0.521%	8/24/16	500	500
[5] Novartis Securities Investment Ltd.	0.521%	8/25/16	250	250
[5] Reckitt Benckiser Treasury Services plc	0.551%	8/15/16	500	500
[5] Reckitt Benckiser Treasury Services plc	0.551%	8/16/16	500	500
[5] Reckitt Benckiser Treasury Services plc	0.651%	10/3/16	1,630	1,627
[5] Sanofi SA	0.551%	9/13/16	2,000	1,998
[5] Siemens Capital Co. LLC	0.601%	9/26/16	1,750	1,747
[5] Total Capital Canada Ltd.	0.803%	7/5/16	1,250	1,250
[5] Total Capital Canada Ltd.	0.591%	9/19/16	500	499
Toyota Credit Canada Inc.	0.651%	10/3/16	500	499
Toyota Credit Canada Inc.	0.905%	12/9/16	5,000	4,980
[5] Unilever Capital Corp.	0.561%–0.621%	9/6/16	5,250	5,244
[5] Unilever Capital Corp.	0.551%–0.631%	9/12/16	500	499
				25,589
Industrial (3.3%)				
[5] Alphabet Inc.	0.501%	7/20/16	1,000	1,000
[5] Henkel of America Inc.	0.571%	7/18/16	250	250
[5] Henkel of America Inc.	0.591%	8/8/16	250	250
[5] Henkel of America Inc.	0.541%	8/22/16	750	749
[5] Henkel of America Inc.	0.541%	8/23/16	750	749
[5] Henkel of America Inc.	0.631%	9/6/16	9,400	9,389
[5] Novartis Finance Corp.	0.480%	7/25/16	1,000	1,000
[5] Novartis Finance Corp.	0.521%	8/23/16	1,000	999
[5] Novartis Finance Corp.	0.521%	8/24/16	1,250	1,249
[5] Pfizer Inc	0.521%	8/11/16	4,000	3,998
[5] Pfizer Inc	0.521%	8/12/16	1,000	999
[5] Pfizer Inc	0.541%	8/15/16	1,250	1,249
[5] Pfizer Inc	0.541%	8/16/16	1,500	1,499
[5] The Coca-Cola Co.	0.581%	8/10/16	750	750
[5] The Coca-Cola Co.	0.561%	8/11/16	500	500
[5] The Coca-Cola Co.	0.561%	8/12/16	250	250
[5] The Coca-Cola Co.	0.753%	8/15/16	2,500	2,498
[5] The Coca-Cola Co.	0.753%	8/16/16	2,750	2,747
[5] The Coca-Cola Co.	0.753%	8/17/16	1,000	999
[5] The Coca-Cola Co.	0.591%	8/26/16	2,500	2,498
[5] The Coca-Cola Co.	0.611%	9/7/16	1,000	999
[5] The Coca-Cola Co.	0.733%	9/14/16	5,000	4,992
				39,613
Total Commercial Paper (Cost $331,990)				331,990
Certificates of Deposit (31.7%)				
Domestic Banks (9.6%)				
Citibank NA	0.580%	7/6/16	1,000	1,000
Citibank NA	0.580%	7/7/16	1,000	1,000
Citibank NA	0.670%	9/1/16	4,500	4,500
Citibank NA	0.670%	9/2/16	4,500	4,500
Citibank NA	0.600%	9/13/16	2,000	2,000

		Yield[1]	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Citibank NA	0.600%	9/19/16	2,000	2,000
	Citibank NA	0.630%	9/29/16	5,000	5,000
	HSBC Bank USA NA	0.840%	7/11/16	1,000	1,000
	HSBC Bank USA NA	0.850%	7/12/16	2,250	2,250
	HSBC Bank USA NA	0.840%	7/14/16	1,000	1,000
	HSBC Bank USA NA	0.830%	7/26/16	1,000	1,000
	HSBC Bank USA NA	0.840%	8/1/16	1,000	1,000
	HSBC Bank USA NA	0.845%	8/3/16	1,000	1,000
	HSBC Bank USA NA	0.840%	8/5/16	3,500	3,500
	HSBC Bank USA NA	0.840%	8/5/16	1,750	1,750
[4]	HSBC Bank USA NA	0.839%	9/2/16	5,000	5,000
[4]	HSBC Bank USA NA	0.880%	10/3/16	3,000	3,000
	HSBC Bank USA NA	0.950%	10/19/16	1,750	1,750
[4]	HSBC Bank USA NA	0.863%	11/4/16	1,000	1,000
[4]	HSBC Bank USA NA	0.865%	11/7/16	2,000	2,000
[4]	JPMorgan Chase Bank NA	0.998%	4/21/17	500	500
[4]	JPMorgan Chase Bank NA	1.019%	5/2/17	500	500
	State Street Bank & Trust Co.	0.800%	7/5/16	3,500	3,500
	State Street Bank & Trust Co.	0.800%	7/11/16	5,750	5,750
	State Street Bank & Trust Co.	0.820%	7/12/16	7,500	7,500
	State Street Bank & Trust Co.	0.800%	7/29/16	5,000	5,000
[4]	State Street Bank & Trust Co.	0.747%	8/12/16	4,000	4,000
[4]	State Street Bank & Trust Co.	0.813%	10/6/16	3,000	3,000
[4]	State Street Bank & Trust Co.	0.798%	10/18/16	3,000	3,000
[4]	State Street Bank & Trust Co.	0.801%	11/23/16	1,500	1,500
	Wells Fargo Bank NA	0.830%	7/7/16	5,000	5,000
[4]	Wells Fargo Bank NA	0.792%	8/16/16	7,000	7,000
	Wells Fargo Bank NA	0.850%	8/18/16	1,000	1,000
[4]	Wells Fargo Bank NA	0.798%	8/22/16	3,000	3,000
[4]	Wells Fargo Bank NA	0.833%	9/6/16	5,000	5,000
[4]	Wells Fargo Bank NA	0.819%	10/28/16	3,000	3,000
	Wells Fargo Bank NA	0.910%	11/10/16	2,000	2,000
[4]	Wells Fargo Bank NA	0.792%	11/16/16	3,000	3,000
[4]	Wells Fargo Bank NA	0.908%	1/11/17	1,500	1,500
[4]	Wells Fargo Bank NA	0.979%	2/1/17	4,000	4,000
					114,000
Yankee Certificates of Deposit (22.1%)					
[4]	Bank of Montreal (Chicago Branch)	0.798%	7/12/16	3,000	3,000
[4]	Bank of Montreal (Chicago Branch)	0.815%	9/7/16	5,000	5,000
	Bank of Montreal (Chicago Branch)	0.590%	9/19/16	5,000	5,000
	Bank of Montreal (Chicago Branch)	0.610%	9/19/16	5,000	5,000
	Bank of Montreal (Chicago Branch)	0.850%	11/4/16	7,000	7,000
	Bank of Nova Scotia (Houston Branch)	0.840%	7/5/16	7,000	7,000
	Bank of Nova Scotia (Houston Branch)	0.870%	7/5/16	4,000	4,000
	Bank of Nova Scotia (Houston Branch)	0.810%	7/21/16	1,000	1,000
	Bank of Nova Scotia (Houston Branch)	0.850%	8/18/16	4,000	4,000
[4]	Bank of Nova Scotia (Houston Branch)	0.815%	9/7/16	5,000	5,000
	Bank of Nova Scotia (Houston Branch)	0.870%	9/21/16	5,000	5,000
	Bank of Tokyo-Mitsubishi UFJ Ltd. (New York Branch)	0.720%	7/18/16	6,000	6,000
	Bank of Tokyo-Mitsubishi UFJ Ltd. (New York Branch)	0.700%	8/8/16	8,000	8,000
	Bank of Tokyo-Mitsubishi UFJ Ltd. (New York Branch)	0.720%	9/6/16	5,000	5,000
	Bank of Tokyo-Mitsubishi UFJ Ltd. (New York Branch)	0.720%	9/16/16	5,000	5,000
	Canadian Imperial Bank of Commerce (New York Branch)	0.830%	7/5/16	5,000	5,000
	Canadian Imperial Bank of Commerce (New York Branch)	0.810%	7/19/16	5,000	5,000
[4]	Canadian Imperial Bank of Commerce (New York Branch)	0.800%	8/3/16	5,000	5,000
	Canadian Imperial Bank of Commerce (New York Branch)	0.650%	10/3/16	5,000	5,000
	Canadian Imperial Bank of Commerce (New York Branch)	0.930%	11/18/16	5,000	5,000
[4]	Canadian Imperial Bank of Commerce (New York Branch)	0.819%	12/2/16	5,000	5,000
[4]	Commonwealth Bank of Australia (New York Branch)	0.979%	2/1/17	1,000	1,000
	Credit Suisse (New York Branch)	0.900%	7/25/16	2,506	2,506
	Credit Suisse (New York Branch)	0.620%	8/2/16	5,000	5,000
	Credit Suisse (New York Branch)	0.680%	9/6/16	3,000	3,000
	Credit Suisse (New York Branch)	0.680%	9/6/16	5,000	5,000
	Lloyds Bank plc (New York Branch)	0.700%	7/12/16	1,750	1,750
	Lloyds Bank plc (New York Branch)	0.690%	8/22/16	750	750
	National Australia Bank Ltd. (New York Branch)	0.750%	7/26/16	250	250
	Nordea Bank Finland plc (New York Branch)	0.765%	7/21/16	7,000	7,000
	Nordea Bank Finland plc (New York Branch)	0.750%	7/25/16	2,000	2,000
	Nordea Bank Finland plc (New York Branch)	0.630%	9/28/16	5,500	5,500
[4]	Royal Bank of Canada (New York Branch)	0.830%	10/3/16	2,250	2,250
[4]	Royal Bank of Canada (New York Branch)	0.818%	10/18/16	4,500	4,500
[4]	Royal Bank of Canada (New York Branch)	0.833%	11/4/16	2,000	2,000
	Royal Bank of Canada (New York Branch)	0.960%	12/16/16	1,750	1,750
	Royal Bank of Canada (New York Branch)	0.980%	12/21/16	3,000	3,000
	Skandinaviska Enskilda Banken (New York Branch)	0.630%	7/18/16	5,000	5,000
	Skandinaviska Enskilda Banken (New York Branch)	0.590%	9/12/16	5,000	5,000
	Sumitomo Mitsui Banking Corporation (New York Branch)	0.600%	7/1/16	4,563	4,563
	Sumitomo Mitsui Banking Corporation (New York Branch)	0.620%	7/15/16	5,000	5,000
	Sumitomo Mitsui Banking Corporation (New York Branch)	0.640%	8/11/16	2,711	2,711
	Sumitomo Mitsui Banking Corporation (New York Branch)	0.640%	8/19/16	2,000	2,000
	Sumitomo Mitsui Banking Corporation (New York Branch)	0.680%	9/22/16	7,000	7,000
	Svenska HandelsBanken (New York Branch)	0.850%	9/9/16	1,000	1,000
	Svenska HandelsBanken (New York Branch)	0.860%	9/14/16	7,000	7,000
[4]	Svenska HandelsBanken (New York Branch)	0.835%	11/7/16	5,000	5,000
[4]	Svenska HandelsBanken (New York Branch)	0.826%	1/9/17	5,000	5,000
	Swedbank AB (New York Branch)	0.820%	10/27/16	10,000	10,000
	Toronto Dominion Bank (New York Branch)	0.840%	7/7/16	5,000	5,000
	Toronto Dominion Bank (New York Branch)	0.890%	8/15/16	5,000	5,000
	Toronto Dominion Bank (New York Branch)	0.900%	8/15/16	3,000	3,000
[4]	Toronto Dominion Bank (New York Branch)	0.801%	9/23/16	6,000	6,000
[4]	Toronto Dominion Bank (New York Branch)	0.835%	11/7/16	5,000	5,000
	Toronto Dominion Bank (New York Branch)	1.000%	11/8/16	1,800	1,801
[4]	Toronto Dominion Bank (New York Branch)	0.848%	12/19/16	4,000	4,000
[4]	Westpac Banking Corp. (New York Branch)	0.771%	9/1/16	2,000	2,000
[4]	Westpac Banking Corp. (New York Branch)	0.807%	9/1/16	5,000	5,000
[4]	Westpac Banking Corp. (New York Branch)	0.801%	9/23/16	1,000	1,000

	Yield[1]	Maturity Date	Face Amount ($000)	Market Value• ($000)
Westpac Banking Corp. (New York Branch)	0.860%	9/28/16	1,000	1,000
[4] Westpac Banking Corp. (New York Branch)	0.820%	10/3/16	5,000	5,000
Westpac Banking Corp. (New York Branch)	0.940%	10/17/16	2,000	2,000
[4] Westpac Banking Corp. (New York Branch)	0.915%	3/7/17	5,000	5,000
				262,331
Total Certificates of Deposit (Cost $376,331)				**376,331**
Other Notes (1.9%)				
Bank of America NA	0.670%	7/1/16	2,000	2,000
[4] Bank of America NA	0.787%	8/1/16	3,500	3,500
Bank of America NA	0.660%	9/6/16	5,000	5,000
Bank of America NA	0.660%	9/8/16	2,000	2,000
Bank of America NA	0.640%	9/14/16	3,000	3,000
Bank of America NA	0.680%	10/4/16	2,000	2,000
Bank of America NA	0.830%	10/11/16	5,000	5,002
Total Other Notes (Cost $22,502)				**22,502**
Corporate Bonds (0.9%)				
Finance (0.2%)				
Royal Bank of Canada	2.300%	7/20/16	3,000	3,002
Industrial (0.7%)				
[4] Toyota Motor Credit Corp.	0.827%	10/7/16	5,000	5,000
[4] Toyota Motor Credit Corp.	0.965%	4/24/17	3,000	3,000
				8,000
Total Corporate Bonds (Cost $11,002)				**11,002**
Taxable Municipal Bonds (1.3%)				
[6,7] BlackRock Municipal Bond Trust TOB VRDO	0.450%	7/1/16	285	285
[6,7] BlackRock Municipal Income Investment Quality Trust TOB VRDO	0.450%	7/1/16	300	300
[6,7] BlackRock Municipal Income Trust II TOB VRDO	0.450%	7/1/16	2,000	2,000
[6,7] BlackRock Municipal Income Trust TOB VRDO	0.450%	7/1/16	1,650	1,650
[6,7] BlackRock MuniHoldings Fund II, Inc. TOB VRDO	0.450%	7/1/16	330	330
[6,7] BlackRock MuniHoldings Fund, Inc. TOB VRDO	0.450%	7/1/16	195	195
[6,7] BlackRock MuniHoldings Quality Fund II, Inc. TOB VRDO	0.450%	7/1/16	1,550	1,550
[6,7] BlackRock MuniHoldings Quality Fund II, Inc. TOB VRDO	0.450%	7/1/16	390	390
[6,7] BlackRock MuniVest Fund II, Inc. TOB VRDO	0.450%	7/1/16	1,150	1,150
[6,7] BlackRock MuniVest Fund, Inc. TOB VRDO	0.450%	7/1/16	1,000	1,000
[6,7] BlackRock MuniYield Investment Quality Fund TOB VRDO	0.450%	7/1/16	380	380
[6,7] BlackRock MuniYield Investment Quality Fund TOB VRDO	0.450%	7/1/16	1,000	1,000
[6,7] BlackRock Strategic Municipal Trust TOB VRDO	0.450%	7/1/16	200	200
[6] Los Angeles CA Department of Water & Power Revenue TOB VRDO	0.630%	7/7/16	145	145
[6] Massachusetts Transportation Fund Revenue TOB VRDO	0.630%	7/7/16	100	100
[7] New Jersey Housing & Mortgage Finance Agency Multi-Family Housing Revenue	0.500%	7/7/16	4,375	4,375
[6] Seattle WA Municipal Light & Power Revenue TOB VRDO	0.630%	7/7/16	100	100
Total Taxable Municipal Bonds (Cost $15,150)				**15,150**
Total Investments (100.1%) (Cost $1,189,030)				**1,189,030**

	Amount ($000)
Other Assets and Liabilities (-0.1%)	
Other Assets	
Investment in Vanguard	100
Receivables for Accrued Income	978
Receivables for Capital Shares Issued	8,949
Other Assets	2
Total Other Assets	**10,029**
Liabilities	
Payables for Investment Securities Purchased	(499)
Payables for Capital Shares Redeemed	(10,955)
Payables to Vanguard	(89)
Total Liabilities	**(11,543)**
Net Assets (100%)	
Applicable to 1,187,012,467 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,187,516**
Net Asset Value per Share	**$1.00**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in-Capital	1,187,412
Undistributed Net Investment Income	—
Accumulated Net Realized Gains	104
Net Assets	**1,187,516**

• See Note A in Notes to Financial Statements.

1 Represents annualized yield at date of purchase for discount securities, and coupon for coupon-bearing securities.

2 The issuer was placed under federal conservatorship in September 2008; since that time, its daily operations have been managed by the Federal Housing Finance Agency and it receives capital from the U.S. Treasury, as needed to maintain a positive net worth, in exchange for senior preferred stock.

3 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

4 Adjustable-rate security.

5 Security exempt from registration under Section 4(2) of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration only to dealers in that program or other "accredited investors." At June 30, 2016, the aggregate value of these securities was $253,000,000, representing 21.3% of net assets.

6 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2016, the aggregate value of these securities was $30,315,000, representing 2.6% of net assets.

7 Scheduled principal and interest payments are guaranteed by bank letter of credit.

TOB—Tender Option Bond.

VRDO—Variable Rate Demand Obligation.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Interest	3,476
Total Income	3,476
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	16
Management and Administrative	785
Marketing and Distribution	167
Custodian Fees	11
Shareholders' Reports	9
Total Expenses	988
Expenses Reduction—Note B	(6)
Net Expenses	982
Net Investment Income	**2,494**
Realized Net Gain (Loss) on Investment Securities Sold	**6**
Net Increase (Decrease) in Net Assets Resulting from Operations	**2,500**

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	2,494	1,748
Realized Net Gain (Loss)	6	10
Net Increase (Decrease) in Net Assets Resulting from Operations	2,500	1,758
Distributions		
Net Investment Income	(2,474)	(1,768)
Realized Capital Gain	—	—
Total Distributions	(2,474)	(1,768)
Capital Share Transactions (at $1.00 per share)		
Issued	347,773	622,839
Issued in Lieu of Cash Distributions	2,474	1,768
Redeemed	(380,136)	(604,587)
Net Increase (Decrease) from Capital Share Transactions	(29,889)	20,020
Total Increase (Decrease)	(29,863)	20,010
Net Assets		
Beginning of Period	**1,217,379**	**1,197,369**
End of Period[1]	**1,187,516**	**1,217,379**

1 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $0 and ($20,000).

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$1.00**	**$1.00**	**$1.00**	**$1.00**	**$1.00**	**$1.00**
Investment Operations						
Net Investment Income	.002	.001	.001	.001	.001	.002
Net Realized and Unrealized Gain (Loss) on Investments	—	—	—	—	—	—
Total from Investment Operations	.002	.001	.001	.001	.001	.002
Distributions						
Dividends from Net Investment Income	(.002)	(.001)	(.001)	(.001)	(.001)	(.002)
Distributions from Realized Capital Gains	—	—	—	—	—	—
Total Distributions	(.002)	(.001)	(.001)	(.001)	(.001)	(.002)
Net Asset Value, End of Period	**$1.00**	**$1.00**	**$1.00**	**$1.00**	**$1.00**	**$1.00**
Total Return	**0.20%**	**0.15%**	**0.10%**	**0.11%**	**0.14%**	**0.17%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,188	$1,217	$1,197	$1,308	$1,108	$1,218
Ratio of Expenses to Average Net Assets[1]	0.16%	0.06%	0.06%	0.06%	0.06%	0.06%
Ratio of Net Investment Income to Average Net Assets	0.40%	0.15%	0.10%	0.11%	0.14%	0.17%

The expense ratio and net investment income ratio for the current period have been annualized.

1 The ratio of total expenses to average net assets before an expense reduction was 0.16%, 0.16%, 0.16%, 0.16%, 0.16%, and 0.18%. See Note B in the Notes to Financial Statements.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Money Market Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. The portfolio invests in short-term debt instruments of companies primarily operating in specific industries, particularly financial services; the issuers' abilities to meet their obligations may be affected by economic developments in such industries.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Securities are valued at amortized cost, which approximates market value.

2. Repurchase Agreements: The portfolio enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the portfolio under repurchase agreements are held by a custodian bank until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The portfolio further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions from net investment income are declared daily and paid on the first business day of the following month.

5. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

6. Other: Interest income is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period

for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $100,000, representing 0.01% of the portfolio's net assets and 0.04% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

Vanguard and the board of trustees have agreed to temporarily limit certain net operating expenses in excess of the portfolio's daily yield in order to maintain a zero or positive yield for the portfolio. Vanguard and the board of trustees may terminate the temporary expense limitation at any time. For the period ended June 30, 2016, Vanguard's expenses were reduced by $6,000 (an effective annual rate less than 0.01% of the portfolio's average net assets); the portfolio is not obligated to repay this amount to Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

At June 30, 2016, 100% of the market value of the portfolio's investments was determined using amortized cost, in accordance with rules under the Investment Company Act of 1940. Amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, securities valued at amortized cost are considered to be valued using Level 2 inputs.

D. At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 65% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

E. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Money Market Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,002.01	$0.80
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.07	0.81

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.16%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Money Market Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Fixed Income Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Fixed Income Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a benchmark index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below its peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees, and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
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Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

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Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

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Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

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1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

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All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

REIT Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

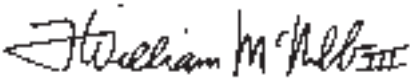
As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,



F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® REIT Index Portfolio

Real estate investment trusts recorded strong gains for the six months ended June 30, 2016, as investors bid up the prices of assets with regular income. Vanguard REIT Index Portfolio returned 13.42%, within range of its target index (+13.56%) and ahead of the average return of competing funds (+11.20%).

The table below shows the returns of your portfolio and its comparative standards for the period.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Yield-hungry investors helped restart REIT rally

Bond yields fell and prices rose both in the U.S. bond market and in many international markets as a combination of economic trends and monetary policies exerted downward pressure on interest rates.

As a result, investors gravitated toward assets that generate regular income, including REITs, which are required to pay out at least 90% of their income as dividends to investors. Falling rates can also benefit REITs because lower capital costs can help their profit margins, particularly in a growing economy.

All subsets of the REIT market posted positive returns, most by double digits. The highest return came from industrial REITs. Although the subsector is the second-smallest in the REIT arena, it had an outsize impact with its 22% return. These REITs were helped by the expansion of warehouse and distribution centers needed to accommodate the growth in U.S. online sales.

Other outperforming subsectors included specialized (+21%), diversified (+20%), and health care REITs (+16%). Specialized REITs include storage facilities, which remain a growth business. Health care REITs were helped by the expectation that expanded insurance coverage for an aging U.S. population would continue to increase demand for health care services.

The largest subsector, retail REITs, also returned about 16% and had the largest impact on the portfolio's overall performance. Consumer spending continued at a modest clip, and demand for commercial real estate has remained healthy; this caused vacancies to fall and rents to rise, bolstering the retail REIT market.

Subpar results were seen in three subsectors: office (+6%), residential (+5%), and hotel and resort REITs (+3%). Hotel and resort REITs have been hindered by concerns about slowing growth and increasing competition from online home-sharing services. Also, their income stream is not as stable as those of office or retail REITs.

Total Returns

	Six Months Ended June 30, 2016
Vanguard REIT Index Portfolio	13.42%
MSCI US REIT Index	13.56
Variable Insurance Real Estate Funds Average[1]	11.20

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Real Estate Funds Average
REIT Index Portfolio	0.27%	1.10%

INDEXED TO MSCI®

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.27%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Stocks	150	150	3,863
Median Market Cap	$11.7B	$11.7B	$53.0B
Price/Earnings Ratio	35.8x	35.8x	22.0x
Price/Book Ratio	2.6x	2.6x	2.7x
Dividend Yield[3]	3.7%	3.7%	2.1%
Return on Equity	8.1%	8.1%	16.5%
Earnings Growth Rate	18.6%	18.6%	7.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate[4]	17%	—	—
Expense Ratio[5]	0.27%	—	—
Short-Term Reserves	0.2%	—	—

Volatility Measures

	Portfolio Versus Target Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.18
Beta	1.00	0.57

Portfolio Allocation by REIT Type

Retail	24.8%
Specialized	17.3
Residential	15.3
Health Care	12.4
Office	12.1
Diversified	7.3
Industrial	5.9
Hotel & Resort	4.9

Ten Largest Holdings[6] (% of total net assets)

Simon Property Group Inc.	Retail REITs	8.0%
Public Storage	Specialized REITs	4.5
Welltower Inc.	Health Care REITs	3.2
Equinix Inc.	Specialized REITs	3.2
Prologis Inc.	Industrial REITs	3.1
Equity Residential	Residential REITs	3.0
AvalonBay Communities Inc.	Residential REITs	2.9
Ventas Inc.	Health Care REITs	2.9
Boston Properties Inc.	Office REITs	2.4
Realty Income Corp.	Retail REITs	2.1
Top Ten		35.3%

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Dividend Yield. Dividend income earned by stocks, expressed as a percentage of the aggregate market value (or of net asset value, for a portfolio). The yield is determined by dividing the amount of the annual dividends by the aggregate value (or net asset value) at the end of the period. For a portfolio, the dividend yield is based solely on stock holdings and does not include any income produced by other investments.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 MSCI US REIT Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 This dividend yield may include some payments that represent a return of capital, capital gains distribution, or both by the underlying REITs. These amounts are determined by each REIT at the end of its fiscal year.

4 Annualized.

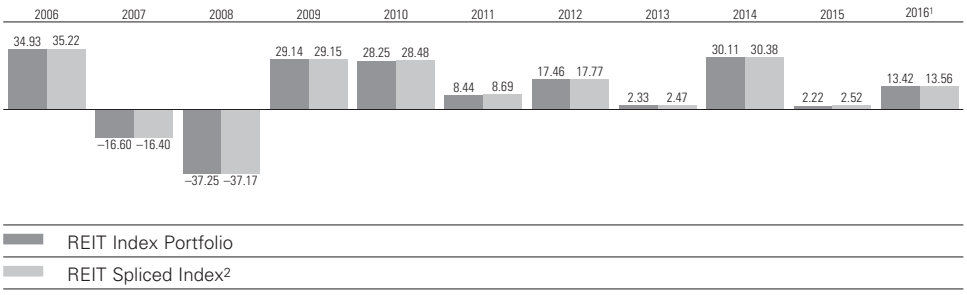
5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.27%.

6 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
REIT Index Portfolio	2/9/1999	23.75%	12.25%	7.35%

1 Six months ended June 30, 2016.

2 MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Real Estate Investment Trusts (99.9%)		
Diversified REITs (7.3%)		
VEREIT Inc.	1,153,019	11,692
WP Carey Inc.	133,343	9,257
Spirit Realty Capital Inc.	638,328	8,151
Liberty Property Trust	196,549	7,807
Forest City Realty Trust Inc. Class A	323,262	7,212
STORE Capital Corp.	203,789	6,002
Gramercy Property Trust	562,921	5,190
Washington REIT	97,603	3,071
Empire State Realty Trust Inc.	160,516	3,048
PS Business Parks Inc.	27,138	2,879
Lexington Realty Trust	283,176	2,863
NorthStar Realty Finance Corp.	246,537	2,818
Cousins Properties Inc.	268,650	2,794
Select Income REIT	89,783	2,333
American Assets Trust Inc.	45,838	1,945
Global Net Lease Inc.	227,130	1,806
Investors Real Estate Trust	162,231	1,050
First Potomac Realty Trust	79,104	728
Whitestone REIT	35,576	536
One Liberty Properties Inc.	16,517	394
RAIT Financial Trust	120,623	377
Winthrop Realty Trust	40,735	358
		82,311
Health Care REITs (12.4%)		
Welltower Inc.	476,640	36,306
Ventas Inc.	451,060	32,846
HCP Inc.	624,792	22,105
Omega Healthcare Investors Inc.	252,667	8,578
Senior Housing Properties Trust	318,698	6,639
Healthcare Trust of America Inc. Class A	175,437	5,674
Healthcare Realty Trust Inc.	143,899	5,035
Medical Properties Trust Inc.	317,224	4,825
National Health Investors Inc.	51,347	3,856
Physicians Realty Trust	176,203	3,702
Care Capital Properties Inc.	112,303	2,943
LTC Properties Inc.	50,400	2,607
Sabra Health Care REIT Inc.	87,684	1,809
New Senior Investment Group Inc.	105,724	1,129
CareTrust REIT Inc.	77,125	1,063
Universal Health Realty Income Trust	16,877	965
		140,082
Hotel & Resort REITs (4.9%)		
Host Hotels & Resorts Inc.	1,008,769	16,352
Hospitality Properties Trust	202,902	5,844
Apple Hospitality REIT Inc.	222,379	4,183
RLJ Lodging Trust	167,660	3,596
LaSalle Hotel Properties	151,136	3,564
Sunstone Hotel Investors Inc.	288,843	3,486
Ryman Hospitality Properties Inc.	61,794	3,130
Pebblebrook Hotel Trust	96,519	2,534
Xenia Hotels & Resorts Inc.	149,582	2,510
DiamondRock Hospitality Co.	270,056	2,439
Chesapeake Lodging Trust	81,045	1,884
Summit Hotel Properties Inc.	117,147	1,551
Chatham Lodging Trust	51,876	1,140
FelCor Lodging Trust Inc.	179,723	1,120
Hersha Hospitality Trust Class A	59,029	1,012
Ashford Hospitality Trust Inc.	126,295	678
Ashford Hospitality Prime Inc.	33,896	479
		55,502
Industrial REITs (5.9%)		
Prologis Inc.	704,256	34,537
Duke Realty Corp.	463,975	12,370
DCT Industrial Trust Inc.	118,472	5,691
First Industrial Realty Trust Inc.	156,849	4,363
EastGroup Properties Inc.	43,640	3,008
STAG Industrial Inc.	91,478	2,178
Rexford Industrial Realty Inc.	86,852	1,832
Terreno Realty Corp.	58,291	1,508
Monmouth Real Estate Investment Corp.	76,861	1,019
		66,506
Office REITs (12.1%)		
Boston Properties Inc.	206,132	27,189
Vornado Realty Trust	227,832	22,810
SL Green Realty Corp.	134,383	14,308
Alexandria Real Estate Equities Inc.	98,601	10,207
Kilroy Realty Corp.	123,899	8,213
Highwoods Properties Inc.	129,198	6,822
Douglas Emmett Inc.	188,027	6,679
* Equity Commonwealth	160,304	4,670
Piedmont Office Realty Trust Inc. Class A	194,785	4,196
Brandywine Realty Trust	234,916	3,947
Corporate Office Properties Trust	127,190	3,761
Paramount Group Inc.	228,315	3,639
Hudson Pacific Properties Inc.	121,187	3,536
Columbia Property Trust Inc.	157,852	3,378
Mack-Cali Realty Corp.	113,826	3,073
Government Properties Income Trust	95,416	2,200
New York REIT Inc.	221,626	2,050
Parkway Properties Inc.	112,596	1,884
Franklin Street Properties Corp.	121,157	1,487
Tier REIT Inc.	64,497	989
Easterly Government Properties Inc.	42,043	829
NorthStar Realty Europe Corp.	83,245	770
		136,637
Residential REITs (15.3%)		
Equity Residential	490,031	33,753
AvalonBay Communities Inc.	183,883	33,171
Essex Property Trust Inc.	87,806	20,028
UDR Inc.	351,609	12,981
Mid-America Apartment Communities Inc.	101,127	10,760
Camden Property Trust	116,512	10,302
Apartment Investment & Management Co.	210,191	9,282
American Campus Communities Inc.	175,210	9,263
Equity LifeStyle Properties Inc.	108,052	8,650
Sun Communities Inc.	81,489	6,245
American Homes 4 Rent Class A	227,748	4,664
Post Properties Inc.	72,053	4,399
Education Realty Trust Inc.	83,479	3,852
Monogram Residential Trust Inc.	212,284	2,167
Colony Starwood Homes	55,225	1,680
Silver Bay Realty Trust Corp.	46,767	797
		171,994
Retail REITs (24.7%)		
Simon Property Group Inc.	415,223	90,062
Realty Income Corp.	336,136	23,314
General Growth Properties Inc.	769,855	22,957
Kimco Realty Corp.	555,559	17,433
Federal Realty Investment Trust	93,522	15,483
Macerich Co.	170,106	14,525
Regency Centers Corp.	131,056	10,973
National Retail Properties Inc.	191,417	9,900
Brixmor Property Group Inc.	289,867	7,670
DDR Corp.	416,183	7,550
Weingarten Realty Investors	158,205	6,458
Taubman Centers Inc.	80,963	6,007
Retail Properties of America Inc.	317,715	5,369
Tanger Factory Outlet Centers Inc.	128,419	5,160

	Shares	Market Value• ($000)
Urban Edge Properties	133,366	3,982
Equity One Inc.	123,267	3,967
Acadia Realty Trust	94,250	3,348
Kite Realty Group Trust	111,552	3,127
Retail Opportunity Investments Corp.	133,689	2,897
WP Glimcher Inc.	248,961	2,786
CBL & Associates Properties Inc.	229,762	2,139
Ramco-Gershenson Properties Trust	106,357	2,086
Pennsylvania REIT	92,996	1,995
^ Seritage Growth Properties Class A	30,319	1,511
Agree Realty Corp.	31,281	1,509
Alexander's Inc.	3,109	1,272
Saul Centers Inc.	16,958	1,046
Rouse Properties Inc.	55,086	1,005
Urstadt Biddle Properties Inc. Class A	35,148	871
Cedar Realty Trust Inc.	112,740	838
Getty Realty Corp.	35,412	760
		278,000
Specialized REITs (17.3%)		
Public Storage	197,639	50,515
Equinix Inc.	92,632	35,916
Digital Realty Trust Inc.	200,392	21,841
Extra Space Storage Inc.	166,470	15,405
Iron Mountain Inc.	338,722	13,491
Gaming and Leisure Properties Inc.	255,606	8,813
CubeSmart	235,747	7,280
EPR Properties	85,148	6,870
Sovran Self Storage Inc.	61,094	6,410
Corrections Corp. of America	156,964	5,497
CyrusOne Inc.	94,311	5,249
DuPont Fabros Technology Inc.	98,248	4,671
CoreSite Realty Corp.	41,244	3,658
QTS Realty Trust Inc. Class A	62,954	3,524
GEO Group Inc.	99,922	3,415
Four Corners Property Trust Inc.	76,592	1,577
National Storage Affiliates Trust	37,860	788
		194,920
Total Real Estate Investment Trusts (Cost $1,002,477)		**1,125,952**

	Shares	Market Value• ($000)
Temporary Cash Investment (0.3%)		
Money Market Fund (0.3%)		
1,2 Vanguard Market Liquidity Fund, 0.538% **(Cost $2,752)**	2,752,012	**2,752**
Total Investments (100.2%) (Cost $1,005,229)		**1,128,704**

	Amount ($000)
Other Assets and Liabilities (-0.2%)	
Other Assets	
Investment in Vanguard	86
Receivables for Accrued Income	3,723
Receivables for Capital Shares Issued	1,819
Other Assets	1
Total Other Assets	**5,629**
Liabilities	
Payables for Investment Securities Purchased	(5,866)
Collateral for Securities on Loan	(210)
Payables for Capital Shares Redeemed	(571)
Payables to Vanguard	(804)
Total Liabilities	**(7,451)**
Net Assets (100%)	
Applicable to 79,876,630 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,126,882**
Net Asset Value Per Share	**$14.11**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	965,512
Undistributed Net Investment Income	15,010
Accumulated Net Realized Gains	22,885
Unrealized Appreciation (Depreciation)	123,475
Net Assets	**1,126,882**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $209,000.

1 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

2 Includes $210,000 of collateral received for securities on loan.

REIT—Real Estate Investment Trust.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends	17,463
Interest[1]	1
Securities Lending	22
Total Income	17,486
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	95
Management and Administrative	1,097
Marketing and Distribution	105
Custodian Fees	32
Shareholders' Reports	14
Total Expenses	1,343
Net Investment Income	**16,143**
Realized Net Gain (Loss)	
Capital Gain Distributions Received	3,906
Investment Securities Sold	19,112
Realized Net Gain (Loss)	**23,018**
Change in Unrealized Appreciation (Depreciation) of Investment Securities	**90,143**
Net Increase (Decrease) in Net Assets Resulting from Operations	**129,304**

1 Interest income from an affiliated company of the portfolio was $1,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	16,143	26,139
Realized Net Gain (Loss)	23,018	69,224
Change in Unrealized Appreciation (Depreciation)	90,143	(76,645)
Net Increase (Decrease) in Net Assets Resulting from Operations	129,304	18,718
Distributions		
Net Investment Income	(26,115)	(18,254)
Realized Capital Gain[1]	(69,291)	(34,545)
Total Distributions	(95,406)	(52,799)
Capital Share Transactions		
Issued	88,571	189,377
Issued in Lieu of Cash Distributions	95,406	52,799
Redeemed	(81,409)	(227,024)
Net Increase (Decrease) from Capital Share Transactions	102,568	15,152
Total Increase (Decrease)	136,466	(18,929)
Net Assets		
Beginning of Period	**990,416**	**1,009,345**
End of Period[2]	**1,126,882**	**990,416**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $1,741,000 and $1,018,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $15,010,000 and $24,982,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$13.77**	**$14.17**	**$11.87**	**$12.12**	**$10.90**	**$10.35**
Investment Operations						
Net Investment Income	.216[1]	.358	.307	.308	.264	.231
Net Realized and Unrealized Gain (Loss) on Investments	1.494	(.032)	3.061	.002	1.594	.634
Total from Investment Operations	1.710	.326	3.368	.310	1.858	.865
Distributions						
Dividends from Net Investment Income	(.375)	(.251)	(.367)	(.255)	(.233)	(.185)
Distributions from Realized Capital Gains	(.995)	(.475)	(.701)	(.305)	(.405)	(.130)
Total Distributions	(1.370)	(.726)	(1.068)	(.560)	(.638)	(.315)
Net Asset Value, End of Period	**$14.11**	**$13.77**	**$14.17**	**$11.87**	**$12.12**	**$10.90**
Total Return	**13.42%**	**2.22%**	**30.11%**	**2.33%**	**17.46%**	**8.44%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,127	$990	$1,009	$655	$644	$516
Ratio of Total Expenses to Average Net Assets	0.27%	0.27%	0.27%	0.27%	0.28%	0.28%
Ratio of Net Investment Income to Average Net Assets	2.87%[1]	2.60%	3.96%	2.50%	2.36%	2.21%
Portfolio Turnover Rate	17%	21%	11%	19%	8%	13%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Net investment income per share and the ratio of net investment income to average net assets include $0.049 and 0.38%, respectively, resulting from a special dividend from Equity Residential in March 2016.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard REIT Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value.

2. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

3. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

4. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

5. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

6. Other: Distributions received from REITs are recorded on the ex-dividend date. Each REIT reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the REITs, and management's estimates of such amounts for REIT distributions for which actual information has not been reported. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $86,000, representing 0.01% of the portfolio's net assets and 0.03% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

At June 30, 2016, 100% of the market value of the portfolio's investments was determined based on Level 1 inputs.

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $1,005,229,000. Net unrealized appreciation of investment securities for tax purposes was $123,475,000, consisting of unrealized gains of $194,039,000 on securities that had risen in value since their purchase and $70,564,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended June 30, 2016, the portfolio purchased $114,758,000 of investment securities and sold $86,171,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	6,658	13,620
Issued in Lieu of Cash Distributions	7,442	3,777
Redeemed	(6,154)	(16,709)
Net Increase (Decrease) in Shares Outstanding	7,946	688

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 51% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

G. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

REIT Index Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,134.19	$1.43
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.52	1.36

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.27%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund REIT Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Equity Index Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below its peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees, and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

Mortimer J. Buckley
Kathleen C. Gubanich
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Glenn W. Reed
Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

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All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Small Company Growth Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Small Company Growth Portfolio

Advisors' Report

Vanguard Small Company Growth Portfolio returned 1.20% for the six months ended June 30, 2016, ahead of the –0.03% return of its benchmark, the Russell 2500 Growth Index, and the –0.50% average return of peer funds. Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

The portfolio is managed by three independent advisors, a strategy that enhances diversification by providing exposure to distinct yet complementary investment approaches. (Arrowpoint Partners was added as a third advisor effective January 25, 2016.) It is not uncommon for different advisors to have different views about individual securities or the broader investment environment.

The advisors, the amount and percentage of the portfolio's assets each manages, and brief descriptions of their investment strategies are presented in the accompanying table. Each advisor has also prepared a discussion of the investment environment that existed during the year and its effect on the portfolio's positioning. (The Granahan discussion refers to industry sectors as defined by Russell classifications, rather than by the Global Industry Classification Standard used elsewhere in this report.) These comments were prepared on July 20, 2016.

Granahan Investment Management, Inc.

Portfolio Managers:

Gary C. Hatton, CFA,
Co-Founder and Chief Investment Officer

Jane M. White,
Co-Founder, President, and
Chief Executive Officer

Jennifer M. Pawloski

The new year found investors fearing a recession, driven by several factors: U.S. presidential election discontent, geopolitical uncertainty, gains in the U.S. dollar, plummeting government bond rates, and slow global growth. The market fell noticeably in the first six weeks of 2016. It turned in mid-February and continued upward for much of the second quarter. Volatility resumed after Britain's June 23 vote to leave the European Union, with U.S. markets initially moving sharply lower. The markets recovered most of the "Brexit" declines over the last few days of the quarter.

Eight of our holdings were bought out in the second quarter: five technology companies, two in health care, and a bank. For big technology and medical firms generating strong cash flow but lacking organic growth, purchasing new products is more effective than the time and cost of developing a new product. Last year, private companies were valued at more than twice the average public company based on enterprise value/revenue multiples. This was in large part because of private equity and venture firms driving up valuations through continued capital raising and investment. We are in a fairly rare period in which it is cheaper to buy a publicly traded software company than one privately owned. The recent buyouts in our portfolios have been mostly cash offers and generally viewed as strategic—a positive sign for the small-capitalization market. This type of buying usually happens at the bottom of markets, not at the top.

Our performance was driven by stock selection in health care, technology, energy, utilities, and consumer staples. In health care, the shift from "pioneer" biotechnology companies to "core growth" medical equipment and services companies has started to pay off. Telecommunication stocks drove technology performance: Ruckus Wireless (wi-fi equipment) was acquired by Brocade, and Gigamon's network optimizing appliances have been successful in the security market. In consumer staples, "special situation" company SodaStream International rebounded as competitive pressures lifted.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Small Company Growth Portfolio	1.20%
Russell 2500 Growth Index	-0.03
Variable Insurance Small-Cap Growth Funds Average[1]	-0.50

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Small-Cap Growth Funds Average
Small Company Growth Portfolio	0.38%	1.03%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the Small Company Growth Portfolio's expense ratio was 0.35%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Consumer discretionary, particularly ClubCorp Holdings (operator of more than 200 private golf clubs) and Kona Grill (upscale casual dining), most detracted from performance. Both companies have 30% exposure to Texas, and investors worried that bad weather and unemployment from low oil prices there might hurt earnings. Financials were a slight negative, and Advisory Board (research and IT tools for health care and higher education) dragged down results in producer durables. In materials, our underweight allocation and stock selection both dampened relative performance.

Most economic-activity tracking data are depressed, suggesting weak growth. However, the trend is toward improvement, which reduces the risk of negative earnings and recession. The components of the June jobs report were solid, and housing starts surged more than expected. Although understanding the true economic impact of the Brexit vote is not yet possible, it creates uncertainty, which markets do not like.

According to Bloomberg data, small-cap companies increased earnings 25% over the trailing 12 months, yet the multiple paid for them declined 39%. By comparison, earnings for the Russell 1000 Value Index declined 9.7%, while the price/earnings ratio increased 4.3%.

The companies in the portfolio continue to grow despite the low-growth global environment, as they create products that enable others to reduce costs and improve productivity. Globalization and innovation in health care and technology favor small-cap growth companies, and as indicated by the eight recent buyouts, these fast-growing businesses are viewed as attractive acquisition targets. We continue to use our life-cycle category approach to diversify the portfolio across innovative emerging growth companies, as well as high-quality companies that may be temporarily affected by negative investor sentiment.

Vanguard Small Company Growth Portfolio Investment Advisors

Investment Advisor	Portfolio Assets Managed %	Portfolio Assets Managed $ Million	Investment Strategy
Granahan Investment Management, Inc.	33	409	Bases its investment process on the beliefs that earnings drive stock prices and that small, dynamic companies with exceptional growth prospects have the greatest long-term potential. A bottom-up, fundamental approach places companies in one of three life-cycle categories: core growth, pioneer, and special situation. In each, the process looks for companies with strong earnings growth and leadership in their markets.
Arrowpoint Partners	33	403	The firm uses in-depth fundamental research to uncover companies that, in its opinion, can control their own economic destiny. It starts by identifying businesses with strong competitive advantages in industries with high barriers to entry, then narrows the focus to companies with large potential markets and high-quality business models focused on the future. Finally, considerations are made for potential downside risk, resulting in a diversified portfolio of between 75 and 100 stocks.
Vanguard Quantitative Equity Group	31	382	Employs a quantitative fundamental management approach, using models that assess valuation, growth prospects, management decisions, market sentiment, and earnings and balance-sheet quality of companies as compared with their peers.
Cash Investments	3	31	These short-term reserves are invested by Vanguard in equity index products to simulate investment in stocks. Each advisor may also maintain a modest cash position.

Vanguard Quantitative Equity Group

Portfolio Managers:

Michael R. Roach, CFA

James P. Stetler, Principal

Binbin Guo, Principal, Head of Equity Research and Portfolio Strategies

For the six months, U.S. equities grew at a reasonable rate given the macroeconomic landscape. The broad U.S. equity market was up 3.62% as measured by the Russell 3000 Index. Large-cap stocks outperformed small companies by about 1½ percentage points, and value-oriented stocks outperformed their growth counterparts by about 5 percentage points. U.S. equity markets outperformed international markets, and emerging markets were stronger than developed markets.

The benchmark Russell 2500 Growth Index (–0.03%) underperformed the broad U.S. equity market. Most of the underperformance came from health care, one of the benchmark's larger sectors. Information technology and financials also lagged slightly. Telecommunication services and utilities performed strongly but are some of the smallest index components. Materials and consumer staples helped as well.

The most notable development of the half year was the United Kingdom's vote to leave the European Union. It has two years to coordinate its potential exit with the rest of the EU's members, but there is speculation that a longer time frame is more realistic. Although the vote initially weighed on global equity markets and boosted less risky assets such as bonds and gold, stocks have since sharply recovered.

U.S. GDP grew 1.1% in the first quarter as the economy continued steadily expanding because of personal consumption, local government spending, and exports. In June, the labor market added 287,000 jobs, alleviating fears of a recession. In light of global uncertainty, especially after the Brexit referendum, the Federal Reserve remained cautious about its timeline for interest rate hikes. The federal funds futures market continued to reflect a much greater probability of no rate increases this year, and the prospect of higher rates in 2017 has even come into question. Although U.S. rates remain historically low, the increasing presence of negative rates elsewhere has meant a resilient dollar relative to other global currencies.

Our growth, quality, and yields models produced positive relative performance, while our management decisions and sentiment models detracted.

Our results for the six months were mixed. Our stock selection helped versus the benchmark in four of the ten industry sectors, with strong relative results in health care, IT, and materials. But our selection hurt in industrials and energy.

In materials, Koppers Holdings and Trinseo SA were the strongest relative performers. Affymetrix and Amedisys, in health care, and Advanced Micro Devices and Wix.com, in IT, were our largest contributors. Unfortunately, our industrial and energy selections disappointed as JetBlue, Alaska Air Group, American Woodmark, CVR Energy, Western Refining, and Teekay did not perform as expected.

Arrowpoint Partners

Portfolio Managers:

Chad Meade, Partner

Brian Schaub, CFA, Partner

Uncertainty surrounding the global economic environment continues to drive market volatility, highlighted most recently by Britain's vote to leave the European Union. As investors struggle with slowing growth, mixed economic data, and an ever-more-complex global market, we believe that our focus on fundamentals will be crucial to long-term success. With heightened volatility comes opportunity, in our view, and our risk-first approach served us well over the six months.

From January 1 to February 11, the Russell 2500 Growth Index slid 17%, but it rebounded with a 20% rally through the end of June. During the period, our focus remained on identifying companies with strong competitive advantages, stable recurring revenues, and the ability to weather economic instability. Historically, such companies tend to gain market share during downturns and emerge stronger as the economy rebounds. Our goal through the second half of the year will be to use our risk-first approach to weather the macroeconomic uncertainties that lie ahead.

The industrial sector contributed most to performance for the six months, led by Clean Harbors. A sharp rebound in the price of crude oil from February 11 through June aided the sector and provided a sense of stabilization that had been far less evident over the prior few quarters. Information technology was also strong, boosted by Demandware, which Salesforce.com acquired for a 56% premium. Stock selection in IT was the largest contributor to overall outperformance. LDR Holding, the top standout, was acquired during the period for $1.07 billion by Zimmer Biomet as the company looks to increase its global exposure to the spinal device market.

The financial sector was the largest drag on overall performance as market volatility and an uncertain regulatory environment pressured the results of our underlying holdings. An underweight allocation to materials slightly impeded results as well. Among companies, LPL Financial, WisdomTree Investments, and INC Research detracted. We took advantage of market volatility to add to all three holdings because we believe that our investment thesis remains valid.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Stocks	533	1,463	3,863
Median Market Cap	$2.0B	$3.5B	$53.0B
Price/Earnings Ratio	37.9x	34.0x	22.0x
Price/Book Ratio	3.8x	4.4x	2.7x
Yield[3]	0.8%	1.0%	2.1%
Return on Equity	13.8%	15.3%	16.5%
Earnings Growth Rate	12.6%	12.8%	7.3%
Foreign Holdings	2.3%	0.0%	0.0%
Turnover Rate[4]	64%	—	—
Expense Ratio[5]	0.38%	—	—
Short-Term Reserves	0.6%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.96	0.78
Beta	1.02	1.18

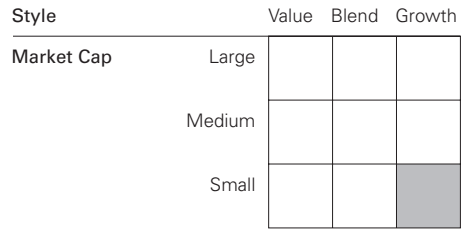
Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index[1]	Broad Index[2]
Consumer Discretionary	15.5%	17.5%	12.9%
Consumer Staples	1.8	4.6	9.3
Energy	1.5	1.0	6.7
Financials	10.3	11.4	17.5
Health Care	20.8	18.8	14.2
Industrials	18.8	17.6	10.6
Information Technology	27.8	21.3	19.2
Materials	2.4	6.4	3.3
Telecommunication Services	0.8	0.8	2.6
Utilities	0.3	0.6	3.7

Ten Largest Holdings[6] (% of total net assets)

Cadence Design Systems Inc.	Application Software	1.2%
Clean Harbors Inc.	Environmental & Facilities Services	1.0
2U Inc.	Internet Software & Services	1.0
LendingTree Inc.	Thrifts & Mortgage Finance	0.9
ServiceMaster Global Holdings Inc.	Specialized Consumer Services	0.9
ABIOMED Inc.	Health Care Equipment	0.9
Sally Beauty Holdings Inc.	Specialty Stores	0.9
National CineMedia Inc.	Advertising	0.8
Tennant Co.	Industrial Machinery	0.8
Fleetmatics Group plc	Systems Software	0.8
Top Ten		9.2%

Investment Focus



30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 Russell 2500 Growth Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

4 Annualized.

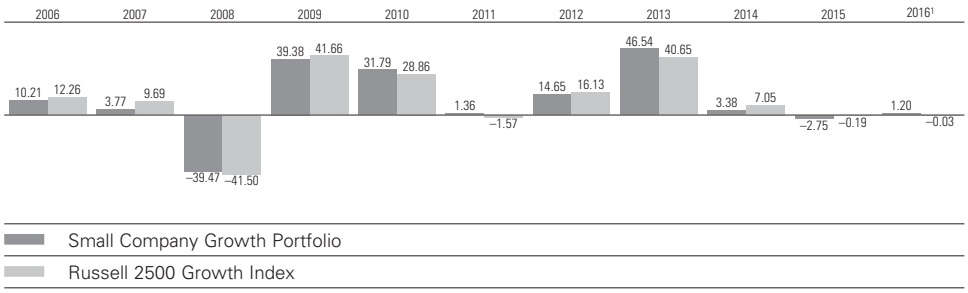
5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the Small Company Growth Portfolio's expense ratio was 0.35%.

6 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Small Company Growth Portfolio	6/3/1996	-8.01%	9.23%	7.65%

1 Six months ended June 30, 2016.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (98.0%)[1]		
Consumer Discretionary (15.1%)		
* ServiceMaster Global Holdings Inc.	285,620	11,368
Sally Beauty Holdings Inc.	362,554	10,663
National CineMedia Inc.	635,504	9,838
Carter's Inc.	80,137	8,532
Dunkin' Brands Group Inc.	183,709	8,013
Hibbett Sports Inc.	205,648	7,154
Wolverine World Wide Inc.	348,013	7,072
* Boyd Gaming Corp.	338,076	6,221
Grand Canyon Education Inc.	145,807	5,821
Polaris Industries Inc.	61,977	5,067
DSW Inc. Class A	206,271	4,369
Five Below Inc.	90,542	4,202
* IMAX Corp.	120,803	3,561
Leggett & Platt Inc.	68,933	3,523
* NVR Inc.	1,915	3,409
Dick's Sporting Goods Inc.	72,928	3,286
* Modine Manufacturing Co.	321,922	2,833
Monro Muffler Brake Inc.	44,045	2,799
Tumi Holdings Inc.	103,475	2,767
Big Lots Inc.	50,800	2,546
* Smith & Wesson Holding Corp.	89,264	2,426
*,^ SodaStream International Ltd.	113,160	2,414
Jack in the Box Inc.	26,433	2,271
Vail Resorts Inc.	16,100	2,225
ClubCorp Holdings Inc.	169,600	2,205
DR Horton Inc.	67,343	2,120
^ Outerwall Inc.	50,104	2,104
* Isle of Capri Casinos Inc.	114,692	2,101
American Eagle Outfitters Inc.	131,671	2,098
Sturm Ruger & Co. Inc.	32,683	2,092
Interpublic Group of Cos. Inc.	89,121	2,059
* American Axle & Manufacturing Holdings Inc.	139,971	2,027
^ Regal Entertainment Group Class A	91,772	2,023
* Strayer Education Inc.	40,515	1,990
Lithia Motors Inc. Class A	27,500	1,954
Cato Corp. Class A	50,400	1,901
* Dave & Buster's Entertainment Inc.	39,800	1,862
* MSG Networks Inc.	121,051	1,857
Nexstar Broadcasting Group Inc. Class A	38,900	1,851
Cracker Barrel Old Country Store Inc.	10,431	1,789
Bob Evans Farms Inc.	46,785	1,775
* Gentherm Inc.	49,000	1,678
Children's Place Inc.	19,684	1,578
Bloomin' Brands Inc.	80,504	1,439
* Michaels Cos. Inc.	50,354	1,432
* Express Inc.	96,893	1,406
* Pinnacle Entertainment Inc.	121,822	1,350
* Denny's Corp.	114,400	1,228
Lear Corp.	11,115	1,131
* Buffalo Wild Wings Inc.	7,700	1,070
Brinker International Inc.	22,696	1,033
AMC Entertainment Holdings Inc.	36,442	1,006
* Kona Grill Inc.	89,290	957
Callaway Golf Co.	92,200	941
* Cooper-Standard Holding Inc.	11,642	920
Ruth's Hospitality Group Inc.	55,245	881
* Tenneco Inc.	18,347	855
Oxford Industries Inc.	14,830	840
Visteon Corp.	12,462	820
Tupperware Brands Corp.	12,408	698
Culp Inc.	23,700	655
MCBC Holdings Inc.	56,969	629
Caleres Inc.	25,798	625
^ World Wrestling Entertainment Inc. Class A	33,581	618
* Carrols Restaurant Group Inc.	46,968	559
GNC Holdings Inc. Class A	21,237	516
* Francesca's Holdings Corp.	41,575	459
MDC Partners Inc. Class A	23,689	433
* BJ's Restaurants Inc.	9,300	408
Libbey Inc.	24,740	393
Bassett Furniture Industries Inc.	14,400	345
Ethan Allen Interiors Inc.	9,402	311
* Red Rock Resorts Inc. Class A	13,000	286
* Chuy's Holdings Inc.	5,944	206
*,^ JAKKS Pacific Inc.	25,676	203
* Weight Watchers International Inc.	16,665	194
Sinclair Broadcast Group Inc. Class A	6,395	191
* Asbury Automotive Group Inc.	3,473	183
Pier 1 Imports Inc.	26,210	135
		184,800
Consumer Staples (1.7%)		
Ingredion Inc.	22,869	2,960
Boston Beer Co. Inc. Class A	12,833	2,195
Dean Foods Co.	119,763	2,167
* Herbalife Ltd.	32,922	1,927
Casey's General Stores Inc.	13,740	1,807
* Amplify Snack Brands Inc.	102,924	1,518
Ingles Markets Inc. Class A	38,400	1,432
Pilgrim's Pride Corp.	55,263	1,408
* USANA Health Sciences Inc.	9,974	1,111
* Freshpet Inc.	117,960	1,101
Fresh Del Monte Produce Inc.	16,891	919
* SUPERVALU Inc.	155,500	734
* Blue Buffalo Pet Products Inc.	17,968	419
^ Cal-Maine Foods Inc.	8,703	386
* Sprouts Farmers Market Inc.	14,245	326
^ Natural Health Trends Corp.	11,100	313
		20,723
Energy (1.3%)		
Core Laboratories NV	25,500	3,159
RigNet Inc.	195,391	2,616
* Diamondback Energy Inc.	27,700	2,527
US Silica Holdings Inc.	62,349	2,149
Dril-Quip Inc.	33,049	1,931
* Newfield Exploration Co.	32,973	1,457
* RPC Inc.	40,783	633
* Enservco Corp.	784,600	487
* Carrizo Oil & Gas Inc.	12,297	441
CVR Energy Inc.	25,558	396
* Southwestern Energy Co.	30,707	386
* Sanchez Energy Corp.	31,192	220
* Renewable Energy Group Inc.	22,702	201
		16,603
Financials (9.7%)		
*,^ LendingTree Inc.	129,200	11,412
^ LPL Financial Holdings Inc.	341,681	7,698
Financial Engines Inc.	222,939	5,768
Opus Bank	138,469	4,680
QTS Realty Trust Inc. Class A	75,480	4,225
^ WisdomTree Investments Inc.	427,751	4,188
MarketAxess Holdings Inc.	28,700	4,173
National Storage Affiliates Trust	190,278	3,962
* Safeguard Scientifics Inc.	303,173	3,787
MSCI Inc. Class A	46,800	3,609
Bank of the Ozarks Inc.	88,250	3,311
Lamar Advertising Co. Class A	48,617	3,223
* Customers Bancorp Inc.	119,115	2,993
* Affiliated Managers Group Inc.	20,000	2,815
* Texas Capital Bancshares Inc.	56,900	2,661
Gaming and Leisure Properties Inc.	76,911	2,652
DuPont Fabros Technology Inc.	55,389	2,633
STAG Industrial Inc.	104,470	2,487
Ryman Hospitality Properties Inc.	48,243	2,444
CoreSite Realty Corp.	26,900	2,386
James River Group Holdings Ltd.	68,260	2,318
* PRA Group Inc.	90,565	2,186
* Pacific Premier Bancorp Inc.	88,600	2,126
Bats Global Markets Inc.	81,513	2,094
* Walker & Dunlop Inc.	77,700	1,770
Universal Insurance Holdings Inc.	93,954	1,746
* INTL. FCStone Inc.	63,700	1,738
Senior Housing Properties Trust	82,783	1,724
* Essent Group Ltd.	75,810	1,653
Primerica Inc.	27,472	1,573

	Shares	Market Value• ($000)
*,^ World Acceptance Corp.	33,330	1,520
BGC Partners Inc. Class A	167,100	1,456
*,^ Credit Acceptance Corp.	7,674	1,420
PrivateBancorp Inc.	31,200	1,374
Lazard Ltd. Class A	46,084	1,372
WP Glimcher Inc.	110,578	1,237
Banc of California Inc.	65,749	1,190
* KCG Holdings Inc. Class A	89,375	1,189
Iron Mountain Inc.	27,887	1,111
Care Capital Properties Inc.	40,145	1,052
* Harris & Harris Group Inc.	593,430	955
OM Asset Management plc	70,100	936
Sabra Health Care REIT Inc.	37,850	781
Morningstar Inc.	5,467	447
Outfront Media Inc.	16,839	407
Chesapeake Lodging Trust	17,299	402
GEO Group Inc.	7,391	253
Equity LifeStyle Properties Inc.	3,100	248
* BofI Holding Inc.	13,903	246
Universal Health Realty Income Trust	4,300	246
Employers Holdings Inc.	7,607	221
PS Business Parks Inc.	1,862	198
Blue Hills Bancorp Inc.	13,160	194
Pennsylvania REIT	8,847	190
* FCB Financial Holdings Inc. Class A	3,400	116
		118,796
Health Care (20.3%)		
* ABIOMED Inc.	100,145	10,945
* INC Research Holdings Inc. Class A	222,828	8,496
* LDR Holding Corp.	227,339	8,400
* DexCom Inc.	92,181	7,313
* Align Technology Inc.	77,820	6,268
Cooper Cos. Inc.	33,114	5,681
* Medidata Solutions Inc.	121,199	5,681
* Exact Sciences Corp.	455,692	5,582
* Cepheid	163,582	5,030
* Inogen Inc.	100,305	5,026
Endologix Inc.	401,976	5,009
* Zeltiq Aesthetics Inc.	178,654	4,883
* Cynosure Inc. Class A	98,960	4,814
* NeoGenomics Inc.	569,671	4,580
* Spectranetics Corp.	243,549	4,557
* Ligand Pharmaceuticals Inc.	34,486	4,113
* Hologic Inc.	115,079	3,982
* Acadia Healthcare Co. Inc.	67,500	3,739
* Evolent Health Inc. Class A	193,350	3,712
* Nektar Therapeutics	253,179	3,603
West Pharmaceutical Services Inc.	46,010	3,491
Diplomat Pharmacy Inc.	97,706	3,420
CONMED Corp.	67,443	3,219
* Supernus Pharmaceuticals Inc.	148,200	3,019
* WellCare Health Plans Inc.	27,906	2,994
ResMed Inc.	45,155	2,855
* Charles River Laboratories International Inc.	34,400	2,836
* Cardiovascular Systems Inc.	153,420	2,819
* Akorn Inc.	98,360	2,802
Atara Biotherapeutics Inc.	124,375	2,800
* Quintiles Transnational Holdings Inc.	41,098	2,684
*,^ Cempra Inc.	158,825	2,619
* Prestige Brands Holdings Inc.	47,068	2,608
athenahealth Inc.	18,837	2,600
* Bio-Rad Laboratories Inc. Class A	17,944	2,566
Neurocrine Biosciences Inc.	55,617	2,528
* Alkermes plc	58,100	2,511
* Acceleron Pharma Inc.	73,350	2,492
LeMaitre Vascular Inc.	169,429	2,418
* United Therapeutics Corp.	22,500	2,383
Bruker Corp.	104,754	2,382
* Intersect ENT Inc.	181,812	2,351
Bluebird Bio Inc.	52,983	2,294
* Amedisys Inc.	44,763	2,260
Quidel Corp.	124,826	2,229
Revance Therapeutics Inc.	158,120	2,150
Insulet Corp.	71,068	2,149
DBV Technologies SA ADR	64,797	2,114
Nevro Corp.	28,519	2,103
* PRA Health Sciences Inc.	50,366	2,103
^ Novadaq Technologies Inc.	212,313	2,089
* Mettler-Toledo International Inc.	5,696	2,079
Juno Therapeutics Inc.	53,779	2,067
* Sage Therapeutics Inc.	68,578	2,066
Patterson Cos. Inc.	43,137	2,066
Alnylam Pharmaceuticals Inc.	36,970	2,051
* Ironwood Pharmaceuticals Inc. Class A	153,400	2,006
* Emergent BioSolutions Inc.	70,371	1,979
* BioTelemetry Inc.	117,308	1,912
* Anika Therapeutics Inc.	34,952	1,875
* Five Prime Therapeutics Inc.	42,649	1,763
* ICU Medical Inc.	15,482	1,746
* Spectrum Pharmaceuticals Inc.	259,043	1,702
* Amsurg Corp.	21,590	1,674
* Vascular Solutions Inc.	39,686	1,653
* Pacira Pharmaceuticals Inc.	45,900	1,548
* OraSure Technologies Inc.	249,325	1,473
* Masimo Corp.	27,361	1,437
OvaScience Inc.	262,356	1,367
* Molina Healthcare Inc.	26,391	1,317
Chemed Corp.	9,600	1,309
* Cross Country Healthcare Inc.	93,084	1,296
* Cutera Inc.	103,180	1,157
* Allscripts Healthcare Solutions Inc.	90,162	1,145
* Enanta Pharmaceuticals Inc.	51,780	1,142
* PAREXEL International Corp.	17,854	1,123
* VCA Inc.	15,750	1,065
* Paratek Pharmaceuticals Inc.	76,070	1,058
* AMN Healthcare Services Inc.	26,197	1,047
* Array BioPharma Inc.	293,300	1,044
* Durect Corp.	762,940	931
*,^ AcelRx Pharmaceuticals Inc.	343,030	923
* Merrimack Pharmaceuticals Inc.	170,136	917
* FibroGen Inc.	45,143	741
* Harvard Bioscience Inc.	247,440	708
* Acorda Therapeutics Inc.	26,879	685
* BioCryst Pharmaceuticals Inc.	224,413	637
* Natus Medical Inc.	16,417	621
* ImmunoGen Inc.	193,014	594
* Rigel Pharmaceuticals Inc.	243,981	544
*,^ Rockwell Medical Inc.	61,781	468
* Zafgen Inc.	77,900	467
* LHC Group Inc.	10,500	454
* IDEXX Laboratories Inc.	4,600	427
PerkinElmer Inc.	7,643	401
*,^ Esperion Therapeutics Inc.	37,950	375
Phibro Animal Health Corp. Class A	19,032	355
* Infinity Pharmaceuticals Inc.	226,677	301
* Orthofix International NV	6,525	277
*,^ Insys Therapeutics Inc.	21,300	276
* Vocera Communications Inc.	18,379	236
* HMS Holdings Corp.	13,378	236
* Tetraphase Pharmaceuticals Inc.	54,466	234
* Myriad Genetics Inc.	7,349	225
* NxStage Medical Inc.	10,366	225
* Sorrento Therapeutics Inc.	30,555	171
* CTI BioPharma Corp.	169,466	58
		248,956
Industrials (18.4%)		
Clean Harbors Inc.	232,054	12,092
Tennant Co.	175,986	9,480
CEB Inc.	150,505	9,283
* TriNet Group Inc.	417,272	8,675
Sensata Technologies Holding NV	229,030	7,991
Heartland Express Inc.	436,141	7,585
* Proto Labs Inc.	126,240	7,266
* Hawaiian Holdings Inc.	187,863	7,131
HEICO Corp. Class A	128,368	6,887
Forward Air Corp.	151,855	6,762
MSC Industrial Direct Co. Inc. Class A	95,486	6,738
Wabtec Corp.	72,713	5,107
Douglas Dynamics Inc.	193,094	4,968
Kennametal Inc.	223,783	4,948
Albany International Corp.	115,032	4,593
Kirby Corp.	70,200	4,380
Kaman Corp.	88,720	3,772
* Advisory Board Co.	104,995	3,716
Woodward Inc.	63,575	3,664
Apogee Enterprises Inc.	76,066	3,526
* WageWorks Inc.	58,740	3,513
Huntington Ingalls Industries Inc.	20,881	3,509
AO Smith Corp.	38,827	3,421
John Bean Technologies Corp.	53,550	3,278
* RBC Bearings Inc.	45,180	3,276
Ritchie Bros Auctioneers Inc.	95,427	3,224
Donaldson Co. Inc.	86,462	2,971
Mobile Mini Inc.	83,720	2,900
* Spirit AeroSystems Holdings Inc. Class A	62,315	2,680
BWX Technologies Inc.	72,965	2,610
* United Rentals Inc.	35,678	2,394
* Titan Machinery Inc.	203,750	2,272
* HD Supply Holdings Inc.	64,220	2,236
* Rush Enterprises Inc. Class A	101,460	2,186

	Shares	Market Value• ($000)
Insperity Inc.	27,593	2,131
Global Brass & Copper Holdings Inc.	77,723	2,121
* Quanta Services Inc.	91,553	2,117
Insteel Industries Inc.	73,040	2,088
* Wabash National Corp.	160,956	2,044
Saia Inc.	81,156	2,040
Herman Miller Inc.	68,245	2,040
Alaska Air Group Inc.	34,480	2,010
Greenbrier Cos. Inc.	68,767	2,003
General Cable Corp.	145,201	1,846
Comfort Systems USA Inc.	55,722	1,815
* Meritor Inc.	249,677	1,798
* American Woodmark Corp.	26,672	1,771
Graco Inc.	21,300	1,683
Brink's Co.	56,451	1,608
Roadrunner Transportation Systems Inc.	212,913	1,588
Kforce Inc.	92,539	1,563
RR Donnelley & Sons Co.	83,256	1,409
* JetBlue Airways Corp.	82,764	1,371
* Genesee & Wyoming Inc. Class A	22,043	1,299
*,^ Power Solutions International Inc.	69,245	1,236
Pitney Bowes Inc.	63,395	1,128
*,^ Kornit Digital Ltd.	110,600	1,079
Allison Transmission Holdings Inc.	35,326	997
B/E Aerospace Inc.	21,504	993
Deluxe Corp.	14,334	951
Quad/Graphics Inc.	40,262	938
* TASER International Inc.	37,283	928
* Continental Building Products Inc.	41,579	924
* Ply Gem Holdings Inc.	60,882	887
^ American Railcar Industries Inc.	21,902	864
* Spirit Airlines Inc.	19,200	862
* NCI Building Systems Inc.	48,122	769
West Corp.	37,081	729
Brady Corp. Class A	21,602	660
Griffon Corp.	31,071	524
* Hudson Technologies Inc.	137,767	496
* Swift Transportation Co.	29,984	462
Universal Forest Products Inc.	4,422	410
Air Lease Corp. Class A	13,694	367
H&E Equipment Services Inc.	18,091	344
* YRC Worldwide Inc.	38,793	341
* Caesarstone Ltd.	7,300	254
* TriMas Corp.	13,366	241
Kadant Inc.	4,580	236
Knoll Inc.	8,688	211
* Energy Recovery Inc.	22,816	203
* AECOM	6,293	200
Supreme Industries Inc. Class A	14,485	198
* TransUnion	5,865	196
* Dycom Industries Inc.	2,162	194
* Gibraltar Industries Inc.	6,004	190
Actuant Corp. Class A	8,317	188
* Echo Global Logistics Inc.	8,300	186
Steelcase Inc. Class A	13,662	185
		224,950

	Shares	Market Value• ($000)
Information Technology (27.2%)		
* Cadence Design Systems Inc.	619,748	15,060
* 2U Inc.	406,965	11,969
* Fleetmatics Group plc	216,445	9,379
Demandware Inc.	114,221	8,555
* Gigamon Inc.	224,939	8,410
* CoStar Group Inc.	37,402	8,178
* Euronet Worldwide Inc.	118,076	8,170
* Gartner Inc.	73,331	7,143
* SPS Commerce Inc.	112,633	6,826
Trimble Navigation Ltd.	271,063	6,603
Brooks Automation Inc.	579,653	6,504
*,^ Cimpress NV	64,889	6,001
CDW Corp.	141,886	5,687
* Ultimate Software Group Inc.	25,912	5,449
* Super Micro Computer Inc.	201,549	5,008
Shutterstock Inc.	107,067	4,904
SS&C Technologies Holdings Inc.	170,126	4,777
* Perficient Inc.	231,100	4,694
ChannelAdvisor Corp.	321,486	4,658
* Wix.com Ltd.	141,738	4,302
* CEVA Inc.	157,400	4,277
* Aerohive Networks Inc.	630,885	4,176
* Mellanox Technologies Ltd.	86,615	4,154
* Imperva Inc.	96,470	4,149
* Proofpoint Inc.	63,486	4,005
RealPage Inc.	177,382	3,961
* Infoblox Inc.	208,318	3,908
* Qualys Inc.	124,400	3,708
* Guidewire Software Inc.	59,756	3,691
Teradyne Inc.	183,331	3,610
Broadridge Financial Solutions Inc.	52,042	3,393
Descartes Systems Group Inc.	174,883	3,339
* Inphi Corp.	103,446	3,313
Barracuda Networks Inc.	207,853	3,147
MAXIMUS Inc.	54,545	3,020
* Manhattan Associates Inc.	46,141	2,959
Stratasys Ltd.	128,505	2,941
* BroadSoft Inc.	70,000	2,872
* Aspen Technology Inc.	69,941	2,814
DST Systems Inc.	22,700	2,643
* NCR Corp.	95,017	2,639
Intersil Corp. Class A	191,600	2,594
Booz Allen Hamilton Holding Corp. Class A	87,293	2,587
New Relic Inc.	87,713	2,577
* Rudolph Technologies Inc.	165,700	2,573
* Teradata Corp.	101,819	2,553
* PROS Holdings Inc.	142,500	2,484
* Advanced Micro Devices Inc.	463,023	2,380
EarthLink Holdings Corp.	354,697	2,270
Travelport Worldwide Ltd.	175,502	2,262
* ShoreTel Inc.	329,484	2,204
* GoDaddy Inc. Class A	69,260	2,160
* Radware Ltd.	190,500	2,145
CSG Systems International Inc.	53,073	2,139
FEI Co.	19,850	2,122
* MicroStrategy Inc. Class A	12,000	2,100
* Silicon Laboratories Inc.	42,700	2,081
Monolithic Power Systems Inc.	29,900	2,043
* Extreme Networks Inc.	601,102	2,038
* Tyler Technologies Inc.	12,000	2,001
Jack Henry & Associates Inc.	21,981	1,918
* Virtusa Corp.	65,800	1,900
Hackett Group Inc.	135,491	1,879
* Finisar Corp.	106,100	1,858
* Rapid7 Inc.	147,500	1,856
Leidos Holdings Inc.	38,450	1,841
* Cardtronics Inc.	45,875	1,826
Avnet Inc.	45,001	1,823
* Sykes Enterprises Inc.	61,898	1,793
* PTC Inc.	47,357	1,780
^ Ebix Inc.	37,100	1,777
* WNS Holdings Ltd. ADR	64,029	1,729
* Ciena Corp.	89,200	1,673
* Zendesk Inc.	62,900	1,659
* Stamps.com Inc.	18,700	1,635
* Synchronoss Technologies Inc.	50,000	1,593
* ON Semiconductor Corp.	179,831	1,586
TeleTech Holdings Inc.	58,264	1,581
* Microsemi Corp.	47,100	1,539
* GTT Communications Inc.	82,906	1,532
Power Integrations Inc.	30,500	1,527
* OSI Systems Inc.	25,880	1,504
* Red Hat Inc.	20,676	1,501
Science Applications International Corp.	24,837	1,449
* Qlik Technologies Inc.	48,900	1,446
* A10 Networks Inc.	222,311	1,438
* Blackhawk Network Holdings Inc.	38,428	1,287
* Callidus Software Inc.	60,300	1,205
* LivePerson Inc.	189,150	1,199
*,^ Allot Communications Ltd.	241,214	1,187
* IPG Photonics Corp.	14,600	1,168
* Silicon Graphics International Corp.	228,417	1,149
* Paylocity Holding Corp.	26,327	1,137
*,^ Unisys Corp.	154,927	1,128
* InvenSense Inc.	175,100	1,073
* Advanced Energy Industries Inc.	27,700	1,051
* Shopify Inc.	32,300	994
* Eastman Kodak Co.	60,309	970
* Pandora Media Inc.	76,750	956
* Nimble Storage Inc.	108,300	862
* Cirrus Logic Inc.	21,599	838
*,^ Digimarc Corp.	25,930	829
* Synaptics Inc.	15,340	825
Diebold Inc.	30,900	767
* Paycom Software Inc.	17,130	740
* PFSweb Inc.	73,268	696
* EPAM Systems Inc.	9,119	586
* Cray Inc.	18,399	551
* Five9 Inc.	46,136	549
* Jive Software Inc.	138,369	520
* Bazaarvoice Inc.	127,769	512
* MINDBODY Inc. Class A	30,134	486
Tessera Technologies Inc.	15,400	472
* WebMD Health Corp.	8,007	465
* Angie's List Inc.	68,539	446
* Infinera Corp.	38,800	438
* SecureWorks Corp. Class A	31,000	437
* Rackspace Hosting Inc.	19,000	396
* Acacia Communications Inc.	9,660	386
* Xcerra Corp.	63,500	365
* Itron Inc.	8,135	351

	Shares	Market Value• ($000)
* Avid Technology Inc.	53,339	310
* ePlus Inc.	3,417	279
* NETGEAR Inc.	5,669	270
* Take-Two Interactive Software Inc.	6,869	260
* Interactive Intelligence Group Inc.	6,308	259
* CyberArk Software Ltd.	5,300	258
* Rubicon Project Inc.	18,200	248
* RingCentral Inc. Class A	12,289	242
Pegasystems Inc.	7,900	213
* Liquidity Services Inc.	27,080	212
* Plexus Corp.	4,837	209
* Sonus Networks Inc.	22,645	197
* NeoPhotonics Corp.	20,579	196
* Applied Micro Circuits Corp.	30,306	195
* DHI Group Inc.	27,769	173
* Zebra Technologies Corp.	2,827	142
*,^ Twilio Inc.	3,000	110
		332,746
Materials (2.3%)		
Avery Dennison Corp.	44,591	3,333
Quaker Chemical Corp.	31,401	2,801
* Koppers Holdings Inc.	76,732	2,358
* Trinseo SA	51,055	2,192
Steel Dynamics Inc.	85,949	2,106
Worthington Industries Inc.	48,613	2,056
Bemis Co. Inc.	39,310	2,024
AEP Industries Inc.	22,005	1,771
Huntsman Corp.	107,171	1,441
Graphic Packaging Holding Co.	109,128	1,368
* US Concrete Inc.	14,788	901
WR Grace & Co.	8,643	633
Sealed Air Corp.	13,614	626
American Vanguard Corp.	40,500	612
* GCP Applied Technologies Inc.	21,965	572
* Ryerson Holding Corp.	31,190	546
RPM International Inc.	10,313	515
Olympic Steel Inc.	15,366	420
Stepan Co.	6,408	381
Kaiser Aluminum Corp.	3,954	357
Rayonier Advanced Materials Inc.	25,592	348
* Crown Holdings Inc.	6,300	319
		27,680
Other (1.1%)		
2 Vanguard Small-Cap Growth ETF	104,300	12,923
* NuPathe Inc. CVR	345,900	207
* Prosensa Holding NV CVR Expire 2/15/17	189,490	188
		13,318
Telecommunication Services (0.7%)		
Cogent Communications Holdings Inc.	88,568	3,548
* Vonage Holdings Corp.	315,100	1,922
* Cincinnati Bell Inc.	239,400	1,094
Inteliquent Inc.	47,400	943
* FairPoint Communications Inc.	51,761	760
Shenandoah Telecommunications Co.	9,981	390
* Boingo Wireless Inc.	26,233	234
* General Communication Inc. Class A	8,900	140
		9,031
Utilities (0.2%)		
Southwest Gas Corp.	13,286	1,046
Ormat Technologies Inc.	17,583	770
Spark Energy Inc. Class A	5,820	192
Middlesex Water Co.	4,311	187
		2,195
Total Common Stocks (Cost $1,163,246)		1,199,798
Temporary Cash Investments (3.3%)[1]		
Money Market Fund (3.1%)		
3,4 Vanguard Market Liquidity Fund, 0.538%	38,622,491	38,622
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.2%)		
5,6 Federal Home Loan Bank Discount Notes, 0.582%, 7/8/16	2,000	2,000
Total Temporary Cash Investments (Cost $40,622)		40,622
Total Investments (101.3%) (Cost $1,203,868)		1,240,420

	Amount ($000)
Other Assets and Liabilities (-1.3%)	
Other Assets	
Investment in Vanguard	101
Receivables for Investment Securities Sold	46,850
Receivables for Accrued Income	453
Receivables for Capital Shares Issued	263
Other Assets	424
Total Other Assets	**48,091**
Liabilities	
Payables for Investment Securities Purchased	(46,048)
Collateral for Securities on Loan	(13,392)
Payables to Investment Advisor	(406)
Payables for Capital Shares Redeemed	(1,912)
Payables to Vanguard	(1,580)
Other Liabilities	(115)
Total Liabilities	**(63,453)**
Net Assets (100%)	
Applicable to 64,707,465 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,225,058**
Net Asset Value Per Share	**$18.93**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,149,128
Undistributed Net Investment Income	1,824
Accumulated Net Realized Gains	37,616
Unrealized Appreciation (Depreciation)	
Investment Securities	36,552
Futures Contracts	(62)
Net Assets	**1,225,058**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $13,190,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 99.6% and 1.7%, respectively, of net assets.

2 Considered an affiliated company of the portfolio as the issuer is another member of The Vanguard Group.

3 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

4 Includes $13,392,000 of collateral received for securities on loan.

5 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

6 Securities with a value of $1,000,000 and cash of $100,000 have been segregated as initial margin for open futures contracts.

ADR—American Depositary Receipt.

CVR—Contingent Value Rights.

REIT—Real Estate Investment Trust.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends[1]	4,832
Interest[1]	93
Securities Lending	954
Total Income	5,879
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	878
Performance Adjustment	—
The Vanguard Group—Note C	
Management and Administrative	1,070
Marketing and Distribution	113
Custodian Fees	29
Shareholders' Reports	25
Trustees' Fees and Expenses	1
Total Expenses	2,116
Net Investment Income	**3,763**
Realized Net Gain (Loss)	
Investment Securities Sold[1]	40,275
Futures Contracts	(1,872)
Realized Net Gain (Loss)	**38,403**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	(28,539)
Futures Contracts	(319)
Change in Unrealized Appreciation (Depreciation)	**(28,858)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**13,308**

1 Dividend income, interest income, and realized net gain (loss) from affiliated companies of the portfolio were $53,000, $86,000, and $0, respectively.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	3,763	4,360
Realized Net Gain (Loss)	38,403	112,243
Change in Unrealized Appreciation (Depreciation)	(28,858)	(154,179)
Net Increase (Decrease) in Net Assets Resulting from Operations	13,308	(37,576)
Distributions		
Net Investment Income	(4,424)	(4,640)
Realized Capital Gain[1]	(112,327)	(147,415)
Total Distributions	(116,751)	(152,055)
Capital Share Transactions		
Issued	65,103	190,501
Issued in Lieu of Cash Distributions	116,751	152,055
Redeemed	(109,267)	(226,311)
Net Increase (Decrease) from Capital Share Transactions	72,587	116,245
Total Increase (Decrease)	(30,856)	(73,386)
Net Assets		
Beginning of Period	**1,255,914**	**1,329,300**
End of Period[2]	**1,225,058**	**1,255,914**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $5,320,000 and $26,347,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $1,824,000 and $2,485,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$20.79**	**$24.14**	**$26.90**	**$20.08**	**$17.89**	**$17.68**
Investment Operations						
Net Investment Income	.061	.078	.085	.073	.155	.039
Net Realized and Unrealized Gain (Loss) on Investments	.032	(.577)	.610	8.674	2.462	.204
Total from Investment Operations	.093	(.499)	.695	8.747	2.617	.243
Distributions						
Dividends from Net Investment Income	(.074)	(.087)	(.075)	(.160)	(.045)	(.033)
Distributions from Realized Capital Gains	(1.879)	(2.764)	(3.380)	(1.767)	(.382)	—
Total Distributions	(1.953)	(2.851)	(3.455)	(1.927)	(.427)	(.033)
Net Asset Value, End of Period	**$18.93**	**$20.79**	**$24.14**	**$26.90**	**$20.08**	**$17.89**
Total Return	**1.20%**	**-2.75%**	**3.38%**	**46.54%**	**14.65%**	**1.36%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,225	$1,256	$1,329	$1,406	$910	$834
Ratio of Total Expenses to Average Net Assets[1]	0.35%	0.37%	0.39%	0.38%	0.38%	0.41%
Ratio of Net Investment Income to Average Net Assets	0.62%	0.33%	0.34%	0.32%	0.78%	0.23%
Portfolio Turnover Rate	64%	57%	43%	64%	61%	59%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Includes performance-based investment advisory fee increases (decreases) of 0.00%, (0.01%), 0.01%, 0.01%, 0.02%, and 0.04%.

Notes to Financial Statements

Vanguard Small Company Growth Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the portfolio's pricing time. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix

system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Other temporary cash investments are valued at amortized cost, which approximates market value.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The portfolio may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the six months ended June 30, 2016, the portfolio's average investments in long and short futures contracts represented 2% and 0% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Granahan Investment Management, Inc., and beginning January 2016, Arrowpoint Asset Management, LLC, each provide investment advisory services to a portion of the portfolio for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fee of Granahan Investment Management, Inc., is subject to quarterly adjustments based on performance relative to the Russell 2500 Growth Index for periods prior to October 1, 2013, and to the current benchmark, Russell 2000 Growth Index beginning October 1, 2013, for the preceding three years. The benchmark change will be fully phased in by September 2016. In accordance with the advisory contract entered into with Arrowpoint Asset Management, LLC, beginning January 1, 2017, the investment advisory fee will be subject to quarterly adjustments based on performance since March 31, 2016, relative to the Russell 2500 Growth Index.

Vanguard provides investment advisory services to a portion of the portfolio as described below; the portfolio paid Vanguard advisory fees of $145,000 for the six months ended June 30, 2016.

For the six months ended June 30, 2016, the aggregate investment advisory fee paid to all advisors represented an effective annual basic rate of 0.14% of the portfolio's average net assets, with no net increase or decrease based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $101,000, representing 0.01% of the portfolio's net assets and 0.04% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,199,403	—	395
Temporary Cash Investments	38,622	2,000	—
Futures Contracts—Assets[1]	290	—	—
Total	1,238,315	2,000	395

1 Represents variation margin on the last day of the reporting period.

E. At June 30, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

				($000)
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value Long (Short)	Unrealized Appreciation (Depreciation)
E-mini Russell 2000 Index	September 2016	121	13,884	(72)
E-mini S&P 500 Index	September 2016	59	6,166	10
				(62)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

F. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $1,203,894,000. Net unrealized appreciation of investment securities for tax purposes was $36,526,000, consisting of unrealized gains of $156,588,000 on securities that had risen in value since their purchase and $120,062,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2016, the portfolio purchased $374,422,000 of investment securities and sold $371,547,000 of investment securities, other than temporary cash investments.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	3,522	8,503
Issued in Lieu of Cash Distributions	6,660	6,890
Redeemed	(5,887)	(10,036)
Net Increase (Decrease) in Shares Outstanding	4,295	5,357

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 49% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Small Company Growth Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Fund Return	$1,000.00	$1,011.98	$1.75
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.12	1.76

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.35%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangements

The board of trustees of Vanguard Variable Insurance Fund Small Company Growth Portfolio has renewed the portfolio's investment advisory arrangements with Granahan Investment Management, Inc. (Granahan), and The Vanguard Group, Inc. (Vanguard)—through its Quantitative Equity Group. The board also added Arrowpoint Asset Management, LLC (Arrowpoint Partners) to the portfolio's investment advisory team effective January 2016. Please see the Notice to Shareholders for more information regarding the board's approval of the advisor. The board determined that approving and renewing the portfolio's advisory arrangements was in the best interests of the portfolio and its shareholders.

The board based its decisions upon an evaluation of each advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangements. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services
The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of each advisor. The board considered the following:

Arrowpoint Partners. Founded in 2007, Arrowpoint Partners offers a wide range of investment strategies, including equity, fixed income, and structured products. Arrowpoint Partners uses in-depth, fundamental research to uncover companies that it believes can control their own economic destiny. These companies are in the expansionary phase of their life cycle (going from small-cap to mid-cap). Potential investments are evaluated by focusing on return on equity, return on invested capital, earnings, and the use of financial leverage. This strategy results in a portfolio of stable growth companies, cyclical share gainers, and to a lesser extent game-changing growth businesses that the investment team feels will drive alpha over time. Arrowpoint Partners prioritizes minimizing downside risk over potential return, and it takes a long-term view evidenced by its historically low turnover rate. Arrowpoint Partners has managed a portion of the portfolio since 2016.

Granahan. Founded in 1985, Granahan specializes in small-cap growth equity. The firm uses fundamental research to select a portfolio of 150–170 stocks with sustainable growth characteristics. The advisor achieves portfolio diversification through dedicated allocations to three categories of growth companies: core growth (40%–70%), companies with strong market position and established profit growth; pioneers (15%–30%), companies with unique technology or innovations; and special situations (15%–30%), companies with a catalyst for change that could lead to growth. Granahan has advised the portfolio since its inception in 1996.

Vanguard. Vanguard has been managing investments for more than three decades. The Quantitative Equity Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth. Vanguard has managed a portion of the portfolio since 2008.

The board concluded that each advisor's experience, stability, depth, and performance, among other factors, warranted approval and continuation of the advisory arrangements.

Investment performance
The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a benchmark index and peer group. The board concluded that the performance was such that the advisory arrangements should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost
The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below the peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board did not consider profitability of Arrowpoint Partners or Granahan in determining whether to approve the advisory fees, because the firms are independent of Vanguard, and the advisory fees are the result of arm's-length negotiations. The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees, and produces "profits" only in the form of reduced expenses for shareholders.

The benefit of economies of scale

The board concluded that the portfolio realizes economies of scale that are built into the negotiated advisory fee rates with Arrowpoint Partners and Granahan without any need for asset-level breakpoints. The advisory fee rates are very low relative to the average rate paid by funds in the portfolio's peer group. The board also concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as the portfolio's assets managed by Vanguard increase.

The board will consider whether to renew the advisory arrangements again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

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Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Glenn W. Reed
Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

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All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Total Bond Market Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Total Bond Market Index Portfolio

Bond yields, which were expected to continue rising after the Federal Reserve's rate hike In December, actually moved lower over the half year ended June 30, 2016. The decline was more pronounced for intermediate- and long-term bonds, but short-term yields ended lower as well.

Because falling bond yields push prices higher, Vanguard Total Bond Market Index Portfolio produced a solid return of 5.43% for the six months, with more than half of that result attributable to an increase in the market value of its holdings. The portfolio's performance was in line with that of its expense-free benchmark, the Barclays U.S. Aggregate Float Adjusted Index, which returned 5.52%, and was a bit better than the average return of 5.19% for its peer group.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

On June 30, the portfolio's 30-day SEC yield stood at 1.92%, down from 2.30% at the end of 2015. It's important to note that as yields decline, the opportunity for returns to get a significant boost from price appreciation diminishes.

Solid demand drove prices higher

Early on in the new year, yields headed lower amid concerns about the pace of growth in China, the impact of a continuing slide in commodity prices on the outlook for inflation, and volatility in the stock market. Toward the end of the period, the United Kingdom's vote to leave the 28-member European Union added another layer of uncertainty. And the Fed's dampening of expectations for further rate hikes in the near term, as well as the exceptionally low or negative yields available abroad, added to the allure of U.S. debt.

In this environment, long-dated and lower-quality bonds generally produced the highest returns.

The overall return for U.S. Treasury securities, which accounted for well over one-third of the portfolio's assets, was more than 5%. Although short- and intermediate-term Treasuries produced healthy gains, long-term Treasuries were the standout, with price increases boosting their return to more than 15%.

Government mortgage-backed securities, another big slice of the portfolio's assets, didn't fare as well. Their return of just under 3% may have been due in part to the fact that there aren't nearly as many long-dated maturities in this segment. Concerns about prepayment risk may have played a role as well, given that interest rates were falling.

Investment-grade corporate bonds, which constituted more than one-quarter of portfolio assets, returned close to 8%. Utilities and industrials did even better than that. While many companies in the energy and metals and mining segments had been hard hit by the drop in commodity prices since 2014, demand for their bonds has revived with the improvement we saw in commodities from February. The financials sector, on the other hand, returned less than 5%. The debt of banks in particular was out of favor because lower interest rates tend to weigh on their profitability.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Total Bond Market Index Portfolio	5.43%
Barclays U.S. Aggregate Float Adjusted Index	5.52
Variable Insurance Core Bond Funds Average[1]	5.19

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Core Bond Funds Average
Total Bond Market Index Portfolio	0.15%	0.71%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.15%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Portfolio Profile

As of June 30, 2016

Financial Attributes

	Portfolio	Target Index[1]
Number of Bonds	6,085	9,796
Yield[2]	1.9%	1.9%
Yield to Maturity	1.9%[3]	1.9%
Average Coupon	3.2%	3.1%
Average Effective Maturity	8.0 years	8.0 years
Average Duration	5.8 years	5.8 years
Expense Ratio[4]	0.15%	—
Short-Term Reserves	3.5%	—

Volatility Measures

	Portfolio Versus Target Index[1]
R-Squared	0.99
Beta	1.05

Distribution by Effective Maturity (% of portfolio)

Under 1 Year	1.5%
1–3 Years	22.8
3–5 Years	29.4
5–10 Years	29.0
10–20 Years	3.9
20–30 Years	12.9
Over 30 Years	0.5

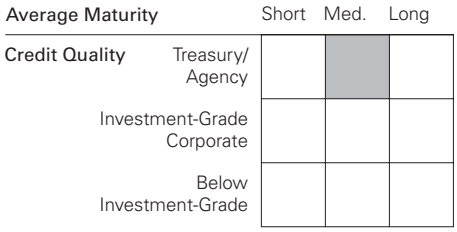
Sector Diversification[5] (% of portfolio)

Asset-Backed/Commercial Mortgage-Backed	2.7%
Finance	8.6
Foreign	6.2
Government Mortgage-Backed	20.0
Industrial	17.4
Treasury/Agency	42.0
Utilities	2.2
Other	0.9

Distribution by Credit Quality (% of portfolio)

U.S. Government	62.1%
Aaa	6.2
Aa	4.3
A	12.6
Baa	14.8

Investment Focus



30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 Barclays U.S. Aggregate Float Adjusted Index.

2 30-day SEC yield for the portfolio; index yield assumes that all bonds are called or prepaid at the earliest possible dates.

3 Before expenses.

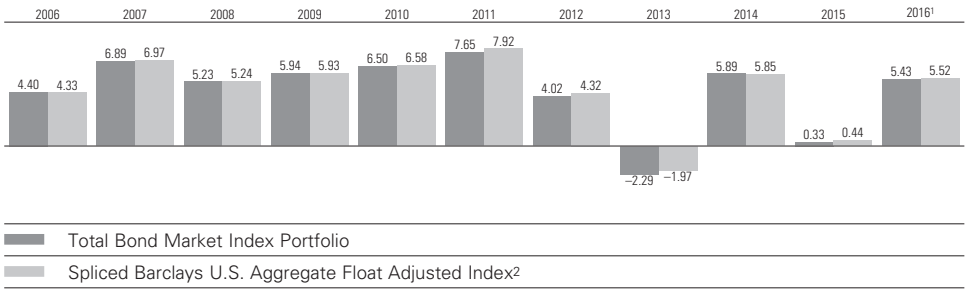
4 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the portfolio's annualized expense ratio was 0.15%.

5 The agency sector may include issues from government-sponsored enterprises; such issues are not backed by the full faith and credit of the U.S. government.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

				Ten Years		
	Inception Date	One Year	Five Years	Capital	Income	Total
Total Bond Market Index Portfolio	4/29/1991	6.06%	3.65%	1.71%	3.34%	5.05%

1 Six months ended June 30, 2016.

2 Barclays U.S. Aggregate Bond Index through December 31, 2009; Barclays U.S. Aggregate Float Adjusted Index thereafter.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back of the report for further information).

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
U.S. Government and Agency Obligations (62.3%)				
U.S. Government Securities (39.5%)				
United States Treasury Note/Bond	2.375%	7/31/17	2,886	2,943
United States Treasury Note/Bond	0.875%	8/15/17	11,275	11,317
United States Treasury Note/Bond	4.750%	8/15/17	2,175	2,277
United States Treasury Note/Bond	8.875%	8/15/17	5,650	6,176
United States Treasury Note/Bond	0.625%	8/31/17	693	694
United States Treasury Note/Bond	1.875%	8/31/17	8,600	8,732
United States Treasury Note/Bond	1.875%	9/30/17	7,000	7,115
United States Treasury Note/Bond	0.875%	10/15/17	14,425	14,484
United States Treasury Note/Bond	1.875%	10/31/17	2,801	2,850
United States Treasury Note/Bond	0.875%	11/15/17	10,276	10,319
United States Treasury Note/Bond	4.250%	11/15/17	975	1,024
United States Treasury Note/Bond	0.625%	11/30/17	3,625	3,628
United States Treasury Note/Bond	0.875%	11/30/17	4,111	4,128
United States Treasury Note/Bond	2.250%	11/30/17	10,000	10,236
United States Treasury Note/Bond	1.000%	12/15/17	4,268	4,295
United States Treasury Note/Bond	0.750%	12/31/17	2,305	2,311
United States Treasury Note/Bond	1.000%	12/31/17	359	361
United States Treasury Note/Bond	0.875%	1/15/18	8,475	8,513
United States Treasury Note/Bond	0.750%	1/31/18	3,000	3,008
United States Treasury Note/Bond	0.875%	1/31/18	9,225	9,268
United States Treasury Note/Bond	2.625%	1/31/18	2,478	2,557
United States Treasury Note/Bond	1.000%	2/15/18	5,203	5,238
United States Treasury Note/Bond	0.750%	2/28/18	1,210	1,213
United States Treasury Note/Bond	2.750%	2/28/18	1,000	1,036
United States Treasury Note/Bond	1.000%	3/15/18	6,601	6,646
United States Treasury Note/Bond	0.750%	3/31/18	4,970	4,984
United States Treasury Note/Bond	0.875%	3/31/18	4	4
United States Treasury Note/Bond	2.875%	3/31/18	2,465	2,562
United States Treasury Note/Bond	0.750%	4/15/18	4,671	4,684
United States Treasury Note/Bond	0.625%	4/30/18	4,507	4,511
United States Treasury Note/Bond	1.000%	5/15/18	11,470	11,558
United States Treasury Note/Bond	9.125%	5/15/18	50	58
United States Treasury Note/Bond	0.875%	5/31/18	4,425	4,450
United States Treasury Note/Bond	1.000%	5/31/18	11,211	11,299
United States Treasury Note/Bond	2.375%	5/31/18	1,299	1,343
United States Treasury Note/Bond	1.125%	6/15/18	1,658	1,675
United States Treasury Note/Bond	0.625%	6/30/18	2,250	2,251
United States Treasury Note/Bond	2.375%	6/30/18	4,429	4,585
United States Treasury Note/Bond	0.875%	7/15/18	4,473	4,497
United States Treasury Note/Bond	1.375%	7/31/18	9,131	9,274
United States Treasury Note/Bond	2.250%	7/31/18	2,778	2,873
United States Treasury Note/Bond	1.000%	8/15/18	1,755	1,769
United States Treasury Note/Bond	1.500%	8/31/18	13,725	13,987
United States Treasury Note/Bond	1.000%	9/15/18	5,355	5,398
United States Treasury Note/Bond	1.375%	9/30/18	14,903	15,152
United States Treasury Note/Bond	0.875%	10/15/18	2,415	2,428
United States Treasury Note/Bond	1.250%	10/31/18	3,975	4,031
United States Treasury Note/Bond	1.750%	10/31/18	7,700	7,897
United States Treasury Note/Bond	1.250%	11/15/18	3,589	3,640
United States Treasury Note/Bond	3.750%	11/15/18	4,395	4,718
United States Treasury Note/Bond	1.250%	11/30/18	3,280	3,327
United States Treasury Note/Bond	1.375%	11/30/18	3,030	3,083
United States Treasury Note/Bond	1.250%	12/15/18	7,058	7,161
United States Treasury Note/Bond	1.375%	12/31/18	9,800	9,973
United States Treasury Note/Bond	1.500%	12/31/18	8,950	9,135
United States Treasury Note/Bond	1.125%	1/15/19	3,461	3,500
United States Treasury Note/Bond	1.250%	1/31/19	1,300	1,320
United States Treasury Note/Bond	1.500%	1/31/19	11,025	11,256
United States Treasury Note/Bond	0.750%	2/15/19	14,020	14,048
United States Treasury Note/Bond	2.750%	2/15/19	2,050	2,161
United States Treasury Note/Bond	8.875%	2/15/19	110	134
United States Treasury Note/Bond	1.375%	2/28/19	8,575	8,732
United States Treasury Note/Bond	1.500%	2/28/19	6,500	6,640
United States Treasury Note/Bond	1.000%	3/15/19	10,780	10,873
United States Treasury Note/Bond	1.500%	3/31/19	575	588
United States Treasury Note/Bond	1.625%	3/31/19	5,100	5,229
United States Treasury Note/Bond	0.875%	4/15/19	8,975	9,018
United States Treasury Note/Bond	1.250%	4/30/19	66	67
United States Treasury Note/Bond	1.625%	4/30/19	10,043	10,302
United States Treasury Note/Bond	0.875%	5/15/19	16,139	16,217
United States Treasury Note/Bond	3.125%	5/15/19	5,200	5,559
United States Treasury Note/Bond	1.125%	5/31/19	5,650	5,720
United States Treasury Note/Bond	1.500%	5/31/19	5,100	5,216
United States Treasury Note/Bond	0.875%	6/15/19	4,000	4,020
United States Treasury Note/Bond	1.000%	6/30/19	441	445
United States Treasury Note/Bond	1.625%	6/30/19	3,702	3,802
United States Treasury Note/Bond	0.875%	7/31/19	1,898	1,906
United States Treasury Note/Bond	1.625%	7/31/19	2,487	2,554
United States Treasury Note/Bond	3.625%	8/15/19	1,800	1,961
United States Treasury Note/Bond	8.125%	8/15/19	64	79
United States Treasury Note/Bond	1.000%	8/31/19	175	176
United States Treasury Note/Bond	1.625%	8/31/19	4,236	4,351
United States Treasury Note/Bond	1.000%	9/30/19	575	579
United States Treasury Note/Bond	1.750%	9/30/19	2,150	2,217
United States Treasury Note/Bond	1.250%	10/31/19	625	635
United States Treasury Note/Bond	1.500%	10/31/19	500	512
United States Treasury Note/Bond	3.375%	11/15/19	8,485	9,221
United States Treasury Note/Bond	1.500%	11/30/19	4,242	4,341
United States Treasury Note/Bond	1.125%	12/31/19	500	505
United States Treasury Note/Bond	1.625%	12/31/19	3,275	3,366
United States Treasury Note/Bond	1.250%	1/31/20	499	506
United States Treasury Note/Bond	1.375%	1/31/20	864	881
United States Treasury Note/Bond	3.625%	2/15/20	19,775	21,765
United States Treasury Note/Bond	8.500%	2/15/20	887	1,131
United States Treasury Note/Bond	1.250%	2/29/20	2,143	2,175
United States Treasury Note/Bond	1.375%	2/29/20	2,094	2,134
United States Treasury Note/Bond	1.125%	3/31/20	5,900	5,961
United States Treasury Note/Bond	1.375%	3/31/20	7,070	7,205
United States Treasury Note/Bond	1.125%	4/30/20	16,925	17,094
United States Treasury Note/Bond	1.375%	4/30/20	2,523	2,571
United States Treasury Note/Bond	3.500%	5/15/20	3,515	3,864
United States Treasury Note/Bond	1.375%	5/31/20	900	917
United States Treasury Note/Bond	1.500%	5/31/20	4,508	4,614
United States Treasury Note/Bond	1.625%	6/30/20	1,310	1,347
United States Treasury Note/Bond	1.875%	6/30/20	9,825	10,203
United States Treasury Note/Bond	1.625%	7/31/20	5,119	5,265
United States Treasury Note/Bond	2.000%	7/31/20	2,419	2,525
United States Treasury Note/Bond	2.625%	8/15/20	2,258	2,414
United States Treasury Note/Bond	8.750%	8/15/20	8,425	11,107
United States Treasury Note/Bond	1.375%	8/31/20	1,825	1,859
United States Treasury Note/Bond	2.125%	8/31/20	967	1,014
United States Treasury Note/Bond	2.000%	9/30/20	597	624
United States Treasury Note/Bond	1.375%	10/31/20	2,685	2,734
United States Treasury Note/Bond	1.750%	10/31/20	8,461	8,747
United States Treasury Note/Bond	2.625%	11/15/20	4,305	4,613
United States Treasury Note/Bond	1.625%	11/30/20	5,586	5,750
United States Treasury Note/Bond	2.000%	11/30/20	8,575	8,961

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
United States Treasury Note/Bond	1.750%	12/31/20	5,856	6,058
United States Treasury Note/Bond	2.375%	12/31/20	8,150	8,653
United States Treasury Note/Bond	1.375%	1/31/21	1,933	1,967
United States Treasury Note/Bond	2.125%	1/31/21	4,171	4,386
United States Treasury Note/Bond	3.625%	2/15/21	6,833	7,649
United States Treasury Note/Bond	7.875%	2/15/21	1,180	1,548
United States Treasury Note/Bond	1.125%	2/28/21	580	584
United States Treasury Note/Bond	2.000%	2/28/21	4,050	4,237
United States Treasury Note/Bond	1.250%	3/31/21	12,340	12,487
United States Treasury Note/Bond	2.250%	3/31/21	9,450	10,001
United States Treasury Note/Bond	1.375%	4/30/21	650	661
United States Treasury Note/Bond	2.250%	4/30/21	5,375	5,690
United States Treasury Note/Bond	3.125%	5/15/21	5,975	6,574
United States Treasury Note/Bond	1.375%	5/31/21	4,340	4,419
United States Treasury Note/Bond	2.000%	5/31/21	9,483	9,932
United States Treasury Note/Bond	1.125%	6/30/21	11,380	11,442
United States Treasury Note/Bond	2.125%	6/30/21	3,650	3,845
United States Treasury Note/Bond	2.250%	7/31/21	6,425	6,809
United States Treasury Note/Bond	2.125%	8/15/21	3,556	3,748
United States Treasury Note/Bond	2.000%	8/31/21	7,250	7,594
United States Treasury Note/Bond	2.125%	9/30/21	6,900	7,273
United States Treasury Note/Bond	2.000%	10/31/21	9,670	10,131
United States Treasury Note/Bond	2.000%	11/15/21	1,065	1,117
United States Treasury Note/Bond	8.000%	11/15/21	2,570	3,500
United States Treasury Note/Bond	1.875%	11/30/21	5,058	5,268
United States Treasury Note/Bond	2.125%	12/31/21	5,953	6,278
United States Treasury Note/Bond	1.500%	1/31/22	1,850	1,888
United States Treasury Note/Bond	2.000%	2/15/22	235	246
United States Treasury Note/Bond	1.750%	2/28/22	10,104	10,445
United States Treasury Note/Bond	1.750%	3/31/22	10,649	11,005
United States Treasury Note/Bond	1.750%	4/30/22	6,175	6,381
United States Treasury Note/Bond	1.875%	5/31/22	5,650	5,878
United States Treasury Note/Bond	2.125%	6/30/22	1,040	1,097
United States Treasury Note/Bond	2.000%	7/31/22	6,975	7,304
United States Treasury Note/Bond	1.625%	8/15/22	205	210
United States Treasury Note/Bond	7.250%	8/15/22	100	136
United States Treasury Note/Bond	1.875%	8/31/22	4,459	4,636
United States Treasury Note/Bond	1.750%	9/30/22	10,287	10,615
United States Treasury Note/Bond	1.875%	10/31/22	6,520	6,777
United States Treasury Note/Bond	1.625%	11/15/22	4,125	4,223
United States Treasury Note/Bond	7.625%	11/15/22	40	56
United States Treasury Note/Bond	2.000%	11/30/22	7,850	8,217
United States Treasury Note/Bond	2.125%	12/31/22	8,629	9,098
United States Treasury Note/Bond	1.750%	1/31/23	5,625	5,798
United States Treasury Note/Bond	2.000%	2/15/23	123	129
United States Treasury Note/Bond	7.125%	2/15/23	1,690	2,326
United States Treasury Note/Bond	1.500%	2/28/23	2,070	2,101
United States Treasury Note/Bond	1.500%	3/31/23	10,630	10,784
United States Treasury Note/Bond	1.625%	4/30/23	5,215	5,334
United States Treasury Note/Bond	1.750%	5/15/23	12,970	13,383
United States Treasury Note/Bond	1.625%	5/31/23	6,175	6,316
United States Treasury Note/Bond	1.375%	6/30/23	4,500	4,525
United States Treasury Note/Bond	2.500%	8/15/23	7,160	7,757
United States Treasury Note/Bond	6.250%	8/15/23	6,565	8,801
United States Treasury Note/Bond	2.750%	11/15/23	7,111	7,840
United States Treasury Note/Bond	2.750%	2/15/24	9,410	10,391
United States Treasury Note/Bond	2.500%	5/15/24	9,960	10,821
United States Treasury Note/Bond	2.375%	8/15/24	11,564	12,451
United States Treasury Note/Bond	2.250%	11/15/24	10,181	10,863
United States Treasury Note/Bond	7.500%	11/15/24	25	37
United States Treasury Note/Bond	2.000%	2/15/25	3,325	3,479
United States Treasury Note/Bond	2.125%	5/15/25	9,810	10,365
United States Treasury Note/Bond	2.000%	8/15/25	10,781	11,274
United States Treasury Note/Bond	6.875%	8/15/25	1,957	2,872
United States Treasury Note/Bond	2.250%	11/15/25	7,496	8,001
United States Treasury Note/Bond	1.625%	2/15/26	8,042	8,136
United States Treasury Note/Bond	6.000%	2/15/26	4,160	5,860
United States Treasury Note/Bond	1.625%	5/15/26	14,405	14,590
United States Treasury Note/Bond	6.750%	8/15/26	630	944
United States Treasury Note/Bond	6.500%	11/15/26	765	1,134
United States Treasury Note/Bond	6.625%	2/15/27	1,065	1,601
United States Treasury Note/Bond	6.375%	8/15/27	185	277
United States Treasury Note/Bond	6.125%	11/15/27	346	511
United States Treasury Note/Bond	5.500%	8/15/28	955	1,366
United States Treasury Note/Bond	5.250%	11/15/28	1,435	2,020
United States Treasury Note/Bond	5.250%	2/15/29	2,183	3,087
United States Treasury Note/Bond	6.125%	8/15/29	2,255	3,451
United States Treasury Note/Bond	6.250%	5/15/30	1,350	2,122
United States Treasury Note/Bond	5.375%	2/15/31	1,800	2,670
United States Treasury Note/Bond	4.500%	2/15/36	2,900	4,177
United States Treasury Note/Bond	4.750%	2/15/37	925	1,376
United States Treasury Note/Bond	4.375%	2/15/38	1,900	2,709
United States Treasury Note/Bond	3.500%	2/15/39	2,195	2,771
United States Treasury Note/Bond	4.250%	5/15/39	3,782	5,287
United States Treasury Note/Bond	4.500%	8/15/39	2,306	3,335
United States Treasury Note/Bond	4.375%	11/15/39	2,817	4,005
United States Treasury Note/Bond	4.625%	2/15/40	5,050	7,427
United States Treasury Note/Bond	4.375%	5/15/40	3,735	5,318
United States Treasury Note/Bond	3.875%	8/15/40	2,930	3,891
United States Treasury Note/Bond	4.250%	11/15/40	4,855	6,803
United States Treasury Note/Bond	4.750%	2/15/41	3,956	5,940
United States Treasury Note/Bond	4.375%	5/15/41	940	1,343
United States Treasury Note/Bond	3.750%	8/15/41	900	1,175
United States Treasury Note/Bond	3.125%	11/15/41	716	846
United States Treasury Note/Bond	3.125%	2/15/42	281	332
United States Treasury Note/Bond	3.000%	5/15/42	5,050	5,837
United States Treasury Note/Bond	2.750%	8/15/42	4,510	4,973
United States Treasury Note/Bond	2.750%	11/15/42	17,546	19,317
United States Treasury Note/Bond	3.125%	2/15/43	5,200	6,134
United States Treasury Note/Bond	2.875%	5/15/43	4,850	5,456
United States Treasury Note/Bond	3.625%	8/15/43	6,980	9,012
United States Treasury Note/Bond	3.750%	11/15/43	4,617	6,095
United States Treasury Note/Bond	3.625%	2/15/44	3,224	4,158
United States Treasury Note/Bond	3.375%	5/15/44	6,129	7,560
United States Treasury Note/Bond	3.125%	8/15/44	8,006	9,431
United States Treasury Note/Bond	3.000%	11/15/44	10,540	12,126
United States Treasury Note/Bond	2.500%	2/15/45	5,860	6,106
United States Treasury Note/Bond	3.000%	5/15/45	5,117	5,886
United States Treasury Note/Bond	2.875%	8/15/45	9,208	10,341
United States Treasury Note/Bond	3.000%	11/15/45	3,699	4,256
United States Treasury Note/Bond	2.500%	2/15/46	6,506	6,780
United States Treasury Note/Bond	2.500%	5/15/46	8,625	8,998
				1,220,588
Agency Bonds and Notes (2.2%)				
[1] AID-Israel	5.500%	12/4/23	50	63
[1] AID-Israel	5.500%	4/26/24	475	602
[1] AID-Jordan	1.945%	6/23/19	200	207
[1] AID-Jordan	2.503%	10/30/20	225	239
[1] AID-Jordan	2.578%	6/30/22	200	214
[1] AID-Ukraine	1.844%	5/16/19	200	206
[1] AID-Ukraine	1.847%	5/29/20	200	205
[2] Federal Farm Credit Banks	1.125%	9/22/17	100	101
[2] Federal Farm Credit Banks	1.000%	9/25/17	125	126
[2] Federal Farm Credit Banks	1.125%	12/18/17	250	252
[2] Federal Farm Credit Banks	1.110%	2/20/18	125	126
[2] Federal Farm Credit Banks	0.750%	4/18/18	250	250
[2] Federal Farm Credit Banks	1.100%	6/1/18	100	101
[2] Federal Farm Credit Banks	5.150%	11/15/19	500	570
[2] Federal Farm Credit Banks	3.500%	12/20/23	75	85
[2] Federal Home Loan Banks	0.860%	8/1/17	250	251
[2] Federal Home Loan Banks	0.750%	8/28/17	500	501
[2] Federal Home Loan Banks	0.625%	10/26/17	1,400	1,400
[2] Federal Home Loan Banks	5.000%	11/17/17	225	238
[2] Federal Home Loan Banks	1.000%	12/19/17	1,000	1,005
[2] Federal Home Loan Banks	1.375%	3/9/18	600	607
[2] Federal Home Loan Banks	0.875%	3/19/18	885	888
[2] Federal Home Loan Banks	1.125%	4/25/18	550	554
[2] Federal Home Loan Banks	0.875%	6/29/18	1,175	1,179
[2] Federal Home Loan Banks	5.375%	8/15/18	150	165
[2] Federal Home Loan Banks	1.125%	6/21/19	1,200	1,211
[2] Federal Home Loan Banks	1.875%	3/13/20	75	78
[2] Federal Home Loan Banks	4.125%	3/13/20	300	334

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
2	Federal Home Loan Banks	5.250%	12/11/20	425	501
2	Federal Home Loan Banks	1.375%	2/18/21	450	455
2	Federal Home Loan Banks	5.625%	6/11/21	35	42
2	Federal Home Loan Banks	2.125%	3/10/23	970	1,008
2	Federal Home Loan Banks	5.500%	7/15/36	1,400	2,026
3	Federal Home Loan Mortgage Corp.	0.750%	7/14/17	600	601
3	Federal Home Loan Mortgage Corp.	1.000%	7/28/17	679	682
3	Federal Home Loan Mortgage Corp.	1.000%	9/29/17	700	703
3	Federal Home Loan Mortgage Corp.	5.125%	11/17/17	200	212
3	Federal Home Loan Mortgage Corp.	1.000%	12/15/17	700	704
3	Federal Home Loan Mortgage Corp.	0.750%	1/12/18	700	701
3	Federal Home Loan Mortgage Corp.	0.875%	3/7/18	1,000	1,003
3	Federal Home Loan Mortgage Corp.	0.750%	4/9/18	500	501
3	Federal Home Loan Mortgage Corp.	4.875%	6/13/18	550	595
3	Federal Home Loan Mortgage Corp.	3.750%	3/27/19	625	675
3	Federal Home Loan Mortgage Corp.	1.125%	4/15/19	600	605
3	Federal Home Loan Mortgage Corp.	1.750%	5/30/19	1,150	1,182
3	Federal Home Loan Mortgage Corp.	1.250%	8/1/19	700	708
3	Federal Home Loan Mortgage Corp.	1.250%	10/2/19	1,150	1,163
3	Federal Home Loan Mortgage Corp.	1.375%	5/1/20	1,300	1,319
3	Federal Home Loan Mortgage Corp.	2.375%	1/13/22	800	847
3	Federal Home Loan Mortgage Corp.	6.750%	9/15/29	127	194
3	Federal Home Loan Mortgage Corp.	6.750%	3/15/31	1,525	2,364
3	Federal Home Loan Mortgage Corp.	6.250%	7/15/32	502	759
3	Federal National Mortgage Assn.	0.875%	8/28/17	175	176
3	Federal National Mortgage Assn.	1.000%	9/27/17	550	553
3	Federal National Mortgage Assn.	0.875%	10/26/17	900	903
3	Federal National Mortgage Assn.	0.875%	12/20/17	1,500	1,505
3	Federal National Mortgage Assn.	0.875%	2/8/18	2,500	2,509
3	Federal National Mortgage Assn.	0.875%	3/28/18	1,000	1,003
3	Federal National Mortgage Assn.	0.875%	5/21/18	510	512
3	Federal National Mortgage Assn.	1.125%	7/20/18	1,500	1,513
3	Federal National Mortgage Assn.	1.875%	9/18/18	1,483	1,520
3	Federal National Mortgage Assn.	1.125%	10/19/18	700	706
3	Federal National Mortgage Assn.	1.625%	11/27/18	1,330	1,358
3	Federal National Mortgage Assn.	1.125%	12/14/18	1,315	1,326
3	Federal National Mortgage Assn.	1.375%	1/28/19	600	609
3	Federal National Mortgage Assn.	1.875%	2/19/19	500	514
3	Federal National Mortgage Assn.	1.000%	2/26/19	550	553
3	Federal National Mortgage Assn.	1.750%	6/20/19	1,000	1,027
3	Federal National Mortgage Assn.	1.750%	9/12/19	2,000	2,055
3	Federal National Mortgage Assn.	0.000%	10/9/19	275	264
3	Federal National Mortgage Assn.	1.750%	11/26/19	1,000	1,028
3	Federal National Mortgage Assn.	1.625%	1/21/20	1,000	1,024
3	Federal National Mortgage Assn.	1.500%	6/22/20	1,000	1,019
3	Federal National Mortgage Assn.	1.500%	11/30/20	1,000	1,017
3	Federal National Mortgage Assn.	1.875%	12/28/20	1,000	1,033
3	Federal National Mortgage Assn.	1.375%	2/26/21	550	556
3	Federal National Mortgage Assn.	2.625%	9/6/24	500	537
3	Federal National Mortgage Assn.	2.125%	4/24/26	575	592
3	Federal National Mortgage Assn.	6.250%	5/15/29	175	255
3	Federal National Mortgage Assn.	7.125%	1/15/30	925	1,452
3	Federal National Mortgage Assn.	7.250%	5/15/30	300	478
3	Federal National Mortgage Assn.	6.625%	11/15/30	300	459
3	Federal National Mortgage Assn.	5.625%	7/15/37	275	405
2	Financing Corp.	9.650%	11/2/18	225	271
	Private Export Funding Corp.	2.250%	12/15/17	125	128
	Private Export Funding Corp.	1.875%	7/15/18	100	102
	Private Export Funding Corp.	4.375%	3/15/19	200	219
	Private Export Funding Corp.	1.450%	8/15/19	125	127
	Private Export Funding Corp.	2.250%	3/15/20	150	156
	Private Export Funding Corp.	2.300%	9/15/20	50	52
	Private Export Funding Corp.	4.300%	12/15/21	100	115
	Private Export Funding Corp.	2.800%	5/15/22	125	134
	Private Export Funding Corp.	2.050%	11/15/22	1,075	1,105
	Private Export Funding Corp.	3.550%	1/15/24	100	112
	Private Export Funding Corp.	2.450%	7/15/24	100	104
	Private Export Funding Corp.	3.250%	6/15/25	50	56
2	Tennessee Valley Authority	5.500%	7/18/17	275	289
2	Tennessee Valley Authority	4.500%	4/1/18	175	186
2	Tennessee Valley Authority	1.750%	10/15/18	150	153
2	Tennessee Valley Authority	3.875%	2/15/21	250	280
2	Tennessee Valley Authority	1.875%	8/15/22	175	179
2	Tennessee Valley Authority	2.875%	9/15/24	191	206
2	Tennessee Valley Authority	6.750%	11/1/25	134	188
2	Tennessee Valley Authority	7.125%	5/1/30	1,000	1,533
2	Tennessee Valley Authority	4.650%	6/15/35	175	222
2	Tennessee Valley Authority	5.880%	4/1/36	250	362
2	Tennessee Valley Authority	5.500%	6/15/38	100	140
2	Tennessee Valley Authority	5.250%	9/15/39	225	307
2	Tennessee Valley Authority	3.500%	12/15/42	200	216
2	Tennessee Valley Authority	4.875%	1/15/48	100	127
2	Tennessee Valley Authority	5.375%	4/1/56	50	70
2	Tennessee Valley Authority	4.625%	9/15/60	180	225
2	Tennessee Valley Authority	4.250%	9/15/65	200	234
					67,367
Conventional Mortgage-Backed Securities (20.3%)					
3,4	Fannie Mae Pool	2.000%	8/1/28–10/1/28	1,350	1,374
3,4,5	Fannie Mae Pool	2.500%	3/1/27–1/1/43	17,785	18,449
3,4,5	Fannie Mae Pool	3.000%	11/1/25–7/1/46	53,253	55,677
3,4,5	Fannie Mae Pool	3.500%	10/1/20–7/1/46	72,320	76,648
3,4,5	Fannie Mae Pool	4.000%	8/1/18–7/1/46	46,576	50,130
3,4,5	Fannie Mae Pool	4.500%	2/1/18–7/1/46	22,368	24,495
3,4	Fannie Mae Pool	5.000%	3/1/17–1/1/44	12,907	14,307
3,4	Fannie Mae Pool	5.500%	11/1/16–4/1/40	10,447	11,750
3,4	Fannie Mae Pool	6.000%	10/1/16–5/1/41	6,628	7,587
3,4	Fannie Mae Pool	6.500%	9/1/16–10/1/39	2,303	2,646
3,4	Fannie Mae Pool	7.000%	8/1/16–11/1/37	606	689
3,4	Fannie Mae Pool	7.500%	11/1/22–2/1/32	55	64
3,4	Fannie Mae Pool	8.000%	8/1/17–11/1/30	41	45
3,4	Fannie Mae Pool	8.500%	7/1/22–4/1/31	14	16
3,4	Fannie Mae Pool	9.000%	7/1/22–12/1/24	2	2
3,4	Fannie Mae Pool	9.500%	12/1/18–2/1/25	2	2
3,4	Freddie Mac Gold Pool	2.000%	8/1/28–1/1/29	722	736
3,4	Freddie Mac Gold Pool	2.500%	4/1/27–2/1/43	13,589	14,082
3,4,5	Freddie Mac Gold Pool	3.000%	10/1/26–7/1/46	35,133	36,704
3,4,5	Freddie Mac Gold Pool	3.500%	9/1/25–7/1/46	45,014	47,596
3,4,5	Freddie Mac Gold Pool	4.000%	7/1/18–7/1/46	28,049	30,098
3,4	Freddie Mac Gold Pool	4.500%	1/1/18–7/1/46	14,057	15,306
3,4	Freddie Mac Gold Pool	5.000%	10/1/17–10/1/41	7,608	8,360
3,4	Freddie Mac Gold Pool	5.500%	8/1/16–6/1/41	5,945	6,647
3,4	Freddie Mac Gold Pool	6.000%	8/1/16–3/1/39	3,940	4,488
3,4	Freddie Mac Gold Pool	6.500%	7/1/16–4/1/39	1,270	1,467

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[3,4] Freddie Mac Gold Pool	7.000%	4/1/23–2/1/37	427	495
[3,4] Freddie Mac Gold Pool	7.500%	11/1/19–4/1/28	32	36
[3,4] Freddie Mac Gold Pool	8.000%	1/1/22–7/1/30	29	36
[3,4] Freddie Mac Gold Pool	8.500%	4/1/23–11/1/30	23	25
[3,4] Freddie Mac Gold Pool	9.000%	5/1/27–5/1/30	5	6
[4] Ginnie Mae I Pool	3.000%	1/15/26–12/15/45	3,935	4,124
[4,5] Ginnie Mae I Pool	3.500%	11/15/25–7/1/46	4,934	5,255
[4,5] Ginnie Mae I Pool	4.000%	10/15/24–7/1/46	6,365	6,856
[4] Ginnie Mae I Pool	4.500%	8/15/18–3/15/41	7,508	8,310
[4,5] Ginnie Mae I Pool	5.000%	1/15/18–7/1/46	4,644	5,208
[4] Ginnie Mae I Pool	5.500%	6/15/18–12/15/40	2,669	3,015
[4] Ginnie Mae I Pool	6.000%	2/15/17–3/15/40	1,907	2,194
[4] Ginnie Mae I Pool	6.500%	11/15/23–2/15/39	527	587
[4] Ginnie Mae I Pool	7.000%	5/15/23–10/15/31	128	142
[4] Ginnie Mae I Pool	7.500%	4/15/22–1/15/31	56	62
[4] Ginnie Mae I Pool	8.000%	2/15/22–10/15/30	36	38
[4] Ginnie Mae I Pool	8.500%	6/15/24–9/15/26	6	6
[4] Ginnie Mae I Pool	9.000%	12/15/19–10/15/26	2	2
[4] Ginnie Mae I Pool	9.500%	12/15/21	2	2
[4] Ginnie Mae II Pool	2.500%	6/20/27–6/20/28	808	842
[4,5] Ginnie Mae II Pool	3.000%	2/20/27–7/1/46	31,919	33,451
[4,5] Ginnie Mae II Pool	3.500%	9/20/25–7/1/46	62,229	66,159
[4,5] Ginnie Mae II Pool	4.000%	9/20/25–7/1/46	31,747	34,062
[4] Ginnie Mae II Pool	4.500%	2/20/39–1/20/46	13,886	15,031
[4] Ginnie Mae II Pool	5.000%	3/20/18–7/20/44	7,055	7,750
[4] Ginnie Mae II Pool	5.500%	6/20/34–9/20/41	2,006	2,213
[4] Ginnie Mae II Pool	6.000%	3/20/33–7/20/39	1,087	1,223
[4] Ginnie Mae II Pool	6.500%	12/20/35–11/20/39	370	418
[4] Ginnie Mae II Pool	7.000%	8/20/36–4/20/38	43	49
				626,962
Nonconventional Mortgage-Backed Securities (0.3%)				
[3,4,6] Fannie Mae Pool	1.956%	4/1/37	30	31
[3,4,6] Fannie Mae Pool	2.083%	9/1/37	69	74
[3,4] Fannie Mae Pool	2.114%	3/1/43	212	217
[3,4,6] Fannie Mae Pool	2.126%	12/1/41	89	91
[3,4] Fannie Mae Pool	2.189%	6/1/43	168	173
[3,4] Fannie Mae Pool	2.217%	9/1/42	156	163
[3,4] Fannie Mae Pool	2.222%	10/1/42	107	110
[3,4] Fannie Mae Pool	2.267%	7/1/43	229	237
[3,4,6] Fannie Mae Pool	2.341%	8/1/35	120	128
[3,4] Fannie Mae Pool	2.387%	7/1/42	174	180
[3,4,6] Fannie Mae Pool	2.410%	9/1/40–5/1/42	266	279
[3,4,6] Fannie Mae Pool	2.415%	6/1/36	1	1
[3,4] Fannie Mae Pool	2.419%	5/1/43	341	355
[3,4,6] Fannie Mae Pool	2.439%	12/1/33	16	17
[3,4,6] Fannie Mae Pool	2.445%	7/1/39	12	13
[3,4,6] Fannie Mae Pool	2.450%	7/1/37	13	14
[3,4] Fannie Mae Pool	2.451%	10/1/42	134	139
[3,4,6] Fannie Mae Pool	2.453%	8/1/40–9/1/43	90	94
[3,4,6] Fannie Mae Pool	2.482%	9/1/34	14	15
[3,4,6] Fannie Mae Pool	2.485%	11/1/36	58	62
[3,4,6] Fannie Mae Pool	2.488%	7/1/38	14	15
[3,4,6] Fannie Mae Pool	2.519%	2/1/36	17	17
[3,4,6] Fannie Mae Pool	2.535%	10/1/39	24	25
[3,4,6] Fannie Mae Pool	2.544%	8/1/37–10/1/40	147	155
[3,4,6] Fannie Mae Pool	2.566%	7/1/42	45	49
[3,4,6] Fannie Mae Pool	2.568%	6/1/37	34	36
[3,4,6] Fannie Mae Pool	2.573%	12/1/40	71	74
[3,4,6] Fannie Mae Pool	2.576%	11/1/39	14	15
[3,4,6] Fannie Mae Pool	2.577%	7/1/36	13	13
[3,4,6] Fannie Mae Pool	2.612%	12/1/41	91	98
[3,4] Fannie Mae Pool	2.619%	11/1/41	89	95
[3,4,6] Fannie Mae Pool	2.623%	12/1/35	59	63
[3,4,6] Fannie Mae Pool	2.634%	1/1/37	56	60
[3,4,6] Fannie Mae Pool	2.674%	10/1/40	44	46
[3,4,6] Fannie Mae Pool	2.685%	11/1/33–12/1/40	104	109
[3,4,6] Fannie Mae Pool	2.690%	11/1/40–12/1/40	71	74
[3,4,6] Fannie Mae Pool	2.710%	1/1/40	38	40
[3,4] Fannie Mae Pool	2.712%	1/1/42	92	98
[3,4] Fannie Mae Pool	2.750%	3/1/42	128	135
[3,4,6] Fannie Mae Pool	2.753%	2/1/41–1/1/42	132	137
[3,4,6] Fannie Mae Pool	2.770%	11/1/34	21	22
[3,4] Fannie Mae Pool	2.775%	11/1/41	90	97
[3,4,6] Fannie Mae Pool	2.796%	1/1/35	78	84
[3,4,6] Fannie Mae Pool	2.805%	5/1/42	32	34
[3,4,6] Fannie Mae Pool	2.828%	3/1/41	100	106
[3,4,6] Fannie Mae Pool	2.848%	5/1/40	29	31
[3,4] Fannie Mae Pool	2.899%	12/1/40	42	44
[3,4,6] Fannie Mae Pool	2.915%	3/1/42	82	88
[3,4,6] Fannie Mae Pool	2.939%	3/1/41	58	62
[3,4] Fannie Mae Pool	2.947%	9/1/43	169	177
[3,4,6] Fannie Mae Pool	2.999%	5/1/41	54	57
[3,4,6] Fannie Mae Pool	3.043%	5/1/40	13	14
[3,4] Fannie Mae Pool	3.058%	2/1/41	44	47
[3,4] Fannie Mae Pool	3.138%	2/1/41	44	46
[3,4,6] Fannie Mae Pool	3.162%	5/1/36	4	4
[3,4] Fannie Mae Pool	3.359%	8/1/42	126	131
[3,4] Fannie Mae Pool	3.568%	4/1/41	83	87
[3,4] Fannie Mae Pool	3.580%	8/1/39	27	30
[3,4] Fannie Mae Pool	3.582%	6/1/41	20	21
[3,4] Fannie Mae Pool	3.586%	7/1/41	146	156
[3,4] Fannie Mae Pool	3.749%	6/1/41	83	89
[3,4,6] Fannie Mae Pool	3.796%	8/1/39	64	66
[3,4] Fannie Mae Pool	3.832%	9/1/40	110	118
[3,4,6] Fannie Mae Pool	4.034%	11/1/39	25	26
[3,4,6] Fannie Mae Pool	4.282%	12/1/39	66	69
[3,4] Fannie Mae Pool	4.847%	3/1/38	16	17
[3,4] Fannie Mae Pool	5.520%	4/1/37	30	31
[3,4] Fannie Mae Pool	5.576%	10/1/37	47	50
[3,4] Fannie Mae Pool	5.852%	12/1/37	43	46
[3,4,6] Fannie Mae Pool	6.004%	10/1/37	47	49
[3,4,6] Freddie Mac Non Gold Pool	1.735%	10/1/37	2	2
[3,4,6] Freddie Mac Non Gold Pool	2.230%	6/1/37	43	44
[3,4] Freddie Mac Non Gold Pool	2.334%	5/1/42	23	24
[3,4,6] Freddie Mac Non Gold Pool	2.479%	7/1/35	25	26
[3,4,6] Freddie Mac Non Gold Pool	2.492%	10/1/37	24	26
[3,4,6] Freddie Mac Non Gold Pool	2.500%	1/1/38	15	16
[3,4,6] Freddie Mac Non Gold Pool	2.515%	12/1/36	20	21

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[3,4] Freddie Mac Non Gold Pool	2.573%	2/1/42	67	71
[3,4,6] Freddie Mac Non Gold Pool	2.587%	12/1/34	34	36
[3,4,6] Freddie Mac Non Gold Pool	2.602%	1/1/35	6	6
[3,4,6] Freddie Mac Non Gold Pool	2.612%	12/1/36	52	54
[3,4,6] Freddie Mac Non Gold Pool	2.619%	12/1/40	64	66
[3,4,6] Freddie Mac Non Gold Pool	2.621%	11/1/34	44	46
[3,4,6] Freddie Mac Non Gold Pool	2.630%	6/1/40	36	38
[3,4,6] Freddie Mac Non Gold Pool	2.634%	12/1/35	33	35
[3,4,6] Freddie Mac Non Gold Pool	2.652%	2/1/37	12	13
[3,4,6] Freddie Mac Non Gold Pool	2.662%	3/1/37	6	7
[3,4] Freddie Mac Non Gold Pool	2.750%	2/1/42	63	66
[3,4,6] Freddie Mac Non Gold Pool	2.755%	11/1/40–12/1/40	60	62
[3,4,6] Freddie Mac Non Gold Pool	2.762%	11/1/40	61	63
[3,4] Freddie Mac Non Gold Pool	2.773%	1/1/41	74	78
[3,4,6] Freddie Mac Non Gold Pool	2.851%	5/1/36	16	17
[3,4,6] Freddie Mac Non Gold Pool	2.875%	5/1/38	5	5
[3,4,6] Freddie Mac Non Gold Pool	2.932%	6/1/40	43	46
[3,4,6] Freddie Mac Non Gold Pool	2.973%	2/1/36	15	15
[3,4,6] Freddie Mac Non Gold Pool	2.980%	3/1/41	22	23
[3,4,6] Freddie Mac Non Gold Pool	2.983%	10/1/36	19	20
[3,4,6] Freddie Mac Non Gold Pool	3.005%	5/1/40	22	23
[3,4,6] Freddie Mac Non Gold Pool	3.024%	2/1/41	18	19
[3,4,6] Freddie Mac Non Gold Pool	3.035%	2/1/41	61	64
[3,4] Freddie Mac Non Gold Pool	3.054%	1/1/41	16	17
[3,4,6] Freddie Mac Non Gold Pool	3.068%	5/1/40	19	20
[3,4] Freddie Mac Non Gold Pool	3.115%	6/1/41	31	33
[3,4] Freddie Mac Non Gold Pool	3.591%	6/1/40	89	94
[3,4] Freddie Mac Non Gold Pool	3.680%	9/1/40	80	85
[3,4] Freddie Mac Non Gold Pool	4.723%	9/1/37	24	24
[3,4] Freddie Mac Non Gold Pool	5.258%	3/1/38	61	65
[3,4] Freddie Mac Non Gold Pool	5.893%	5/1/37	40	42
[3,4] Freddie Mac Non Gold Pool	6.155%	12/1/36	20	22
[4,6] Ginnie Mae II Pool	1.750%	4/20/41	27	28
[4,6] Ginnie Mae II Pool	2.000%	10/20/38–6/20/43	650	676
[4,6] Ginnie Mae II Pool	2.250%	5/20/41	37	39
[4,6] Ginnie Mae II Pool	2.500%	1/20/41–1/20/42	116	118
[4,5,6] Ginnie Mae II Pool	3.000%	7/20/38–11/20/41	278	293
[4,5] Ginnie Mae II Pool	3.500%	7/20/41–10/20/41	187	194
[4,5,6] Ginnie Mae II Pool	4.000%	4/20/41–10/20/41	104	110
				8,538
Total U.S. Government and Agency Obligations (Cost $1,839,773)				**1,923,455**
Asset-Backed/Commercial Mortgage-Backed Securities (2.9%)				
[4] AEP Texas Central Transition Funding II LLC 2006-A	5.170%	1/1/18	68	70
[4] Ally Auto Receivables Trust 2013-2	0.790%	1/15/18	9	9
[4] Ally Auto Receivables Trust 2013-2	1.240%	11/15/18	25	25
[4] Ally Auto Receivables Trust 2014-1	0.970%	10/15/18	47	47
[4] Ally Auto Receivables Trust 2014-1	1.530%	4/15/19	25	25
[4] Ally Auto Receivables Trust 2014-3	1.280%	6/17/19	100	100
[4] Ally Auto Receivables Trust 2014-3	1.720%	3/16/20	55	55
[4] Ally Auto Receivables Trust 2014-SN1	0.950%	6/20/18	24	24
[4] Ally Auto Receivables Trust 2014-SN2	1.030%	9/20/17	73	73
[4] Ally Auto Receivables Trust 2014-SN2	1.210%	2/20/19	75	75
[4] Ally Auto Receivables Trust 2015-1	1.390%	9/16/19	25	25
[4] Ally Auto Receivables Trust 2015-1	1.750%	5/15/20	50	51
[4] Ally Auto Receivables Trust 2015-2	1.490%	11/15/19	100	101
[4] Ally Auto Receivables Trust 2015-2	1.840%	6/15/20	50	51
[4] Ally Master Owner Trust Series 2014-4	1.430%	6/17/19	100	100
[4] Ally Master Owner Trust Series 2015-3	1.630%	5/15/20	150	151
[4] American Express Credit Account Secured Note Trust 2014-3	1.490%	4/15/20	175	176
[4] American Express Credit Account Secured Note Trust 2014-4	1.430%	6/15/20	100	101
[4] AmeriCredit Automobile Receivables Trust 2014-1	0.900%	2/8/19	11	11
[4] AmeriCredit Automobile Receivables Trust 2014-1	1.680%	7/8/19	25	25
[4] AmeriCredit Automobile Receivables Trust 2014-3	1.150%	6/10/19	50	50
[4] AmeriCredit Automobile Receivables Trust 2015-2	1.270%	1/8/20	75	75
[4] Banc of America Commercial Mortgage Trust 2006-2	6.009%	5/10/45	30	30
[4] Banc of America Commercial Mortgage Trust 2006-5	5.448%	9/10/47	50	50
[4] Banc of America Commercial Mortgage Trust 2008-1	6.436%	2/10/51	360	377
[4] Banc of America Commercial Mortgage Trust 2015-UBS7	3.429%	9/15/48	50	54
[4] Banc of America Commercial Mortgage Trust 2015-UBS7	3.705%	9/15/48	75	82
Bank of Nova Scotia	2.125%	9/11/19	250	256
Bank of Nova Scotia	1.850%	4/14/20	450	456
Bank of Nova Scotia	1.875%	4/26/21	175	177
[4] Barclays Dryrock Issuance Trust 2015-2	1.560%	3/15/21	100	101
[4] Bear Stearns Commercial Mortgage Securities Trust 2006-PWR13	5.582%	9/11/41	95	95
[4] Bear Stearns Commercial Mortgage Securities Trust 2007-PWR16	5.910%	6/11/40	150	153
[4] Bear Stearns Commercial Mortgage Securities Trust 2007-PWR17	5.694%	6/11/50	214	220
[4] Bear Stearns Commercial Mortgage Securities Trust 2007-PWR17	5.915%	6/11/50	235	244
[4] Bear Stearns Commercial Mortgage Securities Trust 2007-PWR18	5.700%	6/11/50	559	574
[4] Bear Stearns Commercial Mortgage Securities Trust 2007-TOP26	5.471%	1/12/45	64	65
[4] Bear Stearns Commercial Mortgage Securities Trust 2007-TOP26	5.513%	1/12/45	190	194
[4] Bear Stearns Commercial Mortgage Securities Trust 2007-TOP28	5.742%	9/11/42	772	797
[4] BMW Vehicle Owner Trust 2014-A	0.970%	11/26/18	81	81
[4] BMW Vehicle Owner Trust 2014-A	1.500%	2/25/21	75	75
[4] BMW Vehicle Owner Trust 2015-1	1.240%	12/20/17	125	125
[4] BMW Vehicle Owner Trust 2015-2	1.400%	9/20/18	100	100
[4] BMW Vehicle Owner Trust 2015-2	1.550%	2/20/19	50	50
[4] Capital Auto Receivables Asset Trust 2013-3	1.310%	12/20/17	6	6
[4] Capital Auto Receivables Asset Trust 2013-3	1.680%	4/20/18	30	30
[4] Capital Auto Receivables Asset Trust 2014-2	1.260%	5/21/18	17	17
[4] Capital Auto Receivables Asset Trust 2014-2	1.620%	10/22/18	25	25
[4] Capital Auto Receivables Asset Trust 2014-3	1.480%	11/20/18	50	50
[4] Capital Auto Receivables Asset Trust 2014-3	1.830%	4/22/19	25	25
[4] Capital Auto Receivables Asset Trust 2015-1	1.610%	6/20/19	200	201
[4] Capital Auto Receivables Asset Trust 2015-1	1.860%	10/21/19	50	50
[4] Capital Auto Receivables Asset Trust 2015-2	1.730%	9/20/19	125	126
[4] Capital Auto Receivables Asset Trust 2015-3	1.720%	1/22/19	100	101
[4] Capital Auto Receivables Asset Trust 2015-3	1.940%	1/21/20	100	101
[4] Capital Auto Receivables Asset Trust 2015-3	1.970%	1/21/20	75	76
[4] Capital Auto Receivables Asset Trust 2015-3	2.130%	5/20/20	75	76
[4] Capital Auto Receivables Asset Trust 2015-4	1.830%	3/20/20	75	75

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4] Capital Auto Receivables Asset Trust 2015-4	2.010%	7/20/20	75	75
[4] Capital One Multi-asset Execution Trust 2007-A7	5.750%	7/15/20	225	237
[4] Capital One Multi-Asset Execution Trust 2014-A2	1.260%	1/15/20	50	50
[4] Capital One Multi-Asset Execution Trust 2014-A5	1.480%	7/15/20	150	150
[4] Capital One Multi-Asset Execution Trust 2015-A2	2.080%	3/15/23	250	258
[4] Capital One Multi-asset Execution Trust 2015-A5	1.600%	5/17/21	100	101
[4] Capital One Multi-asset Execution Trust 2015-A8	2.050%	8/15/23	150	153
[4] CarMax Auto Owner Trust 2012-3	0.790%	4/16/18	39	39
[4] CarMax Auto Owner Trust 2013-2	0.640%	1/16/18	9	9
[4] CarMax Auto Owner Trust 2013-2	0.840%	11/15/18	33	33
[4] CarMax Auto Owner Trust 2013-3	0.970%	4/16/18	20	20
[4] CarMax Auto Owner Trust 2013-3	1.490%	1/15/19	40	40
[4] CarMax Auto Owner Trust 2013-4	0.800%	7/16/18	9	9
[4] CarMax Auto Owner Trust 2013-4	1.280%	5/15/19	25	25
[4] CarMax Auto Owner Trust 2014-1	0.790%	10/15/18	18	18
[4] CarMax Auto Owner Trust 2014-1	1.320%	7/15/19	25	25
[4] CarMax Auto Owner Trust 2014-2	0.980%	1/15/19	51	51
[4] CarMax Auto Owner Trust 2014-3	1.160%	6/17/19	67	67
[4] CarMax Auto Owner Trust 2014-3	1.730%	2/18/20	25	25
[4] CarMax Auto Owner Trust 2014-4	1.250%	11/15/19	125	125
[4] CarMax Auto Owner Trust 2015-2	1.370%	3/16/20	50	50
[4] CarMax Auto Owner Trust 2015-2	1.800%	3/15/21	50	50
[4] CarMax Auto Owner Trust 2015-3	1.630%	5/15/20	100	101
[4] CarMax Auto Owner Trust 2015-3	1.980%	2/16/21	50	51
[4] CarMax Auto Owner Trust 2015-4	1.560%	11/16/20	100	101
[4] CarMax Auto Owner Trust 2015-4	1.830%	6/15/21	50	51
[4] CD 2007-CD5 Mortgage Trust	5.886%	11/15/44	351	362
[4] CenterPoint Energy Transition Bond Co. II LLC 2005-A	5.170%	8/1/19	17	17
[4] CenterPoint Energy Transition Bond Co. II LLC 2005-A	5.302%	8/1/20	26	28
[4] CenterPoint Energy Transition Bond Co. IV LLC 2012-1	3.028%	10/15/25	350	374
[4] CFCRE Commercial Mortgage Trust 2016-C3	3.865%	1/10/48	125	138
[4] CFCRE Commercial Mortgage Trust 2016-C4	3.283%	5/10/58	150	158
[4] CFCRE Commercial Mortgage Trust 2016-C4	3.691%	5/10/58	100	105
[4] Chase Issuance Trust 2012-A4	1.580%	8/16/21	150	152
[4] Chase Issuance Trust 2012-A7	2.160%	9/16/24	313	318
[4] Chase Issuance Trust 2013-A1	1.300%	2/18/20	275	277
[4] Chase Issuance Trust 2013-A8	1.010%	10/15/18	225	225
[4] Chase Issuance Trust 2014-A1	1.150%	1/15/19	125	125
[4] Chase Issuance Trust 2014-A2	2.770%	3/15/23	225	239
[4] Chase Issuance Trust 2014-A6	1.260%	7/15/19	300	300
[4] Chase Issuance Trust 2014-A7	1.380%	11/15/19	225	226
[4] Chase Issuance Trust 2015-A2	1.590%	2/18/20	597	603
[4] Chase Issuance Trust 2015-A4	1.840%	4/15/22	150	153
[4] Chase Issuance Trust 2015-A5	1.360%	4/15/20	325	327
[4] Chase Issuance Trust 2016-A2	1.370%	6/15/21	225	226
[4] Citibank Credit Card Issuance Trust 2007-A8	5.650%	9/20/19	250	264
[4] Citibank Credit Card Issuance Trust 2008-A1	5.350%	2/7/20	245	262
[4] Citibank Credit Card Issuance Trust 2014-A1	2.880%	1/23/23	100	106
[4] Citibank Credit Card Issuance Trust 2014-A4	1.230%	4/24/19	425	425
[4] Citibank Credit Card Issuance Trust 2014-A5	2.680%	6/7/23	200	211
[4] Citibank Credit Card Issuance Trust 2014-A6	2.150%	7/15/21	500	515
[4] Citibank Credit Card Issuance Trust 2014-A8	1.730%	4/9/20	325	329
[4] Citigroup Commercial Mortgage Trust 2006-C5	5.431%	10/15/49	77	77
[4] Citigroup Commercial Mortgage Trust 2006-C5	5.462%	10/15/49	100	101
[4] Citigroup Commercial Mortgage Trust 2007-C6	5.901%	12/10/49	600	617
[4] Citigroup Commercial Mortgage Trust 2008-C7	6.345%	12/10/49	454	470
[4] Citigroup Commercial Mortgage Trust 2012-GC8	3.024%	9/10/45	75	79
[4] Citigroup Commercial Mortgage Trust 2013-GC11	3.093%	4/10/46	100	106
[4] Citigroup Commercial Mortgage Trust 2013-GC15	3.161%	9/10/46	75	77
[4] Citigroup Commercial Mortgage Trust 2013-GC15	4.371%	9/10/46	50	57
[4] Citigroup Commercial Mortgage Trust 2013-GC15	4.649%	9/10/46	75	85
[4] Citigroup Commercial Mortgage Trust 2014-GC19	2.790%	3/10/47	37	38
[4] Citigroup Commercial Mortgage Trust 2014-GC19	3.552%	3/10/47	25	27
[4] Citigroup Commercial Mortgage Trust 2014-GC19	4.023%	3/10/47	25	28
[4] Citigroup Commercial Mortgage Trust 2014-GC19	4.345%	3/10/47	25	27
[4] Citigroup Commercial Mortgage Trust 2014-GC21	3.855%	5/10/47	50	55
[4] Citigroup Commercial Mortgage Trust 2014-GC21	4.328%	5/10/47	50	54
[4] Citigroup Commercial Mortgage Trust 2014-GC23	3.622%	7/10/47	100	109
[4] Citigroup Commercial Mortgage Trust 2014-GC25	3.635%	10/10/47	175	190
[4] Citigroup Commercial Mortgage Trust 2015-GC27	3.137%	2/10/48	225	237
[4] Citigroup Commercial Mortgage Trust 2015-GC27	3.571%	2/10/48	100	106
[4] Citigroup Commercial Mortgage Trust 2015-GC29	2.674%	4/10/48	50	52
[4] Citigroup Commercial Mortgage Trust 2015-GC29	3.192%	4/10/48	175	185
[4] Citigroup Commercial Mortgage Trust 2015-GC29	3.758%	4/10/48	84	88
[4] Citigroup Commercial Mortgage Trust 2015-GC31	3.762%	6/10/48	100	110
[4] Citigroup Commercial Mortgage Trust 2015-GC33	3.778%	9/10/58	100	110
[4] Citigroup Commercial Mortgage Trust 2016-C1	3.003%	5/10/49	55	57
[4] Citigroup Commercial Mortgage Trust 2016-C1	3.209%	5/10/49	125	131
[4] Citigroup Commercial Mortgage Trust 2016-C32	3.616%	2/10/49	225	244
[4] Citigroup/Deutsche Bank Commercial Mortgage Trust 2016-C1	3.276%	5/10/49	75	80
[4] COBALT CMBS Commercial Mortgage Trust 2007-C3	5.956%	5/15/46	247	253
[4] COMM 2007-C9 Mortgage Trust	6.007%	12/10/49	525	540
[4] COMM 2012-CCRE2 Mortgage Trust	3.147%	8/15/45	58	62
[4] COMM 2012-CCRE2 Mortgage Trust	3.791%	8/15/45	65	71
[4,7] COMM 2012-CCRE3 Mortgage Trust	3.416%	10/15/45	78	83
[4] COMM 2012-CCRE4 Mortgage Trust	2.853%	10/15/45	125	131
[4] COMM 2013-CCRE10 Mortgage Trust	4.210%	8/10/46	20	23
[4] COMM 2013-CCRE11 Mortgage Trust	3.047%	10/10/46	30	31
[4] COMM 2013-CCRE11 Mortgage Trust	3.660%	10/10/46	30	32
[4] COMM 2013-CCRE11 Mortgage Trust	3.983%	10/10/46	40	45
[4] COMM 2013-CCRE11 Mortgage Trust	4.258%	10/10/46	150	169
[4] COMM 2013-CCRE11 Mortgage Trust	4.715%	10/10/46	30	34

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4] COMM 2013-CCRE12 Mortgage Trust	1.295%	10/10/46	15	15
[4] COMM 2013-CCRE12 Mortgage Trust	2.904%	10/10/46	50	51
[4] COMM 2013-CCRE12 Mortgage Trust	3.623%	10/10/46	50	54
[4] COMM 2013-CCRE12 Mortgage Trust	3.765%	10/10/46	50	55
[4] COMM 2013-CCRE12 Mortgage Trust	4.046%	10/10/46	50	56
[4] COMM 2013-CCRE12 Mortgage Trust	4.300%	10/10/46	25	28
[4] COMM 2013-CCRE12 Mortgage Trust	4.762%	10/10/46	25	28
[4] COMM 2013-CCRE6 Mortgage Trust	3.101%	3/10/46	65	69
[4] COMM 2013-CCRE7 Mortgage Trust	3.213%	3/10/46	50	53
[4] COMM 2013-CCRE8 Mortgage Trust	3.612%	6/10/46	71	77
[4] COMM 2013-CCRE9 Mortgage Trust	4.375%	7/10/45	90	102
[4] COMM 2013-LC13 Mortgage Trust	3.009%	8/10/46	40	41
[4] COMM 2013-LC13 Mortgage Trust	4.205%	8/10/46	40	45
[4] COMM 2013-LC6 Mortgage Trust	2.941%	1/10/46	104	110
[4] COMM 2013-LC6 Mortgage Trust	3.282%	1/10/46	58	61
[4] COMM 2014-CCRE15 Mortgage Trust	2.928%	2/10/47	87	90
[4] COMM 2014-CCRE15 Mortgage Trust	3.595%	2/10/47	30	32
[4] COMM 2014-CCRE15 Mortgage Trust	4.074%	2/10/47	56	63
[4] COMM 2014-CCRE15 Mortgage Trust	4.865%	2/10/47	28	32
[4] COMM 2014-CCRE16 Mortgage Trust	3.653%	4/10/47	50	54
[4] COMM 2014-CCRE16 Mortgage Trust	4.278%	4/10/47	75	83
[4] COMM 2014-CCRE19 Mortgage Trust	3.796%	8/10/47	175	192
[4] COMM 2014-CCRE19 Mortgage Trust	4.080%	8/10/47	50	55
[4] COMM 2014-CCRE21 Mortgage Trust	3.095%	12/10/47	86	90
[4] COMM 2014-CCRE21 Mortgage Trust	3.528%	12/10/47	175	189
[4] COMM 2014-CR17 Mortgage Trust	3.012%	5/10/47	50	52
[4] COMM 2014-CR17 Mortgage Trust	3.598%	5/10/47	25	27
[4] COMM 2014-CR17 Mortgage Trust	3.977%	5/10/47	50	56
[4] COMM 2014-CR17 Mortgage Trust	4.377%	5/10/47	25	27
[4] COMM 2014-CR18 Mortgage Trust	3.452%	7/15/47	50	53
[4] COMM 2014-CR20 Mortgage Trust	3.590%	11/10/47	50	54
[4] COMM 2014-LC15 Mortgage Trust	2.840%	4/10/47	50	52
[4] COMM 2014-LC15 Mortgage Trust	4.006%	4/10/47	150	167
[4] COMM 2014-LC17 Mortgage Trust	3.164%	10/10/47	100	105
[4] COMM 2014-LC17 Mortgage Trust	3.917%	10/10/47	50	55
[4] COMM 2014-LC19 Mortgage Trust	3.040%	2/10/48	25	26
[4] COMM 2014-LC19 Mortgage Trust	3.183%	2/10/48	125	132
[4] COMM 2014-LC19 Mortgage Trust	3.527%	2/10/48	50	53
[4] COMM 2014-UBS2 Mortgage Trust	2.820%	3/10/47	24	25
[4] COMM 2014-UBS2 Mortgage Trust	3.472%	3/10/47	22	23
[4] COMM 2014-UBS2 Mortgage Trust	3.961%	3/10/47	54	59
[4] COMM 2014-UBS2 Mortgage Trust	4.199%	3/10/47	15	16
[4] COMM 2014-UBS2 Mortgage Trust	4.701%	3/10/47	10	11
[4] COMM 2014-UBS3 Mortgage Trust	2.844%	6/10/47	50	52
[4] COMM 2014-UBS3 Mortgage Trust	3.819%	6/10/47	100	109
[4] COMM 2014-UBS4 Mortgage Trust	3.694%	8/10/47	125	135
[4] COMM 2014-UBS4 Mortgage Trust	3.968%	8/10/47	44	46
[4] COMM 2014-UBS5 Mortgage Trust	3.838%	9/10/47	125	137
[4] COMM 2014-UBS6 Mortgage Trust	2.935%	12/10/47	125	130
[4] COMM 2014-UBS6 Mortgage Trust	3.387%	12/10/47	125	133
[4] COMM 2014-UBS6 Mortgage Trust	3.644%	12/10/47	225	243
[4] COMM 2014-UBS6 Mortgage Trust	4.048%	12/10/47	50	54
[4] COMM 2015-CR22 Mortgage Trust	2.856%	3/10/48	50	52
[4] COMM 2015-CR22 Mortgage Trust	3.309%	3/10/48	150	159
[4] COMM 2015-CR22 Mortgage Trust	3.603%	3/10/48	50	53
[4] COMM 2015-CR23 Mortgage Trust	3.257%	5/10/48	75	79
[4] COMM 2015-CR23 Mortgage Trust	3.497%	5/10/48	100	108
[4] COMM 2015-CR23 Mortgage Trust	3.801%	5/10/48	50	54
[4] COMM 2015-CR25 Mortgage Trust	3.759%	8/10/48	125	137
[4] COMM 2015-CR26 Mortgage Trust	3.630%	10/10/48	225	243
[4] COMM 2015-CR27 Mortgage Trust	3.404%	10/10/48	125	134
[4] COMM 2015-CR27 Mortgage Trust	3.612%	10/10/48	125	135
[4] COMM 2016-CR28 Mortgage Trust	3.762%	2/10/49	150	164
[4] COMM 2016-DC2 Mortgage Trust	3.550%	2/10/49	125	133
[4] Credit Suisse Commercial Mortgage Trust Series 2006-C4	5.509%	9/15/39	33	33
[4] Credit Suisse Commercial Mortgage Trust Series 2006-C5	5.311%	12/15/39	105	105
[4] Credit Suisse Commercial Mortgage Trust Series 2007-C1	5.383%	2/15/40	129	130
[4] Credit Suisse Commercial Mortgage Trust Series 2007-C3	5.889%	6/15/39	145	147
[4] CSAIL Commercial Mortgage Trust 2015-C1	3.505%	4/15/50	100	108
[4] CSAIL Commercial Mortgage Trust 2015-C1	3.791%	4/15/50	75	81
[4] CSAIL Commercial Mortgage Trust 2015-C1	4.044%	4/15/50	50	54
[4] CSAIL Commercial Mortgage Trust 2015-C2	1.454%	6/15/57	80	80
[4] CSAIL Commercial Mortgage Trust 2015-C2	3.504%	6/15/57	150	162
[4] CSAIL Commercial Mortgage Trust 2015-C2	3.849%	6/15/57	75	81
[4] CSAIL Commercial Mortgage Trust 2015-C3	3.448%	8/15/48	85	91
[4] CSAIL Commercial Mortgage Trust 2015-C3	3.718%	8/15/48	100	109
[4] CSAIL Commercial Mortgage Trust 2015-C3	4.256%	8/15/48	50	53
[4] CSAIL Commercial Mortgage Trust 2015-C4	3.617%	11/15/48	50	54
[4] CSAIL Commercial Mortgage Trust 2015-C4	3.808%	11/15/48	75	83
[4] Discover Card Execution Note Trust 2007-A1	5.650%	3/16/20	275	289
[4] Discover Card Execution Note Trust 2014-A3	1.220%	10/15/19	200	200
[4] Discover Card Execution Note Trust 2014-A5	1.390%	4/15/20	300	301
[4] Discover Card Execution Note Trust 2015-A2	1.900%	10/17/22	275	282
[4] Discover Card Execution Note Trust 2015-A3	1.450%	3/15/21	225	227
[4] Discover Card Execution Note Trust 2015-A4	2.190%	4/17/23	225	232
[4] Discover Card Execution Note Trust 2016-A1	1.640%	7/15/21	350	355
[3,4] Fannie Mae-Aces 2011-M2	3.764%	4/25/21	150	165
[3,4] Fannie Mae-Aces 2011-M4	3.726%	6/25/21	275	303
[3,4] Fannie Mae-Aces 2013-M12	2.473%	3/25/23	280	286
[3,4] Fannie Mae-Aces 2013-M14	2.586%	4/25/23	326	337
[3,4] Fannie Mae-Aces 2013-M14	3.329%	10/25/23	350	380
[3,4] Fannie Mae-Aces 2013-M4	2.608%	3/25/22	25	26
[3,4] Fannie Mae-Aces 2013-M7	2.280%	12/27/22	100	103
[3,4] Fannie Mae-Aces 2014-M1	2.323%	11/25/18	432	442
[3,4] Fannie Mae-Aces 2014-M1	3.411%	7/25/23	450	489
[3,4] Fannie Mae-Aces 2014-M10	2.171%	9/25/19	200	206
[3,4] Fannie Mae-Aces 2014-M12	2.614%	10/25/21	350	366
[3,4] Fannie Mae-Aces 2014-M13	1.637%	11/25/17	40	40
[3,4] Fannie Mae-Aces 2014-M13	2.566%	8/25/24	47	50
[3,4] Fannie Mae-Aces 2014-M13	3.021%	8/25/24	125	133
[3,4] Fannie Mae-Aces 2014-M15	2.509%	7/25/22	150	155
[3,4] Fannie Mae-Aces 2014-M2	1.916%	6/25/21	72	73
[3,4] Fannie Mae-Aces 2014-M2	3.513%	12/25/23	346	380
[3,4] Fannie Mae-Aces 2014-M3	2.613%	1/25/24	131	138
[3,4] Fannie Mae-Aces 2014-M3	3.501%	1/25/24	175	193
[3,4] Fannie Mae-Aces 2014-M4	3.346%	3/25/24	175	192
[3,4] Fannie Mae-Aces 2014-M6	2.679%	5/25/21	325	341
[3,4] Fannie Mae-Aces 2014-M7	3.356%	6/25/24	341	378
[3,4] Fannie Mae-Aces 2014-M8	2.346%	6/25/24	43	45
[3,4] Fannie Mae-Aces 2014-M8	3.056%	6/25/24	175	187
[3,4] Fannie Mae-Aces 2014-M9	1.462%	4/25/17	172	171
[3,4] Fannie Mae-Aces 2014-M9	3.103%	7/25/24	200	217
[3,4] Fannie Mae-Aces 2015-M1	1.626%	2/25/18	72	72
[3,4] Fannie Mae-Aces 2015-M1	2.532%	9/25/24	300	311
[3,4] Fannie Mae-Aces 2015-M10	3.092%	4/25/27	100	107
[3,4] Fannie Mae-Aces 2015-M12	2.885%	5/25/25	225	235
[3,4] Fannie Mae-Aces 2015-M15	2.923%	10/25/25	275	289
[3,4] Fannie Mae-Aces 2015-M2	2.620%	12/25/24	218	223
[3,4] Fannie Mae-Aces 2015-M3	2.723%	10/25/24	100	105

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[3,4] Fannie Mae-Aces 2015-M7	1.550%	4/25/18	50	50
[3,4] Fannie Mae-Aces 2015-M7	2.590%	12/25/24	200	208
[3,4] Fannie Mae-Aces 2015-M8	2.344%	1/25/25	117	123
[3,4] Fannie Mae-Aces 2015-M8	2.900%	1/25/25	100	107
[3,4] Fannie Mae-Aces 2016-M2	2.152%	1/25/23	200	203
[3,4] Fannie Mae-Aces 2016-M3	2.702%	2/25/26	100	104
[3,4] Fannie Mae-Aces 2016-M4	2.576%	3/25/26	100	104
[3,4] Fannie Mae-Aces 2016-M5	2.469%	4/25/26	200	206
[3,4] FHLMC Multifamily Structured Pass Through Certificates K005	3.484%	4/25/19	194	198
[3,4] FHLMC Multifamily Structured Pass Through Certificates K006	3.398%	7/25/19	144	148
[3,4] FHLMC Multifamily Structured Pass Through Certificates K007	3.342%	12/25/19	113	115
[3,4] FHLMC Multifamily Structured Pass Through Certificates K009	2.757%	5/25/20	172	175
[3,4] FHLMC Multifamily Structured Pass Through Certificates K010	2.412%	8/25/18	75	77
[3,4] FHLMC Multifamily Structured Pass Through Certificates K010	3.320%	7/25/20	186	190
[3,4] FHLMC Multifamily Structured Pass Through Certificates K011	4.084%	11/25/20	250	276
[3,4] FHLMC Multifamily Structured Pass Through Certificates K014	3.871%	4/25/21	133	147
[3,4] FHLMC Multifamily Structured Pass Through Certificates K017	2.873%	12/25/21	350	371
[3,4] FHLMC Multifamily Structured Pass Through Certificates K019	2.272%	3/25/22	150	154
[3,4] FHLMC Multifamily Structured Pass Through Certificates K020	2.373%	5/25/22	350	363
[3,4] FHLMC Multifamily Structured Pass Through Certificates K021	2.396%	6/25/22	225	235
[3,4] FHLMC Multifamily Structured Pass Through Certificates K026	2.510%	11/25/22	325	340
[3,4] FHLMC Multifamily Structured Pass Through Certificates K027	2.637%	1/25/23	325	343
[3,4] FHLMC Multifamily Structured Pass Through Certificates K028	3.111%	2/25/23	475	516
[3,4] FHLMC Multifamily Structured Pass Through Certificates K028	2.745%	1/25/26	200	211
[3,4] FHLMC Multifamily Structured Pass Through Certificates K029	3.320%	2/25/23	325	357
[3,4] FHLMC Multifamily Structured Pass Through Certificates K030	2.779%	9/25/22	277	288
[3,4] FHLMC Multifamily Structured Pass Through Certificates K030	3.250%	4/25/23	325	356
[3,4] FHLMC Multifamily Structured Pass Through Certificates K031	3.300%	4/25/23	340	373
[3,4] FHLMC Multifamily Structured Pass Through Certificates K032	3.016%	2/25/23	288	305
[3,4] FHLMC Multifamily Structured Pass Through Certificates K032	3.310%	5/25/23	340	373
[3,4] FHLMC Multifamily Structured Pass Through Certificates K033	2.871%	2/25/23	295	310
[3,4] FHLMC Multifamily Structured Pass Through Certificates K033	3.060%	7/25/23	325	352
[3,4] FHLMC Multifamily Structured Pass Through Certificates K034	3.531%	7/25/23	288	321
[3,4] FHLMC Multifamily Structured Pass Through Certificates K035	3.458%	8/25/23	400	442
[3,4] FHLMC Multifamily Structured Pass Through Certificates K036	3.527%	10/25/23	325	361
[3,4] FHLMC Multifamily Structured Pass Through Certificates K038	2.604%	10/25/23	111	116
[3,4] FHLMC Multifamily Structured Pass Through Certificates K038	3.389%	3/25/24	400	443
[3,4] FHLMC Multifamily Structured Pass Through Certificates K039	2.683%	12/25/23	67	71
[3,4] FHLMC Multifamily Structured Pass Through Certificates K039	3.303%	7/25/24	225	248
[3,4] FHLMC Multifamily Structured Pass Through Certificates K040	2.768%	4/25/24	95	100
[3,4] FHLMC Multifamily Structured Pass Through Certificates K040	3.241%	9/25/24	275	301
[3,4] FHLMC Multifamily Structured Pass Through Certificates K041	3.171%	10/25/24	275	301
[3,4] FHLMC Multifamily Structured Pass Through Certificates K042	2.267%	6/25/24	47	50
[3,4] FHLMC Multifamily Structured Pass Through Certificates K043	2.532%	10/25/23	48	50
[3,4] FHLMC Multifamily Structured Pass Through Certificates K043	2.493%	11/25/24	121	128
[3,4] FHLMC Multifamily Structured Pass Through Certificates K043	3.062%	12/25/24	150	163
[3,4] FHLMC Multifamily Structured Pass Through Certificates K043	3.023%	1/25/25	175	190
[3,4] FHLMC Multifamily Structured Pass Through Certificates K046	3.205%	3/25/25	175	191
[3,4] FHLMC Multifamily Structured Pass Through Certificates K047	2.827%	12/25/24	98	105
[3,4] FHLMC Multifamily Structured Pass Through Certificates K047	3.329%	5/25/25	175	193
[3,4] FHLMC Multifamily Structured Pass Through Certificates K048	3.284%	6/25/25	225	248
[3,4] FHLMC Multifamily Structured Pass Through Certificates K049	3.010%	7/25/25	125	134
[3,4] FHLMC Multifamily Structured Pass Through Certificates K050	3.334%	8/25/25	200	221
[3,4] FHLMC Multifamily Structured Pass Through Certificates K052	3.151%	11/25/25	125	136
[3,4] FHLMC Multifamily Structured Pass Through Certificates K053	2.995%	12/25/25	75	81
[3,4] FHLMC Multifamily Structured Pass Through Certificates K152	3.080%	1/25/31	100	104
[3,4] FHLMC Multifamily Structured Pass Through Certificates K503	1.384%	1/25/19	154	155
[3,4] FHLMC Multifamily Structured Pass Through Certificates K503	2.456%	8/25/19	325	335
[3,4] FHLMC Multifamily Structured Pass Through Certificates K504	2.566%	9/25/20	100	104
[3,4] FHLMC Multifamily Structured Pass Through Certificates K702	3.154%	2/25/18	538	553
[3,4] FHLMC Multifamily Structured Pass Through Certificates K706	2.323%	10/25/18	100	103
[3,4] FHLMC Multifamily Structured Pass Through Certificates K707	2.220%	12/25/18	150	154
[3,4] FHLMC Multifamily Structured Pass Through Certificates K708	1.670%	10/25/18	3	3
[3,4] FHLMC Multifamily Structured Pass Through Certificates K710	1.883%	5/25/19	25	25
[3,4] FHLMC Multifamily Structured Pass Through Certificates K711	1.321%	12/25/18	174	175
[3,4] FHLMC Multifamily Structured Pass Through Certificates K711	1.730%	7/25/19	425	430
[3,4] FHLMC Multifamily Structured Pass Through Certificates K712	1.869%	11/25/19	200	204
[3,4] FHLMC Multifamily Structured Pass Through Certificates K713	2.313%	3/25/20	525	544
[3,4] FHLMC Multifamily Structured Pass Through Certificates K714	3.034%	10/25/20	400	426
[3,4] FHLMC Multifamily Structured Pass Through Certificates K716	3.130%	6/25/21	370	399
[3,4] FHLMC Multifamily Structured Pass Through Certificates K716	2.413%	8/25/47	63	64
[3,4] FHLMC Multifamily Structured Pass Through Certificates K717	2.991%	9/25/21	225	242
[3,4] FHLMC Multifamily Structured Pass Through Certificates K718	2.375%	9/25/21	215	223
[3,4] FHLMC Multifamily Structured Pass Through Certificates K718	2.791%	1/25/22	225	240

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[3,4] FHLMC Multifamily Structured Pass Through Certificates KW01	2.853%	1/25/26	200	212
[3,4] FHLMC Multifamily Structures Pass Through Certificates K715	2.856%	1/25/21	125	133
[3,4] FHLMC Multifamily Structures Pass Through Certificates K715	2.716%	6/25/22	150	159
[4] Fifth Third Auto 2014-1	0.680%	4/16/18	22	22
[4] Fifth Third Auto 2014-1	1.420%	3/16/20	100	101
[4] Fifth Third Auto 2014-1	1.140%	10/15/20	50	50
[4] Fifth Third Auto 2014-2	0.890%	11/15/18	34	34
[4] Ford Credit Auto Lease Trust 2014-A	1.160%	8/15/17	40	40
[4] Ford Credit Auto Lease Trust 2014-B	0.890%	9/15/17	22	22
[4] Ford Credit Auto Lease Trust 2015-A	1.130%	6/15/18	100	100
[4] Ford Credit Auto Lease Trust 2015-A	1.310%	8/15/18	50	50
[4] Ford Credit Auto Lease Trust 2015-B	1.380%	12/15/18	75	75
[4] Ford Credit Auto Lease Trust 2015-B	1.540%	2/15/19	75	75
[4] Ford Credit Auto Owner Trust 2013-B	0.760%	8/15/18	28	28
[4] Ford Credit Auto Owner Trust 2013-C	0.820%	12/15/17	8	8
[4] Ford Credit Auto Owner Trust 2013-C	1.250%	10/15/18	26	26
[4] Ford Credit Auto Owner Trust 2014-B	0.900%	10/15/18	63	63
[4] Ford Credit Auto Owner Trust 2015-A	1.280%	9/15/19	50	50
[4] Ford Credit Auto Owner Trust 2015-A	1.640%	6/15/20	25	25
[4] Ford Credit Auto Owner Trust 2015-B	1.160%	11/15/19	75	75
[4] Ford Credit Auto Owner Trust 2015-B	1.580%	8/15/20	50	50
[4] Ford Credit Auto Owner Trust 2015-C	1.410%	2/15/20	50	50
[4] Ford Credit Auto Owner Trust 2015-C	1.740%	2/15/21	50	50
[4] Ford Credit Floorplan Master Owner Trust A Series 2013-5	1.500%	9/15/18	100	100
[4] Ford Credit Floorplan Master Owner Trust A Series 2014-1	1.200%	2/15/19	100	100
[4] Ford Credit Floorplan Master Owner Trust A Series 2014-4	1.400%	8/15/19	225	225
[4] Ford Credit Floorplan Master Owner Trust A Series 2016-1	1.760%	2/15/21	225	226
[4] GE Capital Credit Card Master Note Trust Series 2012-7	1.760%	9/15/22	148	149
[4] GE Commercial Mortgage Corp. Series 2007-C1 Trust	5.543%	12/10/49	275	277
[4] GM Financial Leasing Trust 2015-2	1.680%	12/20/18	100	101
[4] GM Financial Leasing Trust 2015-2	1.850%	7/22/19	50	50
[4] GM Financial Leasing Trust 2015-3	1.690%	3/20/19	50	50
[4] GM Financial Leasing Trust 2015-3	1.810%	11/20/19	50	50
[4] GM Financial Leasing Trust 2016-1	1.790%	3/20/20	100	100
[4] GM Financial Leasing Trust 2016-2	1.620%	9/20/19	100	101
[4] GS Mortgage Securities Trust 2011-GC5	3.707%	8/10/44	80	87
[4] GS Mortgage Securities Trust 2012-GC6	3.482%	1/10/45	300	324
[4] GS Mortgage Securities Trust 2012-GCJ7	3.377%	5/10/45	175	188
[4] GS Mortgage Securities Trust 2012-GCJ9	2.773%	11/10/45	125	131
[4] GS Mortgage Securities Trust 2013-GC10	2.943%	2/10/46	92	97
[4] GS Mortgage Securities Trust 2013-GC10	3.279%	2/10/46	35	37
[4] GS Mortgage Securities Trust 2013-GC13	4.170%	7/10/46	20	23
[4] GS Mortgage Securities Trust 2013-GCJ12	3.135%	6/10/46	90	96
GS Mortgage Securities Trust 2013-GCJ12	3.375%	6/10/46	39	41
[4] GS Mortgage Securities Trust 2013-GCJ14	2.995%	8/10/46	45	46
[4] GS Mortgage Securities Trust 2013-GCJ14	3.817%	8/10/46	30	32
[4] GS Mortgage Securities Trust 2013-GCJ14	4.243%	8/10/46	150	170
[4] GS Mortgage Securities Trust 2014-GC18	3.467%	6/10/47	50	54
[4] GS Mortgage Securities Trust 2014-GC18	3.862%	6/10/47	50	55
[4] GS Mortgage Securities Trust 2014-GC24	3.931%	9/10/47	125	139
[4] GS Mortgage Securities Trust 2014-GC24	4.641%	9/10/47	25	28
[4] GS Mortgage Securities Trust 2014-GC26	2.902%	11/10/47	50	52
[4] GS Mortgage Securities Trust 2014-GC26	3.365%	11/10/47	75	81
[4] GS Mortgage Securities Trust 2014-GC26	3.629%	11/10/47	225	244
[4] GS Mortgage Securities Trust 2014-GC26	3.964%	11/10/47	50	54
[4] GS Mortgage Securities Trust 2014-GC26	4.215%	11/10/47	50	55
[4] GS Mortgage Securities Trust 2015-GC28	3.396%	2/10/48	150	159
[4] GS Mortgage Securities Trust 2015-GC30	2.726%	5/10/50	100	104
[4] GS Mortgage Securities Trust 2015-GC30	3.382%	5/10/50	150	160
[4] GS Mortgage Securities Trust 2015-GC32	3.513%	7/10/48	125	135
[4] GS Mortgage Securities Trust 2015-GC32	3.764%	7/10/48	50	55
[4] GS Mortgage Securities Trust 2015-GC34	3.278%	10/10/48	125	134
[4] GS Mortgage Securities Trust 2015-GC34	3.506%	10/10/48	100	108
[4] GS Mortgage Securities Trust 2016-GS2	3.050%	5/10/49	75	79
[4] Honda Auto Receivables 2013-2 Owner Trust	0.660%	6/17/19	31	31
[4] Honda Auto Receivables 2013-4 Owner Trust	0.690%	9/18/17	11	11
[4] Honda Auto Receivables 2013-4 Owner Trust	1.040%	2/18/20	50	50
[4] Honda Auto Receivables 2014-1 Owner Trust	0.670%	11/21/17	33	33
[4] Honda Auto Receivables 2014-1 Owner Trust	1.040%	2/21/20	36	36
[4] Honda Auto Receivables 2014-2 Owner Trust	0.770%	3/19/18	29	29
[4] Honda Auto Receivables 2014-3 Owner Trust	0.880%	6/15/18	76	76
[4] Honda Auto Receivables 2014-3 Owner Trust	1.310%	10/15/20	50	50
[4] Honda Auto Receivables 2015-1 Owner Trust	1.050%	10/15/18	100	100
[4] Honda Auto Receivables 2015-1 Owner Trust	1.320%	11/16/20	75	75
[4] Honda Auto Receivables 2015-2 Owner Trust	1.040%	2/21/19	75	75
[4] Honda Auto Receivables 2015-2 Owner Trust	1.470%	8/23/21	50	50
[4] Honda Auto Receivables 2015-3 Owner Trust	1.270%	4/18/19	100	100
[4] Honda Auto Receivables 2015-3 Owner Trust	1.560%	10/18/21	50	51
[4] Honda Auto Receivables 2015-4 Owner Trust	1.230%	9/23/19	125	126
[4] Huntington Auto Trust 2015-1	1.240%	9/16/19	125	125
[4] Hyundai Auto Receivables Trust 2012-C	0.730%	6/15/18	22	22
[4] Hyundai Auto Receivables Trust 2013-A	0.750%	9/17/18	71	71
[4] Hyundai Auto Receivables Trust 2013-B	1.010%	2/15/19	45	45
[4] Hyundai Auto Receivables Trust 2013-C	1.550%	3/15/19	60	60

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4] Hyundai Auto Receivables Trust 2014-A	0.790%	7/16/18	25	25
[4] Hyundai Auto Receivables Trust 2014-B	0.900%	12/17/18	63	63
[4] Hyundai Auto Receivables Trust 2015-A	1.370%	7/15/20	50	50
[4] Hyundai Auto Receivables Trust 2015-C	1.460%	2/18/20	50	50
[4] Hyundai Auto Receivables Trust 2015-C	1.780%	11/15/21	50	51
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2006-LDP7	6.184%	4/17/45	49	48
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2006-LDP8	5.440%	5/15/45	115	115
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2007-CIBC20	5.794%	2/12/51	464	480
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2007-CIBC20	6.087%	2/12/51	75	79
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2007-LDP11	5.927%	6/15/49	300	307
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2012-C6	3.507%	5/15/45	225	244
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2012-C8	2.829%	10/15/45	150	157
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2012-CIBX	3.483%	6/15/45	176	190
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2013-C10	3.143%	12/15/47	52	55
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2013-C10	3.372%	12/15/47	39	41
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2013-C16	4.166%	12/15/46	100	113
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2013-LC11	2.960%	4/15/46	208	218
[4] JP Morgan Chase Commercial Mortgage Securities Trust 2014-C20	2.872%	7/15/47	50	52
[4] JPMBB Commercial Mortgage Securities Trust 2013-C12	3.664%	7/15/45	39	43
[4] JPMBB Commercial Mortgage Securities Trust 2013-C12	4.161%	7/15/45	26	28
[4] JPMBB Commercial Mortgage Securities Trust 2013-C14	3.761%	8/15/46	40	44
[4] JPMBB Commercial Mortgage Securities Trust 2013-C14	4.133%	8/15/46	100	112
[4] JPMBB Commercial Mortgage Securities Trust 2013-C14	4.409%	8/15/46	30	34
[4] JPMBB Commercial Mortgage Securities Trust 2013-C15	2.977%	11/15/45	69	71
[4] JPMBB Commercial Mortgage Securities Trust 2013-C15	3.659%	11/15/45	10	11
[4] JPMBB Commercial Mortgage Securities Trust 2013-C15	4.131%	11/15/45	65	73
[4] JPMBB Commercial Mortgage Securities Trust 2013-C15	4.420%	11/15/45	35	39
[4] JPMBB Commercial Mortgage Securities Trust 2014-C18	4.079%	2/15/47	127	142
[4] JPMBB Commercial Mortgage Securities Trust 2014-C18	4.439%	2/15/47	25	28
[4] JPMBB Commercial Mortgage Securities Trust 2014-C18	4.974%	2/15/47	30	34
[4] JPMBB Commercial Mortgage Securities Trust 2014-C19	3.046%	4/15/47	50	52
[4] JPMBB Commercial Mortgage Securities Trust 2014-C19	3.669%	4/15/47	50	53
[4] JPMBB Commercial Mortgage Securities Trust 2014-C19	3.997%	4/15/47	95	106
[4] JPMBB Commercial Mortgage Securities Trust 2014-C19	4.243%	4/15/47	50	55
[4] JPMBB Commercial Mortgage Securities Trust 2014-C19	4.110%	9/15/47	50	54
[4] JPMBB Commercial Mortgage Securities Trust 2014-C21	3.428%	8/15/47	30	32
[4] JPMBB Commercial Mortgage Securities Trust 2014-C21	3.775%	8/15/47	25	27
[4] JPMBB Commercial Mortgage Securities Trust 2014-C22	3.801%	9/15/47	175	192
[4] JPMBB Commercial Mortgage Securities Trust 2014-C23	3.934%	9/15/47	85	94
[4] JPMBB Commercial Mortgage Securities Trust 2014-C23	4.202%	9/15/47	50	55
[4] JPMBB Commercial Mortgage Securities Trust 2014-C24	2.940%	11/15/47	50	52
[4] JPMBB Commercial Mortgage Securities Trust 2014-C24	3.639%	11/15/47	50	54
[4] JPMBB Commercial Mortgage Securities Trust 2014-C24	3.914%	11/15/47	75	81
[4] JPMBB Commercial Mortgage Securities Trust 2014-C25	3.672%	11/15/47	200	218
[4] JPMBB Commercial Mortgage Securities Trust 2014-C25	4.065%	11/15/47	50	55
[4] JPMBB Commercial Mortgage Securities Trust 2014-C26	3.019%	1/15/48	125	131
[4] JPMBB Commercial Mortgage Securities Trust 2014-C26	3.494%	1/15/48	175	189
[4] JPMBB Commercial Mortgage Securities Trust 2014-C26	3.800%	1/15/48	50	53
[4] JPMBB Commercial Mortgage Securities Trust 2014-C26	3.951%	1/15/48	50	52
[4] JPMBB Commercial Mortgage Securities Trust 2015-C27	2.734%	2/15/48	100	104
[4] JPMBB Commercial Mortgage Securities Trust 2015-C27	3.017%	2/15/48	110	116
[4] JPMBB Commercial Mortgage Securities Trust 2015-C27	3.179%	2/15/48	59	62
[4] JPMBB Commercial Mortgage Securities Trust 2015-C28	2.773%	10/15/48	125	129
[4] JPMBB Commercial Mortgage Securities Trust 2015-C28	3.227%	10/15/48	125	132
[4] JPMBB Commercial Mortgage Securities Trust 2015-C28	3.532%	10/15/48	50	52
[4] JPMBB Commercial Mortgage Securities Trust 2015-C29	2.921%	5/15/48	100	105
[4] JPMBB Commercial Mortgage Securities Trust 2015-C29	3.304%	5/15/48	57	61
[4] JPMBB Commercial Mortgage Securities Trust 2015-C29	3.611%	5/15/48	100	109
[4] JPMBB Commercial Mortgage Securities Trust 2015-C30	3.559%	7/15/48	125	135
[4] JPMBB Commercial Mortgage Securities Trust 2015-C30	3.822%	7/15/48	100	110
[4] JPMBB Commercial Mortgage Securities Trust 2015-C30	4.226%	7/15/48	50	56
[4] JPMBB Commercial Mortgage Securities Trust 2015-C31	3.540%	8/15/48	53	57
[4] JPMBB Commercial Mortgage Securities Trust 2015-C31	3.801%	8/15/48	57	63
[4] JPMBB Commercial Mortgage Securities Trust 2015-C32	3.358%	11/15/48	125	134
[4] JPMBB Commercial Mortgage Securities Trust 2015-C32	3.598%	11/15/48	125	136
[4] JPMBB Commercial Mortgage Securities Trust 2015-C33	3.770%	12/15/48	82	90
[4] JPMBB Commercial Mortgage Securities Trust 2016-C1	3.316%	3/15/49	75	80
[4] JPMCC Commercial Mortgage Securities Trust 2015-JP1	3.914%	1/15/49	75	84
[4] JPMDB WP Glimcher Mall Trust 2016-C2	3.144%	6/15/49	75	79

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4] JPMDB WP Glimcher Mall Trust 2016-C2	3.484%	6/15/49	50	53
[4] LB-UBS Commercial Mortgage Trust 2006-C6	5.372%	9/15/39	26	26
[4] LB-UBS Commercial Mortgage Trust 2006-C6	5.413%	9/15/39	60	60
[4] LB-UBS Commercial Mortgage Trust 2006-C7	5.378%	11/15/38	75	76
[4] LB-UBS Commercial Mortgage Trust 2007-C1	5.424%	2/15/40	604	608
[4] LB-UBS Commercial Mortgage Trust 2007-C2	5.430%	2/15/40	263	267
[4] LB-UBS Commercial Mortgage Trust 2007-C7	5.866%	9/15/45	510	531
[4] LB-UBS Commercial Mortgage Trust 2008-C1	6.248%	4/15/41	173	181
[4] Mercedes-Benz Auto Lease Trust 2015-A	1.210%	10/15/20	175	175
[4] Mercedes-Benz Auto Lease Trust 2015-B	1.340%	7/16/18	50	50
[4] Mercedes-Benz Auto Lease Trust 2015-B	1.530%	5/17/21	50	50
[4] Mercedes-Benz Auto Receivables Trust 2013-1	0.780%	8/15/17	1	1
[4] Mercedes-Benz Auto Receivables Trust 2013-1	1.130%	11/15/19	26	26
[4] Mercedes-Benz Auto Receivables Trust 2014-1	0.870%	10/15/18	35	35
[4] Mercedes-Benz Auto Receivables Trust 2015-1	1.340%	12/16/19	50	50
[4] Mercedes-Benz Auto Receivables Trust 2015-1	1.750%	12/15/21	25	25
[4] Merrill Lynch Mortgage Trust 2006-C2	5.782%	8/12/43	123	123
[4] Merrill Lynch Mortgage Trust 2007-C1	6.021%	6/12/50	750	765
[4] Merrill Lynch Mortgage Trust 2008-C1	5.690%	2/12/51	348	362
[4] ML-CFC Commercial Mortgage Trust 2006-3	5.456%	7/12/46	85	85
[4] ML-CFC Commercial Mortgage Trust 2006-4	5.204%	12/12/49	50	51
[4] ML-CFC Commercial Mortgage Trust 2007-5	5.378%	8/12/48	376	379
[4] ML-CFC Commercial Mortgage Trust 2007-7	5.810%	6/12/50	135	139
[4] ML-CFC Commercial Mortgage Trust 2007-9	5.700%	9/12/49	119	122
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2012-C5	3.176%	8/15/45	100	106
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C11	4.360%	8/15/46	40	45
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C11	4.560%	8/15/46	20	22
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C12	3.001%	10/15/46	50	51
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C12	4.259%	10/15/46	100	113
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C7	2.918%	2/15/46	68	71
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C7	3.214%	2/15/46	14	15
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C8	3.134%	12/15/48	100	106
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C8	3.376%	12/15/48	50	53
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C9	3.102%	5/15/46	50	53
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2013-C9	3.456%	5/15/46	50	53
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C14	1.250%	2/15/47	62	62
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C14	2.916%	2/15/47	100	103
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C14	3.669%	2/15/47	110	117
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C14	4.064%	2/15/47	100	112
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C14	4.802%	2/15/47	100	110
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C16	3.477%	6/15/47	25	27
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C16	3.892%	6/15/47	100	110
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C16	4.482%	6/15/47	50	55
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C18	3.194%	10/15/47	100	105
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C18	4.593%	10/15/47	50	57
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C19	3.101%	12/15/47	125	131
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C19	3.326%	12/15/47	50	53
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2014-C19	3.526%	12/15/47	75	82
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C20	3.069%	2/15/48	50	52
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C20	3.249%	2/15/48	200	212
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C22	3.040%	4/15/48	100	105
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C22	3.306%	4/15/48	75	79
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C22	3.883%	4/15/48	50	52
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C23	2.982%	7/15/50	75	78
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C23	3.398%	7/15/50	50	53
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C23	3.719%	7/15/50	125	137
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C25	3.383%	10/15/48	125	133
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C25	3.635%	10/15/48	75	82
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C26	3.323%	10/15/48	75	80
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C26	3.531%	10/15/48	75	81
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C27	3.557%	12/15/47	50	54
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2015-C27	3.753%	12/15/47	75	82
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2016-C28	3.288%	1/15/49	100	105
[4] Morgan Stanley Bank of America Merrill Lynch Trust 2016-C28	3.544%	1/15/49	225	244
[4] Morgan Stanley Capital I Trust 2005-TOP19	4.985%	6/12/47	1	1
[4] Morgan Stanley Capital I Trust 2006-HQ10	5.328%	11/12/41	41	41
[4] Morgan Stanley Capital I Trust 2006-HQ9	5.793%	7/12/44	77	77
[4] Morgan Stanley Capital I Trust 2006-IQ12	5.370%	12/15/43	50	50
[4] Morgan Stanley Capital I Trust 2007-IQ14	5.692%	4/15/49	420	425
[4] Morgan Stanley Capital I Trust 2007-IQ15	6.102%	6/11/49	196	203

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4] Morgan Stanley Capital I Trust 2007-IQ16	5.809%	12/12/49	539	558
[4] Morgan Stanley Capital I Trust 2007-IQ16	6.256%	12/12/49	125	129
[4] Morgan Stanley Capital I Trust 2007-TOP25	5.544%	11/12/49	100	102
[4] Morgan Stanley Capital I Trust 2007-TOP27	5.820%	6/11/42	289	297
[4] Morgan Stanley Capital I Trust 2007-TOP27	5.820%	6/11/42	150	155
[4] Morgan Stanley Capital I Trust 2008-TOP29	6.477%	1/11/43	388	407
[4] Morgan Stanley Capital I Trust 2012-C4	3.244%	3/15/45	350	372
[4] Morgan Stanley Capital I Trust 2012-C4	3.773%	3/15/45	75	81
[4] Morgan Stanley Capital I Trust 2015-UBS8	3.809%	12/15/48	75	83
[7] National Australia Bank Ltd.	2.250%	3/16/21	300	308
[4] Nissan Auto Lease Trust 2014-B	1.120%	9/15/17	50	50
[4] Nissan Auto Lease Trust 2015-B	1.540%	4/16/18	100	101
[4] Nissan Auto Lease Trust 2015-B	1.700%	4/15/21	50	50
[4] Nissan Auto Receivables 2013-A Owner Trust	0.750%	7/15/19	174	174
[4] Nissan Auto Receivables 2013-B Owner Trust	0.840%	11/15/17	8	8
[4] Nissan Auto Receivables 2013-B Owner Trust	1.310%	10/15/19	40	40
[4] Nissan Auto Receivables 2013-C Owner Trust	0.670%	8/15/18	17	17
[4] Nissan Auto Receivables 2013-C Owner Trust	1.300%	6/15/20	25	25
[4] Nissan Auto Receivables 2014-A Owner Trust	0.720%	8/15/18	25	25
[4] Nissan Auto Receivables 2014-A Owner Trust	1.340%	8/17/20	75	75
[4] Nissan Auto Receivables 2014-B Owner Trust	1.110%	5/15/19	50	50
[4] Nissan Auto Receivables 2015-B Owner Trust	1.050%	10/15/19	100	100
[4] Nissan Auto Receivables 2015-B Owner Trust	1.340%	3/16/20	75	75
[4] Nissan Auto Receivables 2015-B Owner Trust	1.790%	1/17/22	50	51
[4] Nissan Auto Receivables 2015-C Owner Trust	1.370%	5/15/20	50	50
[4] Nissan Auto Receivables 2015-C Owner Trust	1.670%	2/15/22	75	76
[4] Royal Bank of Canada	1.200%	9/19/18	300	301
Royal Bank of Canada	2.200%	9/23/19	225	231
[4] Royal Bank of Canada	2.000%	10/1/19	400	406
Royal Bank of Canada	2.100%	10/14/20	800	817
[4] Royal Bank of Canada	1.875%	2/5/21	400	405
Royal Bank of Canada	2.300%	3/22/21	175	180
[4] Santander Drive Auto Receivables Trust 2014-4	1.080%	9/17/18	21	21
[4] Synchrony Credit Card Master Note Trust 2014-1	1.610%	11/15/20	100	100
[4] Synchrony Credit Card Master Note Trust 2016-2	2.210%	5/15/24	98	100
[4] TIAA Seasoned Commercial Mortgage Trust 2007-C4	5.538%	8/15/39	19	19
[7] Toronto-Dominion Bank	2.250%	3/15/21	550	565
[4] Toyota Auto Receivables 2013-A Owner Trust	0.690%	11/15/18	20	20
[4] Toyota Auto Receivables 2014-A Owner Trust	1.180%	6/17/19	25	25
[4] Toyota Auto Receivables 2014-B Owner Trust	0.760%	3/15/18	32	32
[4] Toyota Auto Receivables 2014-B Owner Trust	1.310%	9/16/19	25	25
[4] Toyota Auto Receivables 2015-6 Owner Trust	1.300%	4/15/20	50	50
[4] Toyota Auto Receivables 2015-6 Owner Trust	1.520%	8/16/21	75	76
[4] Toyota Auto Receivables 2015-B Owner Trust	1.270%	5/15/19	175	176
[4] Toyota Auto Receivables 2015-B Owner Trust	1.740%	9/15/20	125	127
[4] Toyota Auto Receivables 2015-C Owner Trust	1.340%	6/17/19	100	100
[4] Toyota Auto Receivables Owner Trust 2015-C	1.690%	12/15/20	75	76
[4] UBS-Barclays Commercial Mortgage Trust 2013-C5	3.185%	3/10/46	104	110
[4] UBS-Barclays Commercial Mortgage Trust 2013-C6	3.244%	4/10/46	165	175
[4] UBS-Barclays Commercial Mortgage Trust 2013-C6	3.469%	4/10/46	25	26
[4] USAA Auto Owner Trust 2014-1	0.580%	12/15/17	9	9
[4] USAA Auto Owner Trust 2014-1	0.940%	5/15/19	25	25
[4] Volkswagen Auto Lease Trust 2014-A	0.800%	4/20/17	4	4
[4] Volkswagen Auto Lease Trust 2014-A	0.990%	7/20/18	25	25
[4] Volkswagen Auto Loan Enhanced Trust 2014-1	0.910%	10/22/18	54	54
[4] Volkswagen Auto Loan Enhanced Trust 2014-1	1.450%	9/21/20	50	50
[4] Volkswagen Auto Loan Enhanced Trust 2014-2	0.950%	4/22/19	150	149
[4] Volkswagen Auto Loan Enhanced Trust 2014-2	1.390%	5/20/21	75	75
[4] Wachovia Bank Commercial Mortgage Trust Series 2006-C26	6.224%	6/15/45	34	34
[4] Wachovia Bank Commercial Mortgage Trust Series 2007-C30	5.342%	12/15/43	150	151
[4] Wachovia Bank Commercial Mortgage Trust Series 2007-C33	6.147%	2/15/51	123	125
[4] Wells Fargo Commercial Mortgage Trust 2012-LC5	2.918%	10/15/45	70	73
[4] Wells Fargo Commercial Mortgage Trust 2014-LC16	2.819%	8/15/50	50	52
[4] Wells Fargo Commercial Mortgage Trust 2014-LC16	3.817%	8/15/50	75	82
[4] Wells Fargo Commercial Mortgage Trust 2014-LC18	2.954%	12/15/47	100	104
[4] Wells Fargo Commercial Mortgage Trust 2014-LC18	3.271%	12/15/47	75	79
[4] Wells Fargo Commercial Mortgage Trust 2014-LC18	3.405%	12/15/47	125	134
[4] Wells Fargo Commercial Mortgage Trust 2014-LC18	3.808%	12/15/47	75	82
[4] Wells Fargo Commercial Mortgage Trust 2015-C26	2.991%	2/15/48	125	130
[4] Wells Fargo Commercial Mortgage Trust 2015-C26	3.166%	2/15/48	75	79
[4] Wells Fargo Commercial Mortgage Trust 2015-C26	3.580%	2/15/48	50	52
[4] Wells Fargo Commercial Mortgage Trust 2015-C27	3.190%	2/15/48	275	290
[4] Wells Fargo Commercial Mortgage Trust 2015-C28	3.540%	5/15/48	175	189
[4] Wells Fargo Commercial Mortgage Trust 2015-C28	3.872%	5/15/48	31	34
[4] Wells Fargo Commercial Mortgage Trust 2015-C29	3.400%	6/15/48	125	133
[4] Wells Fargo Commercial Mortgage Trust 2015-C29	3.637%	6/15/48	175	189
[4] Wells Fargo Commercial Mortgage Trust 2015-LC20	2.978%	4/15/50	29	30
[4] Wells Fargo Commercial Mortgage Trust 2015-LC20	3.184%	4/15/50	225	237

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4] Wells Fargo Commercial Mortgage Trust 2015-LC20	3.719%	4/15/50	50	51
[4] Wells Fargo Commercial Mortgage Trust 2015-LC22	3.571%	9/15/58	50	54
[4] Wells Fargo Commercial Mortgage Trust 2015-LC22	3.839%	9/15/58	75	83
[4] Wells Fargo Commercial Mortgage Trust 2015-LC22	4.207%	9/15/58	75	82
[4] Wells Fargo Commercial Mortgage Trust 2015-NSX1	2.632%	5/15/48	50	52
[4] Wells Fargo Commercial Mortgage Trust 2015-NSX1	2.934%	5/15/48	50	52
[4] Wells Fargo Commercial Mortgage Trust 2015-NSX1	3.148%	5/15/48	50	53
[4] Wells Fargo Commercial Mortgage Trust 2015-P2	3.656%	12/15/48	100	108
[4] Wells Fargo Commercial Mortgage Trust 2015-P2	3.809%	12/15/48	50	55
[4] Wells Fargo Commercial Mortgage Trust 2015-SG1	3.789%	12/15/47	100	110
[4] Wells Fargo Commercial Mortgage Trust 2016-C32	3.324%	1/15/59	58	62
[4] Wells Fargo Commercial Mortgage Trust 2016-C32	3.560%	1/15/59	125	135
[4] Wells Fargo Commercial Mortgage Trust 2016-C33	3.426%	3/15/59	50	54
[4] Wells Fargo Commercial Mortgage Trust 2016-C34	3.096%	6/15/49	75	78
[4] WFRBS Commercial Mortgage Trust 2012-C6	3.440%	4/15/45	175	189
[4] WFRBS Commercial Mortgage Trust 2012-C7	3.431%	6/15/45	125	135
[4] WFRBS Commercial Mortgage Trust 2012-C7	4.090%	6/15/45	100	110
[4] WFRBS Commercial Mortgage Trust 2012-C8	3.001%	8/15/45	75	79
[4] WFRBS Commercial Mortgage Trust 2012-C9	2.870%	11/15/45	140	147
[4] WFRBS Commercial Mortgage Trust 2013-C11	3.071%	3/15/45	94	99
[4] WFRBS Commercial Mortgage Trust 2013-C12	3.198%	3/15/48	39	42
[4] WFRBS Commercial Mortgage Trust 2013-C12	3.560%	3/15/48	18	19
[4] WFRBS Commercial Mortgage Trust 2013-C13	3.001%	5/15/45	76	80
[4] WFRBS Commercial Mortgage Trust 2013-C13	3.345%	5/15/45	15	16
[4] WFRBS Commercial Mortgage Trust 2013-C14	3.337%	6/15/46	150	160
[4] WFRBS Commercial Mortgage Trust 2013-C14	3.488%	6/15/46	75	79
[4] WFRBS Commercial Mortgage Trust 2013-C15	3.720%	8/15/46	20	22
[4] WFRBS Commercial Mortgage Trust 2013-C15	4.153%	8/15/46	100	113
[4] WFRBS Commercial Mortgage Trust 2013-C15	4.358%	8/15/46	20	22
[4] WFRBS Commercial Mortgage Trust 2013-C16	3.223%	9/15/46	50	52
[4] WFRBS Commercial Mortgage Trust 2013-C16	3.963%	9/15/46	30	33
[4] WFRBS Commercial Mortgage Trust 2013-C16	4.415%	9/15/46	30	34
[4] WFRBS Commercial Mortgage Trust 2013-C16	4.668%	9/15/46	50	57
[4] WFRBS Commercial Mortgage Trust 2013-C17	2.921%	12/15/46	25	26
[4] WFRBS Commercial Mortgage Trust 2013-C17	3.558%	12/15/46	25	27
[4] WFRBS Commercial Mortgage Trust 2013-C17	4.023%	12/15/46	25	28
[4] WFRBS Commercial Mortgage Trust 2013-C17	4.255%	12/15/46	25	28
[4] WFRBS Commercial Mortgage Trust 2013-C17	4.788%	12/15/46	25	28
[4] WFRBS Commercial Mortgage Trust 2014-C19	1.233%	3/15/47	15	15
[4] WFRBS Commercial Mortgage Trust 2014-C19	3.618%	3/15/47	25	27
[4] WFRBS Commercial Mortgage Trust 2014-C19	3.660%	3/15/47	25	27
[4] WFRBS Commercial Mortgage Trust 2014-C19	4.101%	3/15/47	50	56
[4] WFRBS Commercial Mortgage Trust 2014-C19	4.723%	3/15/47	25	28
[4] WFRBS Commercial Mortgage Trust 2014-C20	3.036%	5/15/47	25	26
[4] WFRBS Commercial Mortgage Trust 2014-C20	3.638%	5/15/47	25	27
[4] WFRBS Commercial Mortgage Trust 2014-C20	3.995%	5/15/47	25	28
[4] WFRBS Commercial Mortgage Trust 2014-C20	4.176%	5/15/47	25	28
[4] WFRBS Commercial Mortgage Trust 2014-C21	3.678%	8/15/47	75	82
[4] WFRBS Commercial Mortgage Trust 2014-C22	3.752%	9/15/57	150	164
[4] WFRBS Commercial Mortgage Trust 2014-C22	4.371%	9/15/57	25	27
[4] WFRBS Commercial Mortgage Trust 2014-C23	3.636%	10/15/57	76	82
[4] WFRBS Commercial Mortgage Trust 2014-C23	3.917%	10/15/57	50	55
[4] WFRBS Commercial Mortgage Trust 2014-C24	3.428%	11/15/47	65	70
[4] WFRBS Commercial Mortgage Trust 2014-C24	3.607%	11/15/47	65	71
[4] WFRBS Commercial Mortgage Trust 2014-LC14	1.193%	3/15/47	28	28
[4] WFRBS Commercial Mortgage Trust 2014-LC14	2.862%	3/15/47	25	26
[4] WFRBS Commercial Mortgage Trust 2014-LC14	3.522%	3/15/47	60	64
[4] WFRBS Commercial Mortgage Trust 2014-LC14	4.045%	3/15/47	140	156
[4] WFRBS Commercial Mortgage Trust 2014-LC14	4.351%	3/15/47	60	67
[4] World Omni Auto Receivables Trust 2012-B	0.810%	1/15/19	45	45
[4] World Omni Auto Receivables Trust 2013-B	0.830%	8/15/18	16	16
[4] World Omni Auto Receivables Trust 2013-B	1.320%	1/15/20	25	25
[4] World Omni Auto Receivables Trust 2014-A	0.940%	4/15/19	32	32
[4] World Omni Auto Receivables Trust 2014-A	1.530%	6/15/20	50	50
[4] World Omni Auto Receivables Trust 2014-B	1.140%	1/15/20	75	75
[4] World Omni Auto Receivables Trust 2015-B	1.490%	12/15/20	50	50
[4] World Omni Auto Receivables Trust 2015-B	1.840%	1/17/22	50	51
[4] World Omni Automobile Lease Securitization Trust 2014-A	1.160%	9/15/17	50	50
[4] World Omni Automobile Lease Securitization Trust 2014-A	1.370%	1/15/20	25	25
[4] World Omni Automobile Lease Securitization Trust 2015-A	1.540%	10/15/18	100	100

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Total Asset-Backed/Commercial Mortgage-Backed Securities (Cost $86,231)				89,347
Corporate Bonds (27.9%)				
Finance (8.5%)				
Banking (6.0%)				
American Express Centurion Bank	6.000%	9/13/17	625	660
American Express Co.	6.150%	8/28/17	261	276
American Express Co.	7.000%	3/19/18	650	708
American Express Co.	3.625%	12/5/24	150	154
American Express Co.	4.050%	12/3/42	67	70
American Express Credit Corp.	2.250%	8/15/19	1,000	1,022
American Express Credit Corp.	2.375%	5/26/20	300	307
American Express Credit Corp.	2.600%	9/14/20	300	310
American Express Credit Corp.	2.250%	5/5/21	300	305
Australia & New Zealand Banking Group Ltd.	1.250%	1/10/17	240	240
Australia & New Zealand Banking Group Ltd.	2.000%	11/16/18	300	304
Australia & New Zealand Banking Group Ltd.	2.700%	11/16/20	300	311
Australia & New Zealand Banking Group Ltd.	2.300%	6/1/21	325	330
Australia & New Zealand Banking Group Ltd.	3.700%	11/16/25	250	276
Banco Bilbao Vizcaya Argentaria SA	3.000%	10/20/20	250	255
Bank of America Corp.	5.420%	3/15/17	125	128
Bank of America Corp.	6.400%	8/28/17	400	422
Bank of America Corp.	6.000%	9/1/17	371	390
Bank of America Corp.	5.750%	12/1/17	285	302
Bank of America Corp.	2.000%	1/11/18	475	478
Bank of America Corp.	6.875%	4/25/18	1,875	2,047
Bank of America Corp.	5.650%	5/1/18	900	964
Bank of America Corp.	6.500%	7/15/18	75	82
Bank of America Corp.	2.600%	1/15/19	1,100	1,123
Bank of America Corp.	2.650%	4/1/19	400	410
Bank of America Corp.	7.625%	6/1/19	300	347
Bank of America Corp.	2.250%	4/21/20	500	502
Bank of America Corp.	5.625%	7/1/20	350	394
Bank of America Corp.	2.625%	10/19/20	625	635
Bank of America Corp.	2.625%	4/19/21	950	963
Bank of America Corp.	5.700%	1/24/22	125	144
Bank of America Corp.	3.300%	1/11/23	650	668
Bank of America Corp.	4.100%	7/24/23	300	320
Bank of America Corp.	4.125%	1/22/24	325	350
Bank of America Corp.	4.000%	4/1/24	725	774
Bank of America Corp.	4.200%	8/26/24	475	491
Bank of America Corp.	4.000%	1/22/25	455	463
Bank of America Corp.	3.950%	4/21/25	500	508
Bank of America Corp.	3.875%	8/1/25	800	848
Bank of America Corp.	4.450%	3/3/26	200	211
Bank of America Corp.	3.500%	4/19/26	125	129
Bank of America Corp.	4.250%	10/22/26	350	363
Bank of America Corp.	6.110%	1/29/37	435	516
Bank of America Corp.	7.750%	5/14/38	240	338
Bank of America Corp.	5.875%	2/7/42	225	284
Bank of America Corp.	5.000%	1/21/44	600	693
Bank of America Corp.	4.875%	4/1/44	300	342
Bank of America Corp.	4.750%	4/21/45	100	102
Bank of America NA	1.750%	6/5/18	300	302
Bank of America NA	2.050%	12/7/18	250	254
Bank of America NA	6.000%	10/15/36	250	319
Bank of Montreal	1.300%	7/14/17	100	100
Bank of Montreal	1.400%	4/10/18	250	251
Bank of Montreal	1.800%	7/31/18	250	253
Bank of Montreal	2.375%	1/25/19	150	154
Bank of Montreal	2.550%	11/6/22	150	155
Bank of New York Mellon Corp.	1.300%	1/25/18	125	126
Bank of New York Mellon Corp.	2.100%	1/15/19	250	255
Bank of New York Mellon Corp.	2.200%	5/15/19	275	281
Bank of New York Mellon Corp.	5.450%	5/15/19	200	224
Bank of New York Mellon Corp.	2.300%	9/11/19	500	512
Bank of New York Mellon Corp.	2.600%	8/17/20	175	182
Bank of New York Mellon Corp.	2.450%	11/27/20	150	154
Bank of New York Mellon Corp.	2.050%	5/3/21	250	254
Bank of New York Mellon Corp.	3.550%	9/23/21	300	325
Bank of New York Mellon Corp.	3.250%	9/11/24	150	161
Bank of New York Mellon Corp.	3.000%	2/24/25	250	264
Bank of New York Mellon Corp.	2.800%	5/4/26	200	207
Bank of Nova Scotia	1.300%	7/21/17	100	100
Bank of Nova Scotia	1.375%	12/18/17	100	100
Bank of Nova Scotia	1.700%	6/11/18	200	202
Bank of Nova Scotia	2.050%	10/30/18	450	457
Bank of Nova Scotia	1.950%	1/15/19	175	178
Bank of Nova Scotia	2.350%	10/21/20	1,000	1,020
Bank of Nova Scotia	2.450%	3/22/21	200	206
Bank of Nova Scotia	2.800%	7/21/21	450	470
Bank of Nova Scotia	4.500%	12/16/25	600	632
Barclays Bank plc	2.500%	2/20/19	250	251
Barclays Bank plc	3.750%	5/15/24	125	131
Barclays plc	2.000%	3/16/18	250	249
Barclays plc	2.750%	11/8/19	100	99
Barclays plc	2.875%	6/8/20	250	248
Barclays plc	3.250%	1/12/21	300	299
Barclays plc	4.375%	9/11/24	200	193
Barclays plc	3.650%	3/16/25	350	336
Barclays plc	4.375%	1/12/26	300	303
Barclays plc	5.200%	5/12/26	225	230
Barclays plc	5.250%	8/17/45	250	263
BB&T Corp.	2.150%	3/22/17	175	176
BB&T Corp.	1.450%	1/12/18	250	251
BB&T Corp.	6.850%	4/30/19	400	459
BB&T Corp.	5.250%	11/1/19	100	111
BB&T Corp.	2.450%	1/15/20	130	134
BB&T Corp.	2.050%	5/10/21	225	228
Bear Stearns Cos. LLC	5.550%	1/22/17	150	154
Bear Stearns Cos. LLC	6.400%	10/2/17	400	425
Bear Stearns Cos. LLC	7.250%	2/1/18	525	572
BNP Paribas SA	2.375%	9/14/17	600	609
BNP Paribas SA	2.700%	8/20/18	275	282
BNP Paribas SA	2.400%	12/12/18	225	230
BNP Paribas SA	2.450%	3/17/19	75	77
BNP Paribas SA	2.375%	5/21/20	375	381
BNP Paribas SA	5.000%	1/15/21	475	533
BPCE SA	2.500%	12/10/18	175	179
BPCE SA	2.500%	7/15/19	250	255
BPCE SA	2.250%	1/27/20	125	127
BPCE SA	2.650%	2/3/21	275	282
BPCE SA	4.000%	4/15/24	325	356
Branch Banking & Trust Co.	1.350%	10/1/17	100	100
Branch Banking & Trust Co.	1.450%	5/10/19	175	175
Branch Banking & Trust Co.	3.625%	9/16/25	500	531
Capital One Bank USA NA	1.150%	11/21/16	300	300
Capital One Bank USA NA	2.150%	11/21/18	100	101
Capital One Bank USA NA	2.300%	6/5/19	400	405
Capital One Bank USA NA	8.800%	7/15/19	350	410
Capital One Bank USA NA	3.375%	2/15/23	235	240
Capital One Financial Corp.	6.750%	9/15/17	50	53
Capital One Financial Corp.	2.450%	4/24/19	200	204
Capital One Financial Corp.	4.750%	7/15/21	50	56
Capital One Financial Corp.	3.500%	6/15/23	27	28
Capital One Financial Corp.	3.750%	4/24/24	175	183
Capital One Financial Corp.	4.200%	10/29/25	175	179
Capital One NA	1.650%	2/5/18	400	401
Capital One NA	2.400%	9/5/19	100	102
4,7 Citicorp Lease Pass-Through Trust 1999-1	8.040%	12/15/19	500	587
Citigroup Inc.	1.550%	8/14/17	150	150
Citigroup Inc.	6.000%	8/15/17	71	75
Citigroup Inc.	6.125%	11/21/17	330	351
Citigroup Inc.	1.800%	2/5/18	225	226
Citigroup Inc.	6.125%	5/15/18	314	339

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Citigroup Inc.	2.150%	7/30/18	400	404
Citigroup Inc.	2.500%	9/26/18	675	688
Citigroup Inc.	2.050%	12/7/18	500	504
Citigroup Inc.	2.550%	4/8/19	800	817
Citigroup Inc.	2.050%	6/7/19	275	277
Citigroup Inc.	2.400%	2/18/20	250	252
Citigroup Inc.	5.375%	8/9/20	50	57
Citigroup Inc.	2.700%	3/30/21	675	687
Citigroup Inc.	4.500%	1/14/22	400	442
Citigroup Inc.	3.375%	3/1/23	150	155
Citigroup Inc.	3.500%	5/15/23	550	561
Citigroup Inc.	3.875%	10/25/23	350	376
Citigroup Inc.	4.000%	8/5/24	200	207
Citigroup Inc.	3.875%	3/26/25	350	353
Citigroup Inc.	3.300%	4/27/25	250	255
Citigroup Inc.	4.400%	6/10/25	1,500	1,564
Citigroup Inc.	5.500%	9/13/25	75	84
Citigroup Inc.	4.600%	3/9/26	175	185
Citigroup Inc.	4.300%	11/20/26	75	78
Citigroup Inc.	4.450%	9/29/27	1,000	1,025
Citigroup Inc.	6.625%	6/15/32	100	122
Citigroup Inc.	6.125%	8/25/36	75	88
Citigroup Inc.	8.125%	7/15/39	562	877
Citigroup Inc.	5.875%	1/30/42	100	126
Citigroup Inc.	5.300%	5/6/44	375	405
Citigroup Inc.	4.650%	7/30/45	200	220
Citizens Bank NA	1.600%	12/4/17	100	99
Citizens Bank NA	2.300%	12/3/18	125	127
Citizens Bank NA	2.450%	12/4/19	100	101
Citizens Bank NA	2.550%	5/13/21	200	202
Citizens Financial Group Inc.	4.300%	12/3/25	125	132
Comerica Bank	5.200%	8/22/17	75	78
Comerica Bank	4.000%	7/27/25	50	52
Commonwealth Bank of Australia	1.400%	9/8/17	100	100
Commonwealth Bank of Australia	1.900%	9/18/17	250	252
Commonwealth Bank of Australia	1.625%	3/12/18	750	755
Commonwealth Bank of Australia	1.750%	11/2/18	175	176
Commonwealth Bank of Australia	2.050%	3/15/19	125	127
Commonwealth Bank of Australia	2.300%	9/6/19	100	102
Commonwealth Bank of Australia	2.400%	11/2/20	350	357
Commonwealth Bank of Australia	2.550%	3/15/21	175	181
[7] Commonwealth Bank of Australia	4.500%	12/9/25	200	210
Compass Bank	1.850%	9/29/17	100	100
Compass Bank	6.400%	10/1/17	75	79
Compass Bank	2.750%	9/29/19	100	99
Cooperatieve Rabobank UA	1.700%	3/19/18	325	328
Cooperatieve Rabobank UA	2.250%	1/14/19	500	510
Cooperatieve Rabobank UA	2.250%	1/14/20	750	761
Cooperatieve Rabobank UA	4.500%	1/11/21	150	167
Cooperatieve Rabobank UA	2.500%	1/19/21	600	615
Cooperatieve Rabobank UA	3.875%	2/8/22	525	572
Cooperatieve Rabobank UA	3.950%	11/9/22	125	129
Cooperatieve Rabobank UA	4.625%	12/1/23	175	185
Cooperatieve Rabobank UA	3.375%	5/21/25	275	288
Cooperatieve Rabobank UA	4.375%	8/4/25	600	626
Cooperatieve Rabobank UA	5.250%	5/24/41	100	124
Cooperatieve Rabobank UA	5.750%	12/1/43	250	295
Cooperatieve Rabobank UA	5.250%	8/4/45	100	112
Credit Suisse	1.375%	5/26/17	450	450
Credit Suisse AG	6.000%	2/15/18	100	106
Credit Suisse AG	1.700%	4/27/18	350	350
Credit Suisse AG	2.300%	5/28/19	400	405
Credit Suisse AG	5.300%	8/13/19	175	193
Credit Suisse AG	5.400%	1/14/20	325	352
Credit Suisse AG	3.000%	10/29/21	600	614
Credit Suisse AG	3.625%	9/9/24	650	670
Credit Suisse Group Funding Guernsey Ltd.	2.750%	3/26/20	250	247
[7] Credit Suisse Group Funding Guernsey Ltd.	3.450%	4/16/21	275	279
Credit Suisse Group Funding Guernsey Ltd.	3.800%	9/15/22	300	302
[7] Credit Suisse Group Funding Guernsey Ltd.	3.800%	6/9/23	400	399
Credit Suisse Group Funding Guernsey Ltd.	3.750%	3/26/25	250	245
Credit Suisse Group Funding Guernsey Ltd.	4.875%	5/15/45	375	382
Deutsche Bank AG	6.000%	9/1/17	800	835
Deutsche Bank AG	1.875%	2/13/18	250	249
Deutsche Bank AG	2.500%	2/13/19	150	150
Deutsche Bank AG	2.850%	5/10/19	175	175
Deutsche Bank AG	2.950%	8/20/20	100	100
Deutsche Bank AG	3.125%	1/13/21	100	99
Deutsche Bank AG	3.375%	5/12/21	175	176
Deutsche Bank AG	3.700%	5/30/24	225	224
Deutsche Bank AG	4.100%	1/13/26	100	100
Discover Bank	3.200%	8/9/21	100	103
Discover Bank	4.200%	8/8/23	300	318
Discover Financial Services	3.850%	11/21/22	200	206
Discover Financial Services	3.950%	11/6/24	375	387
Discover Financial Services	3.750%	3/4/25	100	100
Fifth Third Bancorp	3.500%	3/15/22	125	132
Fifth Third Bancorp	4.300%	1/16/24	275	294
Fifth Third Bancorp	8.250%	3/1/38	225	336
Fifth Third Bank	2.150%	8/20/18	575	584
Fifth Third Bank	2.300%	3/15/19	250	255
Fifth Third Bank	2.250%	6/14/21	300	305
Fifth Third Bank	3.850%	3/15/26	200	210
First Horizon National Corp.	3.500%	12/15/20	100	101
First Niagara Financial Group Inc.	6.750%	3/19/20	50	57
FirstMerit Bank NA	4.270%	11/25/26	150	154
FirstMerit Corp.	4.350%	2/4/23	50	52
Goldman Sachs Capital I	6.345%	2/15/34	225	264
Goldman Sachs Group Inc.	5.950%	1/18/18	825	881
Goldman Sachs Group Inc.	2.375%	1/22/18	450	456
Goldman Sachs Group Inc.	6.150%	4/1/18	200	216
Goldman Sachs Group Inc.	2.900%	7/19/18	575	590
Goldman Sachs Group Inc.	2.625%	1/31/19	450	460
Goldman Sachs Group Inc.	7.500%	2/15/19	75	86
Goldman Sachs Group Inc.	2.550%	10/23/19	1,200	1,227
Goldman Sachs Group Inc.	5.375%	3/15/20	475	528
Goldman Sachs Group Inc.	2.600%	4/23/20	775	788
Goldman Sachs Group Inc.	6.000%	6/15/20	480	547
Goldman Sachs Group Inc.	2.750%	9/15/20	275	281
Goldman Sachs Group Inc.	2.875%	2/25/21	500	512
Goldman Sachs Group Inc.	2.625%	4/25/21	200	203
Goldman Sachs Group Inc.	5.250%	7/27/21	475	535
Goldman Sachs Group Inc.	5.750%	1/24/22	1,175	1,363
Goldman Sachs Group Inc.	3.625%	1/22/23	375	394
Goldman Sachs Group Inc.	4.000%	3/3/24	575	615
Goldman Sachs Group Inc.	3.850%	7/8/24	175	186
Goldman Sachs Group Inc.	3.500%	1/23/25	450	463
Goldman Sachs Group Inc.	4.250%	10/21/25	200	206
Goldman Sachs Group Inc.	3.750%	2/25/26	200	210
Goldman Sachs Group Inc.	5.950%	1/15/27	400	461
Goldman Sachs Group Inc.	6.125%	2/15/33	125	156
Goldman Sachs Group Inc.	6.450%	5/1/36	225	265
Goldman Sachs Group Inc.	6.750%	10/1/37	975	1,204
Goldman Sachs Group Inc.	6.250%	2/1/41	675	873
Goldman Sachs Group Inc.	4.800%	7/8/44	250	276
Goldman Sachs Group Inc.	5.150%	5/22/45	850	877
Goldman Sachs Group Inc.	4.750%	10/21/45	200	220
HSBC Bank USA NA	4.875%	8/24/20	250	270
HSBC Bank USA NA	5.625%	8/15/35	250	287
HSBC Bank USA NA	7.000%	1/15/39	250	319
HSBC Holdings plc	3.400%	3/8/21	375	386
HSBC Holdings plc	5.100%	4/5/21	625	688
HSBC Holdings plc	2.950%	5/25/21	600	607
HSBC Holdings plc	4.875%	1/14/22	225	247
HSBC Holdings plc	4.000%	3/30/22	225	241

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
HSBC Holdings plc	3.600%	5/25/23	200	204
HSBC Holdings plc	4.250%	3/14/24	250	252
HSBC Holdings plc	4.250%	8/18/25	150	151
HSBC Holdings plc	4.300%	3/8/26	1,100	1,167
HSBC Holdings plc	3.900%	5/25/26	800	823
HSBC Holdings plc	7.625%	5/17/32	100	127
HSBC Holdings plc	7.350%	11/27/32	100	122
HSBC Holdings plc	6.500%	5/2/36	500	597
HSBC Holdings plc	6.500%	9/15/37	550	664
HSBC Holdings plc	6.800%	6/1/38	200	250
HSBC Holdings plc	5.250%	3/14/44	250	264
HSBC USA Inc.	1.500%	11/13/17	50	50
HSBC USA Inc.	1.625%	1/16/18	430	429
HSBC USA Inc.	2.000%	8/7/18	300	301
HSBC USA Inc.	2.625%	9/24/18	50	51
HSBC USA Inc.	2.375%	11/13/19	400	404
HSBC USA Inc.	2.350%	3/5/20	275	275
HSBC USA Inc.	2.750%	8/7/20	150	152
HSBC USA Inc.	5.000%	9/27/20	300	322
HSBC USA Inc.	3.500%	6/23/24	100	103
Huntington Bancshares Inc.	2.600%	8/2/18	50	51
Huntington Bancshares Inc.	7.000%	12/15/20	25	29
Huntington Bancshares Inc.	3.150%	3/14/21	175	182
Huntington National Bank	1.375%	4/24/17	200	200
Huntington National Bank	2.000%	6/30/18	250	253
Huntington National Bank	2.200%	11/6/18	175	177
Huntington National Bank	2.400%	4/1/20	150	152
Intesa Sanpaolo SPA	3.875%	1/16/18	200	205
Intesa Sanpaolo SPA	3.875%	1/15/19	185	190
Intesa Sanpaolo SPA	5.250%	1/12/24	225	239
JPMorgan Chase & Co.	2.000%	8/15/17	325	328
JPMorgan Chase & Co.	6.000%	1/15/18	1,075	1,150
JPMorgan Chase & Co.	1.800%	1/25/18	300	302
JPMorgan Chase & Co.	1.700%	3/1/18	450	453
JPMorgan Chase & Co.	1.625%	5/15/18	775	778
JPMorgan Chase & Co.	2.350%	1/28/19	175	179
JPMorgan Chase & Co.	6.300%	4/23/19	825	928
JPMorgan Chase & Co.	2.200%	10/22/19	250	254
JPMorgan Chase & Co.	2.250%	1/23/20	1,276	1,292
JPMorgan Chase & Co.	2.750%	6/23/20	865	888
JPMorgan Chase & Co.	4.400%	7/22/20	575	627
JPMorgan Chase & Co.	4.250%	10/15/20	250	272
JPMorgan Chase & Co.	2.550%	3/1/21	350	356
JPMorgan Chase & Co.	4.625%	5/10/21	250	278
JPMorgan Chase & Co.	2.400%	6/7/21	275	279
JPMorgan Chase & Co.	4.350%	8/15/21	205	225
JPMorgan Chase & Co.	4.500%	1/24/22	25	28
JPMorgan Chase & Co.	3.250%	9/23/22	750	784
JPMorgan Chase & Co.	3.200%	1/25/23	750	775
JPMorgan Chase & Co.	3.375%	5/1/23	300	305
JPMorgan Chase & Co.	2.700%	5/18/23	250	251
JPMorgan Chase & Co.	3.875%	9/10/24	500	518
JPMorgan Chase & Co.	3.125%	1/23/25	400	409
JPMorgan Chase & Co.	3.900%	7/15/25	300	323
JPMorgan Chase & Co.	3.300%	4/1/26	635	653
JPMorgan Chase & Co.	3.200%	6/15/26	300	307
JPMorgan Chase & Co.	4.125%	12/15/26	450	475
JPMorgan Chase & Co.	6.400%	5/15/38	950	1,297
JPMorgan Chase & Co.	5.500%	10/15/40	250	314
JPMorgan Chase & Co.	5.600%	7/15/41	450	571
JPMorgan Chase & Co.	5.400%	1/6/42	150	186
JPMorgan Chase & Co.	5.625%	8/16/43	300	352
JPMorgan Chase & Co.	4.950%	6/1/45	100	110
JPMorgan Chase Bank NA	6.000%	10/1/17	1,075	1,136
KeyBank NA	1.650%	2/1/18	75	75
KeyBank NA	1.700%	6/1/18	250	251
KeyBank NA	2.500%	12/15/19	100	103
KeyBank NA	2.250%	3/16/20	500	507
KeyBank NA	3.300%	6/1/25	125	132
KeyCorp	2.300%	12/13/18	125	127
KeyCorp	5.100%	3/24/21	25	28
Lloyds Bank plc	1.750%	3/16/18	75	75
Lloyds Bank plc	1.750%	5/14/18	100	100
Lloyds Bank plc	2.300%	11/27/18	225	226
Lloyds Bank plc	2.050%	1/22/19	400	398
Lloyds Bank plc	2.350%	9/5/19	425	428
Lloyds Bank plc	2.400%	3/17/20	50	50
Lloyds Bank plc	6.375%	1/21/21	175	205
Lloyds Bank plc	3.500%	5/14/25	225	231
[7] Lloyds Banking Group plc	4.582%	12/10/25	200	200
Lloyds Banking Group plc	4.650%	3/24/26	500	504
[7] Lloyds Banking Group plc	5.300%	12/1/45	200	206
Manufacturers & Traders Trust Co.	6.625%	12/4/17	200	214
Manufacturers & Traders Trust Co.	2.300%	1/30/19	550	562
Manufacturers & Traders Trust Co.	2.250%	7/25/19	100	102
Manufacturers & Traders Trust Co.	2.100%	2/6/20	175	178
Manufacturers & Traders Trust Co.	2.900%	2/6/25	425	437
Mitsubishi UFJ Financial Group Inc.	2.950%	3/1/21	700	726
Mitsubishi UFJ Financial Group Inc.	3.850%	3/1/26	600	656
Morgan Stanley	5.450%	1/9/17	575	588
Morgan Stanley	4.750%	3/22/17	255	261
Morgan Stanley	5.550%	4/27/17	50	52
Morgan Stanley	5.950%	12/28/17	375	399
Morgan Stanley	1.875%	1/5/18	400	402
Morgan Stanley	6.625%	4/1/18	450	488
Morgan Stanley	2.125%	4/25/18	425	429
Morgan Stanley	2.200%	12/7/18	250	253
Morgan Stanley	2.500%	1/24/19	150	153
Morgan Stanley	7.300%	5/13/19	525	603
Morgan Stanley	2.375%	7/23/19	400	407
Morgan Stanley	5.625%	9/23/19	800	887
Morgan Stanley	5.500%	1/26/20	275	307
Morgan Stanley	2.650%	1/27/20	250	254
Morgan Stanley	2.800%	6/16/20	1,650	1,689
Morgan Stanley	5.500%	7/24/20	175	198
Morgan Stanley	5.750%	1/25/21	250	285
Morgan Stanley	2.500%	4/21/21	250	252
Morgan Stanley	5.500%	7/28/21	75	85
Morgan Stanley	4.875%	11/1/22	425	465
Morgan Stanley	3.750%	2/25/23	675	715
Morgan Stanley	4.100%	5/22/23	350	364
Morgan Stanley	3.875%	4/29/24	595	637
Morgan Stanley	3.700%	10/23/24	650	680
Morgan Stanley	4.000%	7/23/25	180	193
Morgan Stanley	5.000%	11/24/25	300	329
Morgan Stanley	3.875%	1/27/26	225	239
Morgan Stanley	6.250%	8/9/26	450	565
Morgan Stanley	4.350%	9/8/26	225	234
Morgan Stanley	3.950%	4/23/27	650	655
Morgan Stanley	7.250%	4/1/32	150	208
Morgan Stanley	6.375%	7/24/42	325	439
Morgan Stanley	4.300%	1/27/45	500	527
MUFG Americas Holdings Corp.	1.625%	2/9/18	200	200
MUFG Americas Holdings Corp.	2.250%	2/10/20	200	202
MUFG Americas Holdings Corp.	3.500%	6/18/22	175	186
MUFG Americas Holdings Corp.	3.000%	2/10/25	100	102
MUFG Union Bank NA	2.125%	6/16/17	50	50
MUFG Union Bank NA	2.625%	9/26/18	125	128
MUFG Union Bank NA	2.250%	5/6/19	300	305
Murray Street Investment Trust I	4.647%	3/9/17	275	281
National Australia Bank Ltd.	2.750%	3/9/17	175	177
National Australia Bank Ltd.	2.300%	7/25/18	175	178
National Australia Bank Ltd.	2.000%	1/14/19	200	203
National Australia Bank Ltd.	2.625%	1/14/21	500	518
National Australia Bank Ltd.	3.000%	1/20/23	250	261
National Australia Bank Ltd.	3.375%	1/14/26	100	106
National Bank of Canada	1.450%	11/7/17	100	100
National City Corp.	6.875%	5/15/19	100	113
Northern Trust Corp.	3.450%	11/4/20	100	107
Northern Trust Corp.	3.375%	8/23/21	100	107
Northern Trust Corp.	3.950%	10/30/25	150	169
People's United Bank NA	4.000%	7/15/24	100	102

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
People's United Financial Inc.	3.650%	12/6/22	100	102
PNC Bank NA	4.875%	9/21/17	775	806
PNC Bank NA	6.000%	12/7/17	100	106
PNC Bank NA	1.500%	2/23/18	100	101
PNC Bank NA	1.600%	6/1/18	150	151
PNC Bank NA	1.800%	11/5/18	200	202
PNC Bank NA	1.950%	3/4/19	150	152
PNC Bank NA	2.250%	7/2/19	600	613
PNC Bank NA	2.400%	10/18/19	75	77
PNC Bank NA	2.300%	6/1/20	150	154
PNC Bank NA	2.450%	11/5/20	100	103
PNC Bank NA	2.150%	4/29/21	250	255
PNC Bank NA	3.300%	10/30/24	200	213
PNC Bank NA	2.950%	2/23/25	150	156
PNC Bank NA	3.250%	6/1/25	100	106
PNC Financial Services Group Inc.	3.900%	4/29/24	625	671
PNC Funding Corp.	6.700%	6/10/19	25	29
PNC Funding Corp.	5.125%	2/8/20	150	168
PNC Funding Corp.	4.375%	8/11/20	475	522
PNC Funding Corp.	3.300%	3/8/22	500	532
Regions Bank	6.450%	6/26/37	250	306
Regions Financial Corp.	2.000%	5/15/18	285	286
Regions Financial Corp.	3.200%	2/8/21	100	103
Royal Bank of Canada	1.000%	4/27/17	500	500
Royal Bank of Canada	1.400%	10/13/17	200	201
Royal Bank of Canada	2.200%	7/27/18	375	383
Royal Bank of Canada	1.800%	7/30/18	575	582
Royal Bank of Canada	2.000%	12/10/18	175	178
Royal Bank of Canada	1.625%	4/15/19	125	126
Royal Bank of Canada	2.500%	1/19/21	200	207
Royal Bank of Canada	4.650%	1/27/26	250	269
Santander Bank NA	2.000%	1/12/18	250	250
Santander Bank NA	8.750%	5/30/18	75	84
Santander Holdings USA Inc.	3.450%	8/27/18	50	51
Santander Holdings USA Inc.	2.700%	5/24/19	300	301
Santander Holdings USA Inc.	4.500%	7/17/25	125	129
Santander Issuances SAU	5.179%	11/19/25	450	448
Santander UK Group Holdings plc	2.875%	10/16/20	300	299
Santander UK Group Holdings plc	3.125%	1/8/21	250	251
Santander UK plc	1.375%	3/13/17	200	200
Santander UK plc	3.050%	8/23/18	150	154
Santander UK plc	2.500%	3/14/19	950	960
Santander UK plc	2.350%	9/10/19	175	176
Santander UK plc	2.375%	3/16/20	150	150
Santander UK plc	4.000%	3/13/24	150	161
Skandinaviska Enskilda Banken AB	2.625%	3/15/21	300	310
Societe Generale SA	2.750%	10/12/17	225	229
Societe Generale SA	2.625%	10/1/18	125	128
State Street Corp.	4.956%	3/15/18	275	288
State Street Corp.	1.350%	5/15/18	275	277
State Street Corp.	1.950%	5/19/21	125	127
State Street Corp.	3.100%	5/15/23	150	155
State Street Corp.	3.700%	11/20/23	83	91
State Street Corp.	3.550%	8/18/25	225	244
State Street Corp.	2.650%	5/19/26	125	128
Sumitomo Mitsui Banking Corp.	1.800%	7/18/17	475	478
Sumitomo Mitsui Banking Corp.	1.950%	7/23/18	250	253
Sumitomo Mitsui Banking Corp.	2.450%	1/10/19	150	153
Sumitomo Mitsui Banking Corp.	2.250%	7/11/19	250	253
Sumitomo Mitsui Banking Corp.	2.450%	10/20/20	200	203
Sumitomo Mitsui Banking Corp.	3.200%	7/18/22	250	256
Sumitomo Mitsui Banking Corp.	3.950%	7/19/23	100	109
Sumitomo Mitsui Banking Corp.	3.950%	1/10/24	250	271
Sumitomo Mitsui Banking Corp.	3.400%	7/11/24	250	262
Sumitomo Mitsui Financial Group Inc.	2.934%	3/9/21	340	354
Sumitomo Mitsui Financial Group Inc.	3.784%	3/9/26	150	164
SunTrust Bank	7.250%	3/15/18	75	82
SunTrust Bank	3.300%	5/15/26	200	203
SunTrust Banks Inc.	6.000%	9/11/17	50	53
SunTrust Banks Inc.	2.350%	11/1/18	40	41
SunTrust Banks Inc.	2.500%	5/1/19	300	306
SunTrust Banks Inc.	2.900%	3/3/21	75	78
SVB Financial Group	3.500%	1/29/25	100	102
Svenska Handelsbanken AB	2.500%	1/25/19	225	232
Svenska Handelsbanken AB	2.250%	6/17/19	225	229
Svenska Handelsbanken AB	2.450%	3/30/21	300	308
Synchrony Financial	2.600%	1/15/19	175	177
Synchrony Financial	2.700%	2/3/20	425	426
Synchrony Financial	4.250%	8/15/24	250	259
Synchrony Financial	4.500%	7/23/25	500	519
Toronto-Dominion Bank	1.625%	3/13/18	750	757
Toronto-Dominion Bank	1.400%	4/30/18	250	251
Toronto-Dominion Bank	1.750%	7/23/18	350	354
Toronto-Dominion Bank	2.625%	9/10/18	300	309
Toronto-Dominion Bank	2.125%	7/2/19	100	103
Toronto-Dominion Bank	2.250%	11/5/19	500	514
Toronto-Dominion Bank	2.500%	12/14/20	100	103
Toronto-Dominion Bank	2.125%	4/7/21	175	178
UBS AG	1.375%	6/1/17	225	225
UBS AG	5.750%	4/25/18	100	108
UBS AG	2.375%	8/14/19	604	618
UBS AG	2.350%	3/26/20	175	179
UBS AG	4.875%	8/4/20	50	56
US Bancorp	1.950%	11/15/18	325	331
US Bancorp	2.200%	4/25/19	100	103
US Bancorp	2.350%	1/29/21	175	180
US Bancorp	4.125%	5/24/21	250	278
US Bancorp	3.000%	3/15/22	125	133
US Bancorp	2.950%	7/15/22	400	415
US Bancorp	3.600%	9/11/24	50	54
US Bancorp	3.100%	4/27/26	300	312
US Bank NA	1.375%	9/11/17	175	176
US Bank NA	2.125%	10/28/19	1,000	1,023
US Bank NA	2.800%	1/27/25	500	519
Vesey Street Investment Trust I	4.404%	9/1/16	25	25
Wachovia Bank NA	5.850%	2/1/37	300	380
Wachovia Corp.	5.750%	6/15/17	425	443
Wachovia Corp.	5.750%	2/1/18	300	321
Wachovia Corp.	6.605%	10/1/25	590	741
Wells Fargo & Co.	1.400%	9/8/17	675	677
Wells Fargo & Co.	5.625%	12/11/17	575	612
Wells Fargo & Co.	1.500%	1/16/18	25	25
Wells Fargo & Co.	2.150%	1/15/19	250	255
Wells Fargo & Co.	2.600%	7/22/20	350	360
Wells Fargo & Co.	2.550%	12/7/20	350	359
Wells Fargo & Co.	2.500%	3/4/21	350	358
Wells Fargo & Co.	4.600%	4/1/21	1,325	1,480
Wells Fargo & Co.	3.500%	3/8/22	450	482
Wells Fargo & Co.	3.300%	9/9/24	400	419
Wells Fargo & Co.	3.000%	2/19/25	100	102
Wells Fargo & Co.	3.000%	4/22/26	650	661
Wells Fargo & Co.	4.100%	6/3/26	500	534
Wells Fargo & Co.	4.300%	7/22/27	400	431
Wells Fargo & Co.	5.375%	2/7/35	200	243
Wells Fargo & Co.	5.375%	11/2/43	300	350
Wells Fargo & Co.	5.606%	1/15/44	600	719
Wells Fargo & Co.	4.650%	11/4/44	325	342
Wells Fargo & Co.	3.900%	5/1/45	500	524
Wells Fargo & Co.	4.900%	11/17/45	250	274
Wells Fargo & Co.	4.400%	6/14/46	300	304
Wells Fargo Bank NA	6.000%	11/15/17	200	213
Wells Fargo Bank NA	1.650%	1/22/18	175	176
Wells Fargo Bank NA	1.750%	5/24/19	275	278
Wells Fargo Bank NA	5.950%	8/26/36	200	255
Wells Fargo Bank NA	6.600%	1/15/38	225	309
Westpac Banking Corp.	1.500%	12/1/17	200	201
Westpac Banking Corp.	1.600%	1/12/18	200	201
Westpac Banking Corp.	2.250%	7/30/18	325	331
Westpac Banking Corp.	1.950%	11/23/18	200	203
Westpac Banking Corp.	2.250%	1/17/19	225	228

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Westpac Banking Corp.	1.650%	5/13/19	200	201
Westpac Banking Corp.	4.875%	11/19/19	250	277
Westpac Banking Corp.	2.600%	11/23/20	250	258
Westpac Banking Corp.	2.100%	5/13/21	1,000	1,011
Westpac Banking Corp.	2.850%	5/13/26	400	407
Brokerage (0.2%)				
Affiliated Managers Group Inc.	4.250%	2/15/24	100	106
Affiliated Managers Group Inc.	3.500%	8/1/25	250	249
Ameriprise Financial Inc.	5.300%	3/15/20	125	141
Ameriprise Financial Inc.	4.000%	10/15/23	150	163
Ameriprise Financial Inc.	3.700%	10/15/24	100	107
Apollo Investment Corp.	5.250%	3/3/25	50	50
BGC Partners Inc.	5.375%	12/9/19	50	52
[7] BGC Partners Inc.	5.125%	5/27/21	50	51
BlackRock Inc.	6.250%	9/15/17	100	106
BlackRock Inc.	5.000%	12/10/19	160	179
BlackRock Inc.	4.250%	5/24/21	125	140
BlackRock Inc.	3.375%	6/1/22	125	135
BlackRock Inc.	3.500%	3/18/24	225	245
Brookfield Asset Management Inc.	4.000%	1/15/25	100	102
Brookfield Asset Management Inc.	7.375%	3/1/33	50	61
Brookfield Finance Inc.	4.250%	6/2/26	50	51
Charles Schwab Corp.	3.225%	9/1/22	300	317
CME Group Inc.	3.000%	9/15/22	125	133
CME Group Inc.	3.000%	3/15/25	125	130
CME Group Inc.	5.300%	9/15/43	125	158
E*TRADE Financial Corp.	5.375%	11/15/22	100	106
E*TRADE Financial Corp.	4.625%	9/15/23	75	76
Eaton Vance Corp.	3.625%	6/15/23	50	53
Franklin Resources Inc.	1.375%	9/15/17	50	50
Franklin Resources Inc.	4.625%	5/20/20	50	55
Franklin Resources Inc.	2.800%	9/15/22	225	233
Intercontinental Exchange Inc.	2.500%	10/15/18	25	26
Intercontinental Exchange Inc.	2.750%	12/1/20	350	366
Intercontinental Exchange Inc.	4.000%	10/15/23	150	162
Intercontinental Exchange Inc.	3.750%	12/1/25	300	324
Invesco Finance plc	3.125%	11/30/22	175	183
Invesco Finance plc	4.000%	1/30/24	100	110
Invesco Finance plc	3.750%	1/15/26	170	183
Invesco Finance plc	5.375%	11/30/43	75	89
Janus Capital Group Inc.	4.875%	8/1/25	75	81
Jefferies Group LLC	5.125%	4/13/18	150	157
Jefferies Group LLC	8.500%	7/15/19	25	29
Jefferies Group LLC	6.875%	4/15/21	155	176
Jefferies Group LLC	5.125%	1/20/23	100	105
Jefferies Group LLC	6.450%	6/8/27	50	56
Jefferies Group LLC	6.250%	1/15/36	75	77
Jefferies Group LLC	6.500%	1/20/43	75	75
Lazard Group LLC	6.850%	6/15/17	17	18
Lazard Group LLC	3.750%	2/13/25	50	50
Legg Mason Inc.	2.700%	7/15/19	50	51
Legg Mason Inc.	4.750%	3/15/26	100	105
Legg Mason Inc.	5.625%	1/15/44	100	102
Leucadia National Corp.	5.500%	10/18/23	150	152
Leucadia National Corp.	6.625%	10/23/43	25	22
Nasdaq Inc.	5.550%	1/15/20	175	193
Nasdaq Inc.	4.250%	6/1/24	75	79
Nomura Holdings Inc.	2.750%	3/19/19	250	256
Nomura Holdings Inc.	6.700%	3/4/20	200	232
Stifel Financial Corp.	3.500%	12/1/20	50	51
Stifel Financial Corp.	4.250%	7/18/24	50	51
TD Ameritrade Holding Corp.	5.600%	12/1/19	50	56
TD Ameritrade Holding Corp.	2.950%	4/1/22	150	156
TD Ameritrade Holding Corp.	3.625%	4/1/25	100	107
Finance Companies (0.3%)				
AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust	3.950%	2/1/22	100	99
Air Lease Corp.	2.125%	1/15/18	75	74
Air Lease Corp.	2.625%	9/4/18	100	100
Air Lease Corp.	3.375%	1/15/19	125	127
Air Lease Corp.	4.750%	3/1/20	75	80
Air Lease Corp.	3.875%	4/1/21	75	77
Air Lease Corp.	3.375%	6/1/21	100	102
Air Lease Corp.	3.750%	2/1/22	125	127
Air Lease Corp.	4.250%	9/15/24	75	77
Ares Capital Corp.	4.875%	11/30/18	125	131
Ares Capital Corp.	3.875%	1/15/20	100	104
FS Investment Corp.	4.000%	7/15/19	75	76
FS Investment Corp.	4.750%	5/15/22	50	51
GATX Corp.	2.375%	7/30/18	40	40
GATX Corp.	2.500%	7/30/19	50	51
GATX Corp.	4.750%	6/15/22	100	107
GATX Corp.	3.250%	3/30/25	125	122
GATX Corp.	4.500%	3/30/45	50	46
[7] GE Capital International Funding Co.	2.342%	11/15/20	1,887	1,950
[7] GE Capital International Funding Co.	3.373%	11/15/25	558	609
[7] GE Capital International Funding Co.	4.418%	11/15/35	2,568	2,877
HSBC Finance Corp.	6.676%	1/15/21	465	521
[7] International Lease Finance Corp.	7.125%	9/1/18	200	219
Prospect Capital Corp.	5.000%	7/15/19	50	49
Prospect Capital Corp.	5.875%	3/15/23	40	39
Insurance (1.3%)				
ACE Capital Trust II	9.700%	4/1/30	50	73
AEGON Funding Co. LLC	5.750%	12/15/20	81	93
Aetna Inc.	1.500%	11/15/17	75	75
Aetna Inc.	1.700%	6/7/18	300	302
Aetna Inc.	2.200%	3/15/19	60	61
Aetna Inc.	1.900%	6/7/19	300	304
Aetna Inc.	2.400%	6/15/21	125	128
Aetna Inc.	2.750%	11/15/22	200	204
Aetna Inc.	2.800%	6/15/23	50	51
Aetna Inc.	3.500%	11/15/24	125	132
Aetna Inc.	3.200%	6/15/26	100	103
Aetna Inc.	4.250%	6/15/36	225	233
Aetna Inc.	6.625%	6/15/36	130	174
Aetna Inc.	6.750%	12/15/37	100	136
Aetna Inc.	4.500%	5/15/42	75	79
Aetna Inc.	4.125%	11/15/42	75	76
Aetna Inc.	4.375%	6/15/46	475	494
Aflac Inc.	2.400%	3/16/20	100	103
Aflac Inc.	4.000%	2/15/22	50	55
Aflac Inc.	3.625%	6/15/23	125	134
Aflac Inc.	3.625%	11/15/24	125	134
Aflac Inc.	3.250%	3/17/25	75	78
Aflac Inc.	6.900%	12/17/39	75	106
Alleghany Corp.	5.625%	9/15/20	100	112
Alleghany Corp.	4.900%	9/15/44	100	104
Allied World Assurance Co. Holdings Ltd.	4.350%	10/29/25	450	460
Allied World Assurance Co. Ltd.	5.500%	11/15/20	50	56
Allstate Corp.	3.150%	6/15/23	350	370
Allstate Corp.	5.550%	5/9/35	75	95
Allstate Corp.	4.500%	6/15/43	50	58
[4] Allstate Corp.	5.750%	8/15/53	75	77
[4] Allstate Corp.	6.125%	5/15/67	125	110
[4] Allstate Corp.	6.500%	5/15/67	100	108
Alterra Finance LLC	6.250%	9/30/20	55	63
American Financial Group Inc.	9.875%	6/15/19	50	60
American International Group Inc.	5.850%	1/16/18	200	213
American International Group Inc.	3.375%	8/15/20	125	131
American International Group Inc.	6.400%	12/15/20	385	452
American International Group Inc.	4.875%	6/1/22	250	279
American International Group Inc.	4.125%	2/15/24	170	180
American International Group Inc.	3.875%	1/15/35	200	189
American International Group Inc.	4.700%	7/10/35	75	78
American International Group Inc.	6.250%	5/1/36	475	566
American International Group Inc.	4.500%	7/16/44	375	365
American International Group Inc.	4.800%	7/10/45	125	127
American International Group Inc.	4.375%	1/15/55	125	116

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4] American International Group Inc.	8.175%	5/15/68	100	125
Anthem Inc.	1.875%	1/15/18	125	126
Anthem Inc.	2.250%	8/15/19	150	151
Anthem Inc.	4.350%	8/15/20	100	109
Anthem Inc.	3.700%	8/15/21	125	134
Anthem Inc.	3.125%	5/15/22	150	155
Anthem Inc.	3.300%	1/15/23	175	181
Anthem Inc.	3.500%	8/15/24	125	130
Anthem Inc.	5.950%	12/15/34	75	89
Anthem Inc.	5.850%	1/15/36	225	269
Anthem Inc.	6.375%	6/15/37	110	139
Anthem Inc.	4.625%	5/15/42	175	184
Anthem Inc.	4.650%	1/15/43	175	185
Anthem Inc.	5.100%	1/15/44	100	112
Anthem Inc.	4.650%	8/15/44	125	134
Anthem Inc.	4.850%	8/15/54	50	53
Aon Corp.	5.000%	9/30/20	200	224
Aon Corp.	8.205%	1/1/27	25	32
Aon Corp.	6.250%	9/30/40	100	127
Aon plc	3.500%	6/14/24	100	103
Aon plc	3.875%	12/15/25	200	211
Aon plc	4.450%	5/24/43	50	50
Aon plc	4.600%	6/14/44	175	178
Arch Capital Group Ltd.	7.350%	5/1/34	50	68
Arch Capital Group US Inc.	5.144%	11/1/43	50	54
Aspen Insurance Holdings Ltd.	6.000%	12/15/20	300	335
Aspen Insurance Holdings Ltd.	4.650%	11/15/23	225	239
Assurant Inc.	4.000%	3/15/23	100	103
Assurant Inc.	6.750%	2/15/34	50	62
AXA SA	8.600%	12/15/30	225	307
AXIS Specialty Finance LLC	5.875%	6/1/20	75	84
AXIS Specialty Finance plc	5.150%	4/1/45	25	27
Berkshire Hathaway Finance Corp.	1.450%	3/7/18	175	177
Berkshire Hathaway Finance Corp.	5.400%	5/15/18	550	595
Berkshire Hathaway Finance Corp.	2.000%	8/15/18	50	51
Berkshire Hathaway Finance Corp.	1.700%	3/15/19	150	152
Berkshire Hathaway Finance Corp.	2.900%	10/15/20	275	292
Berkshire Hathaway Finance Corp.	4.250%	1/15/21	125	139
Berkshire Hathaway Finance Corp.	3.000%	5/15/22	150	160
Berkshire Hathaway Finance Corp.	5.750%	1/15/40	75	99
Berkshire Hathaway Finance Corp.	4.400%	5/15/42	125	140
Berkshire Hathaway Inc.	2.100%	8/14/19	125	129
Berkshire Hathaway Inc.	3.000%	2/11/23	125	132
Berkshire Hathaway Inc.	2.750%	3/15/23	450	465
Berkshire Hathaway Inc.	3.125%	3/15/26	725	760
Berkshire Hathaway Inc.	4.500%	2/11/43	150	170
Brown & Brown Inc.	4.200%	9/15/24	100	101
Chubb Corp.	5.750%	5/15/18	50	54
Chubb Corp.	6.000%	5/11/37	125	170
Chubb Corp.	6.500%	5/15/38	50	72
Chubb INA Holdings Inc.	5.800%	3/15/18	25	27
Chubb INA Holdings Inc.	5.900%	6/15/19	25	28
Chubb INA Holdings Inc.	2.875%	11/3/22	150	157
Chubb INA Holdings Inc.	2.700%	3/13/23	125	128
Chubb INA Holdings Inc.	3.350%	5/15/24	100	106
Chubb INA Holdings Inc.	3.150%	3/15/25	250	261
Chubb INA Holdings Inc.	3.350%	5/3/26	225	240
Chubb INA Holdings Inc.	4.150%	3/13/43	100	111
Chubb INA Holdings Inc.	4.350%	11/3/45	400	459
Cigna Corp.	5.125%	6/15/20	50	55
Cigna Corp.	4.375%	12/15/20	45	49
Cigna Corp.	4.500%	3/15/21	50	55
Cigna Corp.	4.000%	2/15/22	75	81
Cigna Corp.	3.250%	4/15/25	450	460
Cigna Corp.	7.875%	5/15/27	50	69
Cigna Corp.	6.150%	11/15/36	75	93
Cigna Corp.	5.875%	3/15/41	50	61
Cigna Corp.	5.375%	2/15/42	75	88
Cincinnati Financial Corp.	6.125%	11/1/34	150	183
CNA Financial Corp.	7.350%	11/15/19	25	29
CNA Financial Corp.	5.875%	8/15/20	75	85
CNA Financial Corp.	5.750%	8/15/21	75	86
CNA Financial Corp.	4.500%	3/1/26	225	241
Coventry Health Care Inc.	5.450%	6/15/21	100	114
Endurance Specialty Holdings Ltd.	7.000%	7/15/34	75	91
Everest Reinsurance Holdings Inc.	4.868%	6/1/44	100	103
First American Financial Corp.	4.300%	2/1/23	200	205
First American Financial Corp.	4.600%	11/15/24	100	105
Hanover Insurance Group Inc.	4.500%	4/15/26	100	103
Hartford Financial Services Group Inc.	6.300%	3/15/18	134	143
Hartford Financial Services Group Inc.	6.000%	1/15/19	25	27
Hartford Financial Services Group Inc.	5.125%	4/15/22	25	28
Hartford Financial Services Group Inc.	5.950%	10/15/36	50	61
Hartford Financial Services Group Inc.	4.300%	4/15/43	175	175
Horace Mann Educators Corp.	4.500%	12/1/25	50	53
Humana Inc.	7.200%	6/15/18	100	110
Humana Inc.	3.850%	10/1/24	150	160
Humana Inc.	8.150%	6/15/38	175	254
Humana Inc.	4.625%	12/1/42	75	78
Humana Inc.	4.950%	10/1/44	100	110
Infinity Property & Casualty Corp.	5.000%	9/19/22	50	53
Kemper Corp.	4.350%	2/15/25	375	388
Lincoln National Corp.	8.750%	7/1/19	75	89
Lincoln National Corp.	6.250%	2/15/20	25	28
Lincoln National Corp.	4.850%	6/24/21	50	55
Lincoln National Corp.	4.200%	3/15/22	50	54
Lincoln National Corp.	4.000%	9/1/23	50	52
Lincoln National Corp.	6.150%	4/7/36	150	176
Lincoln National Corp.	7.000%	6/15/40	160	205
Loews Corp.	2.625%	5/15/23	75	76
Loews Corp.	6.000%	2/1/35	50	62
Loews Corp.	4.125%	5/15/43	175	177
Manulife Financial Corp.	4.900%	9/17/20	275	305
Manulife Financial Corp.	4.150%	3/4/26	125	134
Manulife Financial Corp.	5.375%	3/4/46	100	118
Markel Corp.	4.900%	7/1/22	125	139
Markel Corp.	5.000%	3/30/43	50	54
Markel Corp.	5.000%	4/5/46	100	106
Marsh & McLennan Cos. Inc.	2.350%	3/6/20	500	510
Marsh & McLennan Cos. Inc.	4.800%	7/15/21	295	328
Marsh & McLennan Cos. Inc.	3.500%	6/3/24	100	104
Marsh & McLennan Cos. Inc.	3.500%	3/10/25	100	104
Marsh & McLennan Cos. Inc.	3.750%	3/14/26	100	105
MetLife Inc.	1.756%	12/15/17	100	101
MetLife Inc.	1.903%	12/15/17	90	91
MetLife Inc.	6.817%	8/15/18	25	28
MetLife Inc.	7.717%	2/15/19	50	58
MetLife Inc.	4.750%	2/8/21	550	617
MetLife Inc.	3.048%	12/15/22	225	231
MetLife Inc.	3.600%	4/10/24	375	395
MetLife Inc.	3.000%	3/1/25	250	252
MetLife Inc.	3.600%	11/13/25	650	683
MetLife Inc.	6.500%	12/15/32	175	227
MetLife Inc.	6.375%	6/15/34	100	129
MetLife Inc.	5.700%	6/15/35	200	243
MetLife Inc.	5.875%	2/6/41	25	31
MetLife Inc.	4.125%	8/13/42	125	124
MetLife Inc.	4.875%	11/13/43	175	192
MetLife Inc.	4.721%	12/15/44	63	68
MetLife Inc.	4.600%	5/13/46	120	128
[4] MetLife Inc.	6.400%	12/15/66	220	234
Old Republic International Corp.	4.875%	10/1/24	125	134
OneBeacon US Holdings Inc.	4.600%	11/9/22	50	51
PartnerRe Finance B LLC	5.500%	6/1/20	100	112
Primerica Inc.	4.750%	7/15/22	25	28
Principal Financial Group Inc.	1.850%	11/15/17	25	25
Principal Financial Group Inc.	8.875%	5/15/19	75	89
Principal Financial Group Inc.	3.300%	9/15/22	50	52
Principal Financial Group Inc.	3.125%	5/15/23	100	101
Principal Financial Group Inc.	6.050%	10/15/36	100	125
Principal Financial Group Inc.	4.625%	9/15/42	50	53
Principal Financial Group Inc.	4.350%	5/15/43	50	51

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4] Principal Financial Group Inc.	4.700%	5/15/55	100	98
ProAssurance Corp.	5.300%	11/15/23	50	54
Progressive Corp.	3.750%	8/23/21	75	82
Progressive Corp.	6.625%	3/1/29	125	166
Progressive Corp.	4.350%	4/25/44	50	57
Protective Life Corp.	8.450%	10/15/39	50	70
Prudential Financial Inc.	6.000%	12/1/17	48	51
Prudential Financial Inc.	2.300%	8/15/18	25	26
Prudential Financial Inc.	5.375%	6/21/20	125	141
Prudential Financial Inc.	4.500%	11/15/20	325	358
Prudential Financial Inc.	4.500%	11/16/21	75	84
Prudential Financial Inc.	3.500%	5/15/24	125	130
Prudential Financial Inc.	5.750%	7/15/33	100	118
Prudential Financial Inc.	5.400%	6/13/35	100	113
Prudential Financial Inc.	5.900%	3/17/36	375	450
Prudential Financial Inc.	5.700%	12/14/36	125	149
Prudential Financial Inc.	6.625%	12/1/37	125	161
Prudential Financial Inc.	6.625%	6/21/40	400	519
[4] Prudential Financial Inc.	5.875%	9/15/42	100	107
[4] Prudential Financial Inc.	5.625%	6/15/43	375	389
Prudential Financial Inc.	5.100%	8/15/43	50	56
[4] Prudential Financial Inc.	5.200%	3/15/44	85	83
Prudential Financial Inc.	4.600%	5/15/44	125	133
[4] Prudential Financial Inc.	5.375%	5/15/45	250	252
Reinsurance Group of America Inc.	6.450%	11/15/19	75	86
Reinsurance Group of America Inc.	5.000%	6/1/21	75	83
Reinsurance Group of America Inc.	4.700%	9/15/23	75	81
StanCorp Financial Group Inc.	5.000%	8/15/22	50	55
Swiss Re Solutions Holding Corp.	7.000%	2/15/26	75	97
Torchmark Corp.	3.800%	9/15/22	50	52
Transatlantic Holdings Inc.	8.000%	11/30/39	175	242
Travelers Cos. Inc.	5.750%	12/15/17	250	266
Travelers Cos. Inc.	5.900%	6/2/19	300	338
Travelers Cos. Inc.	3.900%	11/1/20	125	137
Travelers Cos. Inc.	6.250%	6/15/37	150	208
Travelers Cos. Inc.	4.300%	8/25/45	150	170
Trinity Acquisition plc	4.625%	8/15/23	175	188
Trinity Acquisition plc	6.125%	8/15/43	75	84
UnitedHealth Group Inc.	1.450%	7/17/17	250	251
UnitedHealth Group Inc.	1.400%	10/15/17	100	101
UnitedHealth Group Inc.	6.000%	2/15/18	400	431
UnitedHealth Group Inc.	1.900%	7/16/18	250	254
UnitedHealth Group Inc.	1.700%	2/15/19	200	202
UnitedHealth Group Inc.	1.625%	3/15/19	100	101
UnitedHealth Group Inc.	2.300%	12/15/19	125	129
UnitedHealth Group Inc.	2.700%	7/15/20	250	260
UnitedHealth Group Inc.	4.700%	2/15/21	75	85
UnitedHealth Group Inc.	2.125%	3/15/21	225	229
UnitedHealth Group Inc.	3.375%	11/15/21	100	108
UnitedHealth Group Inc.	2.875%	12/15/21	125	132
UnitedHealth Group Inc.	3.350%	7/15/22	180	193
UnitedHealth Group Inc.	2.750%	2/15/23	175	180
UnitedHealth Group Inc.	2.875%	3/15/23	25	26
UnitedHealth Group Inc.	3.750%	7/15/25	450	494
UnitedHealth Group Inc.	3.100%	3/15/26	225	236
UnitedHealth Group Inc.	4.625%	7/15/35	175	203
UnitedHealth Group Inc.	6.500%	6/15/37	50	70
UnitedHealth Group Inc.	6.625%	11/15/37	125	178
UnitedHealth Group Inc.	6.875%	2/15/38	245	357
UnitedHealth Group Inc.	5.950%	2/15/41	60	80
UnitedHealth Group Inc.	4.625%	11/15/41	75	86
UnitedHealth Group Inc.	4.375%	3/15/42	50	56
UnitedHealth Group Inc.	3.950%	10/15/42	175	183
UnitedHealth Group Inc.	4.250%	3/15/43	125	136
UnitedHealth Group Inc.	4.750%	7/15/45	340	410
Unum Group	5.625%	9/15/20	50	56
Unum Group	3.000%	5/15/21	100	102
Unum Group	4.000%	3/15/24	50	52
Unum Group	5.750%	8/15/42	25	28
Validus Holdings Ltd.	8.875%	1/26/40	75	105
Voya Financial Inc.	2.900%	2/15/18	134	137
Voya Financial Inc.	5.700%	7/15/43	75	84
Voya Financial Inc.	4.800%	6/15/46	100	100
WR Berkley Corp.	5.375%	9/15/20	175	194
XLIT Ltd.	5.750%	10/1/21	105	121
XLIT Ltd.	4.450%	3/31/25	100	101
XLIT Ltd.	6.250%	5/15/27	125	151
XLIT Ltd.	5.500%	3/31/45	100	100
Real Estate Investment Trusts (0.7%)				
Alexandria Real Estate Equities Inc.	2.750%	1/15/20	100	101
Alexandria Real Estate Equities Inc.	4.600%	4/1/22	125	135
Alexandria Real Estate Equities Inc.	3.950%	1/15/27	75	78
Alexandria Real Estate Equities Inc.	4.500%	7/30/29	100	105
American Campus Communities Operating Partnership LP	3.350%	10/1/20	50	52
American Campus Communities Operating Partnership LP	4.125%	7/1/24	100	106
AvalonBay Communities Inc.	2.850%	3/15/23	25	26
AvalonBay Communities Inc.	4.200%	12/15/23	75	83
AvalonBay Communities Inc.	3.450%	6/1/25	300	316
AvalonBay Communities Inc.	2.950%	5/11/26	150	152
Boston Properties LP	5.625%	11/15/20	325	372
Boston Properties LP	4.125%	5/15/21	75	82
Boston Properties LP	3.850%	2/1/23	225	242
Boston Properties LP	3.125%	9/1/23	275	283
Boston Properties LP	3.650%	2/1/26	100	107
Brandywine Operating Partnership LP	4.950%	4/15/18	250	262
Brandywine Operating Partnership LP	4.100%	10/1/24	100	103
Brandywine Operating Partnership LP	4.550%	10/1/29	100	104
Brixmor Operating Partnership LP	3.875%	8/15/22	100	103
Brixmor Operating Partnership LP	3.850%	2/1/25	350	351
Brixmor Operating Partnership LP	4.125%	6/15/26	200	205
Camden Property Trust	4.250%	1/15/24	100	108
CBL & Associates LP	5.250%	12/1/23	100	95
CBL & Associates LP	4.600%	10/15/24	100	91
Columbia Property Trust Operating Partnership LP	4.150%	4/1/25	100	102
Corporate Office Properties LP	3.700%	6/15/21	50	50
Corporate Office Properties LP	3.600%	5/15/23	150	146
CubeSmart LP	4.375%	12/15/23	100	109
CubeSmart LP	4.000%	11/15/25	50	53
DCT Industrial Operating Partnership LP	4.500%	10/15/23	50	53
DDR Corp.	4.750%	4/15/18	25	26
DDR Corp.	3.500%	1/15/21	75	77
DDR Corp.	4.625%	7/15/22	200	216
DDR Corp.	3.375%	5/15/23	275	273
DDR Corp.	3.625%	2/1/25	200	201
DDR Corp.	4.250%	2/1/26	70	73
Digital Realty Trust LP	5.250%	3/15/21	75	84
Digital Realty Trust LP	3.950%	7/1/22	250	264
Digital Realty Trust LP	3.625%	10/1/22	575	595
Duke Realty LP	3.250%	6/30/26	175	177
EPR Properties	5.750%	8/15/22	25	27
EPR Properties	5.250%	7/15/23	125	132
EPR Properties	4.500%	4/1/25	50	50
Equity Commonwealth	5.875%	9/15/20	100	111
ERP Operating LP	4.750%	7/15/20	50	56
ERP Operating LP	4.625%	12/15/21	129	146
ERP Operating LP	3.000%	4/15/23	125	128
ERP Operating LP	3.375%	6/1/25	125	132
ERP Operating LP	4.500%	7/1/44	150	167
ERP Operating LP	4.500%	6/1/45	125	139
Essex Portfolio LP	3.375%	1/15/23	175	181
Essex Portfolio LP	3.250%	5/1/23	25	26
Essex Portfolio LP	3.500%	4/1/25	100	104
Essex Portfolio LP	3.375%	4/15/26	100	102
Federal Realty Investment Trust	3.000%	8/1/22	75	78
Federal Realty Investment Trust	2.750%	6/1/23	25	25
Federal Realty Investment Trust	4.500%	12/1/44	300	329
HCP Inc.	6.700%	1/30/18	50	54
HCP Inc.	3.750%	2/1/19	50	52

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
HCP Inc.	2.625%	2/1/20	375	378
HCP Inc.	5.375%	2/1/21	15	17
HCP Inc.	3.150%	8/1/22	75	75
HCP Inc.	4.000%	12/1/22	510	531
HCP Inc.	4.250%	11/15/23	150	156
HCP Inc.	3.400%	2/1/25	75	73
HCP Inc.	6.750%	2/1/41	100	122
Healthcare Realty Trust Inc.	3.750%	4/15/23	50	50
Healthcare Realty Trust Inc.	3.875%	5/1/25	125	126
Healthcare Trust of America Holdings LP	3.375%	7/15/21	100	102
Healthcare Trust of America Holdings LP	3.700%	4/15/23	25	25
Highwoods Realty LP	3.200%	6/15/21	400	404
Hospitality Properties Trust	6.700%	1/15/18	250	262
Hospitality Properties Trust	4.250%	2/15/21	150	157
Hospitality Properties Trust	5.250%	2/15/26	100	106
Host Hotels & Resorts LP	6.000%	10/1/21	100	113
Host Hotels & Resorts LP	4.750%	3/1/23	50	53
Host Hotels & Resorts LP	3.750%	10/15/23	336	337
Host Hotels & Resorts LP	4.000%	6/15/25	50	51
Kilroy Realty LP	4.800%	7/15/18	125	131
Kilroy Realty LP	3.800%	1/15/23	200	209
Kimco Realty Corp.	5.700%	5/1/17	250	259
Kimco Realty Corp.	6.875%	10/1/19	50	58
Kimco Realty Corp.	3.125%	6/1/23	25	25
Liberty Property LP	3.375%	6/15/23	50	51
Liberty Property LP	4.400%	2/15/24	100	108
Liberty Property LP	3.750%	4/1/25	325	336
Mack-Cali Realty LP	7.750%	8/15/19	100	113
Mack-Cali Realty LP	4.500%	4/18/22	75	76
Mid-America Apartments LP	4.300%	10/15/23	150	161
Mid-America Apartments LP	3.750%	6/15/24	50	52
National Retail Properties Inc.	6.875%	10/15/17	275	292
National Retail Properties Inc.	3.800%	10/15/22	200	211
Omega Healthcare Investors Inc.	4.375%	8/1/23	500	499
Omega Healthcare Investors Inc.	4.950%	4/1/24	100	105
Omega Healthcare Investors Inc.	4.500%	1/15/25	100	101
Omega Healthcare Investors Inc.	5.250%	1/15/26	100	106
Omega Healthcare Investors Inc.	4.500%	4/1/27	300	297
Piedmont Operating Partnership LP	3.400%	6/1/23	50	50
Post Apartment Homes LP	3.375%	12/1/22	50	51
ProLogis LP	2.750%	2/15/19	150	154
Realty Income Corp.	2.000%	1/31/18	50	50
Realty Income Corp.	6.750%	8/15/19	200	229
Realty Income Corp.	5.750%	1/15/21	200	230
Realty Income Corp.	3.250%	10/15/22	50	51
Realty Income Corp.	3.875%	7/15/24	50	52
Regency Centers LP	3.750%	6/15/24	150	157
Retail Opportunity Investments Partnership LP	5.000%	12/15/23	25	26
Retail Properties of America Inc.	4.000%	3/15/25	175	170
Select Income REIT	2.850%	2/1/18	50	50
Select Income REIT	4.150%	2/1/22	100	101
Select Income REIT	4.500%	2/1/25	50	49
Senior Housing Properties Trust	3.250%	5/1/19	100	101
Senior Housing Properties Trust	4.750%	5/1/24	100	102
Simon Property Group LP	2.150%	9/15/17	75	76
Simon Property Group LP	2.200%	2/1/19	575	588
Simon Property Group LP	5.650%	2/1/20	75	85
Simon Property Group LP	4.375%	3/1/21	125	139
Simon Property Group LP	2.500%	7/15/21	120	124
Simon Property Group LP	4.125%	12/1/21	250	277
Simon Property Group LP	3.375%	3/15/22	100	108
Simon Property Group LP	2.750%	2/1/23	25	26
Simon Property Group LP	3.750%	2/1/24	150	164
Simon Property Group LP	3.500%	9/1/25	100	107
Simon Property Group LP	3.300%	1/15/26	175	186
Simon Property Group LP	4.750%	3/15/42	75	86
Sovran Acquisition LP	3.500%	7/1/26	325	328
Tanger Properties LP	3.875%	12/1/23	25	26
UDR Inc.	4.250%	6/1/18	125	131
UDR Inc.	3.700%	10/1/20	25	27
UDR Inc.	4.625%	1/10/22	50	55
Ventas Realty LP	3.750%	5/1/24	200	209
Ventas Realty LP	4.125%	1/15/26	75	80
Ventas Realty LP	5.700%	9/30/43	75	87
Ventas Realty LP / Ventas Capital Corp.	2.000%	2/15/18	100	101
Ventas Realty LP / Ventas Capital Corp.	4.000%	4/30/19	150	158
Ventas Realty LP / Ventas Capital Corp.	4.750%	6/1/21	250	278
Ventas Realty LP / Ventas Capital Corp.	3.250%	8/15/22	200	207
Washington Prime Group LP	3.850%	4/1/20	50	52
Washington REIT	4.950%	10/1/20	25	27
Washington REIT	3.950%	10/15/22	75	76
Weingarten Realty Investors	3.375%	10/15/22	50	51
Weingarten Realty Investors	3.500%	4/15/23	100	101
Welltower Inc.	4.700%	9/15/17	25	26
Welltower Inc.	2.250%	3/15/18	200	202
Welltower Inc.	4.125%	4/1/19	200	212
Welltower Inc.	4.950%	1/15/21	75	83
Welltower Inc.	5.250%	1/15/22	100	112
Welltower Inc.	3.750%	3/15/23	75	78
Welltower Inc.	4.000%	6/1/25	325	343
Welltower Inc.	4.250%	4/1/26	150	161
Welltower Inc.	6.500%	3/15/41	25	31
Welltower Inc.	5.125%	3/15/43	75	81
WP Carey Inc.	4.600%	4/1/24	75	78
WP Carey Inc.	4.000%	2/1/25	50	49
				263,377
Industrial (17.2%)				
Basic Industry (1.0%)				
Agrium Inc.	6.750%	1/15/19	200	220
Agrium Inc.	3.500%	6/1/23	299	311
Agrium Inc.	3.375%	3/15/25	250	257
Agrium Inc.	4.125%	3/15/35	500	483
Agrium Inc.	6.125%	1/15/41	25	29
Agrium Inc.	4.900%	6/1/43	50	52
Agrium Inc.	5.250%	1/15/45	200	217
Air Products & Chemicals Inc.	1.200%	10/15/17	100	100
Air Products & Chemicals Inc.	3.000%	11/3/21	75	80
Air Products & Chemicals Inc.	2.750%	2/3/23	50	52
Air Products & Chemicals Inc.	3.350%	7/31/24	75	81
Airgas Inc.	3.050%	8/1/20	100	103
Airgas Inc.	3.650%	7/15/24	100	105
Albemarle Corp.	3.000%	12/1/19	75	76
Albemarle Corp.	4.500%	12/15/20	25	27
Albemarle Corp.	4.150%	12/1/24	75	79
Albemarle Corp.	5.450%	12/1/44	75	78
Barrick Gold Corp.	4.100%	5/1/23	157	165
Barrick North America Finance LLC	4.400%	5/30/21	125	136
Barrick North America Finance LLC	5.700%	5/30/41	450	460
Barrick North America Finance LLC	5.750%	5/1/43	200	220
BHP Billiton Finance USA Ltd.	2.050%	9/30/18	150	152
BHP Billiton Finance USA Ltd.	6.500%	4/1/19	200	227
BHP Billiton Finance USA Ltd.	3.250%	11/21/21	25	26
BHP Billiton Finance USA Ltd.	2.875%	2/24/22	225	234
BHP Billiton Finance USA Ltd.	3.850%	9/30/23	100	109
BHP Billiton Finance USA Ltd.	4.125%	2/24/42	150	154
BHP Billiton Finance USA Ltd.	5.000%	9/30/43	575	669
Cabot Corp.	2.550%	1/15/18	150	152
Celulosa Arauco y Constitucion SA	5.000%	1/21/21	25	27
Celulosa Arauco y Constitucion SA	4.750%	1/11/22	75	81
CF Industries Inc.	6.875%	5/1/18	275	298
CF Industries Inc.	7.125%	5/1/20	380	438
CF Industries Inc.	4.950%	6/1/43	125	115
Domtar Corp.	6.250%	9/1/42	25	26
Domtar Corp.	6.750%	2/15/44	100	109
Dow Chemical Co.	8.550%	5/15/19	325	387
Dow Chemical Co.	4.250%	11/15/20	125	137
Dow Chemical Co.	4.125%	11/15/21	100	110
Dow Chemical Co.	3.500%	10/1/24	50	53

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Dow Chemical Co.	7.375%	11/1/29	25	34
Dow Chemical Co.	4.250%	10/1/34	50	52
Dow Chemical Co.	9.400%	5/15/39	350	553
Dow Chemical Co.	5.250%	11/15/41	100	111
Eastman Chemical Co.	2.400%	6/1/17	37	37
Eastman Chemical Co.	5.500%	11/15/19	175	194
Eastman Chemical Co.	2.700%	1/15/20	350	360
Eastman Chemical Co.	4.500%	1/15/21	75	82
Eastman Chemical Co.	3.600%	8/15/22	100	105
Eastman Chemical Co.	4.800%	9/1/42	225	234
Eastman Chemical Co.	4.650%	10/15/44	150	154
Ecolab Inc.	1.450%	12/8/17	225	226
Ecolab Inc.	1.550%	1/12/18	100	100
Ecolab Inc.	4.350%	12/8/21	200	226
Ecolab Inc.	5.500%	12/8/41	150	188
EI du Pont de Nemours & Co.	6.000%	7/15/18	275	301
EI du Pont de Nemours & Co.	4.625%	1/15/20	400	440
EI du Pont de Nemours & Co.	2.800%	2/15/23	125	128
EI du Pont de Nemours & Co.	6.500%	1/15/28	100	127
EI du Pont de Nemours & Co.	4.150%	2/15/43	175	180
Fibria Overseas Finance Ltd.	5.250%	5/12/24	100	102
FMC Corp.	3.950%	2/1/22	50	52
FMC Corp.	4.100%	2/1/24	250	265
Georgia-Pacific LLC	8.000%	1/15/24	250	335
Georgia-Pacific LLC	7.375%	12/1/25	100	134
Georgia-Pacific LLC	8.875%	5/15/31	250	400
Goldcorp Inc.	2.125%	3/15/18	200	200
Goldcorp Inc.	3.700%	3/15/23	200	203
Goldcorp Inc.	5.450%	6/9/44	100	100
International Flavors & Fragrances Inc.	3.200%	5/1/23	25	26
International Paper Co.	7.500%	8/15/21	450	553
International Paper Co.	3.650%	6/15/24	100	106
International Paper Co.	3.800%	1/15/26	75	79
International Paper Co.	5.000%	9/15/35	100	108
International Paper Co.	7.300%	11/15/39	100	132
International Paper Co.	4.800%	6/15/44	200	204
International Paper Co.	5.150%	5/15/46	200	216
LyondellBasell Industries NV	5.000%	4/15/19	550	596
LyondellBasell Industries NV	6.000%	11/15/21	175	205
LyondellBasell Industries NV	5.750%	4/15/24	175	208
LyondellBasell Industries NV	4.625%	2/26/55	425	416
Meadwestvaco Corp.	7.950%	2/15/31	125	165
Methanex Corp.	3.250%	12/15/19	200	195
Monsanto Co.	2.125%	7/15/19	100	101
Monsanto Co.	2.750%	7/15/21	200	206
Monsanto Co.	5.500%	8/15/25	325	378
Monsanto Co.	4.200%	7/15/34	100	100
Monsanto Co.	5.875%	4/15/38	325	372
Monsanto Co.	3.950%	4/15/45	200	185
Monsanto Co.	4.700%	7/15/64	300	271
Mosaic Co.	3.750%	11/15/21	150	159
Mosaic Co.	4.250%	11/15/23	250	269
Mosaic Co.	5.450%	11/15/33	100	111
Mosaic Co.	5.625%	11/15/43	100	111
Newmont Mining Corp.	3.500%	3/15/22	300	312
Newmont Mining Corp.	5.875%	4/1/35	100	106
Newmont Mining Corp.	4.875%	3/15/42	250	247
Nucor Corp.	5.750%	12/1/17	25	26
Nucor Corp.	5.850%	6/1/18	150	162
Nucor Corp.	6.400%	12/1/37	100	122
Nucor Corp.	5.200%	8/1/43	200	218
Packaging Corp. of America	3.900%	6/15/22	100	106
Packaging Corp. of America	4.500%	11/1/23	350	381
Placer Dome Inc.	6.450%	10/15/35	75	81
Plum Creek Timberlands LP	4.700%	3/15/21	75	82
Potash Corp. of Saskatchewan Inc.	3.250%	12/1/17	175	180
Potash Corp. of Saskatchewan Inc.	4.875%	3/30/20	125	137
Potash Corp. of Saskatchewan Inc.	3.000%	4/1/25	250	252
Potash Corp. of Saskatchewan Inc.	5.625%	12/1/40	275	326
PPG Industries Inc.	2.300%	11/15/19	400	406
Praxair Inc.	4.500%	8/15/19	50	55
Praxair Inc.	3.000%	9/1/21	75	80
Praxair Inc.	2.450%	2/15/22	450	467
Praxair Inc.	2.200%	8/15/22	200	204
Praxair Inc.	3.550%	11/7/42	50	50
Rayonier Inc.	3.750%	4/1/22	50	50
Reliance Steel & Aluminum Co.	4.500%	4/15/23	75	77
Rio Tinto Alcan Inc.	6.125%	12/15/33	225	257
Rio Tinto Finance USA Ltd.	9.000%	5/1/19	550	662
Rio Tinto Finance USA Ltd.	3.750%	9/20/21	300	321
Rio Tinto Finance USA Ltd.	3.750%	6/15/25	820	859
Rio Tinto Finance USA Ltd.	7.125%	7/15/28	75	94
Rio Tinto Finance USA Ltd.	5.200%	11/2/40	125	138
Rio Tinto Finance USA plc	3.500%	3/22/22	75	79
Rio Tinto Finance USA plc	2.875%	8/21/22	75	76
Rio Tinto Finance USA plc	4.750%	3/22/42	150	158
Rohm & Haas Co.	7.850%	7/15/29	250	344
RPM International Inc.	6.125%	10/15/19	25	28
RPM International Inc.	3.450%	11/15/22	100	102
Sherwin-Williams Co.	3.450%	8/1/25	225	234
Sherwin-Williams Co.	4.550%	8/1/45	90	97
Southern Copper Corp.	5.375%	4/16/20	75	81
Southern Copper Corp.	3.875%	4/23/25	50	49
Southern Copper Corp.	7.500%	7/27/35	100	108
Southern Copper Corp.	6.750%	4/16/40	125	127
Southern Copper Corp.	5.875%	4/23/45	700	658
Syngenta Finance NV	3.125%	3/28/22	100	105
Syngenta Finance NV	4.375%	3/28/42	50	48
Vale Overseas Ltd.	5.625%	9/15/19	175	180
Vale Overseas Ltd.	5.875%	6/10/21	300	299
Vale Overseas Ltd.	4.375%	1/11/22	700	654
Vale Overseas Ltd.	8.250%	1/17/34	50	52
Vale Overseas Ltd.	6.875%	11/21/36	275	250
Vale Overseas Ltd.	6.875%	11/10/39	450	406
Vale SA	5.625%	9/11/42	300	242
Valspar Corp.	7.250%	6/15/19	100	114
Valspar Corp.	3.950%	1/15/26	200	211
Westlake Chemical Corp.	3.600%	7/15/22	25	26
WestRock RKT Co.	3.500%	3/1/20	150	156
WestRock RKT Co.	4.900%	3/1/22	100	111
Weyerhaeuser Co.	7.375%	10/1/19	250	288
Weyerhaeuser Co.	8.500%	1/15/25	50	66
Weyerhaeuser Co.	7.375%	3/15/32	200	265
Weyerhaeuser Co.	6.875%	12/15/33	50	62
Yamana Gold Inc.	4.950%	7/15/24	110	108
Capital Goods (1.4%)				
3M Co.	1.375%	8/7/18	100	101
3M Co.	2.000%	8/7/20	100	103
3M Co.	3.000%	8/7/25	100	109
3M Co.	6.375%	2/15/28	100	139
3M Co.	5.700%	3/15/37	125	169
ABB Finance USA Inc.	4.375%	5/8/42	25	28
Acuity Brands Lighting Inc.	6.000%	12/15/19	50	56
Boeing Co.	6.000%	3/15/19	400	452
Boeing Co.	4.875%	2/15/20	175	197
Boeing Co.	1.650%	10/30/20	100	101
Boeing Co.	2.200%	10/30/22	100	102
Boeing Co.	1.875%	6/15/23	100	100
Boeing Co.	2.500%	3/1/25	500	517
Boeing Co.	2.250%	6/15/26	100	100
Boeing Co.	6.625%	2/15/38	50	73
Boeing Co.	6.875%	3/15/39	75	113
Boeing Co.	5.875%	2/15/40	275	383
Boeing Co.	3.375%	6/15/46	75	76
Carlisle Cos. Inc.	3.750%	11/15/22	75	77
Caterpillar Financial Services Corp.	1.500%	2/23/18	450	454
Caterpillar Financial Services Corp.	1.800%	11/13/18	550	558
Caterpillar Financial Services Corp.	7.150%	2/15/19	525	602
Caterpillar Financial Services Corp.	2.250%	12/1/19	550	565
Caterpillar Financial Services Corp.	2.000%	3/5/20	250	256
Caterpillar Financial Services Corp.	2.500%	11/13/20	50	52

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Caterpillar Financial Services Corp.	2.750%	8/20/21	100	105
Caterpillar Financial Services Corp.	3.300%	6/9/24	250	267
Caterpillar Inc.	3.900%	5/27/21	225	248
Caterpillar Inc.	2.600%	6/26/22	50	52
Caterpillar Inc.	3.400%	5/15/24	250	269
Caterpillar Inc.	5.200%	5/27/41	150	182
Caterpillar Inc.	3.803%	8/15/42	543	553
Crane Co.	2.750%	12/15/18	50	51
Crane Co.	4.450%	12/15/23	50	53
CRH America Inc.	8.125%	7/15/18	100	112
CRH America Inc.	5.750%	1/15/21	75	85
Deere & Co.	4.375%	10/16/19	175	193
Deere & Co.	2.600%	6/8/22	325	335
Deere & Co.	5.375%	10/16/29	125	159
Deere & Co.	7.125%	3/3/31	100	144
Deere & Co.	3.900%	6/9/42	75	80
Dover Corp.	5.450%	3/15/18	200	214
Dover Corp.	3.150%	11/15/25	200	212
Dover Corp.	6.600%	3/15/38	75	106
Eaton Corp.	5.600%	5/15/18	300	323
Eaton Corp.	2.750%	11/2/22	200	205
Eaton Corp.	4.000%	11/2/32	25	27
Eaton Corp.	4.150%	11/2/42	50	53
Eaton Electric Holdings LLC	3.875%	12/15/20	100	107
Embraer Netherlands Finance BV	5.050%	6/15/25	200	197
[7] Embraer Overseas Ltd.	5.696%	9/16/23	100	103
Emerson Electric Co.	5.250%	10/15/18	250	274
Emerson Electric Co.	4.875%	10/15/19	25	28
Emerson Electric Co.	4.250%	11/15/20	25	28
Emerson Electric Co.	2.625%	12/1/21	150	158
Emerson Electric Co.	3.150%	6/1/25	200	213
Emerson Electric Co.	6.000%	8/15/32	275	357
FLIR Systems Inc.	3.125%	6/15/21	50	51
Flowserve Corp.	3.500%	9/15/22	250	258
Flowserve Corp.	4.000%	11/15/23	50	52
[7] Fortive Corp.	2.350%	6/15/21	100	101
[7] Fortive Corp.	3.150%	6/15/26	200	206
[7] Fortive Corp.	4.300%	6/15/46	100	106
Fortune Brands Home & Security Inc.	3.000%	6/15/20	75	77
Fortune Brands Home & Security Inc.	4.000%	6/15/25	100	107
General Dynamics Corp.	1.000%	11/15/17	275	276
General Dynamics Corp.	3.600%	11/15/42	100	106
General Electric Capital Corp.	1.250%	5/15/17	150	151
General Electric Capital Corp.	1.600%	11/20/17	175	177
General Electric Capital Corp.	2.300%	1/14/19	150	155
General Electric Capital Corp.	6.000%	8/7/19	194	222
General Electric Capital Corp.	2.100%	12/11/19	25	26
General Electric Capital Corp.	5.500%	1/8/20	236	269
General Electric Capital Corp.	2.200%	1/9/20	165	170
General Electric Capital Corp.	5.550%	5/4/20	108	125
General Electric Capital Corp.	4.375%	9/16/20	128	143
General Electric Capital Corp.	4.625%	1/7/21	201	228
General Electric Capital Corp.	5.300%	2/11/21	172	199
General Electric Capital Corp.	4.650%	10/17/21	347	397
General Electric Capital Corp.	3.150%	9/7/22	91	98
General Electric Capital Corp.	3.100%	1/9/23	224	239
General Electric Capital Corp.	3.450%	5/15/24	160	175
General Electric Capital Corp.	6.750%	3/15/32	505	705
General Electric Capital Corp.	6.150%	8/7/37	161	223
General Electric Capital Corp.	5.875%	1/14/38	510	692
General Electric Capital Corp.	6.875%	1/10/39	413	624
General Electric Co.	5.250%	12/6/17	665	705
General Electric Co.	2.700%	10/9/22	1,100	1,146
General Electric Co.	4.125%	10/9/42	375	413
General Electric Co.	4.500%	3/11/44	350	406
Harris Corp.	1.999%	4/27/18	125	126
Harris Corp.	2.700%	4/27/20	75	76
Harris Corp.	4.400%	12/15/20	375	405
Harris Corp.	3.832%	4/27/25	200	213
Harris Corp.	4.854%	4/27/35	100	109
Harris Corp.	6.150%	12/15/40	75	94
Harris Corp.	5.054%	4/27/45	100	113
Hexcel Corp.	4.700%	8/15/25	100	107
Honeywell International Inc.	5.300%	3/1/18	500	535
Honeywell International Inc.	4.250%	3/1/21	450	506
Honeywell International Inc.	5.700%	3/15/37	200	265
Honeywell International Inc.	5.375%	3/1/41	250	327
Hubbell Inc.	3.350%	3/1/26	75	78
Illinois Tool Works Inc.	6.250%	4/1/19	100	113
Illinois Tool Works Inc.	3.375%	9/15/21	100	108
Illinois Tool Works Inc.	3.500%	3/1/24	200	220
Illinois Tool Works Inc.	4.875%	9/15/41	75	91
Illinois Tool Works Inc.	3.900%	9/1/42	75	81
Ingersoll-Rand Global Holding Co. Ltd.	6.875%	8/15/18	500	556
Ingersoll-Rand Global Holding Co. Ltd.	2.875%	1/15/19	50	52
Ingersoll-Rand Global Holding Co. Ltd.	4.250%	6/15/23	75	83
Ingersoll-Rand Global Holding Co. Ltd.	5.750%	6/15/43	25	31
John Deere Capital Corp.	2.800%	9/18/17	275	282
John Deere Capital Corp.	1.350%	1/16/18	200	201
John Deere Capital Corp.	1.300%	3/12/18	125	126
John Deere Capital Corp.	1.750%	8/10/18	75	76
John Deere Capital Corp.	5.750%	9/10/18	275	303
John Deere Capital Corp.	1.950%	1/8/19	500	510
John Deere Capital Corp.	1.700%	1/15/20	125	126
John Deere Capital Corp.	2.050%	3/10/20	250	255
John Deere Capital Corp.	2.450%	9/11/20	75	77
John Deere Capital Corp.	2.550%	1/8/21	500	519
John Deere Capital Corp.	2.800%	3/4/21	100	105
John Deere Capital Corp.	3.900%	7/12/21	100	110
John Deere Capital Corp.	3.150%	10/15/21	25	27
John Deere Capital Corp.	2.800%	1/27/23	50	52
John Deere Capital Corp.	2.800%	3/6/23	300	314
John Deere Capital Corp.	3.400%	9/11/25	75	81
John Deere Capital Corp.	2.650%	6/10/26	100	102
Kennametal Inc.	2.650%	11/1/19	75	75
Kennametal Inc.	3.875%	2/15/22	50	51
L-3 Communications Corp.	5.200%	10/15/19	100	109
L-3 Communications Corp.	4.750%	7/15/20	75	81
L-3 Communications Corp.	4.950%	2/15/21	75	82
L-3 Communications Corp.	3.950%	5/28/24	103	108
Lafarge SA	7.125%	7/15/36	100	122
Leggett & Platt Inc.	3.800%	11/15/24	100	106
Lockheed Martin Corp.	1.850%	11/23/18	75	76
Lockheed Martin Corp.	2.500%	11/23/20	140	144
Lockheed Martin Corp.	3.350%	9/15/21	250	268
Lockheed Martin Corp.	3.100%	1/15/23	200	211
Lockheed Martin Corp.	3.550%	1/15/26	330	360
Lockheed Martin Corp.	3.600%	3/1/35	150	152
Lockheed Martin Corp.	4.500%	5/15/36	100	113
Lockheed Martin Corp.	6.150%	9/1/36	375	498
Lockheed Martin Corp.	5.500%	11/15/39	25	31
Lockheed Martin Corp.	4.700%	5/15/46	375	440
Martin Marietta Materials Inc.	6.600%	4/15/18	150	160
Martin Marietta Materials Inc.	4.250%	7/2/24	100	107
Mohawk Industries Inc.	3.850%	2/1/23	100	105
Northrop Grumman Corp.	1.750%	6/1/18	275	278
Northrop Grumman Corp.	3.500%	3/15/21	200	215
Northrop Grumman Corp.	3.250%	8/1/23	150	161
Northrop Grumman Corp.	5.050%	11/15/40	50	60
Northrop Grumman Corp.	4.750%	6/1/43	275	327
Owens Corning	4.200%	12/15/22	150	160
Parker-Hannifin Corp.	5.500%	5/15/18	50	54
Parker-Hannifin Corp.	3.500%	9/15/22	100	109
Parker-Hannifin Corp.	6.250%	5/15/38	25	35
Parker-Hannifin Corp.	3.300%	11/21/24	100	108
Parker-Hannifin Corp.	4.450%	11/21/44	200	236
Pentair Finance SA	2.650%	12/1/19	250	250
Precision Castparts Corp.	1.250%	1/15/18	325	327
Precision Castparts Corp.	2.250%	6/15/20	150	154
Precision Castparts Corp.	2.500%	1/15/23	275	284
Precision Castparts Corp.	3.250%	6/15/25	100	107
Precision Castparts Corp.	3.900%	1/15/43	75	81

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Precision Castparts Corp.	4.375%	6/15/45	100	119
Raytheon Co.	6.750%	3/15/18	125	137
Raytheon Co.	4.400%	2/15/20	100	110
Raytheon Co.	3.125%	10/15/20	25	27
Raytheon Co.	2.500%	12/15/22	275	286
Raytheon Co.	7.200%	8/15/27	25	36
Raytheon Co.	4.700%	12/15/41	500	600
Republic Services Inc.	3.800%	5/15/18	150	157
Republic Services Inc.	5.500%	9/15/19	150	167
Republic Services Inc.	5.000%	3/1/20	125	139
Republic Services Inc.	5.250%	11/15/21	75	87
Republic Services Inc.	3.550%	6/1/22	50	54
Republic Services Inc.	3.200%	3/15/25	250	262
Republic Services Inc.	6.086%	3/15/35	75	95
Republic Services Inc.	6.200%	3/1/40	125	169
Republic Services Inc.	5.700%	5/15/41	200	255
Rockwell Automation Inc.	5.650%	12/1/17	25	27
Rockwell Automation Inc.	6.700%	1/15/28	50	70
Rockwell Automation Inc.	6.250%	12/1/37	100	136
Rockwell Collins Inc.	5.250%	7/15/19	25	28
Rockwell Collins Inc.	3.100%	11/15/21	50	52
Rockwell Collins Inc.	4.800%	12/15/43	65	78
Roper Technologies Inc.	1.850%	11/15/17	75	75
Roper Technologies Inc.	2.050%	10/1/18	200	202
Roper Technologies Inc.	6.250%	9/1/19	75	85
Roper Technologies Inc.	3.000%	12/15/20	125	129
Roper Technologies Inc.	3.850%	12/15/25	100	107
Snap-on Inc.	6.125%	9/1/21	75	91
Sonoco Products Co.	4.375%	11/1/21	25	27
Sonoco Products Co.	5.750%	11/1/40	345	412
Spirit AeroSystems Inc.	3.850%	6/15/26	65	67
Stanley Black & Decker Inc.	2.451%	11/17/18	100	102
Stanley Black & Decker Inc.	3.400%	12/1/21	150	161
Stanley Black & Decker Inc.	5.200%	9/1/40	125	148
Textron Inc.	3.875%	3/1/25	250	264
Textron Inc.	4.000%	3/15/26	100	106
Timken CO	3.875%	9/1/24	100	101
Tyco International Finance SA	3.900%	2/14/26	150	161
United Technologies Corp.	5.375%	12/15/17	575	612
United Technologies Corp.	4.500%	4/15/20	100	111
United Technologies Corp.	3.100%	6/1/22	535	570
United Technologies Corp.	6.700%	8/1/28	100	135
United Technologies Corp.	7.500%	9/15/29	125	184
United Technologies Corp.	5.400%	5/1/35	150	185
United Technologies Corp.	6.050%	6/1/36	100	133
United Technologies Corp.	6.125%	7/15/38	300	411
United Technologies Corp.	5.700%	4/15/40	100	131
United Technologies Corp.	4.500%	6/1/42	550	631
United Technologies Corp.	4.150%	5/15/45	100	110
Valmont Industries Inc.	5.000%	10/1/44	180	167
Valmont Industries Inc.	5.250%	10/1/54	100	90
Vulcan Materials Co.	7.500%	6/15/21	100	120
Vulcan Materials Co.	4.500%	4/1/25	200	214
Waste Management Inc.	6.100%	3/15/18	375	407
Waste Management Inc.	4.600%	3/1/21	50	56
Waste Management Inc.	2.400%	5/15/23	175	177
Waste Management Inc.	3.500%	5/15/24	100	108
Waste Management Inc.	3.900%	3/1/35	250	264
Waste Management Inc.	4.100%	3/1/45	100	109
WW Grainger Inc.	4.600%	6/15/45	450	535
WW Grainger Inc.	3.750%	5/15/46	75	77
Communication (2.7%)				
21st Century Fox America Inc.	4.500%	2/15/21	550	613
21st Century Fox America Inc.	3.000%	9/15/22	150	157
21st Century Fox America Inc.	3.700%	10/15/25	100	108
21st Century Fox America Inc.	6.550%	3/15/33	300	378
21st Century Fox America Inc.	6.200%	12/15/34	350	435
21st Century Fox America Inc.	6.400%	12/15/35	365	464
21st Century Fox America Inc.	8.150%	10/17/36	175	247
21st Century Fox America Inc.	6.150%	3/1/37	100	124
21st Century Fox America Inc.	6.900%	8/15/39	100	134
21st Century Fox America Inc.	6.150%	2/15/41	250	313
21st Century Fox America Inc.	4.750%	9/15/44	100	111
21st Century Fox America Inc.	7.750%	12/1/45	100	145
America Movil SAB de CV	5.625%	11/15/17	150	158
America Movil SAB de CV	5.000%	10/16/19	400	437
America Movil SAB de CV	6.375%	3/1/35	175	214
America Movil SAB de CV	6.125%	11/15/37	150	179
America Movil SAB de CV	6.125%	3/30/40	475	575
America Movil SAB de CV	4.375%	7/16/42	250	252
American Tower Corp.	4.500%	1/15/18	225	235
American Tower Corp.	2.800%	6/1/20	75	77
American Tower Corp.	3.450%	9/15/21	600	622
American Tower Corp.	5.900%	11/1/21	500	582
American Tower Corp.	3.500%	1/31/23	50	52
American Tower Corp.	5.000%	2/15/24	150	169
American Tower Corp.	4.000%	6/1/25	100	106
American Tower Corp.	4.400%	2/15/26	100	108
AT&T Inc.	1.400%	12/1/17	200	200
AT&T Inc.	5.500%	2/1/18	100	106
AT&T Inc.	5.600%	5/15/18	450	484
AT&T Inc.	2.375%	11/27/18	400	409
AT&T Inc.	5.800%	2/15/19	250	277
AT&T Inc.	2.300%	3/11/19	100	102
AT&T Inc.	5.875%	10/1/19	750	849
AT&T Inc.	2.450%	6/30/20	500	510
AT&T Inc.	4.600%	2/15/21	175	192
AT&T Inc.	5.000%	3/1/21	750	840
AT&T Inc.	4.450%	5/15/21	275	302
AT&T Inc.	3.875%	8/15/21	250	269
AT&T Inc.	3.000%	2/15/22	300	306
AT&T Inc.	3.000%	6/30/22	500	513
AT&T Inc.	2.625%	12/1/22	350	351
AT&T Inc.	3.600%	2/17/23	1,125	1,177
AT&T Inc.	4.450%	4/1/24	100	110
AT&T Inc.	3.950%	1/15/25	200	212
AT&T Inc.	4.125%	2/17/26	1,025	1,102
AT&T Inc.	6.450%	6/15/34	315	377
AT&T Inc.	4.500%	5/15/35	200	204
AT&T Inc.	6.500%	9/1/37	225	277
AT&T Inc.	6.300%	1/15/38	350	421
AT&T Inc.	6.550%	2/15/39	50	62
AT&T Inc.	6.350%	3/15/40	100	119
AT&T Inc.	6.000%	8/15/40	300	351
AT&T Inc.	5.350%	9/1/40	881	959
AT&T Inc.	5.550%	8/15/41	275	308
AT&T Inc.	5.150%	3/15/42	375	405
AT&T Inc.	4.300%	12/15/42	271	259
AT&T Inc.	4.800%	6/15/44	600	618
AT&T Inc.	4.350%	6/15/45	374	359
AT&T Inc.	4.750%	5/15/46	600	617
AT&T Inc.	5.650%	2/15/47	275	315
AT&T Mobility LLC	7.125%	12/15/31	175	230
Bellsouth Capital Funding Corp.	7.875%	2/15/30	103	132
BellSouth LLC	6.875%	10/15/31	78	94
BellSouth LLC	6.550%	6/15/34	79	93
BellSouth LLC	6.000%	11/15/34	89	100
BellSouth Telecommunications LLC	6.375%	6/1/28	45	54
British Telecommunications plc	5.950%	1/15/18	300	321
British Telecommunications plc	9.375%	12/15/30	440	682
CBS Corp.	5.750%	4/15/20	115	131
CBS Corp.	4.300%	2/15/21	275	299
CBS Corp.	3.700%	8/15/24	175	184
CBS Corp.	3.500%	1/15/25	300	311
CBS Corp.	5.900%	10/15/40	275	314
CBS Corp.	4.600%	1/15/45	125	123
CC Holdings GS V LLC / Crown Castle GS III Corp.	3.849%	4/15/23	250	266

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[7] Charter Communications Operating LLC / Charter Communications Operating Capital	3.579%	7/23/20	475	497
[7] Charter Communications Operating LLC / Charter Communications Operating Capital	4.464%	7/23/22	500	538
[7] Charter Communications Operating LLC / Charter Communications Operating Capital	4.908%	7/23/25	750	817
[7] Charter Communications Operating LLC / Charter Communications Operating Capital	6.384%	10/23/35	350	413
[7] Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	600	716
[7] Charter Communications Operating LLC / Charter Communications Operating Capital	6.834%	10/23/55	75	89
Comcast Cable Communications Holdings Inc.	9.455%	11/15/22	139	198
Comcast Cable Communications LLC	8.875%	5/1/17	500	532
Comcast Corp.	5.875%	2/15/18	325	350
Comcast Corp.	5.700%	5/15/18	175	190
Comcast Corp.	5.700%	7/1/19	850	960
Comcast Corp.	5.150%	3/1/20	325	367
Comcast Corp.	3.375%	2/15/25	150	162
Comcast Corp.	3.375%	8/15/25	250	269
Comcast Corp.	3.150%	3/1/26	150	159
Comcast Corp.	4.250%	1/15/33	275	304
Comcast Corp.	4.200%	8/15/34	175	192
Comcast Corp.	5.650%	6/15/35	400	512
Comcast Corp.	4.400%	8/15/35	200	224
Comcast Corp.	6.500%	11/15/35	750	1,028
Comcast Corp.	6.450%	3/15/37	75	103
Comcast Corp.	6.950%	8/15/37	225	325
Comcast Corp.	4.650%	7/15/42	535	614
Comcast Corp.	4.500%	1/15/43	125	140
Comcast Corp.	4.600%	8/15/45	250	287
Crown Castle International Corp.	3.400%	2/15/21	500	522
Crown Castle International Corp.	4.875%	4/15/22	150	165
Crown Castle International Corp.	5.250%	1/15/23	275	309
Crown Castle International Corp.	4.450%	2/15/26	350	380
Crown Castle International Corp.	3.700%	6/15/26	175	180
Deutsche Telekom International Finance BV	6.750%	8/20/18	75	84
Deutsche Telekom International Finance BV	6.000%	7/8/19	150	169
Deutsche Telekom International Finance BV	8.750%	6/15/30	700	1,059
Discovery Communications LLC	5.050%	6/1/20	350	383
Discovery Communications LLC	4.375%	6/15/21	25	27
Discovery Communications LLC	3.300%	5/15/22	125	127
Discovery Communications LLC	3.250%	4/1/23	100	98
Discovery Communications LLC	3.450%	3/15/25	150	146
Discovery Communications LLC	4.900%	3/11/26	150	159
Discovery Communications LLC	4.875%	4/1/43	125	113
Electronic Arts Inc.	3.700%	3/1/21	100	106
Grupo Televisa SAB	6.625%	3/18/25	100	123
Grupo Televisa SAB	4.625%	1/30/26	200	216
Grupo Televisa SAB	6.625%	1/15/40	175	198
Historic TW Inc.	9.150%	2/1/23	195	262
Historic TW Inc.	6.625%	5/15/29	175	227
Interpublic Group of Cos. Inc.	3.750%	2/15/23	300	314
Interpublic Group of Cos. Inc.	4.200%	4/15/24	175	188
Koninklijke KPN NV	8.375%	10/1/30	175	244
Moody's Corp.	4.500%	9/1/22	175	195
Moody's Corp.	4.875%	2/15/24	250	284
Moody's Corp.	5.250%	7/15/44	250	304
NBCUniversal Media LLC	5.150%	4/30/20	125	142
NBCUniversal Media LLC	4.375%	4/1/21	175	195
NBCUniversal Media LLC	2.875%	1/15/23	225	236
NBCUniversal Media LLC	6.400%	4/30/40	300	416
NBCUniversal Media LLC	5.950%	4/1/41	150	200
NBCUniversal Media LLC	4.450%	1/15/43	325	362
New Cingular Wireless Services Inc.	8.750%	3/1/31	75	112
Nippon Telegraph & Telephone Corp.	1.400%	7/18/17	25	25
Omnicom Group Inc.	4.450%	8/15/20	300	331
Omnicom Group Inc.	3.625%	5/1/22	325	346
Omnicom Group Inc.	3.650%	11/1/24	200	212
Omnicom Group Inc.	3.600%	4/15/26	425	444
Orange SA	4.125%	9/14/21	325	358
Orange SA	9.000%	3/1/31	425	656
Orange SA	5.375%	1/13/42	250	307
Orange SA	5.500%	2/6/44	250	312
Pacific Bell Telephone Co.	7.125%	3/15/26	50	64
Qwest Corp.	6.500%	6/1/17	100	104
Qwest Corp.	6.750%	12/1/21	200	216
Qwest Corp.	7.250%	9/15/25	25	27
Qwest Corp.	6.875%	9/15/33	446	437
Qwest Corp.	7.125%	11/15/43	100	97
RELX Capital Inc.	3.125%	10/15/22	282	287
Rogers Communications Inc.	6.800%	8/15/18	150	166
Rogers Communications Inc.	3.000%	3/15/23	205	212
Rogers Communications Inc.	4.100%	10/1/23	175	193
Rogers Communications Inc.	4.500%	3/15/43	65	69
Rogers Communications Inc.	5.000%	3/15/44	240	272
S&P Global Inc.	2.500%	8/15/18	100	102
S&P Global Inc.	3.300%	8/14/20	125	131
S&P Global Inc.	4.000%	6/15/25	125	136
S&P Global Inc.	4.400%	2/15/26	200	225
S&P Global Inc.	6.550%	11/15/37	150	183
Scripps Networks Interactive Inc.	2.750%	11/15/19	150	153
Scripps Networks Interactive Inc.	2.800%	6/15/20	100	102
Scripps Networks Interactive Inc.	3.900%	11/15/24	50	53
Telefonica Emisiones SAU	3.192%	4/27/18	325	329
Telefonica Emisiones SAU	5.877%	7/15/19	100	111
Telefonica Emisiones SAU	5.134%	4/27/20	225	249
Telefonica Emisiones SAU	5.462%	2/16/21	225	257
Telefonica Emisiones SAU	4.570%	4/27/23	500	553
Telefonica Emisiones SAU	7.045%	6/20/36	425	546
Thomson Reuters Corp.	1.650%	9/29/17	200	201
Thomson Reuters Corp.	4.700%	10/15/19	300	326
Thomson Reuters Corp.	3.850%	9/29/24	100	106
Thomson Reuters Corp.	5.500%	8/15/35	75	82
Thomson Reuters Corp.	5.850%	4/15/40	150	175
Thomson Reuters Corp.	5.650%	11/23/43	375	442
Time Warner Cable Inc.	6.750%	7/1/18	850	932
Time Warner Cable Inc.	8.750%	2/14/19	200	233
Time Warner Cable Inc.	8.250%	4/1/19	225	261
Time Warner Cable Inc.	5.000%	2/1/20	350	381
Time Warner Cable Inc.	6.550%	5/1/37	200	234
Time Warner Cable Inc.	7.300%	7/1/38	50	63
Time Warner Cable Inc.	6.750%	6/15/39	200	238
Time Warner Cable Inc.	5.875%	11/15/40	600	654
Time Warner Cable Inc.	4.500%	9/15/42	350	326
Time Warner Entertainment Co. LP	8.375%	3/15/23	175	226
Time Warner Entertainment Co. LP	8.375%	7/15/33	250	336
Time Warner Inc.	4.875%	3/15/20	350	388
Time Warner Inc.	4.700%	1/15/21	50	56
Time Warner Inc.	4.750%	3/29/21	675	758
Time Warner Inc.	3.600%	7/15/25	225	239
Time Warner Inc.	3.875%	1/15/26	100	108
Time Warner Inc.	7.625%	4/15/31	300	412
Time Warner Inc.	7.700%	5/1/32	375	523
Time Warner Inc.	6.500%	11/15/36	175	218
Time Warner Inc.	6.200%	3/15/40	100	124
Time Warner Inc.	6.100%	7/15/40	175	213
Time Warner Inc.	6.250%	3/29/41	50	63
Time Warner Inc.	4.900%	6/15/42	325	347
Time Warner Inc.	5.350%	12/15/43	25	29
Time Warner Inc.	4.850%	7/15/45	100	109
Verizon Communications Inc.	1.350%	6/9/17	200	201

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Verizon Communications Inc.	5.500%	2/15/18	475	508
Verizon Communications Inc.	3.650%	9/14/18	560	589
Verizon Communications Inc.	2.625%	2/21/20	539	558
Verizon Communications Inc.	4.500%	9/15/20	560	622
Verizon Communications Inc.	3.450%	3/15/21	300	322
Verizon Communications Inc.	4.600%	4/1/21	775	870
Verizon Communications Inc.	3.000%	11/1/21	800	841
Verizon Communications Inc.	3.500%	11/1/21	100	108
Verizon Communications Inc.	5.150%	9/15/23	1,230	1,434
Verizon Communications Inc.	4.150%	3/15/24	300	331
Verizon Communications Inc.	3.500%	11/1/24	100	107
Verizon Communications Inc.	7.750%	12/1/30	300	422
Verizon Communications Inc.	6.400%	9/15/33	154	197
Verizon Communications Inc.	5.050%	3/15/34	225	250
Verizon Communications Inc.	4.400%	11/1/34	575	595
Verizon Communications Inc.	5.850%	9/15/35	425	515
Verizon Communications Inc.	4.272%	1/15/36	888	910
Verizon Communications Inc.	6.250%	4/1/37	60	75
Verizon Communications Inc.	6.400%	2/15/38	375	473
Verizon Communications Inc.	6.900%	4/15/38	165	220
Verizon Communications Inc.	4.750%	11/1/41	200	215
Verizon Communications Inc.	6.550%	9/15/43	912	1,232
Verizon Communications Inc.	4.862%	8/21/46	256	278
Verizon Communications Inc.	4.522%	9/15/48	788	821
Verizon Communications Inc.	5.012%	8/21/54	1,074	1,141
Verizon Communications Inc.	4.672%	3/15/55	888	893
Viacom Inc.	6.125%	10/5/17	75	79
Viacom Inc.	2.500%	9/1/18	125	127
Viacom Inc.	2.200%	4/1/19	300	301
Viacom Inc.	5.625%	9/15/19	275	303
Viacom Inc.	3.875%	12/15/21	25	26
Viacom Inc.	3.125%	6/15/22	50	50
Viacom Inc.	4.250%	9/1/23	75	78
Viacom Inc.	3.875%	4/1/24	300	306
Viacom Inc.	6.875%	4/30/36	375	412
Viacom Inc.	4.375%	3/15/43	856	689
Viacom Inc.	5.850%	9/1/43	75	75
Viacom Inc.	5.250%	4/1/44	300	278
Vodafone Group plc	1.250%	9/26/17	475	475
Vodafone Group plc	1.500%	2/19/18	50	50
Vodafone Group plc	5.450%	6/10/19	150	166
Vodafone Group plc	2.500%	9/26/22	75	74
Vodafone Group plc	2.950%	2/19/23	415	421
Vodafone Group plc	7.875%	2/15/30	150	201
Vodafone Group plc	6.150%	2/27/37	125	145
Vodafone Group plc	4.375%	2/19/43	500	475
Walt Disney Co.	1.100%	12/1/17	400	402
Walt Disney Co.	5.875%	12/15/17	175	187
Walt Disney Co.	1.500%	9/17/18	100	101
Walt Disney Co.	1.650%	1/8/19	100	102
Walt Disney Co.	1.850%	5/30/19	50	51
Walt Disney Co.	2.150%	9/17/20	150	155
Walt Disney Co.	2.300%	2/12/21	250	260
Walt Disney Co.	2.750%	8/16/21	100	106
Walt Disney Co.	2.350%	12/1/22	75	77
Walt Disney Co.	3.150%	9/17/25	150	164
Walt Disney Co.	3.000%	2/13/26	300	323
Walt Disney Co.	4.375%	8/16/41	75	87
Walt Disney Co.	4.125%	12/1/41	275	309
Walt Disney Co.	3.700%	12/1/42	125	133
Walt Disney Co.	4.125%	6/1/44	75	85
WPP Finance 2010	4.750%	11/21/21	208	231
WPP Finance 2010	3.625%	9/7/22	200	212
WPP Finance 2010	3.750%	9/19/24	100	106
Consumer Cyclical (2.2%)				
Advance Auto Parts Inc.	5.750%	5/1/20	325	361
Alibaba Group Holding Ltd.	1.625%	11/28/17	275	276
Alibaba Group Holding Ltd.	2.500%	11/28/19	560	566
Alibaba Group Holding Ltd.	3.125%	11/28/21	300	308
Alibaba Group Holding Ltd.	3.600%	11/28/24	400	411
Alibaba Group Holding Ltd.	4.500%	11/28/34	80	84
Amazon.com Inc.	1.200%	11/29/17	200	201
Amazon.com Inc.	2.600%	12/5/19	375	391
Amazon.com Inc.	3.300%	12/5/21	200	216
Amazon.com Inc.	2.500%	11/29/22	150	155
Amazon.com Inc.	3.800%	12/5/24	120	134
Amazon.com Inc.	4.800%	12/5/34	225	265
Amazon.com Inc.	4.950%	12/5/44	325	397
American Honda Finance Corp.	1.550%	12/11/17	500	504
American Honda Finance Corp.	1.600%	7/13/18	100	101
American Honda Finance Corp.	2.125%	10/10/18	125	128
American Honda Finance Corp.	2.250%	8/15/19	275	283
American Honda Finance Corp.	2.450%	9/24/20	225	234
Automatic Data Processing Inc.	2.250%	9/15/20	175	182
Automatic Data Processing Inc.	3.375%	9/15/25	200	217
AutoNation Inc.	6.750%	4/15/18	50	54
AutoNation Inc.	5.500%	2/1/20	55	60
AutoNation Inc.	3.350%	1/15/21	60	61
AutoNation Inc.	4.500%	10/1/25	150	158
AutoZone Inc.	7.125%	8/1/18	50	56
AutoZone Inc.	3.700%	4/15/22	350	373
AutoZone Inc.	2.875%	1/15/23	50	51
AutoZone Inc.	3.125%	7/15/23	125	129
AutoZone Inc.	3.125%	4/21/26	100	103
Bed Bath & Beyond Inc.	4.915%	8/1/34	50	46
Bed Bath & Beyond Inc.	5.165%	8/1/44	150	132
Best Buy Co. Inc.	5.500%	3/15/21	25	26
Block Financial LLC	4.125%	10/1/20	94	97
Block Financial LLC	5.500%	11/1/22	75	81
Block Financial LLC	5.250%	10/1/25	100	105
BorgWarner Inc.	4.625%	9/15/20	25	27
BorgWarner Inc.	3.375%	3/15/25	75	77
BorgWarner Inc.	4.375%	3/15/45	100	103
Brinker International Inc.	2.600%	5/15/18	25	25
Brinker International Inc.	3.875%	5/15/23	25	25
Carnival Corp.	3.950%	10/15/20	100	108
Coach Inc.	4.250%	4/1/25	70	72
Costco Wholesale Corp.	1.700%	12/15/19	200	205
Costco Wholesale Corp.	1.750%	2/15/20	200	204
Costco Wholesale Corp.	2.250%	2/15/22	100	103
Cummins Inc.	7.125%	3/1/28	100	140
Cummins Inc.	4.875%	10/1/43	125	144
CVS Health Corp.	1.900%	7/20/18	400	406
CVS Health Corp.	2.250%	12/5/18	300	307
CVS Health Corp.	2.250%	8/12/19	500	514
CVS Health Corp.	2.800%	7/20/20	475	495
CVS Health Corp.	2.125%	6/1/21	250	253
CVS Health Corp.	3.500%	7/20/22	150	161
CVS Health Corp.	2.750%	12/1/22	150	155
CVS Health Corp.	4.750%	12/1/22	150	171
CVS Health Corp.	4.000%	12/5/23	195	216
CVS Health Corp.	3.375%	8/12/24	750	799
CVS Health Corp.	5.000%	12/1/24	100	116
CVS Health Corp.	3.875%	7/20/25	465	512
CVS Health Corp.	2.875%	6/1/26	325	332
CVS Health Corp.	5.300%	12/5/43	50	62
CVS Health Corp.	5.125%	7/20/45	775	961
Daimler Finance North America LLC	8.500%	1/18/31	250	405
Delphi Automotive plc	3.150%	11/19/20	150	155
Delphi Automotive plc	4.250%	1/15/26	150	163
Delphi Corp.	4.150%	3/15/24	125	134
Dollar General Corp.	3.250%	4/15/23	150	154
Dollar General Corp.	4.150%	11/1/25	205	224
eBay Inc.	2.200%	8/1/19	300	307
eBay Inc.	3.250%	10/15/20	75	78
eBay Inc.	2.875%	8/1/21	125	129
eBay Inc.	3.800%	3/9/22	100	106
eBay Inc.	2.600%	7/15/22	450	445
eBay Inc.	3.450%	8/1/24	125	128
eBay Inc.	4.000%	7/15/42	25	21
Expedia Inc.	5.950%	8/15/20	75	84

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Expedia Inc.	4.500%	8/15/24	100	102
[7] Expedia Inc.	5.000%	2/15/26	275	286
Ford Motor Co.	6.625%	10/1/28	425	537
Ford Motor Co.	6.375%	2/1/29	100	122
Ford Motor Co.	7.450%	7/16/31	375	501
Ford Motor Co.	7.400%	11/1/46	100	140
Ford Motor Credit Co. LLC	6.625%	8/15/17	325	343
Ford Motor Credit Co. LLC	1.724%	12/6/17	200	200
Ford Motor Credit Co. LLC	2.145%	1/9/18	500	504
Ford Motor Credit Co. LLC	5.000%	5/15/18	650	688
Ford Motor Credit Co. LLC	2.551%	10/5/18	200	204
Ford Motor Credit Co. LLC	2.375%	3/12/19	550	557
Ford Motor Credit Co. LLC	2.597%	11/4/19	550	562
Ford Motor Credit Co. LLC	8.125%	1/15/20	250	298
Ford Motor Credit Co. LLC	2.459%	3/27/20	200	202
Ford Motor Credit Co. LLC	3.157%	8/4/20	200	207
Ford Motor Credit Co. LLC	3.200%	1/15/21	250	257
Ford Motor Credit Co. LLC	5.750%	2/1/21	250	284
Ford Motor Credit Co. LLC	3.336%	3/18/21	200	208
Ford Motor Credit Co. LLC	5.875%	8/2/21	325	373
Ford Motor Credit Co. LLC	4.375%	8/6/23	225	244
Ford Motor Credit Co. LLC	3.664%	9/8/24	200	207
Ford Motor Credit Co. LLC	4.134%	8/4/25	300	322
Ford Motor Credit Co. LLC	4.389%	1/8/26	200	218
General Motors Co.	3.500%	10/2/18	100	103
General Motors Co.	4.875%	10/2/23	250	266
General Motors Co.	4.000%	4/1/25	100	101
General Motors Co.	5.000%	4/1/35	165	165
General Motors Co.	6.600%	4/1/36	50	58
General Motors Co.	6.250%	10/2/43	210	234
General Motors Co.	5.200%	4/1/45	480	478
General Motors Co.	6.750%	4/1/46	130	155
General Motors Financial Co. Inc.	2.625%	7/10/17	60	60
General Motors Financial Co. Inc.	4.750%	8/15/17	75	78
General Motors Financial Co. Inc.	3.000%	9/25/17	45	46
General Motors Financial Co. Inc.	3.250%	5/15/18	90	92
General Motors Financial Co. Inc.	6.750%	6/1/18	335	363
General Motors Financial Co. Inc.	3.100%	1/15/19	275	280
General Motors Financial Co. Inc.	2.400%	5/9/19	400	400
General Motors Financial Co. Inc.	3.500%	7/10/19	230	237
General Motors Financial Co. Inc.	3.150%	1/15/20	65	66
General Motors Financial Co. Inc.	3.200%	7/13/20	700	699
General Motors Financial Co. Inc.	3.700%	11/24/20	275	283
General Motors Financial Co. Inc.	4.200%	3/1/21	175	184
General Motors Financial Co. Inc.	3.200%	7/6/21	225	226
General Motors Financial Co. Inc.	4.375%	9/25/21	100	105
General Motors Financial Co. Inc.	3.450%	4/10/22	205	204
General Motors Financial Co. Inc.	3.700%	5/9/23	400	402
General Motors Financial Co. Inc.	4.250%	5/15/23	225	231
General Motors Financial Co. Inc.	4.000%	1/15/25	175	177
General Motors Financial Co. Inc.	4.300%	7/13/25	300	308
General Motors Financial Co. Inc.	5.250%	3/1/26	150	162
Harley-Davidson Inc.	3.500%	7/28/25	100	107
Harley-Davidson Inc.	4.625%	7/28/45	100	112
Harman International Industries Inc.	4.150%	5/15/25	100	104
Home Depot Inc.	3.950%	9/15/20	100	110
Home Depot Inc.	2.000%	4/1/21	175	180
Home Depot Inc.	4.400%	4/1/21	975	1,098
Home Depot Inc.	2.625%	6/1/22	215	225
Home Depot Inc.	3.750%	2/15/24	200	224
Home Depot Inc.	3.000%	4/1/26	125	133
Home Depot Inc.	5.875%	12/16/36	825	1,124
Home Depot Inc.	5.400%	9/15/40	75	97
Home Depot Inc.	5.950%	4/1/41	125	172
Home Depot Inc.	4.200%	4/1/43	100	113
Home Depot Inc.	4.875%	2/15/44	200	245
Home Depot Inc.	4.250%	4/1/46	330	378
Hyatt Hotels Corp.	5.375%	8/15/21	50	57
Hyatt Hotels Corp.	3.375%	7/15/23	25	25
Hyatt Hotels Corp.	4.850%	3/15/26	50	54
Johnson Controls Inc.	5.000%	3/30/20	125	137
Johnson Controls Inc.	4.250%	3/1/21	150	162
Johnson Controls Inc.	3.750%	12/1/21	100	107
Johnson Controls Inc.	3.625%	7/2/24	135	143
Johnson Controls Inc.	6.000%	1/15/36	50	59
Johnson Controls Inc.	5.250%	12/1/41	100	112
Johnson Controls Inc.	4.950%	7/2/64	100	100
Kohl's Corp.	4.000%	11/1/21	200	209
Kohl's Corp.	4.250%	7/17/25	100	99
Kohl's Corp.	5.550%	7/17/45	75	69
Lowe's Cos. Inc.	6.100%	9/15/17	75	80
Lowe's Cos. Inc.	3.750%	4/15/21	500	554
Lowe's Cos. Inc.	3.875%	9/15/23	275	307
Lowe's Cos. Inc.	3.125%	9/15/24	100	107
Lowe's Cos. Inc.	3.375%	9/15/25	200	219
Lowe's Cos. Inc.	2.500%	4/15/26	250	255
Lowe's Cos. Inc.	6.875%	2/15/28	25	34
Lowe's Cos. Inc.	6.500%	3/15/29	200	273
Lowe's Cos. Inc.	5.800%	10/15/36	175	227
Lowe's Cos. Inc.	5.125%	11/15/41	325	399
Lowe's Cos. Inc.	5.000%	9/15/43	50	61
Lowe's Cos. Inc.	4.375%	9/15/45	125	143
Lowe's Cos. Inc.	3.700%	4/15/46	250	257
Macy's Retail Holdings Inc.	7.450%	7/15/17	325	345
Macy's Retail Holdings Inc.	3.450%	1/15/21	100	103
Macy's Retail Holdings Inc.	6.900%	4/1/29	225	247
Macy's Retail Holdings Inc.	4.500%	12/15/34	100	88
Macy's Retail Holdings Inc.	6.375%	3/15/37	125	129
Macy's Retail Holdings Inc.	5.125%	1/15/42	175	154
Magna International Inc.	3.625%	6/15/24	120	127
Magna International Inc.	4.150%	10/1/25	100	110
Marriott International Inc.	3.000%	3/1/19	50	52
Marriott International Inc.	3.375%	10/15/20	225	237
Marriott International Inc.	2.875%	3/1/21	75	78
Marriott International Inc.	3.125%	10/15/21	50	52
Marriott International Inc.	2.300%	1/15/22	100	100
Marriott International Inc.	3.750%	10/1/25	65	70
Marriott International Inc.	3.125%	6/15/26	183	186
MasterCard Inc.	2.000%	4/1/19	75	77
MasterCard Inc.	3.375%	4/1/24	150	163
McDonald's Corp.	5.800%	10/15/17	325	344
McDonald's Corp.	5.350%	3/1/18	100	107
McDonald's Corp.	5.000%	2/1/19	100	110
McDonald's Corp.	1.875%	5/29/19	75	76
McDonald's Corp.	2.750%	12/9/20	75	78
McDonald's Corp.	3.625%	5/20/21	175	189
McDonald's Corp.	3.375%	5/26/25	175	186
McDonald's Corp.	3.700%	1/30/26	300	323
McDonald's Corp.	4.700%	12/9/35	200	225
McDonald's Corp.	6.300%	10/15/37	50	66
McDonald's Corp.	5.700%	2/1/39	100	124
McDonald's Corp.	3.700%	2/15/42	375	369
McDonald's Corp.	3.625%	5/1/43	25	24
McDonald's Corp.	4.600%	5/26/45	210	235
McDonald's Corp.	4.875%	12/9/45	300	348
Metropolitan Museum of Art New York Revenue	3.400%	7/1/45	75	79
NIKE Inc.	3.625%	5/1/43	50	53
NIKE Inc.	3.875%	11/1/45	250	277
Nordstrom Inc.	6.250%	1/15/18	75	80
Nordstrom Inc.	4.750%	5/1/20	100	109
Nordstrom Inc.	4.000%	10/15/21	175	187
Nordstrom Inc.	5.000%	1/15/44	115	113
NVR Inc.	3.950%	9/15/22	100	106
O'Reilly Automotive Inc.	4.875%	1/14/21	25	28
O'Reilly Automotive Inc.	3.800%	9/1/22	100	107
O'Reilly Automotive Inc.	3.850%	6/15/23	75	81
O'Reilly Automotive Inc.	3.550%	3/15/26	100	105
PACCAR Financial Corp.	1.400%	11/17/17	85	86
PACCAR Financial Corp.	1.450%	3/9/18	100	101
PACCAR Financial Corp.	1.750%	8/14/18	50	51
PACCAR Financial Corp.	1.300%	5/10/19	150	150

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
PACCAR Financial Corp.	2.200%	9/15/19	50	51
PACCAR Financial Corp.	2.500%	8/14/20	75	77
PACCAR Financial Corp.	2.250%	2/25/21	75	76
Priceline Group Inc.	3.600%	6/1/26	300	309
QVC Inc.	3.125%	4/1/19	125	128
QVC Inc.	5.125%	7/2/22	25	27
QVC Inc.	4.850%	4/1/24	125	130
QVC Inc.	5.950%	3/15/43	125	116
Ralph Lauren Corp.	2.125%	9/26/18	50	51
Ralph Lauren Corp.	2.625%	8/18/20	50	52
Ross Stores Inc.	3.375%	9/15/24	50	52
Signet UK Finance plc	4.700%	6/15/24	75	73
Staples Inc.	4.375%	1/12/23	100	102
Starbucks Corp.	2.100%	2/4/21	75	77
Starbucks Corp.	2.700%	6/15/22	75	79
Starbucks Corp.	3.850%	10/1/23	250	281
Starbucks Corp.	2.450%	6/15/26	100	101
Starbucks Corp.	4.300%	6/15/45	50	59
Starwood Hotels & Resorts Worldwide Inc.	3.125%	2/15/23	100	101
Starwood Hotels & Resorts Worldwide Inc.	3.750%	3/15/25	175	184
Starwood Hotels & Resorts Worldwide Inc.	4.500%	10/1/34	50	51
Target Corp.	6.000%	1/15/18	100	108
Target Corp.	2.300%	6/26/19	200	207
Target Corp.	2.900%	1/15/22	175	186
Target Corp.	3.500%	7/1/24	175	193
Target Corp.	2.500%	4/15/26	200	205
Target Corp.	6.350%	11/1/32	140	190
Target Corp.	6.500%	10/15/37	103	146
Target Corp.	4.000%	7/1/42	260	281
Target Corp.	3.625%	4/15/46	200	204
Tiffany & Co.	4.900%	10/1/44	50	50
TJX Cos. Inc.	6.950%	4/15/19	150	173
TJX Cos. Inc.	2.750%	6/15/21	125	132
TJX Cos. Inc.	2.500%	5/15/23	300	313
Toyota Motor Credit Corp.	1.250%	10/5/17	175	176
Toyota Motor Credit Corp.	1.375%	1/10/18	300	302
Toyota Motor Credit Corp.	1.450%	1/12/18	100	101
Toyota Motor Credit Corp.	1.200%	4/6/18	100	100
Toyota Motor Credit Corp.	2.000%	10/24/18	25	25
Toyota Motor Credit Corp.	1.700%	2/19/19	300	304
Toyota Motor Credit Corp.	1.400%	5/20/19	300	302
Toyota Motor Credit Corp.	2.125%	7/18/19	500	513
Toyota Motor Credit Corp.	2.150%	3/12/20	500	514
Toyota Motor Credit Corp.	4.250%	1/11/21	125	139
Toyota Motor Credit Corp.	1.900%	4/8/21	200	203
Toyota Motor Credit Corp.	2.750%	5/17/21	200	210
Toyota Motor Credit Corp.	3.400%	9/15/21	75	82
Toyota Motor Credit Corp.	3.300%	1/12/22	275	296
Toyota Motor Credit Corp.	2.800%	7/13/22	100	105
Toyota Motor Credit Corp.	2.625%	1/10/23	200	209
Under Armour Inc.	3.250%	6/15/26	70	71
VF Corp.	5.950%	11/1/17	75	80
VF Corp.	3.500%	9/1/21	200	217
VF Corp.	6.450%	11/1/37	50	69
Visa Inc.	1.200%	12/14/17	575	578
Visa Inc.	2.200%	12/14/20	600	618
Visa Inc.	2.800%	12/14/22	250	263
Visa Inc.	3.150%	12/14/25	975	1,038
Visa Inc.	4.150%	12/14/35	275	311
Visa Inc.	4.300%	12/14/45	600	693
Wal-Mart Stores Inc.	5.800%	2/15/18	425	459
Wal-Mart Stores Inc.	1.125%	4/11/18	150	151
Wal-Mart Stores Inc.	1.950%	12/15/18	75	77
Wal-Mart Stores Inc.	3.625%	7/8/20	25	27
Wal-Mart Stores Inc.	3.250%	10/25/20	325	351
Wal-Mart Stores Inc.	4.250%	4/15/21	200	227
Wal-Mart Stores Inc.	2.550%	4/11/23	150	156
Wal-Mart Stores Inc.	3.300%	4/22/24	250	274
Wal-Mart Stores Inc.	5.875%	4/5/27	725	960
Wal-Mart Stores Inc.	7.550%	2/15/30	175	267
Wal-Mart Stores Inc.	5.250%	9/1/35	150	197
Wal-Mart Stores Inc.	6.500%	8/15/37	900	1,302
Wal-Mart Stores Inc.	6.200%	4/15/38	300	425
Wal-Mart Stores Inc.	5.000%	10/25/40	245	306
Wal-Mart Stores Inc.	5.625%	4/15/41	435	584
Wal-Mart Stores Inc.	4.000%	4/11/43	274	303
Wal-Mart Stores Inc.	4.300%	4/22/44	175	204
Walgreen Co.	3.100%	9/15/22	250	257
Walgreen Co.	4.400%	9/15/42	75	76
Walgreens Boots Alliance Inc.	1.750%	11/17/17	200	201
Walgreens Boots Alliance Inc.	1.750%	5/30/18	200	202
Walgreens Boots Alliance Inc.	2.700%	11/18/19	350	362
Walgreens Boots Alliance Inc.	2.600%	6/1/21	300	306
Walgreens Boots Alliance Inc.	3.300%	11/18/21	225	236
Walgreens Boots Alliance Inc.	3.800%	11/18/24	275	291
Walgreens Boots Alliance Inc.	3.450%	6/1/26	325	333
Walgreens Boots Alliance Inc.	4.500%	11/18/34	125	131
Walgreens Boots Alliance Inc.	4.800%	11/18/44	250	268
Walgreens Boots Alliance Inc.	4.650%	6/1/46	175	187
Western Union Co.	5.253%	4/1/20	133	148
Western Union Co.	6.200%	11/17/36	75	80
Western Union Co.	6.200%	6/21/40	50	52
Wyndham Worldwide Corp.	2.500%	3/1/18	50	51
Wyndham Worldwide Corp.	4.250%	3/1/22	175	185
Wyndham Worldwide Corp.	3.900%	3/1/23	50	51
Consumer Noncyclical (4.4%)				
Abbott Laboratories	5.125%	4/1/19	350	385
Abbott Laboratories	2.000%	3/15/20	200	202
Abbott Laboratories	4.125%	5/27/20	25	27
Abbott Laboratories	2.550%	3/15/22	250	255
Abbott Laboratories	2.950%	3/15/25	175	179
Abbott Laboratories	6.000%	4/1/39	25	33
Abbott Laboratories	5.300%	5/27/40	100	122
AbbVie Inc.	1.750%	11/6/17	600	604
AbbVie Inc.	1.800%	5/14/18	600	604
AbbVie Inc.	2.000%	11/6/18	225	227
AbbVie Inc.	2.500%	5/14/20	650	665
AbbVie Inc.	2.300%	5/14/21	175	177
AbbVie Inc.	2.900%	11/6/22	800	814
AbbVie Inc.	3.200%	11/6/22	275	284
AbbVie Inc.	2.850%	5/14/23	200	203
AbbVie Inc.	3.600%	5/14/25	650	681
AbbVie Inc.	3.200%	5/14/26	350	355
AbbVie Inc.	4.500%	5/14/35	475	496
AbbVie Inc.	4.300%	5/14/36	125	128
AbbVie Inc.	4.400%	11/6/42	476	485
AbbVie Inc.	4.700%	5/14/45	552	584
AbbVie Inc.	4.450%	5/14/46	250	255
Actavis Funding SCS	1.300%	6/15/17	300	299
Actavis Funding SCS	2.350%	3/12/18	575	582
Actavis Funding SCS	3.000%	3/12/20	624	643
Actavis Funding SCS	3.450%	3/15/22	507	527
Actavis Funding SCS	3.850%	6/15/24	200	210
Actavis Funding SCS	3.800%	3/15/25	690	717
Actavis Funding SCS	4.550%	3/15/35	450	466
Actavis Funding SCS	4.850%	6/15/44	445	469
Actavis Funding SCS	4.750%	3/15/45	350	365
Actavis Inc.	1.875%	10/1/17	100	101
Actavis Inc.	3.250%	10/1/22	575	587
Actavis Inc.	4.625%	10/1/42	175	180
Agilent Technologies Inc.	5.000%	7/15/20	100	111
Agilent Technologies Inc.	3.200%	10/1/22	300	307
Agilent Technologies Inc.	3.875%	7/15/23	100	106
Allergan Inc.	1.350%	3/15/18	40	40
Allergan Inc.	2.800%	3/15/23	100	99
[4] Allina Health System	4.805%	11/15/45	50	60
Altria Group Inc.	9.250%	8/6/19	185	228
Altria Group Inc.	2.625%	1/14/20	500	519

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Altria Group Inc.	4.750%	5/5/21	125	143
Altria Group Inc.	2.850%	8/9/22	325	341
Altria Group Inc.	2.950%	5/2/23	350	368
Altria Group Inc.	9.950%	11/10/38	100	180
Altria Group Inc.	10.200%	2/6/39	260	484
Altria Group Inc.	4.250%	8/9/42	75	81
Altria Group Inc.	4.500%	5/2/43	100	113
Altria Group Inc.	5.375%	1/31/44	250	321
AmerisourceBergen Corp.	4.875%	11/15/19	25	28
AmerisourceBergen Corp.	3.500%	11/15/21	300	321
AmerisourceBergen Corp.	3.400%	5/15/24	250	264
AmerisourceBergen Corp.	3.250%	3/1/25	125	131
AmerisourceBergen Corp.	4.250%	3/1/45	50	53
Amgen Inc.	5.700%	2/1/19	75	83
Amgen Inc.	2.125%	5/1/20	175	178
Amgen Inc.	3.450%	10/1/20	225	241
Amgen Inc.	4.100%	6/15/21	150	165
Amgen Inc.	3.875%	11/15/21	200	218
Amgen Inc.	2.700%	5/1/22	75	77
Amgen Inc.	3.625%	5/15/22	225	242
Amgen Inc.	3.625%	5/22/24	500	537
Amgen Inc.	3.125%	5/1/25	325	339
Amgen Inc.	4.950%	10/1/41	250	272
Amgen Inc.	4.400%	5/1/45	25	26
[7] Amgen Inc.	4.563%	6/15/48	926	963
[7] Amgen Inc.	4.663%	6/15/51	609	636
Anheuser-Busch Cos. LLC	5.500%	1/15/18	75	80
Anheuser-Busch Cos. LLC	6.800%	8/20/32	50	66
Anheuser-Busch Cos. LLC	5.750%	4/1/36	115	142
Anheuser-Busch Cos. LLC	6.500%	5/1/42	125	172
Anheuser-Busch InBev Finance Inc.	1.900%	2/1/19	750	763
Anheuser-Busch InBev Finance Inc.	2.150%	2/1/19	425	434
Anheuser-Busch InBev Finance Inc.	2.650%	2/1/21	1,300	1,347
Anheuser-Busch InBev Finance Inc.	2.625%	1/17/23	250	253
Anheuser-Busch InBev Finance Inc.	3.300%	2/1/23	1,130	1,188
Anheuser-Busch InBev Finance Inc.	3.700%	2/1/24	250	270
Anheuser-Busch InBev Finance Inc.	3.650%	2/1/26	2,075	2,218
Anheuser-Busch InBev Finance Inc.	4.700%	2/1/36	1,070	1,204
Anheuser-Busch InBev Finance Inc.	4.000%	1/17/43	300	311
Anheuser-Busch InBev Finance Inc.	4.625%	2/1/44	200	226
Anheuser-Busch InBev Finance Inc.	4.900%	2/1/46	2,110	2,475
Anheuser-Busch InBev Worldwide Inc.	1.375%	7/15/17	333	334
Anheuser-Busch InBev Worldwide Inc.	7.750%	1/15/19	700	810
Anheuser-Busch InBev Worldwide Inc.	6.875%	11/15/19	175	205
Anheuser-Busch InBev Worldwide Inc.	5.375%	1/15/20	500	565
Anheuser-Busch InBev Worldwide Inc.	5.000%	4/15/20	150	168
Anheuser-Busch InBev Worldwide Inc.	4.375%	2/15/21	75	83
Anheuser-Busch InBev Worldwide Inc.	2.500%	7/15/22	525	533
Anheuser-Busch InBev Worldwide Inc.	8.200%	1/15/39	150	239
Anheuser-Busch InBev Worldwide Inc.	6.375%	1/15/40	75	101
Anheuser-Busch InBev Worldwide Inc.	3.750%	7/15/42	325	326
Archer-Daniels-Midland Co.	5.450%	3/15/18	60	64
Archer-Daniels-Midland Co.	4.479%	3/1/21	163	184
Archer-Daniels-Midland Co.	5.935%	10/1/32	80	101
Archer-Daniels-Midland Co.	5.375%	9/15/35	95	116
Archer-Daniels-Midland Co.	4.535%	3/26/42	50	58
Archer-Daniels-Midland Co.	4.016%	4/16/43	25	27
Ascension Health	3.945%	11/15/46	125	134
[4] Ascension Health	4.847%	11/15/53	75	94
AstraZeneca plc	5.900%	9/15/17	550	581
AstraZeneca plc	1.750%	11/16/18	200	203
AstraZeneca plc	1.950%	9/18/19	25	25
AstraZeneca plc	2.375%	11/16/20	350	357
AstraZeneca plc	3.375%	11/16/25	250	261
AstraZeneca plc	6.450%	9/15/37	450	613
AstraZeneca plc	4.000%	9/18/42	150	154
AstraZeneca plc	4.375%	11/16/45	250	273
Baptist Health South Florida Obligated Group Revenue	4.590%	8/15/21	50	56
Baxalta Inc.	2.000%	6/22/18	75	75
Baxalta Inc.	2.875%	6/23/20	175	178
Baxalta Inc.	3.600%	6/23/22	50	52
Baxalta Inc.	4.000%	6/23/25	300	313
Baxalta Inc.	5.250%	6/23/45	180	195
Beam Suntory Inc.	1.875%	5/15/17	25	25
Beam Suntory Inc.	3.250%	5/15/22	50	51
Becton Dickinson & Co.	1.800%	12/15/17	200	202
Becton Dickinson & Co.	5.000%	5/15/19	50	55
Becton Dickinson & Co.	6.375%	8/1/19	50	57
Becton Dickinson & Co.	2.675%	12/15/19	200	206
Becton Dickinson & Co.	3.250%	11/12/20	300	316
Becton Dickinson & Co.	3.125%	11/8/21	65	68
Becton Dickinson & Co.	3.734%	12/15/24	813	876
Becton Dickinson & Co.	4.685%	12/15/44	200	226
Becton Dickinson & Co.	3.300%	3/1/23	325	342
Biogen Inc.	6.875%	3/1/18	100	109
Biogen Inc.	2.900%	9/15/20	325	339
Biogen Inc.	3.625%	9/15/22	175	186
Biogen Inc.	4.050%	9/15/25	250	270
Biogen Inc.	5.200%	9/15/45	310	349
Boston Scientific Corp.	2.650%	10/1/18	285	292
Boston Scientific Corp.	6.000%	1/15/20	200	227
Boston Scientific Corp.	2.850%	5/15/20	100	104
Boston Scientific Corp.	3.375%	5/15/22	50	52
Boston Scientific Corp.	3.850%	5/15/25	150	159
Boston Scientific Corp.	7.000%	11/15/35	50	65
Boston Scientific Corp.	7.375%	1/15/40	125	166
Bottling Group LLC	5.125%	1/15/19	100	110
Bristol-Myers Squibb Co.	2.000%	8/1/22	275	280
Bristol-Myers Squibb Co.	7.150%	6/15/23	200	264
Bristol-Myers Squibb Co.	5.875%	11/15/36	62	83
Bristol-Myers Squibb Co.	6.125%	5/1/38	20	27
Bristol-Myers Squibb Co.	3.250%	8/1/42	200	199
Brown-Forman Corp.	1.000%	1/15/18	150	150
Brown-Forman Corp.	2.250%	1/15/23	50	51
Brown-Forman Corp.	3.750%	1/15/43	25	26
Brown-Forman Corp.	4.500%	7/15/45	100	114
Bunge Ltd. Finance Corp.	8.500%	6/15/19	275	323
Campbell Soup Co.	3.050%	7/15/17	25	26
Campbell Soup Co.	3.300%	3/19/25	125	132
Campbell Soup Co.	3.800%	8/2/42	75	75
Cardinal Health Inc.	1.700%	3/15/18	100	101
Cardinal Health Inc.	1.950%	6/15/18	200	202
Cardinal Health Inc.	4.625%	12/15/20	125	140
Cardinal Health Inc.	3.200%	3/15/23	150	157
Cardinal Health Inc.	3.750%	9/15/25	175	191
Cardinal Health Inc.	4.600%	3/15/43	25	27
Cardinal Health Inc.	4.500%	11/15/44	100	105
Cardinal Health Inc.	4.900%	9/15/45	100	112
Catholic Health Initiatives Colorado GO	2.950%	11/1/22	75	77
[4] Catholic Health Initiatives Colorado GO	4.350%	11/1/42	200	202
Celgene Corp.	1.900%	8/15/17	75	76
Celgene Corp.	2.125%	8/15/18	125	127
Celgene Corp.	2.300%	8/15/18	100	102
Celgene Corp.	2.250%	5/15/19	125	127
Celgene Corp.	2.875%	8/15/20	250	259
Celgene Corp.	3.950%	10/15/20	125	135
Celgene Corp.	3.250%	8/15/22	175	181
Celgene Corp.	3.550%	8/15/22	50	52
Celgene Corp.	4.000%	8/15/23	125	133
Celgene Corp.	3.625%	5/15/24	175	183
Celgene Corp.	3.875%	8/15/25	425	454
Celgene Corp.	5.700%	10/15/40	50	58
Celgene Corp.	5.250%	8/15/43	275	307
Celgene Corp.	4.625%	5/15/44	175	180
Celgene Corp.	5.000%	8/15/45	225	248
Children's Hospital Medical Center Ohio GO	4.268%	5/15/44	50	56
Church & Dwight Co. Inc.	2.450%	12/15/19	75	77
Cleveland Clinic Foundation Ohio Revenue	4.858%	1/1/14	100	112
Clorox Co.	3.800%	11/15/21	50	54

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Clorox Co.	3.500%	12/15/24	250	268
Coca-Cola Bottling Co. Consolidated	3.800%	11/25/25	125	134
Coca-Cola Co.	1.150%	4/1/18	336	338
Coca-Cola Co.	1.375%	5/30/19	100	101
Coca-Cola Co.	1.875%	10/27/20	250	256
Coca-Cola Co.	2.450%	11/1/20	750	783
Coca-Cola Co.	3.150%	11/15/20	125	134
Coca-Cola Co.	3.300%	9/1/21	250	271
Coca-Cola Co.	3.200%	11/1/23	225	242
Coca-Cola Co.	2.875%	10/27/25	300	315
Coca-Cola Co.	2.550%	6/1/26	100	103
Coca-Cola Enterprises Inc.	3.500%	9/15/20	300	318
Coca-Cola Femsa SAB de CV	2.375%	11/26/18	150	153
Coca-Cola Femsa SAB de CV	4.625%	2/15/20	100	108
Coca-Cola Femsa SAB de CV	3.875%	11/26/23	250	268
Coca-Cola Femsa SAB de CV	5.250%	11/26/43	200	237
Colgate-Palmolive Co.	1.750%	3/15/19	75	77
Colgate-Palmolive Co.	2.450%	11/15/21	75	79
Colgate-Palmolive Co.	2.100%	5/1/23	280	285
Colgate-Palmolive Co.	3.250%	3/15/24	100	111
Colgate-Palmolive Co.	4.000%	8/15/45	100	115
ConAgra Foods Inc.	1.900%	1/25/18	75	76
ConAgra Foods Inc.	3.250%	9/15/22	125	129
ConAgra Foods Inc.	3.200%	1/25/23	426	440
ConAgra Foods Inc.	7.125%	10/1/26	69	90
ConAgra Foods Inc.	8.250%	9/15/30	50	69
Covidien International Finance SA	6.000%	10/15/17	225	239
Covidien International Finance SA	4.200%	6/15/20	100	110
Covidien International Finance SA	3.200%	6/15/22	200	214
CR Bard Inc.	1.375%	1/15/18	225	226
CR Bard Inc.	4.400%	1/15/21	75	83
CR Bard Inc.	3.000%	5/15/26	100	102
Danaher Corp.	5.625%	1/15/18	75	80
Danaher Corp.	1.650%	9/15/18	100	102
Danaher Corp.	2.400%	9/15/20	100	104
Danaher Corp.	3.900%	6/23/21	250	276
Danaher Corp.	3.350%	9/15/25	100	110
Danaher Corp.	4.375%	9/15/45	250	292
Diageo Capital plc	5.750%	10/23/17	25	26
Diageo Capital plc	4.828%	7/15/20	125	141
Diageo Capital plc	2.625%	4/29/23	500	516
Diageo Capital plc	5.875%	9/30/36	50	65
Diageo Investment Corp.	2.875%	5/11/22	600	628
Diageo Investment Corp.	4.250%	5/11/42	150	164
Dignity Health California GO	3.125%	11/1/22	50	51
Dignity Health California GO	3.812%	11/1/24	100	108
Dignity Health California GO	4.500%	11/1/42	100	107
Dignity Health California GO	5.267%	11/1/64	100	119
Dr Pepper Snapple Group Inc.	6.820%	5/1/18	70	77
Dr Pepper Snapple Group Inc.	2.600%	1/15/19	125	128
Dr Pepper Snapple Group Inc.	2.000%	1/15/20	75	76
Dr Pepper Snapple Group Inc.	2.700%	11/15/22	50	51
Dr Pepper Snapple Group Inc.	3.400%	11/15/25	100	106
Dr Pepper Snapple Group Inc.	7.450%	5/1/38	75	110
Edwards Lifesciences Corp.	2.875%	10/15/18	100	103
Eli Lilly & Co.	1.250%	3/1/18	200	202
Eli Lilly & Co.	1.950%	3/15/19	125	127
Eli Lilly & Co.	2.750%	6/1/25	150	159
Eli Lilly & Co.	5.550%	3/15/37	60	79
Eli Lilly & Co.	3.700%	3/1/45	160	171
Estee Lauder Cos. Inc.	1.700%	5/10/21	225	228
Estee Lauder Cos. Inc.	2.350%	8/15/22	75	77
Estee Lauder Cos. Inc.	6.000%	5/15/37	75	99
Estee Lauder Cos. Inc.	3.700%	8/15/42	25	26
Estee Lauder Cos. Inc.	4.375%	6/15/45	100	114
Express Scripts Holding Co.	7.250%	6/15/19	50	58
Express Scripts Holding Co.	4.750%	11/15/21	275	308
Express Scripts Holding Co.	3.900%	2/15/22	200	212
Express Scripts Holding Co.	3.000%	7/15/23	325	326
Express Scripts Holding Co.	4.500%	2/25/26	265	291
Express Scripts Holding Co.	3.400%	3/1/27	300	301
Express Scripts Holding Co.	6.125%	11/15/41	200	238
Express Scripts Holding Co.	4.800%	7/15/46	325	325
Flowers Foods Inc.	4.375%	4/1/22	75	82
Fomento Economico Mexicano SAB de CV	4.375%	5/10/43	100	104
General Mills Inc.	1.400%	10/20/17	300	302
General Mills Inc.	5.650%	2/15/19	275	306
General Mills Inc.	2.200%	10/21/19	200	205
General Mills Inc.	3.150%	12/15/21	25	27
General Mills Inc.	5.400%	6/15/40	100	124
Gilead Sciences Inc.	1.850%	9/4/18	125	127
Gilead Sciences Inc.	2.050%	4/1/19	400	409
Gilead Sciences Inc.	2.350%	2/1/20	105	108
Gilead Sciences Inc.	2.550%	9/1/20	325	337
Gilead Sciences Inc.	4.500%	4/1/21	150	168
Gilead Sciences Inc.	4.400%	12/1/21	225	254
Gilead Sciences Inc.	3.250%	9/1/22	175	187
Gilead Sciences Inc.	3.700%	4/1/24	350	379
Gilead Sciences Inc.	3.500%	2/1/25	225	240
Gilead Sciences Inc.	3.650%	3/1/26	550	598
Gilead Sciences Inc.	4.600%	9/1/35	150	167
Gilead Sciences Inc.	5.650%	12/1/41	175	220
Gilead Sciences Inc.	4.800%	4/1/44	300	335
Gilead Sciences Inc.	4.500%	2/1/45	325	353
Gilead Sciences Inc.	4.750%	3/1/46	460	523
GlaxoSmithKline Capital Inc.	5.650%	5/15/18	675	731
GlaxoSmithKline Capital Inc.	2.800%	3/18/23	50	52
GlaxoSmithKline Capital Inc.	6.375%	5/15/38	550	783
GlaxoSmithKline Capital Inc.	4.200%	3/18/43	100	112
GlaxoSmithKline Capital plc	2.850%	5/8/22	100	105
Hasbro Inc.	6.300%	9/15/17	175	185
Hasbro Inc.	6.350%	3/15/40	125	152
Hasbro Inc.	5.100%	5/15/44	50	53
Hershey Co.	1.600%	8/21/18	75	76
Hershey Co.	4.125%	12/1/20	75	84
Hershey Co.	2.625%	5/1/23	100	101
Hershey Co.	3.200%	8/21/25	65	70
Hillshire Brands Co.	4.100%	9/15/20	50	52
Hormel Foods Corp.	4.125%	4/15/21	25	28
Ingredion Inc.	4.625%	11/1/20	25	27
Ingredion Inc.	6.625%	4/15/37	25	32
JM Smucker Co.	1.750%	3/15/18	75	76
JM Smucker Co.	2.500%	3/15/20	75	77
JM Smucker Co.	3.500%	10/15/21	125	134
JM Smucker Co.	3.000%	3/15/22	100	105
JM Smucker Co.	3.500%	3/15/25	150	162
JM Smucker Co.	4.250%	3/15/35	100	109
JM Smucker Co.	4.375%	3/15/45	100	109
Johnson & Johnson	5.550%	8/15/17	500	526
Johnson & Johnson	5.150%	7/15/18	150	163
Johnson & Johnson	1.125%	3/1/19	150	151
Johnson & Johnson	2.950%	9/1/20	100	107
Johnson & Johnson	1.650%	3/1/21	200	203
Johnson & Johnson	2.050%	3/1/23	125	128
Johnson & Johnson	3.375%	12/5/23	200	226
Johnson & Johnson	2.450%	3/1/26	350	361
Johnson & Johnson	6.950%	9/1/29	25	38
Johnson & Johnson	4.950%	5/15/33	150	192
Johnson & Johnson	4.375%	12/5/33	100	121
Johnson & Johnson	3.550%	3/1/36	175	193
Johnson & Johnson	5.950%	8/15/37	375	556
Johnson & Johnson	4.500%	9/1/40	150	186
Johnson & Johnson	3.700%	3/1/46	400	450
Kaiser Foundation Hospitals	3.500%	4/1/22	50	54
Kaiser Foundation Hospitals	4.875%	4/1/42	100	121
Kellogg Co.	4.150%	11/15/19	125	136
Kellogg Co.	4.000%	12/15/20	447	490
Kellogg Co.	3.250%	4/1/26	125	128
Kellogg Co.	7.450%	4/1/31	25	35
Kellogg Co.	4.500%	4/1/46	250	268
Kimberly-Clark Corp.	6.125%	8/1/17	275	291

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Kimberly-Clark Corp.	6.250%	7/15/18	50	55
Kimberly-Clark Corp.	1.400%	2/15/19	125	126
Kimberly-Clark Corp.	3.625%	8/1/20	140	153
Kimberly-Clark Corp.	2.150%	8/15/20	50	52
Kimberly-Clark Corp.	2.650%	3/1/25	125	131
Kimberly-Clark Corp.	3.050%	8/15/25	50	54
Kimberly-Clark Corp.	2.750%	2/15/26	100	105
Kimberly-Clark Corp.	6.625%	8/1/37	250	373
Koninklijke Philips NV	5.750%	3/11/18	100	107
Koninklijke Philips NV	3.750%	3/15/22	200	215
Koninklijke Philips NV	6.875%	3/11/38	80	105
Koninklijke Philips NV	5.000%	3/15/42	50	54
Kraft Foods Group Inc.	2.250%	6/5/17	150	151
Kraft Foods Group Inc.	6.125%	8/23/18	175	192
Kraft Foods Group Inc.	5.375%	2/10/20	138	155
Kraft Foods Group Inc.	6.875%	1/26/39	425	581
Kraft Foods Group Inc.	5.000%	6/4/42	410	473
[7] Kraft Heinz Foods Co.	1.600%	6/30/17	200	201
[7] Kraft Heinz Foods Co.	2.000%	7/2/18	200	203
[7] Kraft Heinz Foods Co.	2.800%	7/2/20	280	290
[7] Kraft Heinz Foods Co.	3.500%	7/15/22	175	186
[7] Kraft Heinz Foods Co.	3.950%	7/15/25	360	391
[7] Kraft Heinz Foods Co.	3.000%	6/1/26	375	379
[7] Kraft Heinz Foods Co.	5.000%	7/15/35	170	195
[7] Kraft Heinz Foods Co.	5.200%	7/15/45	195	229
[7] Kraft Heinz Foods Co.	4.375%	6/1/46	600	631
Kroger Co.	2.000%	1/15/19	50	51
Kroger Co.	6.150%	1/15/20	125	144
Kroger Co.	3.300%	1/15/21	250	266
Kroger Co.	2.600%	2/1/21	50	52
Kroger Co.	2.950%	11/1/21	150	157
Kroger Co.	3.400%	4/15/22	250	266
Kroger Co.	4.000%	2/1/24	175	194
Kroger Co.	3.500%	2/1/26	100	108
Kroger Co.	7.700%	6/1/29	50	70
Kroger Co.	8.000%	9/15/29	125	180
Kroger Co.	7.500%	4/1/31	100	140
Kroger Co.	6.900%	4/15/38	75	104
Kroger Co.	5.400%	7/15/40	50	59
Kroger Co.	5.150%	8/1/43	100	118
Laboratory Corp. of America Holdings	2.200%	8/23/17	25	25
Laboratory Corp. of America Holdings	2.500%	11/1/18	50	51
Laboratory Corp. of America Holdings	2.625%	2/1/20	50	51
Laboratory Corp. of America Holdings	3.200%	2/1/22	100	103
Laboratory Corp. of America Holdings	3.750%	8/23/22	25	26
Laboratory Corp. of America Holdings	3.600%	2/1/25	175	182
Laboratory Corp. of America Holdings	4.700%	2/1/45	170	182
Life Technologies Corp.	6.000%	3/1/20	125	141
Life Technologies Corp.	5.000%	1/15/21	200	221
Mattel Inc.	1.700%	3/15/18	50	50
Mattel Inc.	2.350%	5/6/19	200	203
Mattel Inc.	3.150%	3/15/23	25	25
Mattel Inc.	5.450%	11/1/41	75	81
[4] Mayo Clinic	3.774%	11/15/43	75	78
[4] Mayo Clinic	4.000%	11/15/47	100	110
[4] Mayo Clinic	4.128%	11/15/52	50	57
McCormick & Co. Inc.	3.900%	7/15/21	50	55
McCormick & Co. Inc.	3.500%	9/1/23	50	54
McCormick & Co. Inc.	3.250%	11/15/25	50	54
McKesson Corp.	7.500%	2/15/19	250	287
McKesson Corp.	2.284%	3/15/19	150	153
McKesson Corp.	4.750%	3/1/21	25	28
McKesson Corp.	3.796%	3/15/24	200	217
McKesson Corp.	6.000%	3/1/41	200	253
Mead Johnson Nutrition Co.	4.900%	11/1/19	100	110
Mead Johnson Nutrition Co.	3.000%	11/15/20	150	157
Mead Johnson Nutrition Co.	4.125%	11/15/25	125	136
Mead Johnson Nutrition Co.	5.900%	11/1/39	100	122
Medco Health Solutions Inc.	7.125%	3/15/18	250	273
Medtronic Inc.	1.500%	3/15/18	150	151
Medtronic Inc.	5.600%	3/15/19	25	28
Medtronic Inc.	2.500%	3/15/20	400	415
Medtronic Inc.	3.125%	3/15/22	260	277
Medtronic Inc.	3.150%	3/15/22	650	693
Medtronic Inc.	3.625%	3/15/24	50	55
Medtronic Inc.	3.500%	3/15/25	850	930
Medtronic Inc.	4.375%	3/15/35	468	529
Medtronic Inc.	6.500%	3/15/39	25	35
Medtronic Inc.	5.550%	3/15/40	200	253
Medtronic Inc.	4.500%	3/15/42	21	24
Medtronic Inc.	4.625%	3/15/44	55	64
Medtronic Inc.	4.625%	3/15/45	725	849
Memorial Sloan-Kettering Cancer Center	4.200%	7/1/55	25	28
Memorial Sloan-Kettering Cancer Center New York GO	5.000%	7/1/42	50	63
Memorial Sloan-Kettering Cancer Center New York GO	4.125%	7/1/52	150	167
Merck & Co. Inc.	1.100%	1/31/18	50	50
Merck & Co. Inc.	1.300%	5/18/18	400	404
Merck & Co. Inc.	1.850%	2/10/20	200	205
Merck & Co. Inc.	3.875%	1/15/21	250	274
Merck & Co. Inc.	2.350%	2/10/22	225	232
Merck & Co. Inc.	2.400%	9/15/22	250	257
Merck & Co. Inc.	2.750%	2/10/25	200	209
Merck & Co. Inc.	6.500%	12/1/33	75	105
Merck & Co. Inc.	6.550%	9/15/37	125	180
Merck & Co. Inc.	3.600%	9/15/42	75	77
Merck & Co. Inc.	4.150%	5/18/43	300	336
Merck & Co. Inc.	3.700%	2/10/45	475	499
Merck Sharp & Dohme Corp.	5.000%	6/30/19	100	111
Merck Sharp & Dohme Corp.	5.750%	11/15/36	150	193
Molson Coors Brewing Co.	1.450%	7/15/19	100	100
Molson Coors Brewing Co.	2.100%	7/15/21	100	100
Molson Coors Brewing Co.	3.500%	5/1/22	25	27
Molson Coors Brewing Co.	3.000%	7/15/26	300	300
Molson Coors Brewing Co.	5.000%	5/1/42	100	112
Molson Coors Brewing Co.	4.200%	7/15/46	175	176
Mondelez International Inc.	6.500%	8/11/17	75	79
Mondelez International Inc.	6.125%	2/1/18	125	135
Mondelez International Inc.	2.250%	2/1/19	100	102
Mondelez International Inc.	5.375%	2/10/20	460	523
Mondelez International Inc.	4.000%	2/1/24	125	137
Mondelez International Inc.	6.500%	11/1/31	100	132
Mondelez International Inc.	6.500%	2/9/40	100	138
Mylan Inc.	2.600%	6/24/18	20	20
Mylan Inc.	2.550%	3/28/19	275	278
Mylan Inc.	4.200%	11/29/23	250	264
Mylan Inc.	5.400%	11/29/43	75	80
[7] Mylan NV	2.500%	6/7/19	75	76
[7] Mylan NV	3.150%	6/15/21	300	303
[7] Mylan NV	3.950%	6/15/26	325	327
New York & Presbyterian Hospital	3.563%	8/1/36	50	53
New York & Presbyterian Hospital	4.024%	8/1/45	130	142
New York & Presbyterian Hospital	4.063%	8/1/56	75	81
New York & Presbyterian Hospital	4.763%	8/1/16	60	63
Newell Brands Inc.	2.050%	12/1/17	300	302
Newell Brands Inc.	2.150%	10/15/18	50	51
Newell Brands Inc.	2.600%	3/29/19	130	133
Newell Brands Inc.	3.150%	4/1/21	150	156
Newell Brands Inc.	3.850%	4/1/23	310	329
Newell Brands Inc.	4.000%	12/1/24	100	105
Newell Brands Inc.	3.900%	11/1/25	50	52
Newell Brands Inc.	4.200%	4/1/26	475	514
Newell Brands Inc.	5.375%	4/1/36	100	115
Newell Brands Inc.	5.500%	4/1/46	350	417
Novant Health Inc.	5.850%	11/1/19	150	171
Novant Health Inc.	4.371%	11/1/43	150	171
Novartis Capital Corp.	2.400%	9/21/22	75	78
Novartis Capital Corp.	3.400%	5/6/24	400	438
Novartis Capital Corp.	3.000%	11/20/25	300	319
Novartis Capital Corp.	3.700%	9/21/42	75	80

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Novartis Capital Corp.	4.400%	5/6/44	350	423
Novartis Capital Corp.	4.000%	11/20/45	250	284
Novartis Securities Investment Ltd.	5.125%	2/10/19	650	717
NYU Hospitals Center	4.784%	7/1/44	100	114
Partners Healthcare System Massachusetts GO	3.443%	7/1/21	100	107
PepsiCo Inc.	1.125%	7/17/17	100	100
PepsiCo Inc.	1.250%	8/13/17	200	201
PepsiCo Inc.	1.000%	10/13/17	75	75
PepsiCo Inc.	1.250%	4/30/18	325	327
PepsiCo Inc.	5.000%	6/1/18	325	350
PepsiCo Inc.	7.900%	11/1/18	275	318
PepsiCo Inc.	4.500%	1/15/20	25	28
PepsiCo Inc.	1.850%	4/30/20	675	685
PepsiCo Inc.	2.150%	10/14/20	375	385
PepsiCo Inc.	3.000%	8/25/21	150	160
PepsiCo Inc.	2.750%	3/5/22	275	288
PepsiCo Inc.	2.750%	4/30/25	450	465
PepsiCo Inc.	3.500%	7/17/25	125	136
PepsiCo Inc.	5.500%	1/15/40	250	320
PepsiCo Inc.	4.875%	11/1/40	200	239
PepsiCo Inc.	4.000%	3/5/42	175	187
PepsiCo Inc.	4.250%	10/22/44	200	223
PepsiCo Inc.	4.450%	4/14/46	150	174
PerkinElmer Inc.	5.000%	11/15/21	100	111
Perrigo Co. plc	2.300%	11/8/18	310	313
Perrigo Co. plc	5.300%	11/15/43	150	158
Perrigo Finance Unlimited Co.	3.900%	12/15/24	200	204
Perrigo Finance Unlimited Co.	4.375%	3/15/26	225	235
Pfizer Inc.	1.200%	6/1/18	200	201
Pfizer Inc.	6.200%	3/15/19	750	847
Pfizer Inc.	2.100%	5/15/19	450	460
Pfizer Inc.	1.450%	6/3/19	225	227
Pfizer Inc.	1.950%	6/3/21	225	228
Pfizer Inc.	3.400%	5/15/24	100	109
Pfizer Inc.	2.750%	6/3/26	240	247
Pfizer Inc.	7.200%	3/15/39	275	419
Pfizer Inc.	4.300%	6/15/43	125	140
Pfizer Inc.	4.400%	5/15/44	200	229
Pharmacia Corp.	6.600%	12/1/28	75	103
Philip Morris International Inc.	1.250%	8/11/17	325	326
Philip Morris International Inc.	1.125%	8/21/17	75	75
Philip Morris International Inc.	1.250%	11/9/17	125	125
Philip Morris International Inc.	5.650%	5/16/18	325	353
Philip Morris International Inc.	1.875%	2/25/21	125	126
Philip Morris International Inc.	4.125%	5/17/21	175	195
Philip Morris International Inc.	2.625%	3/6/23	100	103
Philip Morris International Inc.	2.125%	5/10/23	95	95
Philip Morris International Inc.	3.250%	11/10/24	225	241
Philip Morris International Inc.	3.375%	8/11/25	400	434
Philip Morris International Inc.	2.750%	2/25/26	125	129
Philip Morris International Inc.	6.375%	5/16/38	200	276
Philip Morris International Inc.	4.375%	11/15/41	425	466
Philip Morris International Inc.	4.500%	3/20/42	100	112
Philip Morris International Inc.	3.875%	8/21/42	25	26
Philip Morris International Inc.	4.125%	3/4/43	125	133
Philip Morris International Inc.	4.250%	11/10/44	150	165
[4] Procter & Gamble - Esop	9.360%	1/1/21	237	286
Procter & Gamble Co.	4.700%	2/15/19	100	110
Procter & Gamble Co.	1.850%	2/2/21	100	102
Procter & Gamble Co.	2.300%	2/6/22	425	441
Procter & Gamble Co.	3.100%	8/15/23	150	163
Procter & Gamble Co.	6.450%	1/15/26	75	102
Procter & Gamble Co.	2.700%	2/2/26	100	106
Procter & Gamble Co.	5.500%	2/1/34	125	168
Procter & Gamble Co.	5.550%	3/5/37	305	424
Quest Diagnostics Inc.	2.700%	4/1/19	75	77
Quest Diagnostics Inc.	2.500%	3/30/20	70	71
Quest Diagnostics Inc.	4.250%	4/1/24	100	108
Quest Diagnostics Inc.	3.500%	3/30/25	125	129
Quest Diagnostics Inc.	3.450%	6/1/26	125	129
Quest Diagnostics Inc.	5.750%	1/30/40	13	15
Reynolds American Inc.	2.300%	6/12/18	225	229
Reynolds American Inc.	8.125%	6/23/19	175	208
Reynolds American Inc.	3.250%	6/12/20	370	391
Reynolds American Inc.	4.000%	6/12/22	175	190
Reynolds American Inc.	4.850%	9/15/23	25	29
Reynolds American Inc.	4.450%	6/12/25	475	531
Reynolds American Inc.	5.700%	8/15/35	175	213
Reynolds American Inc.	7.250%	6/15/37	125	170
Reynolds American Inc.	7.000%	8/4/41	75	95
Reynolds American Inc.	5.850%	8/15/45	380	485
Sanofi	1.250%	4/10/18	275	277
Sanofi	4.000%	3/29/21	350	386
Southern Baptist Hospital of Florida Inc.	4.857%	7/15/45	25	31
St. Jude Medical Inc.	2.000%	9/15/18	100	101
St. Jude Medical Inc.	2.800%	9/15/20	100	103
St. Jude Medical Inc.	3.250%	4/15/23	175	181
St. Jude Medical Inc.	3.875%	9/15/25	75	80
St. Jude Medical Inc.	4.750%	4/15/43	175	186
Stryker Corp.	2.000%	3/8/19	125	127
Stryker Corp.	4.375%	1/15/20	50	55
Stryker Corp.	2.625%	3/15/21	125	129
Stryker Corp.	3.375%	5/15/24	200	211
Stryker Corp.	3.375%	11/1/25	140	147
Stryker Corp.	3.500%	3/15/26	208	220
Stryker Corp.	4.375%	5/15/44	50	53
Stryker Corp.	4.625%	3/15/46	375	420
Sysco Corp.	5.250%	2/12/18	250	265
Sysco Corp.	1.900%	4/1/19	100	101
Sysco Corp.	2.600%	10/1/20	100	103
Sysco Corp.	2.500%	7/15/21	75	77
Sysco Corp.	3.750%	10/1/25	75	81
Sysco Corp.	3.300%	7/15/26	200	208
Sysco Corp.	5.375%	9/21/35	100	119
Sysco Corp.	4.850%	10/1/45	50	56
Sysco Corp.	4.500%	4/1/46	100	107
Teva Pharmaceutical Finance Co. BV	3.650%	11/10/21	300	318
Teva Pharmaceutical Finance Co. BV	2.950%	12/18/22	422	428
Teva Pharmaceutical Finance IV BV	3.650%	11/10/21	129	137
[4] Texas Health Resources	4.330%	11/15/55	25	28
The Pepsi Bottling Group Inc.	7.000%	3/1/29	250	359
Thermo Fisher Scientific Inc.	2.150%	12/14/18	75	76
Thermo Fisher Scientific Inc.	4.500%	3/1/21	300	331
Thermo Fisher Scientific Inc.	3.600%	8/15/21	200	212
Thermo Fisher Scientific Inc.	3.300%	2/15/22	200	208
Thermo Fisher Scientific Inc.	3.150%	1/15/23	100	102
Thermo Fisher Scientific Inc.	3.000%	4/15/23	125	127
Thermo Fisher Scientific Inc.	3.650%	12/15/25	500	525
Trinity Health Corp.	4.125%	12/1/45	60	67
Tupperware Brands Corp.	4.750%	6/1/21	75	81
Tyson Foods Inc.	2.650%	8/15/19	175	180
Tyson Foods Inc.	4.500%	6/15/22	275	306
Tyson Foods Inc.	3.950%	8/15/24	100	108
Tyson Foods Inc.	4.875%	8/15/34	350	388
Tyson Foods Inc.	5.150%	8/15/44	100	115
Unilever Capital Corp.	0.850%	8/2/17	100	100
Unilever Capital Corp.	2.200%	3/6/19	200	206
Unilever Capital Corp.	2.100%	7/30/20	350	360
Unilever Capital Corp.	4.250%	2/10/21	200	223
Unilever Capital Corp.	3.100%	7/30/25	225	246
Unilever Capital Corp.	5.900%	11/15/32	50	69
Whirlpool Corp.	1.650%	11/1/17	100	101
Whirlpool Corp.	4.850%	6/15/21	50	56
Whirlpool Corp.	4.700%	6/1/22	50	56
Whirlpool Corp.	3.700%	3/1/23	50	53
Whirlpool Corp.	4.000%	3/1/24	175	190
Whirlpool Corp.	3.700%	5/1/25	75	80
Whirlpool Corp.	4.500%	6/1/46	150	157
[7] Whole Foods Market Inc.	5.200%	12/3/25	350	372
Wyeth LLC	7.250%	3/1/23	250	328
Wyeth LLC	6.450%	2/1/24	100	128

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Wyeth LLC	6.500%	2/1/34	150	205
Wyeth LLC	6.000%	2/15/36	85	113
Wyeth LLC	5.950%	4/1/37	460	613
Zeneca Wilmington Inc.	7.000%	11/15/23	25	32
Zimmer Biomet Holdings Inc.	2.000%	4/1/18	200	202
Zimmer Biomet Holdings Inc.	4.625%	11/30/19	50	54
Zimmer Biomet Holdings Inc.	2.700%	4/1/20	200	202
Zimmer Biomet Holdings Inc.	3.375%	11/30/21	100	104
Zimmer Biomet Holdings Inc.	3.150%	4/1/22	175	179
Zimmer Biomet Holdings Inc.	3.550%	4/1/25	250	257
Zimmer Biomet Holdings Inc.	4.250%	8/15/35	200	201
Zimmer Biomet Holdings Inc.	5.750%	11/30/39	50	59
Zimmer Biomet Holdings Inc.	4.450%	8/15/45	200	203
Zoetis Inc.	1.875%	2/1/18	25	25
Zoetis Inc.	3.450%	11/13/20	75	78
Zoetis Inc.	3.250%	2/1/23	300	305
Zoetis Inc.	4.500%	11/13/25	100	110
Zoetis Inc.	4.700%	2/1/43	100	99
Energy (2.7%)				
Anadarko Petroleum Corp.	6.375%	9/15/17	43	45
Anadarko Petroleum Corp.	5.550%	3/15/26	200	221
Anadarko Petroleum Corp.	6.450%	9/15/36	200	229
Anadarko Petroleum Corp.	7.950%	6/15/39	25	31
Anadarko Petroleum Corp.	6.200%	3/15/40	275	308
Anadarko Petroleum Corp.	4.500%	7/15/44	200	183
Anadarko Petroleum Corp.	6.600%	3/15/46	200	241
Apache Corp.	6.900%	9/15/18	300	330
Apache Corp.	3.625%	2/1/21	75	78
Apache Corp.	6.000%	1/15/37	350	399
Apache Corp.	5.100%	9/1/40	350	366
Apache Corp.	4.750%	4/15/43	200	205
Baker Hughes Inc.	3.200%	8/15/21	300	315
Baker Hughes Inc.	5.125%	9/15/40	175	196
Boardwalk Pipelines LP	3.375%	2/1/23	100	92
Boardwalk Pipelines LP	4.950%	12/15/24	150	148
Boardwalk Pipelines LP	5.950%	6/1/26	200	210
BP Capital Markets plc	1.375%	11/6/17	200	201
BP Capital Markets plc	1.674%	2/13/18	300	302
BP Capital Markets plc	4.750%	3/10/19	175	190
BP Capital Markets plc	1.676%	5/3/19	200	202
BP Capital Markets plc	2.237%	5/10/19	425	436
BP Capital Markets plc	2.315%	2/13/20	500	512
BP Capital Markets plc	4.500%	10/1/20	300	332
BP Capital Markets plc	4.742%	3/11/21	250	281
BP Capital Markets plc	3.062%	3/17/22	25	26
BP Capital Markets plc	3.245%	5/6/22	250	263
BP Capital Markets plc	2.500%	11/6/22	75	76
BP Capital Markets plc	2.750%	5/10/23	300	302
BP Capital Markets plc	3.994%	9/26/23	200	216
BP Capital Markets plc	3.814%	2/10/24	400	429
BP Capital Markets plc	3.535%	11/4/24	68	72
BP Capital Markets plc	3.506%	3/17/25	200	212
BP Capital Markets plc	3.119%	5/4/26	400	407
Buckeye Partners LP	2.650%	11/15/18	225	227
Buckeye Partners LP	4.150%	7/1/23	75	75
Buckeye Partners LP	5.850%	11/15/43	25	24
Buckeye Partners LP	5.600%	10/15/44	75	70
Burlington Resources Finance Co.	7.400%	12/1/31	175	230
Canadian Natural Resources Ltd.	7.200%	1/15/32	225	250
Canadian Natural Resources Ltd.	6.450%	6/30/33	125	136
Canadian Natural Resources Ltd.	5.850%	2/1/35	100	102
Canadian Natural Resources Ltd.	6.500%	2/15/37	50	54
Canadian Natural Resources Ltd.	6.250%	3/15/38	100	109
Chevron Corp.	1.344%	11/9/17	250	251
Chevron Corp.	1.345%	11/15/17	450	452
Chevron Corp.	1.104%	12/5/17	175	175
Chevron Corp.	1.365%	3/2/18	175	176
Chevron Corp.	1.718%	6/24/18	350	353
Chevron Corp.	1.790%	11/16/18	300	304
Chevron Corp.	4.950%	3/3/19	275	301
Chevron Corp.	1.561%	5/16/19	200	202
Chevron Corp.	2.193%	11/15/19	300	308
Chevron Corp.	1.961%	3/3/20	275	279
Chevron Corp.	2.419%	11/17/20	200	206
Chevron Corp.	2.100%	5/16/21	300	306
Chevron Corp.	2.411%	3/3/22	125	127
Chevron Corp.	2.355%	12/5/22	325	330
Chevron Corp.	3.191%	6/24/23	400	424
Chevron Corp.	2.954%	5/16/26	400	413
Cimarex Energy Co.	4.375%	6/1/24	200	210
Columbia Pipeline Group Inc.	2.450%	6/1/18	100	100
Columbia Pipeline Group Inc.	3.300%	6/1/20	125	129
Columbia Pipeline Group Inc.	4.500%	6/1/25	200	214
ConocoPhillips	5.750%	2/1/19	875	962
ConocoPhillips	5.900%	10/15/32	50	59
ConocoPhillips	5.900%	5/15/38	150	179
ConocoPhillips	6.500%	2/1/39	475	611
ConocoPhillips Canada Funding Co. I	5.950%	10/15/36	200	237
ConocoPhillips Co.	4.200%	3/15/21	500	540
ConocoPhillips Co.	2.400%	12/15/22	250	247
ConocoPhillips Co.	3.350%	11/15/24	100	103
ConocoPhillips Co.	4.950%	3/15/26	378	429
ConocoPhillips Co.	4.150%	11/15/34	100	100
ConocoPhillips Co.	4.300%	11/15/44	125	126
ConocoPhillips Co.	5.950%	3/15/46	300	374
ConocoPhillips Holding Co.	6.950%	4/15/29	150	187
Devon Energy Corp.	4.000%	7/15/21	100	101
Devon Energy Corp.	3.250%	5/15/22	200	194
Devon Energy Corp.	5.850%	12/15/25	275	304
Devon Energy Corp.	7.950%	4/15/32	50	59
Devon Energy Corp.	5.600%	7/15/41	250	241
Devon Energy Corp.	4.750%	5/15/42	200	178
Devon Financing Co. LLC	7.875%	9/30/31	300	348
Dominion Gas Holdings LLC	2.800%	11/15/20	200	207
Dominion Gas Holdings LLC	3.600%	12/15/24	200	212
Dominion Gas Holdings LLC	4.600%	12/15/44	400	423
Enable Midstream Partners LP	2.400%	5/15/19	100	94
Enable Midstream Partners LP	5.000%	5/15/44	100	79
Enbridge Energy Partners LP	6.500%	4/15/18	75	80
Enbridge Energy Partners LP	9.875%	3/1/19	225	259
Enbridge Energy Partners LP	4.375%	10/15/20	100	103
Enbridge Energy Partners LP	5.875%	10/15/25	150	165
Enbridge Energy Partners LP	7.500%	4/15/38	150	177
Enbridge Energy Partners LP	5.500%	9/15/40	75	73
Enbridge Energy Partners LP	7.375%	10/15/45	25	31
Enbridge Inc.	4.500%	6/10/44	100	88
Encana Corp.	6.500%	8/15/34	450	446
Encana Corp.	6.625%	8/15/37	200	201
Energy Transfer Partners LP	2.500%	6/15/18	100	100
Energy Transfer Partners LP	9.000%	4/15/19	229	257
Energy Transfer Partners LP	4.150%	10/1/20	75	76
Energy Transfer Partners LP	4.650%	6/1/21	105	109
Energy Transfer Partners LP	3.600%	2/1/23	475	455
Energy Transfer Partners LP	4.050%	3/15/25	1,000	985
Energy Transfer Partners LP	4.750%	1/15/26	100	103
Energy Transfer Partners LP	6.625%	10/15/36	150	157
Energy Transfer Partners LP	6.050%	6/1/41	100	98
Energy Transfer Partners LP	6.500%	2/1/42	175	183
Energy Transfer Partners LP	5.150%	3/15/45	250	232
EnLink Midstream Partners LP	4.400%	4/1/24	100	94
EnLink Midstream Partners LP	4.150%	6/1/25	100	93
EnLink Midstream Partners LP	5.600%	4/1/44	125	105
Enterprise Products Operating LLC	6.300%	9/15/17	125	132
Enterprise Products Operating LLC	6.650%	4/15/18	75	81
Enterprise Products Operating LLC	1.650%	5/7/18	50	50
Enterprise Products Operating LLC	6.500%	1/31/19	50	56
Enterprise Products Operating LLC	2.550%	10/15/19	225	231
Enterprise Products Operating LLC	5.200%	9/1/20	300	337
Enterprise Products Operating LLC	3.350%	3/15/23	200	205
Enterprise Products Operating LLC	3.900%	2/15/24	475	503
Enterprise Products Operating LLC	3.750%	2/15/25	150	158

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Enterprise Products Operating LLC	3.700%	2/15/26	100	105
Enterprise Products Operating LLC	3.950%	2/15/27	200	213
Enterprise Products Operating LLC	6.875%	3/1/33	175	214
Enterprise Products Operating LLC	7.550%	4/15/38	250	326
Enterprise Products Operating LLC	6.125%	10/15/39	150	178
Enterprise Products Operating LLC	5.950%	2/1/41	175	205
Enterprise Products Operating LLC	4.450%	2/15/43	300	301
Enterprise Products Operating LLC	4.850%	3/15/44	300	319
Enterprise Products Operating LLC	5.100%	2/15/45	100	110
Enterprise Products Operating LLC	4.900%	5/15/46	200	216
Enterprise Products Operating LLC	4.950%	10/15/54	100	103
[4] Enterprise Products Operating LLC	7.034%	1/15/68	225	236
EOG Resources Inc.	5.875%	9/15/17	125	132
EOG Resources Inc.	4.400%	6/1/20	100	108
EOG Resources Inc.	4.100%	2/1/21	350	380
EOG Resources Inc.	2.625%	3/15/23	450	448
EOG Resources Inc.	3.900%	4/1/35	75	75
EQT Corp.	6.500%	4/1/18	350	365
EQT Corp.	4.875%	11/15/21	125	133
Exxon Mobil Corp.	1.439%	3/1/18	700	706
Exxon Mobil Corp.	1.305%	3/6/18	400	403
Exxon Mobil Corp.	1.819%	3/15/19	45	46
Exxon Mobil Corp.	1.912%	3/6/20	265	270
Exxon Mobil Corp.	2.222%	3/1/21	400	412
Exxon Mobil Corp.	2.397%	3/6/22	350	360
Exxon Mobil Corp.	2.726%	3/1/23	500	521
Exxon Mobil Corp.	2.709%	3/6/25	300	313
Exxon Mobil Corp.	3.043%	3/1/26	300	318
Exxon Mobil Corp.	3.567%	3/6/45	175	181
Exxon Mobil Corp.	4.114%	3/1/46	425	479
FMC Technologies Inc.	2.000%	10/1/17	100	99
FMC Technologies Inc.	3.450%	10/1/22	25	24
Halliburton Co.	2.000%	8/1/18	125	126
Halliburton Co.	6.150%	9/15/19	200	227
Halliburton Co.	3.500%	8/1/23	225	233
Halliburton Co.	3.800%	11/15/25	350	365
Halliburton Co.	4.850%	11/15/35	200	216
Halliburton Co.	6.700%	9/15/38	125	159
Halliburton Co.	7.450%	9/15/39	200	276
Halliburton Co.	4.750%	8/1/43	150	157
Halliburton Co.	5.000%	11/15/45	300	328
Hess Corp.	3.500%	7/15/24	100	97
Hess Corp.	7.875%	10/1/29	350	417
Hess Corp.	7.125%	3/15/33	100	111
Hess Corp.	6.000%	1/15/40	150	155
Hess Corp.	5.600%	2/15/41	300	300
Husky Energy Inc.	6.150%	6/15/19	100	108
Husky Energy Inc.	4.000%	4/15/24	150	153
Husky Energy Inc.	6.800%	9/15/37	50	57
Kerr-McGee Corp.	6.950%	7/1/24	250	289
Kerr-McGee Corp.	7.875%	9/15/31	50	59
Kinder Morgan Energy Partners LP	5.950%	2/15/18	300	317
Kinder Morgan Energy Partners LP	9.000%	2/1/19	365	416
Kinder Morgan Energy Partners LP	6.850%	2/15/20	850	952
Kinder Morgan Energy Partners LP	3.500%	3/1/21	125	125
Kinder Morgan Energy Partners LP	5.000%	10/1/21	150	159
Kinder Morgan Energy Partners LP	3.450%	2/15/23	25	24
Kinder Morgan Energy Partners LP	3.500%	9/1/23	125	122
Kinder Morgan Energy Partners LP	4.300%	5/1/24	300	303
Kinder Morgan Energy Partners LP	4.250%	9/1/24	100	101
Kinder Morgan Energy Partners LP	7.300%	8/15/33	275	300
Kinder Morgan Energy Partners LP	5.800%	3/15/35	50	51
Kinder Morgan Energy Partners LP	6.500%	2/1/37	450	472
Kinder Morgan Energy Partners LP	6.950%	1/15/38	50	55
Kinder Morgan Energy Partners LP	6.500%	9/1/39	200	209
Kinder Morgan Energy Partners LP	6.550%	9/15/40	250	262
Kinder Morgan Energy Partners LP	5.000%	8/15/42	25	24
Kinder Morgan Energy Partners LP	4.700%	11/1/42	375	338
Kinder Morgan Energy Partners LP	5.000%	3/1/43	75	71
Kinder Morgan Inc.	2.000%	12/1/17	125	124
Kinder Morgan Inc.	4.300%	6/1/25	300	307
Kinder Morgan Inc.	7.800%	8/1/31	90	101
Kinder Morgan Inc.	7.750%	1/15/32	165	187
Kinder Morgan Inc.	5.300%	12/1/34	175	172
Kinder Morgan Inc.	5.550%	6/1/45	200	203
Kinder Morgan Inc.	5.050%	2/15/46	350	334
Magellan Midstream Partners LP	6.550%	7/15/19	75	85
Magellan Midstream Partners LP	4.250%	2/1/21	125	135
Magellan Midstream Partners LP	3.200%	3/15/25	125	125
Magellan Midstream Partners LP	5.150%	10/15/43	275	296
Marathon Oil Corp.	6.000%	10/1/17	125	130
Marathon Oil Corp.	5.900%	3/15/18	46	48
Marathon Oil Corp.	2.700%	6/1/20	150	141
Marathon Oil Corp.	2.800%	11/1/22	175	158
Marathon Oil Corp.	6.800%	3/15/32	300	306
Marathon Oil Corp.	5.200%	6/1/45	100	88
Marathon Petroleum Corp.	2.700%	12/14/18	200	204
Marathon Petroleum Corp.	5.125%	3/1/21	375	412
Marathon Petroleum Corp.	4.750%	9/15/44	250	213
Marathon Petroleum Corp.	5.850%	12/15/45	200	194
[7] MPLX LP	4.500%	7/15/23	350	340
[7] MPLX LP	4.875%	12/1/24	300	293
[7] MPLX LP	4.875%	6/1/25	100	98
Nabors Industries Inc.	6.150%	2/15/18	450	459
Nabors Industries Inc.	5.000%	9/15/20	175	165
Nabors Industries Inc.	4.625%	9/15/21	125	114
National Fuel Gas Co.	3.750%	3/1/23	275	267
National Oilwell Varco Inc.	1.350%	12/1/17	200	199
National Oilwell Varco Inc.	2.600%	12/1/22	25	23
National Oilwell Varco Inc.	3.950%	12/1/42	125	99
Noble Energy Inc.	8.250%	3/1/19	475	544
Noble Energy Inc.	6.000%	3/1/41	100	109
Noble Energy Inc.	5.250%	11/15/43	375	381
Noble Energy Inc.	5.050%	11/15/44	150	151
Occidental Petroleum Corp.	1.500%	2/15/18	750	753
Occidental Petroleum Corp.	4.100%	2/1/21	350	384
Occidental Petroleum Corp.	2.700%	2/15/23	350	357
Occidental Petroleum Corp.	3.500%	6/15/25	500	532
Occidental Petroleum Corp.	3.400%	4/15/26	250	264
Occidental Petroleum Corp.	4.625%	6/15/45	100	113
Oceaneering International Inc.	4.650%	11/15/24	85	82
ONEOK Partners LP	2.000%	10/1/17	175	175
ONEOK Partners LP	8.625%	3/1/19	225	255
ONEOK Partners LP	3.375%	10/1/22	100	98
ONEOK Partners LP	6.650%	10/1/36	300	316
ONEOK Partners LP	6.125%	2/1/41	150	157
Panhandle Eastern Pipe Line Co. LP	6.200%	11/1/17	250	260
Petro-Canada	7.875%	6/15/26	25	32
Petro-Canada	7.000%	11/15/28	100	127
Petro-Canada	5.350%	7/15/33	150	165
Petro-Canada	6.800%	5/15/38	225	289
Phillips 66	2.950%	5/1/17	600	609
Phillips 66	4.300%	4/1/22	275	301
Phillips 66	4.650%	11/15/34	200	210
Phillips 66	5.875%	5/1/42	175	210
Phillips 66	4.875%	11/15/44	299	326
Phillips 66 Partners LP	2.646%	2/15/20	35	35
Phillips 66 Partners LP	3.605%	2/15/25	125	121
Phillips 66 Partners LP	4.680%	2/15/45	50	47
Pioneer Natural Resources Co.	6.875%	5/1/18	250	270
Pioneer Natural Resources Co.	3.950%	7/15/22	200	210
Pioneer Natural Resources Co.	4.450%	1/15/26	400	436
Plains All American Pipeline LP / PAA Finance Corp.	6.500%	5/1/18	25	27
Plains All American Pipeline LP / PAA Finance Corp.	8.750%	5/1/19	75	86
Plains All American Pipeline LP / PAA Finance Corp.	5.000%	2/1/21	400	421
Plains All American Pipeline LP / PAA Finance Corp.	3.600%	11/1/24	790	742

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Plains All American Pipeline LP / PAA Finance Corp.	4.300%	1/31/43	325	258
Plains All American Pipeline LP / PAA Finance Corp.	4.700%	6/15/44	200	171
Regency Energy Partners LP / Regency Energy Finance Corp.	6.500%	7/15/21	357	369
Regency Energy Partners LP / Regency Energy Finance Corp.	5.875%	3/1/22	300	321
Regency Energy Partners LP / Regency Energy Finance Corp.	5.000%	10/1/22	200	205
Regency Energy Partners LP / Regency Energy Finance Corp.	5.500%	4/15/23	200	202
Regency Energy Partners LP / Regency Energy Finance Corp.	4.500%	11/1/23	100	98
Repsol Oil & Gas Canada Inc.	7.750%	6/1/19	121	131
Repsol Oil & Gas Canada Inc.	3.750%	2/1/21	225	205
Schlumberger Investment SA	3.650%	12/1/23	225	241
Shell International Finance BV	1.250%	11/10/17	200	201
Shell International Finance BV	1.900%	8/10/18	575	584
Shell International Finance BV	2.000%	11/15/18	800	813
Shell International Finance BV	4.300%	9/22/19	550	598
Shell International Finance BV	4.375%	3/25/20	325	356
Shell International Finance BV	2.125%	5/11/20	450	458
Shell International Finance BV	2.250%	11/10/20	100	102
Shell International Finance BV	1.875%	5/10/21	200	201
Shell International Finance BV	3.400%	8/12/23	75	80
Shell International Finance BV	3.250%	5/11/25	200	209
Shell International Finance BV	2.875%	5/10/26	500	508
Shell International Finance BV	4.125%	5/11/35	500	535
Shell International Finance BV	6.375%	12/15/38	475	645
Shell International Finance BV	5.500%	3/25/40	125	155
Shell International Finance BV	4.550%	8/12/43	400	438
Shell International Finance BV	4.375%	5/11/45	400	435
Shell International Finance BV	4.000%	5/10/46	450	461
Spectra Energy Capital LLC	6.200%	4/15/18	300	319
Spectra Energy Capital LLC	6.750%	2/15/32	50	53
Spectra Energy Partners LP	2.950%	9/25/18	25	26
Spectra Energy Partners LP	4.750%	3/15/24	400	446
Spectra Energy Partners LP	3.500%	3/15/25	50	51
Spectra Energy Partners LP	4.500%	3/15/45	250	255
Suncor Energy Inc.	6.100%	6/1/18	25	27
Suncor Energy Inc.	5.950%	12/1/34	75	89
Suncor Energy Inc.	6.500%	6/15/38	525	684
Sunoco Logistics Partners Operations LP	4.400%	4/1/21	825	865
Sunoco Logistics Partners Operations LP	3.450%	1/15/23	50	49
Sunoco Logistics Partners Operations LP	4.250%	4/1/24	75	75
Sunoco Logistics Partners Operations LP	4.950%	1/15/43	175	160
Sunoco Logistics Partners Operations LP	5.300%	4/1/44	325	321
Tosco Corp.	8.125%	2/15/30	100	133
Total Capital Canada Ltd.	1.450%	1/15/18	75	76
Total Capital Canada Ltd.	2.750%	7/15/23	125	128
Total Capital International SA	2.125%	1/10/19	350	357
Total Capital International SA	2.750%	6/19/21	300	312
Total Capital International SA	2.875%	2/17/22	300	312
Total Capital International SA	2.700%	1/25/23	50	51
Total Capital International SA	3.700%	1/15/24	775	845
Total Capital SA	2.125%	8/10/18	250	255
Total Capital SA	4.450%	6/24/20	375	415
Total Capital SA	4.125%	1/28/21	125	137
TransCanada PipeLines Ltd.	1.625%	11/9/17	650	652
TransCanada PipeLines Ltd.	6.500%	8/15/18	150	164
TransCanada PipeLines Ltd.	3.800%	10/1/20	175	187
TransCanada PipeLines Ltd.	4.875%	1/15/26	300	343
TransCanada PipeLines Ltd.	4.625%	3/1/34	350	373
TransCanada PipeLines Ltd.	5.600%	3/31/34	150	171
TransCanada PipeLines Ltd.	5.850%	3/15/36	300	353
TransCanada PipeLines Ltd.	6.200%	10/15/37	475	582
TransCanada PipeLines Ltd.	5.000%	10/16/43	150	168
Transcontinental Gas Pipe Line Co. LLC	6.050%	6/15/18	265	280
Valero Energy Corp.	6.125%	2/1/20	75	84
Valero Energy Corp.	7.500%	4/15/32	725	864
Western Gas Partners LP	5.375%	6/1/21	300	317
Western Gas Partners LP	5.450%	4/1/44	150	143
Williams Partners LP	5.250%	3/15/20	475	487
Williams Partners LP	4.125%	11/15/20	275	272
Williams Partners LP	3.600%	3/15/22	150	142
Williams Partners LP	3.350%	8/15/22	125	114
Williams Partners LP	3.900%	1/15/25	325	297
Williams Partners LP	6.300%	4/15/40	100	95
Williams Partners LP	5.400%	3/4/44	400	356
Williams Partners LP	5.100%	9/15/45	350	300
Williams Partners LP / ACMP Finance Corp.	4.875%	5/15/23	150	145
Williams Partners LP / ACMP Finance Corp.	4.875%	3/15/24	300	288
XTO Energy Inc.	6.250%	8/1/17	375	396
Other Industrial (0.1%)				
California Institute of Technology GO	4.321%	8/1/45	200	239
California Institute of Technology GO	4.700%	11/1/11	50	55
CBRE Services Inc.	5.000%	3/15/23	150	155
CBRE Services Inc.	5.250%	3/15/25	100	105
CBRE Services Inc.	4.875%	3/1/26	100	103
Cintas Corp. No 2	6.125%	12/1/17	150	160
Cintas Corp. No 2	3.250%	6/1/22	75	80
Fluor Corp.	3.375%	9/15/21	75	79
Fluor Corp.	3.500%	12/15/24	250	267
Howard Hughes Medical Institute Revenue	3.500%	9/1/23	200	221
[4] Johns Hopkins University Maryland GO	4.083%	7/1/53	125	139
[4] Massachusetts Institute of Technology GO	3.959%	7/1/38	125	143
Massachusetts Institute of Technology GO	5.600%	7/1/11	200	286
Massachusetts Institute of Technology GO	4.678%	7/1/14	75	89
[4] Northwestern University Illinois GO	3.688%	12/1/38	100	109
[4] Northwestern University Illinois GO	4.643%	12/1/44	75	95
Trustees of Dartmouth College	3.474%	6/1/46	250	267
[4] University of Notre Dame DU LAC Indiana GO	3.438%	2/15/45	100	104
University of Pennsylvania GO	4.674%	9/1/12	100	114
Wesleyan University Connecticut GO	4.781%	7/1/16	50	54
Yale University Connecticut GO	2.086%	4/15/19	50	52
Technology (2.1%)				
Adobe Systems Inc.	4.750%	2/1/20	175	194
Adobe Systems Inc.	3.250%	2/1/25	200	211
Alphabet Inc.	3.625%	5/19/21	150	166
Altera Corp.	1.750%	5/15/17	50	50
Altera Corp.	2.500%	11/15/18	225	232
Altera Corp.	4.100%	11/15/23	75	85
Amphenol Corp.	1.550%	9/15/17	100	100
Amphenol Corp.	2.550%	1/30/19	200	204
Analog Devices Inc.	2.875%	6/1/23	450	469
Apple Inc.	1.000%	5/3/18	450	451
Apple Inc.	2.100%	5/6/19	425	437
Apple Inc.	1.550%	2/7/20	225	226
Apple Inc.	2.250%	2/23/21	750	772
Apple Inc.	2.850%	5/6/21	1,425	1,506
Apple Inc.	2.150%	2/9/22	325	331
Apple Inc.	2.700%	5/13/22	500	524
Apple Inc.	2.850%	2/23/23	300	314
Apple Inc.	2.400%	5/3/23	725	739
Apple Inc.	3.450%	5/6/24	450	487

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Apple Inc.	2.500%	2/9/25	100	102
Apple Inc.	3.200%	5/13/25	350	371
Apple Inc.	3.250%	2/23/26	350	371
Apple Inc.	4.500%	2/23/36	225	254
Apple Inc.	3.850%	5/4/43	450	452
Apple Inc.	4.450%	5/6/44	175	191
Apple Inc.	3.450%	2/9/45	225	211
Apple Inc.	4.650%	2/23/46	1,725	1,947
Applied Materials Inc.	2.625%	10/1/20	150	156
Applied Materials Inc.	4.300%	6/15/21	150	167
Applied Materials Inc.	3.900%	10/1/25	300	333
Applied Materials Inc.	5.100%	10/1/35	100	115
Applied Materials Inc.	5.850%	6/15/41	150	183
Arrow Electronics Inc.	3.000%	3/1/18	50	50
Arrow Electronics Inc.	3.500%	4/1/22	100	102
Arrow Electronics Inc.	4.500%	3/1/23	50	53
Arrow Electronics Inc.	4.000%	4/1/25	100	102
Autodesk Inc.	1.950%	12/15/17	25	25
Autodesk Inc.	3.125%	6/15/20	100	103
Autodesk Inc.	3.600%	12/15/22	25	25
Autodesk Inc.	4.375%	6/15/25	50	53
Avnet Inc.	5.875%	6/15/20	200	221
Avnet Inc.	4.625%	4/15/26	100	104
Baidu Inc.	2.750%	6/9/19	200	203
Baidu Inc.	3.500%	11/28/22	500	515
Broadridge Financial Solutions Inc.	3.950%	9/1/20	75	80
Broadridge Financial Solutions Inc.	3.400%	6/27/26	100	101
CA Inc.	5.375%	12/1/19	175	193
CA Inc.	3.600%	8/1/20	100	104
CA Inc.	4.500%	8/15/23	75	82
Cadence Design Systems Inc.	4.375%	10/15/24	100	104
Cisco Systems Inc.	1.400%	2/28/18	350	353
Cisco Systems Inc.	4.950%	2/15/19	475	522
Cisco Systems Inc.	1.600%	2/28/19	250	254
Cisco Systems Inc.	2.125%	3/1/19	600	616
Cisco Systems Inc.	4.450%	1/15/20	825	911
Cisco Systems Inc.	2.200%	2/28/21	600	618
Cisco Systems Inc.	2.900%	3/4/21	75	80
Cisco Systems Inc.	3.625%	3/4/24	125	140
Cisco Systems Inc.	2.950%	2/28/26	100	106
Cisco Systems Inc.	5.900%	2/15/39	200	272
Cisco Systems Inc.	5.500%	1/15/40	275	361
Corning Inc.	1.500%	5/8/18	250	250
Corning Inc.	6.625%	5/15/19	25	28
Corning Inc.	2.900%	5/15/22	175	179
Corning Inc.	3.700%	11/15/23	200	214
Corning Inc.	4.700%	3/15/37	50	53
Corning Inc.	5.750%	8/15/40	75	89
[7] Diamond 1 Finance Corp. / Diamond 2 Finance Corp.	3.480%	6/1/19	675	690
[7] Diamond 1 Finance Corp. / Diamond 2 Finance Corp.	4.420%	6/15/21	800	822
[7] Diamond 1 Finance Corp. / Diamond 2 Finance Corp.	5.450%	6/15/23	725	749
[7] Diamond 1 Finance Corp. / Diamond 2 Finance Corp.	6.020%	6/15/26	1,050	1,089
[7] Diamond 1 Finance Corp. / Diamond 2 Finance Corp.	8.350%	7/15/46	375	403
Dun & Bradstreet Corp.	4.375%	12/1/22	50	52
EMC Corp.	1.875%	6/1/18	460	453
EMC Corp.	2.650%	6/1/20	165	158
EMC Corp.	3.375%	6/1/23	170	155
Equifax Inc.	6.300%	7/1/17	25	26
Equifax Inc.	2.300%	6/1/21	200	202
Equifax Inc.	3.250%	6/1/26	100	103
Fidelity National Information Services Inc.	2.000%	4/15/18	25	25
Fidelity National Information Services Inc.	2.850%	10/15/18	100	103
Fidelity National Information Services Inc.	3.625%	10/15/20	425	449
Fidelity National Information Services Inc.	5.000%	3/15/22	50	52
Fidelity National Information Services Inc.	3.500%	4/15/23	175	181
Fidelity National Information Services Inc.	5.000%	10/15/25	625	710
Fiserv Inc.	2.700%	6/1/20	125	130
Fiserv Inc.	3.500%	10/1/22	150	160
Fiserv Inc.	3.850%	6/1/25	300	321
Flextronics International Ltd.	4.625%	2/15/20	85	88
[7] Hewlett Packard Enterprise Co.	2.450%	10/5/17	400	405
[7] Hewlett Packard Enterprise Co.	2.850%	10/5/18	350	358
[7] Hewlett Packard Enterprise Co.	3.600%	10/15/20	425	444
[7] Hewlett Packard Enterprise Co.	4.400%	10/15/22	375	401
[7] Hewlett Packard Enterprise Co.	4.900%	10/15/25	500	523
[7] Hewlett Packard Enterprise Co.	6.200%	10/15/35	100	101
[7] Hewlett Packard Enterprise Co.	6.350%	10/15/45	400	397
HP Inc.	3.750%	12/1/20	53	56
HP Inc.	4.300%	6/1/21	850	903
HP Inc.	4.375%	9/15/21	200	215
HP Inc.	4.650%	12/9/21	350	378
HP Inc.	6.000%	9/15/41	100	97
Ingram Micro Inc.	4.950%	12/15/24	250	250
Intel Corp.	1.350%	12/15/17	775	780
Intel Corp.	2.450%	7/29/20	300	312
Intel Corp.	3.300%	10/1/21	100	108
Intel Corp.	3.100%	7/29/22	175	188
Intel Corp.	2.700%	12/15/22	275	289
Intel Corp.	3.700%	7/29/25	200	223
Intel Corp.	4.000%	12/15/32	150	162
Intel Corp.	4.800%	10/1/41	475	540
Intel Corp.	4.250%	12/15/42	325	349
Intel Corp.	4.900%	7/29/45	250	291
Intel Corp.	4.100%	5/19/46	275	286
International Business Machines Corp.	5.700%	9/14/17	2,150	2,271
International Business Machines Corp.	1.950%	2/12/19	225	231
International Business Machines Corp.	1.625%	5/15/20	25	25
International Business Machines Corp.	2.875%	11/9/22	100	106
International Business Machines Corp.	3.625%	2/12/24	450	491
International Business Machines Corp.	7.000%	10/30/25	300	407
International Business Machines Corp.	6.220%	8/1/27	75	99
International Business Machines Corp.	6.500%	1/15/28	75	102
International Business Machines Corp.	5.600%	11/30/39	98	124
International Business Machines Corp.	4.000%	6/20/42	68	72
International Business Machines Corp.	4.700%	2/19/46	125	144
Jabil Circuit Inc.	5.625%	12/15/20	100	107
Juniper Networks Inc.	3.125%	2/26/19	100	103
Juniper Networks Inc.	3.300%	6/15/20	200	207
Juniper Networks Inc.	4.600%	3/15/21	50	54
Juniper Networks Inc.	4.350%	6/15/25	50	52
Juniper Networks Inc.	5.950%	3/15/41	25	25
Keysight Technologies Inc.	3.300%	10/30/19	100	101
Keysight Technologies Inc.	4.550%	10/30/24	100	102
KLA-Tencor Corp.	2.375%	11/1/17	100	101
KLA-Tencor Corp.	4.125%	11/1/21	300	319
KLA-Tencor Corp.	4.650%	11/1/24	200	218
Lam Research Corp.	2.750%	3/15/20	100	102
Lam Research Corp.	2.800%	6/15/21	125	129
Lam Research Corp.	3.450%	6/15/23	175	181
Lam Research Corp.	3.800%	3/15/25	100	103
Lam Research Corp.	3.900%	6/15/26	200	210
Lender Processing Services Inc / Black Knight Lending Solutions Inc	5.750%	4/15/23	65	68
Lexmark International Inc.	6.650%	6/1/18	150	158
Maxim Integrated Products Inc.	3.375%	3/15/23	25	26
Microsoft Corp.	1.000%	5/1/18	200	200
Microsoft Corp.	1.300%	11/3/18	425	429
Microsoft Corp.	4.200%	6/1/19	25	27
Microsoft Corp.	3.000%	10/1/20	225	240
Microsoft Corp.	2.000%	11/3/20	550	564
Microsoft Corp.	2.375%	2/12/22	450	465

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Microsoft Corp.	2.650%	11/3/22	200	208
Microsoft Corp.	2.125%	11/15/22	200	203
Microsoft Corp.	2.375%	5/1/23	75	77
Microsoft Corp.	3.625%	12/15/23	300	332
Microsoft Corp.	2.700%	2/12/25	250	258
Microsoft Corp.	3.125%	11/3/25	850	909
Microsoft Corp.	3.500%	2/12/35	250	257
Microsoft Corp.	4.200%	11/3/35	250	281
Microsoft Corp.	4.500%	10/1/40	100	114
Microsoft Corp.	5.300%	2/8/41	50	63
Microsoft Corp.	3.500%	11/15/42	280	275
Microsoft Corp.	3.750%	5/1/43	45	45
Microsoft Corp.	3.750%	2/12/45	300	305
Microsoft Corp.	4.450%	11/3/45	725	819
Microsoft Corp.	4.000%	2/12/55	400	397
Microsoft Corp.	4.750%	11/3/55	175	198
Motorola Solutions Inc.	3.750%	5/15/22	250	250
Motorola Solutions Inc.	7.500%	5/15/25	50	59
Motorola Solutions Inc.	5.500%	9/1/44	100	89
NetApp Inc.	3.375%	6/15/21	300	305
Oracle Corp.	1.200%	10/15/17	325	326
Oracle Corp.	5.750%	4/15/18	300	325
Oracle Corp.	2.375%	1/15/19	225	232
Oracle Corp.	5.000%	7/8/19	550	610
Oracle Corp.	2.250%	10/8/19	225	232
Oracle Corp.	1.900%	9/15/21	1,275	1,279
Oracle Corp.	2.400%	9/15/23	450	451
Oracle Corp.	3.400%	7/8/24	450	481
Oracle Corp.	2.950%	5/15/25	1,400	1,451
Oracle Corp.	2.650%	7/15/26	800	801
Oracle Corp.	3.250%	5/15/30	100	106
Oracle Corp.	4.300%	7/8/34	300	319
Oracle Corp.	3.900%	5/15/35	75	76
Oracle Corp.	3.850%	7/15/36	400	402
Oracle Corp.	6.500%	4/15/38	200	273
Oracle Corp.	6.125%	7/8/39	150	197
Oracle Corp.	5.375%	7/15/40	600	723
Oracle Corp.	4.500%	7/8/44	200	226
Oracle Corp.	4.125%	5/15/45	50	52
Oracle Corp.	4.000%	7/15/46	650	654
Oracle Corp.	4.375%	5/15/55	150	156
Pitney Bowes Inc.	4.625%	3/15/24	50	53
QUALCOMM Inc.	1.400%	5/18/18	600	605
QUALCOMM Inc.	2.250%	5/20/20	300	308
QUALCOMM Inc.	3.000%	5/20/22	350	367
QUALCOMM Inc.	3.450%	5/20/25	250	265
QUALCOMM Inc.	4.650%	5/20/35	125	135
QUALCOMM Inc.	4.800%	5/20/45	325	341
Seagate HDD Cayman	3.750%	11/15/18	200	200
Seagate HDD Cayman	4.750%	6/1/23	150	127
Seagate HDD Cayman	4.750%	1/1/25	100	79
Seagate HDD Cayman	4.875%	6/1/27	175	126
Seagate HDD Cayman	5.750%	12/1/34	200	140
Symantec Corp.	4.200%	9/15/20	50	52
Symantec Corp.	3.950%	6/15/22	175	177
Telefonaktiebolaget LM Ericsson	4.125%	5/15/22	150	162
Texas Instruments Inc.	1.650%	8/3/19	525	532
Total System Services Inc.	2.375%	6/1/18	75	76
Total System Services Inc.	4.800%	4/1/26	450	489
Trimble Navigation Ltd.	4.750%	12/1/24	75	79
Tyco Electronics Group SA	6.550%	10/1/17	75	80
Tyco Electronics Group SA	2.350%	8/1/19	50	51
Tyco Electronics Group SA	3.500%	2/3/22	100	106
Tyco Electronics Group SA	3.450%	8/1/24	100	105
Tyco Electronics Group SA	7.125%	10/1/37	200	278
Verisk Analytics Inc.	4.125%	9/12/22	375	399
Verisk Analytics Inc.	5.500%	6/15/45	50	51
Xerox Corp.	6.350%	5/15/18	175	186
Xerox Corp.	5.625%	12/15/19	25	27
Xerox Corp.	2.800%	5/15/20	75	72
Xerox Corp.	6.750%	12/15/39	175	169
Xilinx Inc.	2.125%	3/15/19	100	101
Xilinx Inc.	3.000%	3/15/21	100	105
Transportation (0.6%)				
[4] American Airlines 2011-1 Class A Pass Through Trust	5.250%	7/31/22	80	86
[4] American Airlines 2013-1 Class A PassThrough Trust	4.000%	1/15/27	26	28
[4] American Airlines 2013-2 Class A PassThrough Trust	4.950%	7/15/24	210	228
[4] American Airlines 2014-1 Class A PassThrough Trust	3.700%	4/1/28	114	118
[4] American Airlines 2015-1 Class A PassThrough Trust	3.375%	11/1/28	167	171
[4] American Airlines 2015-1 Class B PassThrough Trust	3.700%	11/1/24	45	45
[4] American Airlines 2015-2 Class AA PassThrough Trust	3.600%	9/22/27	55	58
[4] American Airlines 2016-1 Class A PassThrough Trust	4.100%	1/15/28	75	80
[4] American Airlines 2016-1 Class AA PassThrough Trust	3.575%	1/15/28	150	157
[4] American Airlines 2016-2 Class A PassThrough Trust	3.650%	6/15/28	100	104
[4] American Airlines 2016-2 Class AA Pass Through Trust	3.200%	6/15/28	275	285
[4] BNSF Funding Trust I	6.613%	12/15/55	75	85
Burlington Northern Santa Fe LLC	5.650%	5/1/17	200	208
Burlington Northern Santa Fe LLC	5.750%	3/15/18	100	108
Burlington Northern Santa Fe LLC	3.050%	3/15/22	150	160
Burlington Northern Santa Fe LLC	3.050%	9/1/22	150	160
Burlington Northern Santa Fe LLC	3.000%	3/15/23	175	185
Burlington Northern Santa Fe LLC	3.850%	9/1/23	75	83
Burlington Northern Santa Fe LLC	3.750%	4/1/24	200	222
Burlington Northern Santa Fe LLC	3.400%	9/1/24	150	163
Burlington Northern Santa Fe LLC	3.000%	4/1/25	100	106
Burlington Northern Santa Fe LLC	3.650%	9/1/25	75	83
Burlington Northern Santa Fe LLC	6.200%	8/15/36	125	166
Burlington Northern Santa Fe LLC	5.050%	3/1/41	125	151
Burlington Northern Santa Fe LLC	5.400%	6/1/41	250	309
Burlington Northern Santa Fe LLC	4.400%	3/15/42	250	277
Burlington Northern Santa Fe LLC	4.375%	9/1/42	100	110
Burlington Northern Santa Fe LLC	4.450%	3/15/43	75	84
Burlington Northern Santa Fe LLC	5.150%	9/1/43	125	153
Burlington Northern Santa Fe LLC	4.900%	4/1/44	100	119
Burlington Northern Santa Fe LLC	4.550%	9/1/44	150	171
Burlington Northern Santa Fe LLC	4.150%	4/1/45	75	81
Burlington Northern Santa Fe LLC	4.700%	9/1/45	75	88
Burlington Northern Santa Fe LLC	3.900%	8/1/46	350	370
Canadian National Railway Co.	5.550%	3/1/19	100	111
Canadian National Railway Co.	2.850%	12/15/21	75	79
Canadian National Railway Co.	6.250%	8/1/34	75	104
Canadian National Railway Co.	6.200%	6/1/36	75	103
Canadian National Railway Co.	6.375%	11/15/37	100	141
Canadian National Railway Co.	3.500%	11/15/42	50	51
Canadian Pacific Railway Co.	7.250%	5/15/19	150	173
Canadian Pacific Railway Co.	9.450%	8/1/21	50	65
Canadian Pacific Railway Co.	4.450%	3/15/23	225	250
Canadian Pacific Railway Co.	7.125%	10/15/31	100	136
Canadian Pacific Railway Co.	5.950%	5/15/37	450	563
Canadian Pacific Railway Co.	6.125%	9/15/15	70	88
Canadian Pacific Railway Ltd.	5.750%	1/15/42	115	141
[4] Continental Airlines 2007-1 Class A Pass Through Trust	5.983%	10/19/23	58	65
[4] Continental Airlines 2009-2 Class A Pass Through Trust	7.250%	5/10/21	104	118
[4] Continental Airlines 2012-1 Class A Pass Through Trust	4.150%	10/11/25	320	337
[4] Continental Airlines 2012-2 Class A Pass Through Trust	4.000%	4/29/26	87	92
CSX Corp.	6.250%	3/15/18	375	406
CSX Corp.	7.375%	2/1/19	100	115

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
CSX Corp.	4.250%	6/1/21	25	27
CSX Corp.	3.350%	11/1/25	150	159
CSX Corp.	6.220%	4/30/40	152	204
CSX Corp.	5.500%	4/15/41	225	282
CSX Corp.	4.750%	5/30/42	210	239
CSX Corp.	4.100%	3/15/44	150	160
CSX Corp.	3.950%	5/1/50	125	125
CSX Corp.	4.500%	8/1/54	25	27
[4] Delta Air Lines 2007-1 Class A Pass Through Trust	6.821%	2/10/24	139	161
[4] Delta Air Lines 2009-1 Class A Pass Through Trust	7.750%	6/17/21	53	60
[4] Delta Air Lines 2010-2 Class A Pass Through Trust	4.950%	11/23/20	40	42
[4] Delta Air Lines 2015-1 Class AA Pass Through Trust	3.625%	7/30/27	49	52
FedEx Corp.	8.000%	1/15/19	100	116
FedEx Corp.	2.625%	8/1/22	75	77
FedEx Corp.	4.000%	1/15/24	125	139
FedEx Corp.	3.250%	4/1/26	100	104
FedEx Corp.	3.875%	8/1/42	100	98
FedEx Corp.	4.100%	4/15/43	75	76
FedEx Corp.	5.100%	1/15/44	100	116
FedEx Corp.	4.750%	11/15/45	200	223
FedEx Corp.	4.550%	4/1/46	150	163
FedEx Corp.	4.500%	2/1/65	60	61
[4] Hawaiian Airlines 2013-1 Class A Pass Through Certificates	3.900%	1/15/26	243	242
JB Hunt Transport Services Inc.	3.300%	8/15/22	100	104
JB Hunt Transport Services Inc.	3.850%	3/15/24	50	53
[7] Kansas City Southern	2.350%	5/15/20	25	24
[7] Kansas City Southern	3.000%	5/15/23	75	76
Kansas City Southern	3.125%	6/1/26	100	102
[7] Kansas City Southern	4.300%	5/15/43	75	77
[7] Kansas City Southern	4.950%	8/15/45	125	140
[4,7] Latam Airlines 2015-1 Pass Through Trust A	4.200%	11/15/27	123	109
Norfolk Southern Corp.	5.900%	6/15/19	175	196
Norfolk Southern Corp.	2.903%	2/15/23	48	50
Norfolk Southern Corp.	5.590%	5/17/25	50	61
Norfolk Southern Corp.	7.800%	5/15/27	60	85
Norfolk Southern Corp.	4.837%	10/1/41	313	360
Norfolk Southern Corp.	4.450%	6/15/45	75	83
Norfolk Southern Corp.	4.650%	1/15/46	75	87
Norfolk Southern Corp.	7.900%	5/15/97	70	106
Norfolk Southern Corp.	6.000%	3/15/05	100	120
Norfolk Southern Corp.	6.000%	5/23/11	240	297
Ryder System Inc.	2.450%	11/15/18	250	254
Ryder System Inc.	2.350%	2/26/19	250	253
Ryder System Inc.	2.550%	6/1/19	300	305
Ryder System Inc.	2.500%	5/11/20	50	51
Southwest Airlines Co.	2.750%	11/6/19	50	52
Southwest Airlines Co.	2.650%	11/5/20	125	129
[4] Southwest Airlines Co. 2007-1 Pass Through Trust	6.150%	2/1/24	34	39
[4] Spirit Airlines Class A Pass Through Certificates Series 2015-1	4.100%	10/1/29	100	101
Trinity Industries Inc.	4.550%	10/1/24	60	55
Union Pacific Corp.	2.250%	6/19/20	225	231
Union Pacific Corp.	4.163%	7/15/22	659	742
Union Pacific Corp.	3.250%	1/15/25	200	217
Union Pacific Corp.	3.250%	8/15/25	150	163
Union Pacific Corp.	2.750%	3/1/26	75	78
Union Pacific Corp.	3.375%	2/1/35	100	101
Union Pacific Corp.	4.750%	9/15/41	350	413
Union Pacific Corp.	4.750%	12/15/43	100	118
Union Pacific Corp.	4.821%	2/1/44	100	120
Union Pacific Corp.	4.050%	11/15/45	150	163
Union Pacific Corp.	4.050%	3/1/46	150	164
Union Pacific Corp.	3.875%	2/1/55	100	101
Union Pacific Corp.	4.375%	11/15/65	135	145
[4] United Airlines 2013-1 Class A Pass Through Trust	4.300%	2/15/27	139	150
[4] United Airlines 2014-1 Class A Pass Through Trust	4.000%	10/11/27	189	199
United Airlines 2015-1 Class A Pass Through Trust	3.700%	6/1/24	60	62
[4] United Airlines 2015-1 Class AA Pass Through Trust	3.450%	12/1/27	175	180
[4] United Airlines 2016-1 Class AA Pass Through Trust	3.100%	7/7/28	700	719
United Parcel Service Inc.	5.500%	1/15/18	175	187
United Parcel Service Inc.	5.125%	4/1/19	100	111
United Parcel Service Inc.	3.125%	1/15/21	275	295
United Parcel Service Inc.	2.450%	10/1/22	450	466
United Parcel Service Inc.	6.200%	1/15/38	278	399
United Parcel Service Inc.	4.875%	11/15/40	75	94
United Parcel Service Inc.	3.625%	10/1/42	75	80
[4] US Airways 2013-1 Class A Pass Through Trust	3.950%	5/15/27	131	137
[4] US Airways Inc. 2012-2 Class A Pass Through Trust	4.625%	12/3/26	40	43
				530,911
Utilities (2.2%)				
Electric (2.1%)				
AEP Texas Central Co.	6.650%	2/15/33	200	258
Alabama Power Co.	5.500%	10/15/17	230	243
Alabama Power Co.	6.125%	5/15/38	50	67
Alabama Power Co.	5.500%	3/15/41	50	64
Alabama Power Co.	5.200%	6/1/41	175	216
Alabama Power Co.	3.850%	12/1/42	25	26
Alabama Power Co.	4.150%	8/15/44	75	82
Alabama Power Co.	3.750%	3/1/45	150	156
Alabama Power Co.	4.300%	1/2/46	300	341
Ameren Corp.	2.700%	11/15/20	100	103
Ameren Corp.	3.650%	2/15/26	80	86
Ameren Illinois Co.	6.125%	11/15/17	25	27
Ameren Illinois Co.	2.700%	9/1/22	500	522
American Electric Power Co. Inc.	1.650%	12/15/17	150	150
American Electric Power Co. Inc.	2.950%	12/15/22	25	26
Appalachian Power Co.	4.600%	3/30/21	50	55
Appalachian Power Co.	6.700%	8/15/37	250	328
Arizona Public Service Co.	8.750%	3/1/19	200	237
Arizona Public Service Co.	3.350%	6/15/24	50	54
Arizona Public Service Co.	3.150%	5/15/25	200	213
Arizona Public Service Co.	4.500%	4/1/42	25	29
Arizona Public Service Co.	4.700%	1/15/44	100	120
Arizona Public Service Co.	4.350%	11/15/45	125	144
Arizona Public Service Co.	3.750%	5/15/46	200	209
Atlantic City Electric Co.	7.750%	11/15/18	100	115
Baltimore Gas & Electric Co.	3.500%	11/15/21	350	377
Berkshire Hathaway Energy Co.	5.750%	4/1/18	575	620
Berkshire Hathaway Energy Co.	2.000%	11/15/18	125	127
Berkshire Hathaway Energy Co.	3.750%	11/15/23	100	109
Berkshire Hathaway Energy Co.	3.500%	2/1/25	100	108
Berkshire Hathaway Energy Co.	5.950%	5/15/37	225	293
Berkshire Hathaway Energy Co.	5.150%	11/15/43	150	182
Berkshire Hathaway Energy Co.	4.500%	2/1/45	100	112
Black Hills Corp.	2.500%	1/11/19	75	77
Black Hills Corp.	3.950%	1/15/26	75	80
CenterPoint Energy Houston Electric LLC	1.850%	6/1/21	250	253
CenterPoint Energy Houston Electric LLC	6.950%	3/15/33	50	71
CenterPoint Energy Inc.	6.500%	5/1/18	200	217
[7] Cleco Corporate Holdings LLC	3.743%	5/1/26	100	103
[7] Cleco Corporate Holdings LLC	4.973%	5/1/46	125	131
Cleco Power LLC	6.000%	12/1/40	100	125
Cleveland Electric Illuminating Co.	5.500%	8/15/24	225	268
CMS Energy Corp.	8.750%	6/15/19	200	241

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
CMS Energy Corp.	3.875%	3/1/24	25	27
CMS Energy Corp.	3.600%	11/15/25	175	186
CMS Energy Corp.	3.000%	5/15/26	75	77
CMS Energy Corp.	4.700%	3/31/43	125	142
Commonwealth Edison Co.	6.150%	9/15/17	325	345
Commonwealth Edison Co.	5.800%	3/15/18	75	81
Commonwealth Edison Co.	4.000%	8/1/20	25	27
Commonwealth Edison Co.	5.900%	3/15/36	50	67
Commonwealth Edison Co.	6.450%	1/15/38	175	248
Commonwealth Edison Co.	4.600%	8/15/43	300	354
Commonwealth Edison Co.	4.700%	1/15/44	175	211
Commonwealth Edison Co.	3.700%	3/1/45	300	312
Commonwealth Edison Co.	3.650%	6/15/46	175	179
Connecticut Light & Power Co.	2.500%	1/15/23	125	128
Connecticut Light & Power Co.	4.300%	4/15/44	500	570
Consolidated Edison Co. of New York Inc.	6.650%	4/1/19	550	628
Consolidated Edison Co. of New York Inc.	4.450%	6/15/20	200	222
Consolidated Edison Co. of New York Inc.	5.300%	3/1/35	200	244
Consolidated Edison Co. of New York Inc.	5.850%	3/15/36	275	355
Consolidated Edison Co. of New York Inc.	6.200%	6/15/36	75	100
Consolidated Edison Co. of New York Inc.	4.450%	3/15/44	200	224
Consolidated Edison Co. of New York Inc.	4.500%	12/1/45	375	428
Consolidated Edison Co. of New York Inc.	3.850%	6/15/46	145	151
Consolidated Edison Inc.	2.000%	5/15/21	75	76
Constellation Energy Group Inc.	5.150%	12/1/20	200	224
Consumers Energy Co.	5.650%	9/15/18	285	312
Consumers Energy Co.	3.375%	8/15/23	275	297
Consumers Energy Co.	3.950%	5/15/43	75	82
Consumers Energy Co.	4.100%	11/15/45	50	56
Consumers Energy Co.	4.350%	8/31/64	50	55
Delmarva Power & Light Co.	3.500%	11/15/23	25	27
Delmarva Power & Light Co.	4.000%	6/1/42	50	53
Dominion Resources Inc.	6.400%	6/15/18	342	373
Dominion Resources Inc.	2.500%	12/1/19	50	51
Dominion Resources Inc.	3.625%	12/1/24	50	53
Dominion Resources Inc.	3.900%	10/1/25	125	134
Dominion Resources Inc.	6.300%	3/15/33	100	123
Dominion Resources Inc.	5.950%	6/15/35	225	274
Dominion Resources Inc.	4.050%	9/15/42	200	199
Dominion Resources Inc.	4.700%	12/1/44	175	190
[4] Dominion Resources Inc.	5.750%	10/1/54	100	99
DTE Electric Co.	3.900%	6/1/21	100	110
DTE Electric Co.	2.650%	6/15/22	325	338
DTE Electric Co.	3.650%	3/15/24	175	193
DTE Electric Co.	3.375%	3/1/25	150	163
DTE Electric Co.	3.950%	6/15/42	50	54
DTE Electric Co.	4.000%	4/1/43	225	247
DTE Electric Co.	3.700%	6/1/46	50	53
DTE Energy Co.	2.400%	12/1/19	300	306
Duke Energy Carolinas LLC	4.300%	6/15/20	325	361
Duke Energy Carolinas LLC	3.900%	6/15/21	500	552
Duke Energy Carolinas LLC	6.000%	12/1/28	125	162
Duke Energy Carolinas LLC	6.100%	6/1/37	100	133
Duke Energy Carolinas LLC	6.000%	1/15/38	25	34
Duke Energy Carolinas LLC	6.050%	4/15/38	25	34
Duke Energy Carolinas LLC	4.000%	9/30/42	75	81
Duke Energy Corp.	2.100%	6/15/18	75	76
Duke Energy Corp.	5.050%	9/15/19	250	276
Duke Energy Corp.	3.050%	8/15/22	75	78
Duke Energy Corp.	3.750%	4/15/24	325	350
Duke Energy Florida LLC	5.650%	6/15/18	75	82
[4] Duke Energy Florida LLC	1.196%	3/1/22	50	50
[4] Duke Energy Florida LLC	1.731%	9/1/22	50	50
[4] Duke Energy Florida LLC	2.538%	9/1/29	100	101
[4] Duke Energy Florida LLC	2.858%	3/1/33	50	51
[4] Duke Energy Florida LLC	3.112%	9/1/36	75	76
Duke Energy Florida LLC	6.350%	9/15/37	225	318
Duke Energy Florida LLC	6.400%	6/15/38	200	284
Duke Energy Florida LLC	3.850%	11/15/42	200	211
Duke Energy Indiana LLC	3.750%	7/15/20	25	27
Duke Energy Indiana LLC	6.350%	8/15/38	225	317
Duke Energy Indiana LLC	4.200%	3/15/42	400	438
Duke Energy Indiana LLC	3.750%	5/15/46	75	78
Duke Energy Ohio Inc.	3.700%	6/15/46	25	26
Duke Energy Progress LLC	5.300%	1/15/19	175	193
Duke Energy Progress LLC	2.800%	5/15/22	100	105
Duke Energy Progress LLC	4.375%	3/30/44	550	630
Edison International	2.950%	3/15/23	200	205
El Paso Electric Co.	6.000%	5/15/35	50	62
El Paso Electric Co.	5.000%	12/1/44	75	86
[7] Emera US Finance LP	2.150%	6/15/19	50	51
[7] Emera US Finance LP	2.700%	6/15/21	75	76
[7] Emera US Finance LP	3.550%	6/15/26	100	102
[7] Emera US Finance LP	4.750%	6/15/46	505	515
Entergy Arkansas Inc.	3.750%	2/15/21	75	82
Entergy Gulf States Louisiana LLC	6.000%	5/1/18	200	217
Entergy Louisiana LLC	5.400%	11/1/24	475	581
Entergy Louisiana LLC	3.050%	6/1/31	175	179
Entergy Louisiana LLC	4.950%	1/15/45	150	158
Entergy Texas Inc.	7.125%	2/1/19	175	198
Eversource Energy	1.450%	5/1/18	100	100
Eversource Energy	4.500%	11/15/19	75	82
Eversource Energy	3.150%	1/15/25	125	130
Eversource Energy	3.350%	3/15/26	100	106
Exelon Corp.	2.850%	6/15/20	75	78
Exelon Corp.	3.950%	6/15/25	200	216
Exelon Corp.	3.400%	4/15/26	200	209
Exelon Corp.	4.950%	6/15/35	225	254
Exelon Corp.	5.625%	6/15/35	20	24
Exelon Corp.	5.100%	6/15/45	250	285
Exelon Corp.	4.450%	4/15/46	175	188
Exelon Generation Co. LLC	6.200%	10/1/17	125	132
Exelon Generation Co. LLC	2.950%	1/15/20	400	411
Exelon Generation Co. LLC	4.000%	10/1/20	100	107
Exelon Generation Co. LLC	5.600%	6/15/42	205	215
FirstEnergy Solutions Corp.	6.800%	8/15/39	125	126
Florida Power & Light Co.	5.550%	11/1/17	75	79
Florida Power & Light Co.	5.625%	4/1/34	25	32
Florida Power & Light Co.	5.650%	2/1/37	96	127
Florida Power & Light Co.	5.960%	4/1/39	475	661
Florida Power & Light Co.	3.800%	12/15/42	150	163
Georgia Power Co.	1.950%	12/1/18	140	142
Georgia Power Co.	2.400%	4/1/21	350	362
Georgia Power Co.	3.250%	4/1/26	100	106
Georgia Power Co.	5.650%	3/1/37	50	62
Georgia Power Co.	5.400%	6/1/40	300	370
Georgia Power Co.	4.300%	3/15/43	100	110
Great Plains Energy Inc.	4.850%	6/1/21	250	275
Iberdrola International BV	6.750%	7/15/36	75	97
Interstate Power & Light Co.	3.250%	12/1/24	50	54
Interstate Power & Light Co.	6.250%	7/15/39	50	70
ITC Holdings Corp.	4.050%	7/1/23	75	80
ITC Holdings Corp.	5.300%	7/1/43	175	196
[4] John Sevier Combined Cycle Generation LLC	4.626%	1/15/42	71	83
Kansas City Power & Light Co.	6.050%	11/15/35	50	63
Kansas City Power & Light Co.	5.300%	10/1/41	100	120
Kentucky Utilities Co.	3.250%	11/1/20	50	53
Kentucky Utilities Co.	5.125%	11/1/40	125	157
Kentucky Utilities Co.	4.650%	11/15/43	250	296

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Kentucky Utilities Co.	4.375%	10/1/45	25	29
Louisville Gas & Electric Co.	5.125%	11/15/40	125	155
Louisville Gas & Electric Co.	4.650%	11/15/43	25	30
MidAmerican Energy Co.	5.300%	3/15/18	50	53
MidAmerican Energy Co.	6.750%	12/30/31	125	174
MidAmerican Energy Co.	5.750%	11/1/35	125	163
Mississippi Power Co.	4.250%	3/15/42	150	134
National Rural Utilities Cooperative Finance Corp.	5.450%	2/1/18	200	213
National Rural Utilities Cooperative Finance Corp.	1.650%	2/8/19	200	202
National Rural Utilities Cooperative Finance Corp.	2.300%	11/15/19	175	180
National Rural Utilities Cooperative Finance Corp.	2.000%	1/27/20	300	305
National Rural Utilities Cooperative Finance Corp.	2.350%	6/15/20	375	387
National Rural Utilities Cooperative Finance Corp.	2.300%	11/1/20	425	440
National Rural Utilities Cooperative Finance Corp.	2.700%	2/15/23	200	208
National Rural Utilities Cooperative Finance Corp.	4.023%	11/1/32	204	220
[4] National Rural Utilities Cooperative Finance Corp.	4.750%	4/30/43	25	25
[4] National Rural Utilities Cooperative Finance Corp.	5.250%	4/20/46	75	77
Nevada Power Co.	7.125%	3/15/19	550	635
NextEra Energy Capital Holdings Inc.	2.400%	9/15/19	425	434
NextEra Energy Capital Holdings Inc.	3.625%	6/15/23	625	658
[4] NextEra Energy Capital Holdings Inc.	6.650%	6/15/67	75	61
Northern States Power Co.	5.250%	3/1/18	175	187
Northern States Power Co.	2.200%	8/15/20	50	52
Northern States Power Co.	6.250%	6/1/36	75	104
Northern States Power Co.	6.200%	7/1/37	50	71
Northern States Power Co.	5.350%	11/1/39	175	229
Northern States Power Co.	4.000%	8/15/45	50	57
Northern States Power Co.	3.600%	5/15/46	50	53
NorthWestern Corp.	4.176%	11/15/44	75	82
NSTAR Electric Co.	5.625%	11/15/17	150	159
NSTAR Electric Co.	2.375%	10/15/22	150	154
NSTAR Electric Co.	5.500%	3/15/40	75	98
Oglethorpe Power Corp.	6.100%	3/15/19	90	100
Oglethorpe Power Corp.	5.950%	11/1/39	50	62
Oglethorpe Power Corp.	5.375%	11/1/40	125	151
Oglethorpe Power Corp.	4.250%	4/1/46	75	79
Ohio Edison Co.	8.250%	10/15/38	100	150
Oklahoma Gas & Electric Co.	5.850%	6/1/40	100	129
Oklahoma Gas & Electric Co.	3.900%	5/1/43	50	51
Oklahoma Gas & Electric Co.	4.000%	12/15/44	150	159
Oncor Electric Delivery Co. LLC	4.100%	6/1/22	175	194
Oncor Electric Delivery Co. LLC	7.250%	1/15/33	125	180
Oncor Electric Delivery Co. LLC	7.500%	9/1/38	125	182
Pacific Gas & Electric Co.	5.625%	11/30/17	150	159
Pacific Gas & Electric Co.	8.250%	10/15/18	220	254
Pacific Gas & Electric Co.	3.250%	6/15/23	300	320
Pacific Gas & Electric Co.	3.750%	2/15/24	50	55
Pacific Gas & Electric Co.	3.400%	8/15/24	50	54
Pacific Gas & Electric Co.	3.500%	6/15/25	50	54
Pacific Gas & Electric Co.	6.050%	3/1/34	625	833
Pacific Gas & Electric Co.	6.350%	2/15/38	100	136
Pacific Gas & Electric Co.	5.400%	1/15/40	250	319
Pacific Gas & Electric Co.	4.450%	4/15/42	225	253
Pacific Gas & Electric Co.	4.600%	6/15/43	375	430
Pacific Gas & Electric Co.	4.750%	2/15/44	150	177
Pacific Gas & Electric Co.	4.250%	3/15/46	175	195
PacifiCorp	5.650%	7/15/18	100	109
PacifiCorp	3.600%	4/1/24	125	137
PacifiCorp	7.700%	11/15/31	600	931
PacifiCorp	5.250%	6/15/35	100	123
PECO Energy Co.	5.350%	3/1/18	50	53
PECO Energy Co.	2.375%	9/15/22	75	77
Pennsylvania Electric Co.	6.050%	9/1/17	85	89
PG&E Corp.	2.400%	3/1/19	100	102
Potomac Electric Power Co.	6.500%	11/15/37	100	140
PPL Capital Funding Inc.	1.900%	6/1/18	50	50
PPL Capital Funding Inc.	3.500%	12/1/22	115	121
PPL Capital Funding Inc.	3.400%	6/1/23	100	104
PPL Capital Funding Inc.	3.950%	3/15/24	50	54
PPL Capital Funding Inc.	4.700%	6/1/43	25	27
PPL Capital Funding Inc.	5.000%	3/15/44	350	397
PPL Electric Utilities Corp.	3.000%	9/15/21	125	133
PPL Electric Utilities Corp.	4.125%	6/15/44	50	55
Progress Energy Inc.	7.050%	3/15/19	400	457
Progress Energy Inc.	4.400%	1/15/21	100	109
Progress Energy Inc.	3.150%	4/1/22	40	42
Progress Energy Inc.	7.000%	10/30/31	119	160
Progress Energy Inc.	6.000%	12/1/39	25	32
PSEG Power LLC	8.625%	4/15/31	381	477
Public Service Co. of Colorado	5.125%	6/1/19	275	307
Public Service Co. of Colorado	3.200%	11/15/20	25	27
Public Service Co. of Colorado	2.900%	5/15/25	100	105
Public Service Co. of Colorado	4.750%	8/15/41	75	91
Public Service Co. of Colorado	3.600%	9/15/42	175	182
Public Service Co. of New Hampshire	3.500%	11/1/23	50	54
Public Service Co. of Oklahoma	4.400%	2/1/21	75	82
Public Service Co. of Oklahoma	6.625%	11/15/37	200	258
Public Service Electric & Gas Co.	5.300%	5/1/18	85	91
Public Service Electric & Gas Co.	2.300%	9/15/18	125	128
Public Service Electric & Gas Co.	1.800%	6/1/19	50	51
Public Service Electric & Gas Co.	1.900%	3/15/21	150	153
Public Service Electric & Gas Co.	3.050%	11/15/24	100	107
Public Service Electric & Gas Co.	3.000%	5/15/25	80	86
Public Service Electric & Gas Co.	4.000%	6/1/44	500	559
Public Service Electric & Gas Co.	4.050%	5/1/45	100	113
Public Service Electric & Gas Co.	4.150%	11/1/45	50	57
Public Service Electric & Gas Co.	3.800%	3/1/46	250	271
Puget Energy Inc.	6.000%	9/1/21	100	116
Puget Energy Inc.	3.650%	5/15/25	400	411
Puget Sound Energy Inc.	5.483%	6/1/35	25	31
Puget Sound Energy Inc.	6.274%	3/15/37	125	172
Puget Sound Energy Inc.	5.757%	10/1/39	75	101
Puget Sound Energy Inc.	5.764%	7/15/40	100	134
Puget Sound Energy Inc.	4.434%	11/15/41	150	172
San Diego Gas & Electric Co.	2.500%	5/15/26	250	254
San Diego Gas & Electric Co.	5.350%	5/15/35	25	31
San Diego Gas & Electric Co.	5.350%	5/15/40	50	64
San Diego Gas & Electric Co.	4.500%	8/15/40	150	175
San Diego Gas & Electric Co.	3.950%	11/15/41	175	190
San Diego Gas & Electric Co.	4.300%	4/1/42	50	57
SCANA Corp.	4.750%	5/15/21	125	134
SCANA Corp.	4.125%	2/1/22	50	52
Sierra Pacific Power Co.	3.375%	8/15/23	50	54
[7] Sierra Pacific Power Co.	2.600%	5/1/26	100	102
Sierra Pacific Power Co.	6.750%	7/1/37	150	215
South Carolina Electric & Gas Co.	6.500%	11/1/18	200	223
South Carolina Electric & Gas Co.	6.050%	1/15/38	25	32
South Carolina Electric & Gas Co.	5.450%	2/1/41	100	124
South Carolina Electric & Gas Co.	4.100%	6/15/46	350	370
South Carolina Electric & Gas Co.	4.500%	6/1/64	100	104
South Carolina Electric & Gas Co.	5.100%	6/1/65	100	116
Southern California Edison Co.	3.875%	6/1/21	275	303
[4] Southern California Edison Co.	1.845%	2/1/22	86	85
Southern California Edison Co.	2.400%	2/1/22	300	309
Southern California Edison Co.	3.500%	10/1/23	175	192
Southern California Edison Co.	6.650%	4/1/29	75	101
Southern California Edison Co.	6.000%	1/15/34	50	66
Southern California Edison Co.	5.750%	4/1/35	75	98
Southern California Edison Co.	5.350%	7/15/35	100	124
Southern California Edison Co.	5.625%	2/1/36	125	162
Southern California Edison Co.	5.950%	2/1/38	100	135
Southern California Edison Co.	4.500%	9/1/40	75	87

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Southern California Edison Co.	3.900%	12/1/41	40	43
Southern California Edison Co.	4.050%	3/15/42	125	137
Southern California Edison Co.	4.650%	10/1/43	135	164
Southern Co.	1.300%	8/15/17	75	75
Southern Co.	1.550%	7/1/18	100	101
Southern Co.	1.850%	7/1/19	75	76
Southern Co.	2.150%	9/1/19	50	51
Southern Co.	2.750%	6/15/20	250	259
Southern Co.	2.350%	7/1/21	175	178
Southern Co.	2.950%	7/1/23	125	129
Southern Co.	3.250%	7/1/26	300	312
Southern Co.	4.250%	7/1/36	250	265
Southern Co.	4.400%	7/1/46	300	321
Southern Power Co.	1.850%	12/1/17	750	757
Southern Power Co.	1.500%	6/1/18	75	75
Southern Power Co.	2.375%	6/1/20	50	51
Southern Power Co.	4.150%	12/1/25	200	216
Southern Power Co.	5.150%	9/15/41	100	108
Southern Power Co.	5.250%	7/15/43	50	55
Southwestern Electric Power Co.	6.450%	1/15/19	100	112
Southwestern Electric Power Co.	3.550%	2/15/22	25	27
Southwestern Electric Power Co.	6.200%	3/15/40	50	62
Southwestern Electric Power Co.	3.900%	4/1/45	100	99
Southwestern Public Service Co.	3.300%	6/15/24	315	337
Southwestern Public Service Co.	4.500%	8/15/41	100	116
System Energy Resources Inc.	4.100%	4/1/23	50	53
Tampa Electric Co.	6.100%	5/15/18	100	108
Tampa Electric Co.	2.600%	9/15/22	75	77
Tampa Electric Co.	6.550%	5/15/36	25	34
Tampa Electric Co.	4.100%	6/15/42	50	54
Tampa Electric Co.	4.200%	5/15/45	250	273
TECO Finance Inc.	5.150%	3/15/20	50	56
Toledo Edison Co.	6.150%	5/15/37	100	123
TransAlta Corp.	6.900%	5/15/18	150	155
TransAlta Corp.	4.500%	11/15/22	100	91
Tri-State Generation & Transmission Assn. Inc.	3.700%	11/1/24	50	53
Tri-State Generation & Transmission Assn. Inc.	4.700%	11/1/44	25	28
[7] Tri-State Generation & Transmission Assn. Inc.	4.250%	6/1/46	100	106
Tucson Electric Power Co.	5.150%	11/15/21	50	57
Tucson Electric Power Co.	3.050%	3/15/25	50	50
UIL Holdings Corp.	4.625%	10/1/20	75	81
Union Electric Co.	3.500%	4/15/24	225	244
Union Electric Co.	8.450%	3/15/39	150	249
Union Electric Co.	3.650%	4/15/45	125	129
Virginia Electric & Power Co.	3.450%	2/15/24	50	54
Virginia Electric & Power Co.	6.000%	1/15/36	125	165
Virginia Electric & Power Co.	6.000%	5/15/37	100	134
Virginia Electric & Power Co.	6.350%	11/30/37	50	69
Virginia Electric & Power Co.	4.000%	1/15/43	250	267
Virginia Electric & Power Co.	4.650%	8/15/43	125	148
Virginia Electric & Power Co.	4.450%	2/15/44	675	773
WEC Energy Group Inc.	1.650%	6/15/18	50	50
WEC Energy Group Inc.	2.450%	6/15/20	75	77
WEC Energy Group Inc.	3.550%	6/15/25	200	215
[4] WEC Energy Group Inc.	6.250%	5/15/67	150	117
Westar Energy Inc.	2.550%	7/1/26	150	150
Westar Energy Inc.	4.125%	3/1/42	200	220
Westar Energy Inc.	4.100%	4/1/43	50	55
Westar Energy Inc.	4.625%	9/1/43	25	30
Westar Energy Inc.	4.250%	12/1/45	25	28
Western Massachusetts Electric Co.	3.500%	9/15/21	75	80
Wisconsin Electric Power Co.	4.250%	6/1/44	100	112
Wisconsin Power & Light Co.	5.000%	7/15/19	65	71
Wisconsin Power & Light Co.	2.250%	11/15/22	75	76
Wisconsin Power & Light Co.	6.375%	8/15/37	100	140
Wisconsin Power & Light Co.	4.100%	10/15/44	75	83
Xcel Energy Inc.	4.700%	5/15/20	100	111
Xcel Energy Inc.	2.400%	3/15/21	100	103
Xcel Energy Inc.	3.300%	6/1/25	525	554
Natural Gas (0.1%)				
AGL Capital Corp.	3.500%	9/15/21	325	345
AGL Capital Corp.	3.250%	6/15/26	75	77
AGL Capital Corp.	5.875%	3/15/41	75	92
AGL Capital Corp.	4.400%	6/1/43	50	51
Atmos Energy Corp.	8.500%	3/15/19	75	88
Atmos Energy Corp.	5.500%	6/15/41	300	382
British Transco Finance Inc.	6.625%	6/1/18	50	55
CenterPoint Energy Resources Corp.	4.500%	1/15/21	50	54
CenterPoint Energy Resources Corp.	5.850%	1/15/41	250	290
KeySpan Corp.	8.000%	11/15/30	75	106
NiSource Finance Corp.	6.400%	3/15/18	30	33
NiSource Finance Corp.	6.800%	1/15/19	75	84
NiSource Finance Corp.	5.450%	9/15/20	225	255
NiSource Finance Corp.	6.125%	3/1/22	75	90
NiSource Finance Corp.	6.250%	12/15/40	150	195
NiSource Finance Corp.	5.800%	2/1/42	150	192
NiSource Finance Corp.	4.800%	2/15/44	125	144
ONE Gas Inc.	2.070%	2/1/19	75	76
ONE Gas Inc.	4.658%	2/1/44	25	29
Piedmont Natural Gas Co. Inc.	4.650%	8/1/43	50	57
Sempra Energy	6.150%	6/15/18	548	596
Sempra Energy	2.850%	11/15/20	395	410
Sempra Energy	2.875%	10/1/22	100	102
Sempra Energy	3.750%	11/15/25	105	112
Sempra Energy	6.000%	10/15/39	300	369
Southern California Gas Co.	2.600%	6/15/26	200	205
Southern California Gas Co.	3.750%	9/15/42	25	27
Southern California Gas Co.	4.450%	3/15/44	50	59
Spire Inc.	4.700%	8/15/44	100	105
Other Utility (0.0%)				
American Water Capital Corp.	6.085%	10/15/17	200	212
American Water Capital Corp.	3.400%	3/1/25	75	81
American Water Capital Corp.	6.593%	10/15/37	150	215
American Water Capital Corp.	4.300%	9/1/45	100	114
United Utilities plc	5.375%	2/1/19	325	349
				69,102
Total Corporate Bonds (Cost $810,466)				863,390
Sovereign Bonds (U.S. Dollar-Denominated) (5.2%)				
African Development Bank	1.125%	3/15/17	300	301
African Development Bank	0.875%	3/15/18	150	150
African Development Bank	1.625%	10/2/18	300	306
African Development Bank	1.000%	5/15/19	200	201
African Development Bank	2.375%	9/23/21	650	684
Agricultural Bank Of China	2.000%	5/21/18	250	252
Asian Development Bank	0.750%	1/11/17	300	300
Asian Development Bank	1.125%	3/15/17	600	602
Asian Development Bank	0.875%	4/26/18	600	601
Asian Development Bank	5.593%	7/16/18	275	301
Asian Development Bank	1.750%	9/11/18	225	230
Asian Development Bank	1.875%	10/23/18	950	973
Asian Development Bank	1.375%	1/15/19	500	505
Asian Development Bank	1.750%	3/21/19	25	26
Asian Development Bank	1.875%	4/12/19	50	51
Asian Development Bank	1.500%	1/22/20	700	710
Asian Development Bank	1.625%	3/16/21	1,000	1,020
Asian Development Bank	1.875%	2/18/22	600	615
Asian Development Bank	2.000%	1/22/25	300	309
Asian Development Bank	2.000%	4/24/26	100	102
[7] Bank of England	1.250%	3/14/19	50	50
Canada	0.875%	2/14/17	450	450
Canada	1.125%	3/19/18	450	453
CNOOC Finance 2013 Ltd.	3.000%	5/9/23	150	149

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
CNOOC Finance 2015 Australia Pty Ltd.	2.625%	5/5/20	300	301
CNOOC Finance 2015 USA LLC	3.500%	5/5/25	500	506
CNOOC Nexen Finance 2014 ULC	1.625%	4/30/17	700	701
CNOOC Nexen Finance 2014 ULC	4.250%	4/30/24	300	320
Corp. Andina de Fomento	8.125%	6/4/19	300	354
Corp. Andina de Fomento	4.375%	6/15/22	832	925
Council Of Europe Development Bank	1.500%	6/19/17	50	50
Council Of Europe Development Bank	1.000%	3/7/18	275	276
Council Of Europe Development Bank	1.125%	5/31/18	200	201
Council Of Europe Development Bank	1.625%	3/10/20	300	306
Council Of Europe Development Bank	1.625%	3/16/21	200	203
Ecopetrol SA	4.250%	9/18/18	100	103
Ecopetrol SA	5.875%	9/18/23	225	232
Ecopetrol SA	4.125%	1/16/25	775	709
Ecopetrol SA	5.375%	6/26/26	250	241
Ecopetrol SA	7.375%	9/18/43	100	100
Ecopetrol SA	5.875%	5/28/45	200	174
Emirates Telecommunications Group Co. PJSC	3.500%	6/18/24	200	209
European Bank for Reconstruction & Development	0.750%	9/1/17	700	700
European Bank for Reconstruction & Development	1.000%	9/17/18	150	151
European Bank for Reconstruction & Development	1.625%	11/15/18	200	204
European Bank for Reconstruction & Development	1.750%	6/14/19	275	281
European Bank for Reconstruction & Development	1.750%	11/26/19	500	512
European Bank for Reconstruction & Development	1.500%	3/16/20	350	355
European Bank for Reconstruction & Development	1.875%	2/23/22	200	206
European Investment Bank	5.125%	5/30/17	675	702
European Investment Bank	1.000%	8/17/17	250	251
European Investment Bank	1.125%	9/15/17	400	402
European Investment Bank	1.000%	12/15/17	250	251
European Investment Bank	1.000%	3/15/18	200	200
European Investment Bank	1.250%	5/15/18	900	908
European Investment Bank	1.000%	6/15/18	650	653
European Investment Bank	1.125%	8/15/18	350	352
European Investment Bank	1.625%	12/18/18	400	407
European Investment Bank	1.875%	3/15/19	1,500	1,536
European Investment Bank	1.750%	6/17/19	885	903
European Investment Bank	1.125%	8/15/19	2,500	2,513
European Investment Bank	1.625%	3/16/20	275	280
European Investment Bank	1.375%	6/15/20	1,825	1,842
European Investment Bank	2.875%	9/15/20	1,025	1,094
European Investment Bank	1.625%	12/15/20	125	127
European Investment Bank	4.000%	2/16/21	25	28
European Investment Bank	2.000%	3/15/21	1,550	1,600
European Investment Bank	2.500%	4/15/21	850	896
European Investment Bank	1.625%	6/15/21	1,000	1,012
European Investment Bank	2.125%	10/15/21	100	103
European Investment Bank	3.250%	1/29/24	400	448
European Investment Bank	2.500%	10/15/24	200	213
European Investment Bank	1.875%	2/10/25	1,050	1,068
Export Development Canada	1.250%	10/26/16	100	100
[8] Export Development Canada	1.000%	5/15/17	25	25
Export Development Canada	0.750%	12/15/17	575	575
Export Development Canada	1.000%	6/15/18	575	578
[8] Export Development Canada	1.625%	12/3/19	150	153
Export Development Canada	1.500%	5/26/21	500	508
Export-Import Bank of Korea	1.750%	2/27/18	625	627
Export-Import Bank of Korea	2.875%	9/17/18	200	205
Export-Import Bank of Korea	2.375%	8/12/19	200	204
Export-Import Bank of Korea	2.500%	5/10/21	300	306
Export-Import Bank of Korea	4.375%	9/15/21	75	84
Export-Import Bank of Korea	5.000%	4/11/22	275	316
Export-Import Bank of Korea	4.000%	1/14/24	650	727
Export-Import Bank of Korea	2.625%	5/26/26	200	205
FMS Wertmanagement AoeR	1.125%	9/5/17	150	151
FMS Wertmanagement AoeR	1.000%	11/21/17	200	201
FMS Wertmanagement AoeR	1.625%	11/20/18	500	509
FMS Wertmanagement AoeR	1.750%	3/17/20	150	154
Hydro-Quebec	8.400%	1/15/22	775	1,026
Hydro-Quebec	8.050%	7/7/24	200	281
Industrial & Commercial Bank of China Ltd.	2.351%	11/13/17	250	252
Industrial & Commercial Bank of China Ltd.	3.231%	11/13/19	250	259
Industrial & Commercial Bank of China Ltd.	2.635%	5/26/21	250	253
Inter-American Development Bank	1.000%	7/14/17	425	427
Inter-American Development Bank	2.375%	8/15/17	100	102
Inter-American Development Bank	0.875%	3/15/18	150	150
Inter-American Development Bank	1.750%	8/24/18	275	280
Inter-American Development Bank	1.125%	8/28/18	500	503
Inter-American Development Bank	4.250%	9/10/18	1,050	1,128
Inter-American Development Bank	1.000%	5/13/19	300	301
Inter-American Development Bank	1.125%	9/12/19	100	101
Inter-American Development Bank	3.875%	9/17/19	1,350	1,472
Inter-American Development Bank	1.750%	10/15/19	600	613
Inter-American Development Bank	3.875%	2/14/20	50	55
Inter-American Development Bank	1.875%	6/16/20	275	283
Inter-American Development Bank	1.750%	4/14/22	800	818
Inter-American Development Bank	3.000%	2/21/24	650	718
Inter-American Development Bank	2.125%	1/15/25	400	416
Inter-American Development Bank	7.000%	6/15/25	100	136
Inter-American Development Bank	2.000%	6/2/26	1,000	1,028
International Bank for Reconstruction & Development	0.875%	4/17/17	1,450	1,452
International Bank for Reconstruction & Development	1.000%	11/15/17	200	201
International Bank for Reconstruction & Development	1.375%	4/10/18	550	555
International Bank for Reconstruction & Development	1.000%	6/15/18	1,000	1,002
International Bank for Reconstruction & Development	0.875%	7/19/18	1,100	1,102
International Bank for Reconstruction & Development	1.875%	3/15/19	1,225	1,255
International Bank for Reconstruction & Development	1.250%	7/26/19	1,200	1,214
International Bank for Reconstruction & Development	1.875%	10/7/19	600	615
International Bank for Reconstruction & Development	1.375%	3/30/20	100	101
International Bank for Reconstruction & Development	1.625%	3/9/21	1,100	1,118
International Bank for Reconstruction & Development	1.375%	5/24/21	1,100	1,110
International Bank for Reconstruction & Development	2.250%	6/24/21	450	470
International Bank for Reconstruction & Development	1.625%	2/10/22	1,025	1,041
International Bank for Reconstruction & Development	2.500%	7/29/25	1,000	1,072
International Bank for Reconstruction & Development	4.750%	2/15/35	400	535
International Finance Corp.	1.125%	11/23/16	750	751
International Finance Corp.	0.625%	12/21/17	250	249
International Finance Corp.	0.875%	6/15/18	300	300
International Finance Corp.	1.250%	7/16/18	150	151
International Finance Corp.	1.750%	9/4/18	350	356
International Finance Corp.	1.750%	9/16/19	300	307
International Finance Corp.	2.125%	4/7/26	1,000	1,039
[9] Japan Bank for International Cooperation	1.125%	7/19/17	950	950
[9] Japan Bank for International Cooperation	1.750%	7/31/18	150	151

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[9] Japan Bank for International Cooperation	1.750%	11/13/18	400	404
[9] Japan Bank for International Cooperation	1.875%	4/20/21	300	302
[9] Japan Bank for International Cooperation	3.375%	7/31/23	100	111
[9] Japan Bank for International Cooperation	3.000%	5/29/24	500	539
[9] Japan Bank for International Cooperation	2.125%	2/10/25	200	202
[9] Japan Bank for International Cooperation	2.500%	5/28/25	200	211
[9] Japan Bank for International Cooperation	2.375%	4/20/26	200	209
[9] Japan Finance Organization for Municipalities	5.000%	5/16/17	100	103
[9] Japan Finance Organization for Municipalities	4.000%	1/13/21	300	329
[10] KFW	0.875%	9/5/17	250	251
[10] KFW	0.875%	12/15/17	700	701
[10] KFW	1.000%	1/26/18	300	301
[10] KFW	4.375%	3/15/18	250	265
[10] KFW	0.875%	4/19/18	2,000	2,004
[10] KFW	1.000%	6/11/18	300	301
[10] KFW	1.125%	8/6/18	600	604
[10] KFW	1.875%	4/1/19	775	796
[10] KFW	4.875%	6/17/19	1,350	1,502
[10] KFW	1.750%	10/15/19	200	205
[10] KFW	4.000%	1/27/20	50	55
[10] KFW	1.500%	4/20/20	625	635
[10] KFW	1.875%	6/30/20	1,100	1,133
[10] KFW	2.750%	9/8/20	3,200	3,406
[10] KFW	2.750%	10/1/20	200	213
[10] KFW	1.625%	3/15/21	900	918
[10] KFW	1.500%	6/15/21	1,700	1,722
[10] KFW	2.000%	10/4/22	650	670
[10] KFW	2.125%	1/17/23	1,025	1,066
[10] KFW	2.500%	11/20/24	800	849
[10] KFW	2.000%	5/2/25	300	307
[10] KFW	0.000%	4/18/36	400	240
Korea Development Bank	3.250%	9/20/16	250	251
Korea Development Bank	2.250%	8/7/17	25	25
Korea Development Bank	1.500%	1/22/18	250	250
Korea Development Bank	3.000%	3/17/19	200	207
Korea Development Bank	4.625%	11/16/21	150	170
Korea Development Bank	3.000%	9/14/22	750	791
Korea Development Bank	3.750%	1/22/24	400	435
[10] Landwirtschaftliche Rentenbank	0.875%	9/12/17	725	725
[10] Landwirtschaftliche Rentenbank	1.000%	4/4/18	100	100
[10] Landwirtschaftliche Rentenbank	1.875%	9/17/18	150	152
[10] Landwirtschaftliche Rentenbank	1.750%	4/15/19	75	76
[10] Landwirtschaftliche Rentenbank	1.375%	10/23/19	50	50
[10] Landwirtschaftliche Rentenbank	2.000%	1/13/25	850	859
[10] Landwirtschaftliche Rentenbank	2.375%	6/10/25	475	494
Nexen Energy ULC	7.875%	3/15/32	50	69
Nexen Energy ULC	6.400%	5/15/37	450	561
Nexen Energy ULC	7.500%	7/30/39	200	277
Nordic Investment Bank	1.125%	3/19/18	200	201
Nordic Investment Bank	1.875%	6/14/19	300	308
Nordic Investment Bank	1.500%	9/29/20	200	204
North American Development Bank	4.375%	2/11/20	100	109
[11] Oesterreichische Kontrollbank AG	5.000%	4/25/17	600	620
[11] Oesterreichische Kontrollbank AG	1.125%	4/26/19	350	349
[11] Oesterreichische Kontrollbank AG	1.375%	2/10/20	700	698
[11] Oesterreichische Kontrollbank AG	1.500%	10/21/20	300	302
[4] Oriental Republic of Uruguay	4.500%	8/14/24	225	243
[4] Oriental Republic of Uruguay	4.375%	10/27/27	75	79
[4] Oriental Republic of Uruguay	7.625%	3/21/36	200	269
[4] Oriental Republic of Uruguay	4.125%	11/20/45	300	267
[4] Oriental Republic of Uruguay	5.100%	6/18/50	600	598
Petroleos Mexicanos	5.750%	3/1/18	625	656
[7] Petroleos Mexicanos	5.500%	2/4/19	500	527
Petroleos Mexicanos	8.000%	5/3/19	500	559
Petroleos Mexicanos	6.000%	3/5/20	100	108
Petroleos Mexicanos	3.500%	7/23/20	100	99
Petroleos Mexicanos	5.500%	1/21/21	350	370
[7] Petroleos Mexicanos	6.375%	2/4/21	1,251	1,358
Petroleos Mexicanos	6.375%	2/4/21	200	217
Petroleos Mexicanos	4.875%	1/24/22	300	306
Petroleos Mexicanos	3.500%	1/30/23	225	212
Petroleos Mexicanos	4.875%	1/18/24	350	353
Petroleos Mexicanos	2.378%	4/15/25	45	46
Petroleos Mexicanos	4.500%	1/23/26	125	121
[7] Petroleos Mexicanos	6.875%	8/4/26	797	890
Petroleos Mexicanos	6.625%	6/15/35	625	647
Petroleos Mexicanos	6.625%	6/15/38	150	152
Petroleos Mexicanos	6.500%	6/2/41	400	405
Petroleos Mexicanos	5.500%	6/27/44	575	521
Petroleos Mexicanos	5.625%	1/23/46	950	866
[12] Power Sector Assets & Liabilities Management Corp.	9.625%	5/15/28	35	55
Province of British Columbia	1.200%	4/25/17	100	100
Province of British Columbia	2.000%	10/23/22	200	207
Province of British Columbia	2.250%	6/2/26	300	309
Province of Manitoba	1.300%	4/3/17	75	75
Province of Manitoba	1.125%	6/1/18	150	151
Province of Manitoba	1.750%	5/30/19	175	178
Province of Manitoba	2.050%	11/30/20	300	309
Province of Manitoba	2.100%	9/6/22	150	153
Province of Manitoba	3.050%	5/14/24	250	270
Province of Manitoba	2.125%	6/22/26	90	90
Province of Ontario	1.100%	10/25/17	250	251
Province of Ontario	3.150%	12/15/17	225	232
Province of Ontario	3.000%	7/16/18	225	234
Province of Ontario	2.000%	9/27/18	200	204
Province of Ontario	1.250%	6/17/19	500	503
Province of Ontario	1.650%	9/27/19	225	228
Province of Ontario	4.000%	10/7/19	575	625
Province of Ontario	4.400%	4/14/20	1,200	1,333
Province of Ontario	2.500%	9/10/21	575	601
Province of Ontario	2.450%	6/29/22	150	156
Province of Ontario	3.200%	5/16/24	150	164
Province of Ontario	2.500%	4/27/26	250	258
Quebec	4.625%	5/14/18	575	614
Quebec	3.500%	7/29/20	350	379
Quebec	2.750%	8/25/21	325	344
Quebec	2.625%	2/13/23	400	420
Quebec	2.500%	4/20/26	200	206
Quebec	7.500%	9/15/29	325	494
Republic of Chile	2.250%	10/30/22	175	176
Republic of Chile	3.125%	1/21/26	935	963
Republic of Chile	3.625%	10/30/42	75	75
Republic of Colombia	7.375%	3/18/19	400	456
Republic of Colombia	4.375%	7/12/21	450	481
Republic of Colombia	4.000%	2/26/24	900	939
Republic of Colombia	8.125%	5/21/24	500	650
[4] Republic of Colombia	4.500%	1/28/26	130	139
Republic of Colombia	7.375%	9/18/37	100	130
Republic of Colombia	6.125%	1/18/41	575	663
[4] Republic of Colombia	5.625%	2/26/44	500	553
[4] Republic of Colombia	5.000%	6/15/45	300	311
Republic of Italy	5.375%	6/12/17	300	311
Republic of Italy	6.875%	9/27/23	975	1,223
Republic of Italy	5.375%	6/15/33	175	212
Republic of Korea	7.125%	4/16/19	800	927
Republic of Korea	3.875%	9/11/23	200	228
Republic of Korea	5.625%	11/3/25	100	131
Republic of Panama	5.200%	1/30/20	200	221
[4] Republic of Panama	4.000%	9/22/24	200	215
[4] Republic of Panama	3.750%	3/16/25	200	211
Republic of Panama	7.125%	1/29/26	600	789
[4] Republic of Panama	3.875%	3/17/28	300	316

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[4] Republic of Panama	6.700%	1/26/36	292	387
[4] Republic of Panama	4.300%	4/29/53	200	204
Republic of Peru	7.125%	3/30/19	150	173
Republic of Peru	7.350%	7/21/25	425	579
Republic of Peru	4.125%	8/25/27	200	219
Republic of Peru	8.750%	11/21/33	445	699
[4] Republic of Peru	6.550%	3/14/37	225	302
Republic of Peru	5.625%	11/18/50	350	435
Republic of Poland	6.375%	7/15/19	961	1,089
Republic of Poland	5.125%	4/21/21	275	309
Republic of Poland	5.000%	3/23/22	775	870
Republic of Poland	3.000%	3/17/23	525	533
Republic of Poland	4.000%	1/22/24	150	161
Republic of Poland	3.250%	4/6/26	150	153
Republic of South Africa	6.875%	5/27/19	250	278
Republic of South Africa	5.500%	3/9/20	500	536
Republic of South Africa	4.665%	1/17/24	625	643
Republic of South Africa	5.875%	9/16/25	300	332
Republic of South Africa	6.250%	3/8/41	200	230
Republic of the Philippines	4.000%	1/15/21	350	383
Republic of the Philippines	9.500%	10/21/24	350	530
Republic of the Philippines	10.625%	3/16/25	100	164
Republic of the Philippines	5.500%	3/30/26	425	538
Republic of the Philippines	9.500%	2/2/30	225	385
Republic of the Philippines	7.750%	1/14/31	400	619
Republic of the Philippines	6.375%	1/15/32	500	705
Republic of the Philippines	6.375%	10/23/34	550	797
Republic of the Philippines	3.950%	1/20/40	100	115
Republic of the Philippines	3.700%	3/1/41	200	223
Republic of Turkey	7.500%	7/14/17	325	344
Republic of Turkey	6.750%	4/3/18	750	805
Republic of Turkey	7.000%	3/11/19	425	470
Republic of Turkey	7.000%	6/5/20	525	595
Republic of Turkey	5.625%	3/30/21	300	327
Republic of Turkey	5.125%	3/25/22	425	454
Republic of Turkey	6.250%	9/26/22	400	452
Republic of Turkey	3.250%	3/23/23	200	193
Republic of Turkey	5.750%	3/22/24	900	1,001
Republic of Turkey	7.375%	2/5/25	650	801
Republic of Turkey	4.875%	10/9/26	100	105
Republic of Turkey	11.875%	1/15/30	150	261
Republic of Turkey	8.000%	2/14/34	50	67
Republic of Turkey	6.875%	3/17/36	600	730
Republic of Turkey	6.750%	5/30/40	500	606
Republic of Turkey	6.000%	1/14/41	200	223
Republic of Turkey	4.875%	4/16/43	1,120	1,093
Republic of Turkey	6.625%	2/17/45	400	485
State of Israel	5.125%	3/26/19	550	605
State of Israel	3.150%	6/30/23	400	425
State of Israel	2.875%	3/16/26	200	206
State of Israel	4.500%	1/30/43	200	225
Statoil ASA	3.125%	8/17/17	400	409
Statoil ASA	1.250%	11/9/17	200	201
Statoil ASA	1.200%	1/17/18	125	125
Statoil ASA	5.250%	4/15/19	25	28
Statoil ASA	2.250%	11/8/19	250	256
Statoil ASA	2.750%	11/10/21	300	312
Statoil ASA	3.150%	1/23/22	150	158
Statoil ASA	2.450%	1/17/23	150	151
Statoil ASA	2.650%	1/15/24	100	101
Statoil ASA	3.250%	11/10/24	50	53
Statoil ASA	7.250%	9/23/27	400	549
Statoil ASA	5.100%	8/17/40	125	150
Statoil ASA	4.250%	11/23/41	175	186
Statoil ASA	3.950%	5/15/43	125	130
Statoil ASA	4.800%	11/8/43	175	203
Svensk Exportkredit AB	1.750%	5/30/17	200	202
Svensk Exportkredit AB	1.250%	4/12/19	300	302
Svensk Exportkredit AB	1.875%	6/17/19	200	204
Svensk Exportkredit AB	1.875%	6/23/20	200	204
Svensk Exportkredit AB	1.750%	3/10/21	250	254
United Mexican States	5.950%	3/19/19	150	168
United Mexican States	5.125%	1/15/20	500	555
United Mexican States	3.500%	1/21/21	100	106
United Mexican States	3.625%	3/15/22	858	905
United Mexican States	4.000%	10/2/23	976	1,048
United Mexican States	3.600%	1/30/25	600	627
United Mexican States	8.300%	8/15/31	100	160
United Mexican States	7.500%	4/8/33	100	144
United Mexican States	6.750%	9/27/34	433	583
United Mexican States	6.050%	1/11/40	1,145	1,440
United Mexican States	4.750%	3/8/44	615	658
United Mexican States	5.550%	1/21/45	200	240
United Mexican States	4.600%	1/23/46	600	629
United Mexican States	5.750%	10/12/10	342	376
Total Sovereign Bonds (Cost $155,366)				**161,827**
Taxable Municipal Bonds (1.0%)				
American Municipal Power Ohio Inc. Revenue (Prairie State Energy Campus Project)	5.939%	2/15/47	150	191
American Municipal Power Ohio Inc. Revenue (Prairie State Energy Campus Project)	6.270%	2/15/50	50	65
American Municipal Power Ohio Inc. Revenue (Prairie State Energy Campus Project)	7.499%	2/15/50	50	74
American Municipal Power Ohio Inc. Revenue (Prairie State Energy Campus Project)	8.084%	2/15/50	125	203
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	6.793%	4/1/30	50	66
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	6.918%	4/1/40	100	146
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	6.263%	4/1/49	250	382
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	6.907%	10/1/50	200	315
California GO	5.750%	3/1/17	100	103
California GO	6.200%	10/1/19	275	317
California GO	5.700%	11/1/21	250	299
California GO	7.500%	4/1/34	600	910
California GO	7.300%	10/1/39	75	113
California GO	7.350%	11/1/39	925	1,407
California GO	7.625%	3/1/40	205	323
California GO	7.600%	11/1/40	200	324
Central Puget Sound WA Regional Transit Authority Sales & Use Tax Revenue	5.491%	11/1/39	50	68
Chicago IL GO	7.375%	1/1/33	150	158
Chicago IL GO	7.781%	1/1/35	50	54
Chicago IL O'Hare International Airport Revenue	6.395%	1/1/40	125	178
Chicago IL Transit Authority Sales Tax Receipts Revenue	6.200%	12/1/40	150	184
Chicago IL Transit Authority Transfer Tax Receipts Revenue	6.899%	12/1/40	125	163
Chicago IL Wastewater Transmission Revenue	6.900%	1/1/40	50	65
Chicago IL Water Revenue	6.742%	11/1/40	275	357
Clark County NV Airport System Revenue	6.881%	7/1/42	100	114
Clark County NV Airport System Revenue	6.820%	7/1/45	100	155
Commonwealth Financing Authority Pennsylvania Revenue	6.218%	6/1/39	150	189
Connecticut GO	5.090%	10/1/30	175	209
Connecticut GO	5.850%	3/15/32	200	260

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Connecticut Special Tax Revenue (Transportation Infrastructure)	5.459%	11/1/30	50	62
Cook County IL GO	6.229%	11/15/34	50	61
Curators of the University of Missouri System Facilities Revenue	5.792%	11/1/41	50	72
Dallas TX Area Rapid Transit Revenue	4.922%	12/1/41	50	64
Dallas TX Area Rapid Transit Revenue	5.999%	12/1/44	100	145
Dallas TX Area Rapid Transit Revenue	5.022%	12/1/48	50	66
Dallas TX Convention Center Hotel Development Corp. Hotel Revenue	7.088%	1/1/42	200	282
Dallas TX Independent School District GO	6.450%	2/15/35	100	120
Denver CO City & County School District No. 1 COP	7.017%	12/15/37	50	72
Denver CO City & County School District No. 1 GO	5.664%	12/1/33	50	66
District of Columbia Income Tax Revenue	5.591%	12/1/34	50	66
District of Columbia Income Tax Revenue	5.582%	12/1/35	50	66
District of Columbia Water & Sewer Authority Public Utility Revenue	4.814%	10/1/14	250	292
Energy Northwest Washington Electric Revenue (Columbia Generating Station)	2.197%	7/1/19	100	103
Florida Hurricane Catastrophe Fund Finance Corp. Revenue	2.107%	7/1/18	125	127
Florida Hurricane Catastrophe Fund Finance Corp. Revenue	2.995%	7/1/20	450	471
George Washington University District of Columbia GO	3.485%	9/15/22	200	215
Georgia GO	4.503%	11/1/25	150	173
Georgia Municipal Electric Power Authority Revenue	6.637%	4/1/57	250	329
Georgia Municipal Electric Power Authority Revenue	6.655%	4/1/57	150	195
Georgia Municipal Electric Power Authority Revenue	7.055%	4/1/57	75	90
Houston TX GO	6.290%	3/1/32	250	321
Houston TX Utility System Revenue	3.828%	5/15/28	75	85
Illinois GO	5.365%	3/1/17	175	179
Illinois GO	5.877%	3/1/19	250	271
Illinois GO	4.950%	6/1/23	550	583
Illinois GO	5.100%	6/1/33	1,200	1,152
Illinois GO	7.350%	7/1/35	300	336
Illinois Toll Highway Authority Revenue	6.184%	1/1/34	150	202
Illinois Toll Highway Authority Revenue	5.851%	12/1/34	50	67
Indianapolis IN Local Public Improvement Revenue	6.116%	1/15/40	250	349
JobsOhio Beverage System Statewide Liquor Profits Revenue	3.985%	1/1/29	150	169
JobsOhio Beverage System Statewide Liquor Profits Revenue	4.532%	1/1/35	100	117
Kansas Development Finance Authority Revenue	4.727%	4/15/37	200	222
Los Angeles CA Community College District GO	6.600%	8/1/42	300	458
Los Angeles CA Department of Airports International Airport Revenue	6.582%	5/15/39	100	139
Los Angeles CA Department of Water & Power Revenue	6.008%	7/1/39	150	201
Los Angeles CA Department of Water & Power Revenue	6.166%	7/1/40	25	29
Los Angeles CA Department of Water & Power Revenue	6.574%	7/1/45	100	151
Los Angeles CA Department of Water & Power Revenue	6.603%	7/1/50	100	155
Los Angeles CA Unified School District GO	5.755%	7/1/29	200	258
Los Angeles CA Unified School District GO	5.750%	7/1/34	125	165
Los Angeles CA Unified School District GO	6.758%	7/1/34	50	72
Los Angeles County CA Metropolitan Transportation Authority Sales Tax Revenue	5.735%	6/1/39	75	99
Los Angeles County CA Public Works Financing Authority Lease Revenue	7.488%	8/1/33	100	141
Los Angeles County CA Public Works Financing Authority Lease Revenue	7.618%	8/1/40	50	77
Maryland Transportation Authority Facilities Projects Revenue	5.888%	7/1/43	50	68
Massachusetts GO	4.200%	12/1/21	125	140
Massachusetts GO	5.456%	12/1/39	150	204
Massachusetts School Building Authority Dedicated Sales Tax Revenue	5.715%	8/15/39	100	132
Massachusetts Transportation Fund Revenue	5.731%	6/1/40	50	68
Massachusetts Water Pollution Abatement Trust Revenue	5.192%	8/1/40	75	93
Metropolitan Government of Nashville & Davidson County TN Convention Center Authority Tourism Tax Revenue	6.731%	7/1/43	50	69
Metropolitan Government of Nashville & Davidson County TN GO	5.707%	7/1/34	50	64
Metropolitan Washington DC/VA Airports Authority Dulles Toll Road Revenue	7.462%	10/1/46	50	77
Metropolitan Water District of Southern California Revenue	6.947%	7/1/40	50	60
Mississippi GO	5.245%	11/1/34	50	63
Missouri Highways & Transportation Commission Road Revenue	5.445%	5/1/33	50	64
[13] New Jersey Economic Development Authority Revenue (State Pension Funding)	7.425%	2/15/29	225	278
New Jersey Transportation Trust Fund Authority Transportation System Revenue	6.104%	12/15/28	100	109
New Jersey Transportation Trust Fund Authority Transportation System Revenue	6.561%	12/15/40	800	948
New Jersey Turnpike Authority Revenue	7.414%	1/1/40	100	157
New York City NY GO	6.246%	6/1/35	25	29
New York City NY GO	5.968%	3/1/36	100	136
New York City NY GO	5.985%	12/1/36	50	67
New York City NY GO	5.517%	10/1/37	50	65
New York City NY GO	6.271%	12/1/37	100	141
New York City NY GO	5.846%	6/1/40	50	69
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.750%	6/15/41	50	69
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.952%	6/15/42	50	71
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	6.011%	6/15/42	50	72
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.440%	6/15/43	100	136
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.882%	6/15/44	175	252
New York City NY Transitional Finance Authority Building Aid Revenue	6.828%	7/15/40	150	215
New York City NY Transitional Finance Authority Future Tax Revenue	5.767%	8/1/36	150	197
New York City NY Transitional Finance Authority Future Tax Revenue	5.508%	8/1/37	100	131

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
New York City NY Transitional Finance Authority Future Tax Revenue	5.572%	11/1/38	75	98
New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	7.336%	11/15/39	400	634
New York Metropolitan Transportation Authority Revenue (Transit Revenue)	5.871%	11/15/39	50	66
New York Metropolitan Transportation Authority Revenue (Transit Revenue)	6.648%	11/15/39	100	142
New York State Dormitory Authority Revenue (Personal Income Tax)	5.500%	3/15/30	125	159
New York State Dormitory Authority Revenue (Personal Income Tax)	5.289%	3/15/33	100	126
New York State Dormitory Authority Revenue (Personal Income Tax)	5.628%	3/15/39	100	133
New York State Dormitory Authority Revenue (Personal Income Tax)	5.389%	3/15/40	75	99
New York State Urban Development Corp. Revenue (Personal Income Tax)	5.770%	3/15/39	150	192
New York State Urban Development Corp. Revenue (Personal Income Tax)	5.838%	3/15/40	50	66
New York University Hospitals Center GO	4.428%	7/1/42	75	82
New York University Hospitals Center Revenue	5.750%	7/1/43	100	132
North Texas Tollway Authority System Revenue	6.718%	1/1/49	100	153
Ohio State University General Receipts Revenue	4.910%	6/1/40	100	127
Ohio State University General Receipts Revenue	4.800%	6/1/11	100	112
Ohio State University General Receipts Revenue	5.590%	12/1/14	50	62
Ohio Water Development Authority Water Pollution Control Loan Fund Revenue	4.879%	12/1/34	75	90
Orange County CA Local Transportation Authority Sales Tax Revenue	6.908%	2/15/41	50	73
Oregon Department of Transportation Highway User Tax Revenue	5.834%	11/15/34	150	205
Oregon GO	5.762%	6/1/23	200	235
Oregon GO	5.892%	6/1/27	75	99
[14] Oregon School Boards Association GO	4.759%	6/30/28	75	88
[15] Oregon School Boards Association GO	5.528%	6/30/28	50	62
Pennsylvania GO	4.650%	2/15/26	50	56
Pennsylvania GO	5.350%	5/1/30	200	223
Pennsylvania Public School Building Authority Lease Revenue (School District of Philadelphia)	5.000%	9/15/27	50	55
Pennsylvania Turnpike Commission Revenue	5.511%	12/1/45	50	66
Pennsylvania Turnpike Commission Revenue	5.561%	12/1/49	50	68
Port Authority of New York & New Jersey Revenue	6.040%	12/1/29	75	98
Port Authority of New York & New Jersey Revenue	4.960%	8/1/46	250	311
Port Authority of New York & New Jersey Revenue	5.310%	8/1/46	100	110
Port Authority of New York & New Jersey Revenue	4.458%	10/1/62	550	629
Port Authority of New York & New Jersey Revenue	4.810%	10/15/65	100	121
President & Fellows of Harvard College Massachusetts GO	4.875%	10/15/40	125	166
Regional Transportation District of Colorado Sales Tax Revenue	5.844%	11/1/50	100	146
Rutgers State University New Jersey Revenue	5.665%	5/1/40	50	64
Sacramento CA Public Financing Authority Lease Revenue	5.637%	4/1/50	100	120
Salt River Project Arizona Agricultural Improvement & Power District Revenue	4.839%	1/1/41	50	64
San Antonio TX Electric & Gas Systems Revenue	5.985%	2/1/39	125	177
San Antonio TX Electric & Gas Systems Revenue	5.718%	2/1/41	50	69
San Antonio TX Electric & Gas Systems Revenue	5.808%	2/1/41	125	175
San Diego County CA Regional Airport Authority Revenue	5.594%	7/1/43	75	85
San Diego County CA Water Authority Revenue	6.138%	5/1/49	250	361
San Francisco CA City & County Public Utilities Commission Water Revenue	6.000%	11/1/40	50	66
San Francisco CA City & County Public Utilities Commission Water Revenue	6.950%	11/1/50	100	152
Santa Clara Valley CA Transportation Authority Sales Tax Revenue	5.876%	4/1/32	200	258
South Carolina Public Service Authority Revenue	6.454%	1/1/50	200	285
Texas GO	5.517%	4/1/39	50	70
Texas Transportation Commission Revenue	5.028%	4/1/26	50	61
Texas Transportation Commission Revenue	5.178%	4/1/30	175	225
Texas Transportation Commission Revenue	4.631%	4/1/33	350	435
Texas Transportation Commission Revenue	4.681%	4/1/40	50	63
Tufts University Massachusetts GO	5.017%	4/15/12	200	236
University of California Regents Medical Center Revenue	6.548%	5/15/48	100	144
University of California Regents Medical Center Revenue	6.583%	5/15/49	50	72
University of California Revenue	6.270%	5/15/31	500	561
University of California Revenue	4.765%	5/15/44	100	108
University of California Revenue	5.946%	5/15/45	175	236
University of Massachusetts Building Authority Revenue	5.450%	11/1/40	50	64
University of Southern California GO	5.250%	10/1/11	100	134
University of Texas System Revenue Financing System Revenue	5.262%	7/1/39	50	67
University of Texas System Revenue Financing System Revenue	6.276%	8/15/41	25	28
University of Texas System Revenue Financing System Revenue	5.134%	8/15/42	100	130
University of Texas System Revenue Financing System Revenue	4.794%	8/15/46	75	95
Utah GO	4.554%	7/1/24	50	58
Utah GO	3.539%	7/1/25	50	56
Washington GO	5.090%	8/1/33	250	312
Washington GO	5.140%	8/1/40	150	199
[15] Wisconsin GO	5.700%	5/1/26	75	92
Total Taxable Municipal Bonds (Cost $25,739)				**31,377**
			Shares	
Temporary Cash Investment (3.6%)				
Money Market Fund (3.6%)				
[16] Vanguard Market Liquidity Fund (Cost $110,982)	0.538%		110,981,600	**110,982**
Total Investments (102.9%) (Cost $3,028,557)				**3,180,378**

	Amount ($000)
Other Assets and Liabilities (-2.9%)	
Other Assets	
Investment in Vanguard	247
Receivables for Investment Securities Sold	33,822
Receivables for Accrued Income	19,620
Receivables for Capital Shares Issued	943
Total Other Assets	**54,632**
Liabilities	
Payables for Investment Securities Purchased	(140,641)
Payables for Capital Shares Redeemed	(1,068)
Payables to Vanguard	(2,343)
Other Liabilities	(1,277)
Total Liabilities	**(145,329)**
Net Assets (100%)	
Applicable to 255,079,563 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**3,089,681**
Net Asset Value Per Share	**$12.11**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	2,902,902
Undistributed Net Investment Income	32,483
Accumulated Net Realized Gains	2,475
Unrealized Appreciation (Depreciation)	151,821
Net Assets	**3,089,681**

• See Note A in Notes to Financial Statements.

1 U.S. government-guaranteed.

2 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

3 The issuer was placed under federal conservatorship in September 2008; since that time, its daily operations have been managed by the Federal Housing Finance Agency and it receives capital from the U.S. Treasury, as needed to maintain a positive net worth, in exchange for senior preferred stock.

4 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

5 Includes securities purchased on a when-issued or delayed-delivery basis for which the portfolio has not taken delivery as of June 30, 2016.

6 Adjustable-rate security.

7 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2016, the aggregate value of these securities was $29,347,000, representing 0.9% of net assets.

8 Guaranteed by the Government of Canada.

9 Guaranteed by the Government of Japan.

10 Guaranteed by the Federal Republic of Germany.

11 Guaranteed by the Republic of Austria.

12 Guaranteed by the Republic of the Philippines.

13 Scheduled principal and interest payments are guaranteed by National Public Finance Guarantee Corp.

14 Scheduled principal and interest payments are guaranteed by AMBAC (Ambac Assurance Corporation).

15 Scheduled principal and interest payments are guaranteed by AGM (Assured Guaranty Municipal Corporation).

16 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

COP—Certificate of Participation.

GO—General Obligation Bond.

REIT—Real Estate Investment Trust.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Interest[1]	38,246
Total Income	38,246
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	154
Management and Administrative	1,627
Marketing and Distribution	299
Custodian Fees	84
Shareholders' Reports	24
Trustees' Fees and Expenses	1
Total Expenses	2,189
Net Investment Income	**36,057**
Realized Net Gain (Loss) on Investment Securities Sold	**2,988**
Change in Unrealized Appreciation (Depreciation) of Investment Securities	**118,062**
Net Increase (Decrease) in Net Assets Resulting from Operations	**157,107**

1 Interest income from an affiliated company of the portfolio was $242,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	36,057	66,685
Realized Net Gain (Loss)	2,988	7,989
Change in Unrealized Appreciation (Depreciation)	118,062	(68,439)
Net Increase (Decrease) in Net Assets Resulting from Operations	157,107	6,235
Distributions		
Net Investment Income	(66,607)	(60,234)
Realized Capital Gain[1]	(7,935)	(11,294)
Total Distributions	(74,542)	(71,528)
Capital Share Transactions		
Issued	313,705	559,680
Issued in Lieu of Cash Distributions	74,542	71,528
Redeemed	(180,382)	(385,816)
Net Increase (Decrease) from Capital Share Transactions	207,865	245,392
Total Increase (Decrease)	290,430	180,099
Net Assets		
Beginning of Period	**2,799,251**	**2,619,152**
End of Period[2]	**3,089,681**	**2,799,251**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $1,202,000 and $6,644,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $32,483,000 and $63,033,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$11.79**	**$12.07**	**$11.73**	**$12.46**	**$12.43**	**$12.06**
Investment Operations						
Net Investment Income	.139	.276	.281	.305	.301	.357
Net Realized and Unrealized Gain (Loss) on Investments	.491	(.233)	.397	(.580)	.183	.528
Total from Investment Operations	.630	.043	.678	(.275)	.484	.885
Distributions						
Dividends from Net Investment Income	(.277)	(.272)	(.295)	(.315)	(.341)	(.405)
Distributions from Realized Capital Gains	(.033)	(.051)	(.043)	(.140)	(.113)	(.110)
Total Distributions	(.310)	(.323)	(.338)	(.455)	(.454)	(.515)
Net Asset Value, End of Period	**$12.11**	**$11.79**	**$12.07**	**$11.73**	**$12.46**	**$12.43**
Total Return	**5.43%**	**0.33%**	**5.89%**	**-2.29%**	**4.02%**	**7.65%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$3,090	$2,799	$2,619	$2,305	$2,666	$2,488
Ratio of Total Expenses to Average Net Assets	0.15%	0.15%	0.19%	0.19%	0.20%	0.21%
Ratio of Net Investment Income to Average Net Assets	2.47%	2.43%	2.47%	2.36%	2.49%	3.06%
Portfolio Turnover Rate[1]	99%	149%	118%	106%	105%	113%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Includes 32%, 61%, 61%, 69%, 66%, and 53% attributable to mortgage-dollar-roll activity.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Total Bond Market Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. Certain of the portfolio's investments are in corporate debt instruments; the issuers' abilities to meet their obligations may be affected by economic developments in their respective industries.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Bonds and temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Other temporary cash investments are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value.

2. To Be Announced (TBA) Transactions: A TBA transaction is an agreement to buy or sell mortgage-backed securities with agreed-upon characteristics (face amount, coupon, maturity) for settlement at a future date. The portfolio may be a seller of TBA transactions to reduce its exposure to the mortgage-backed securities market or in order to sell mortgage-backed securities it owns under delayed-delivery arrangements. When the portfolio is a buyer of TBA transactions, it maintains cash or short-term investments in an amount sufficient to meet the purchase price at the settlement date of the TBA transaction. The primary risk associated with TBA transactions is that a counterparty may default on its obligations. The portfolio mitigates its counterparty risk by, among other things, performing a credit analysis of counterparties, allocating transactions among numerous counterparties, and monitoring its exposure to each counterparty. The portfolio may also enter into a Master Securities Forward Transaction Agreement (MSFTA) with certain counterparties and require them to transfer collateral as security for their performance. Under an MSFTA, upon a counterparty default (including bankruptcy), the portfolio may terminate any TBA transactions with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements.

3. Mortgage Dollar Rolls: The portfolio enters into mortgage-dollar-roll transactions, in which the portfolio sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. The proceeds of the securities sold in mortgage-dollar-roll transactions are typically invested in high-quality short-term fixed income securities. The portfolio forgoes principal and interest paid on the securities sold, and is compensated by interest earned on the proceeds of the sale and by a lower price on the securities to be repurchased. The portfolio has also entered into mortgage-dollar-roll transactions in which the portfolio buys mortgage-backed securities from a dealer pursuant to a TBA transaction and simultaneously agrees to sell similar securities in the future at a predetermined price. The securities bought in mortgage-dollar-roll transactions are used to cover an open TBA sell position. The portfolio continues to earn interest on mortgage-backed security pools already held and receives a lower price on the securities to be sold in the future. The portfolio accounts for mortgage-dollar-roll transactions as purchases and sales; as such, these transactions may increase the portfolio's portfolio turnover rate. Amounts to be received or paid in connection with open mortgage dollar rolls are included in Receivables for Investment Securities Sold or Payables for Investment Securities Purchased in the Statement of Net Assets.

4. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

5. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

7. Other: Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $247,000, representing 0.01% of the portfolio's net assets and 0.10% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
U.S. Government and Agency Obligations	—	1,923,455	—
Asset-Backed/Commercial Mortgage-Backed Securities	—	89,347	—
Corporate Bonds	—	863,390	—
Sovereign Bonds	—	161,827	—
Taxable Municipal Bonds	—	31,377	—
Temporary Cash Investments	110,982	—	—
Total	110,982	3,069,396	—

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will

reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $3,028,557,000. Net unrealized appreciation of investment securities for tax purposes was $151,821,000, consisting of unrealized gains of $154,924,000 on securities that had risen in value since their purchase and $3,103,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended June 30, 2016, the portfolio purchased $187,823,000 of investment securities and sold $100,431,000 of investment securities, other than U.S. government securities and temporary cash investments. Purchases and sales of U.S. government securities were $1,436,297,000 and $1,347,934,000, respectively.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	26,324	46,908
Issued in Lieu of Cash Distributions	6,360	6,016
Redeemed	(15,128)	(32,427)
Net Increase (Decrease) in Shares Outstanding	17,556	20,497

At June 30, 2016, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 49% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

G. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Total Bond Market Index Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,054.31	$0.77
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.12	0.75

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.15%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Total Bond Market Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Fixed Income Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Fixed Income Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below its peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees, and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

Vanguard Variable Insurance Fund Total Bond Market Index Portfolio is not sponsored, endorsed, issued, sold, or promoted by Barclays Capital Inc. or any of its affiliates ("Barclays"). Barclays makes no representation or warranty, express or implied, to the owners or purchasers of the portfolio or any member of the public regarding the advisability of investing in securities generally or in the portfolio particularly or the ability of the Barclays index to track general bond market performance. Barclays has not passed on the legality or suitability of the portfolio with respect to any person or entity. Barclays' only relationship to Vanguard and the portfolio is the licensing of the Barclays index, which is determined, composed, and calculated by Barclays without regard to Vanguard or the portfolio or any owners or purchasers of the portfolio. Barclays has no obligation to take the needs of Vanguard, the portfolio, or the owners of the portfolio into consideration in determining, composing, or calculating the Barclays index. Barclays is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the portfolio to be issued. Barclays has no obligation or liability in connection with the administration, marketing, or trading of the portfolio.

Barclays shall have no liability to third parties for the quality, accuracy, and/or completeness of the index or any data included therein or for interruptions in the delivery of the index. Barclays makes no warranty, express or implied, as to results to be obtained by owners of the portfolio or any other person or entity from the use of the index or any data included therein in connection with the rights licensed hereunder or for any other use. Barclays reserves the right to change the methods of calculation or publication, or to cease the calculation or publication of the Barclays U.S. Aggregate Float Adjusted Index, and Barclays shall not be liable for any miscalculation of or any incorrect, delayed, or interrupted publication with respect to the index. Barclays makes no express or implied warranties, and hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the index or any data included therein. Barclays shall not be liable for any damages, including, without limitation, any indirect or consequential damages resulting from the use of the index or any data included therein.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

Mortimer J. Buckley
Kathleen C. Gubanich
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Glenn W. Reed
Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Q692TBM 082016

Semiannual Report | June 30, 2016

Vanguard Variable Insurance Fund

Total Stock Market Index Portfolio
(with underlying Equity Index Portfolio)

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

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Total Stock Market Index Portfolio (with underlying Equity Index Portfolio)	3

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Pictured is a sailing block on the *Brilliant*, a 1932 schooner docked in Mystic, Connecticut. A type of pulley, the sailing block helps coordinate the setting of the sails. At Vanguard, the intricate coordination of technology and people allows us to help millions of clients around the world reach their financial goals.

A Message from Vanguard's Chairman

Dear Planholder,

The long-anticipated U.K. referendum on whether to remain in the European Union was the defining event for capital markets in the first half of 2016. The momentous June 23 vote to leave the EU has global economic implications. It will take considerable time for Brexit details to be worked out, so we can expect uncertainty to persist, and the ride may be bumpy at times.

Meanwhile, we shouldn't lose sight of other notable developments. Oil prices, which seemed to find their footing later in 2015, fell below $30 per barrel early in 2016 before recovering some ground. This put more pressure on oil exporters, such as Brazil—which was already grappling with a political crisis. Closer to home, Congress in late June approved legislation to help Puerto Rico deal with about $70 billion of tax-exempt debt. And central bank policies stayed in the spotlight, leading negative interest rates to spread across Europe and into Japan while the Federal Reserve held U.S. rates steady amid concern about job growth and the global economy.

The heightened volatility in capital markets that surrounded the Brexit vote reminds us that no one can control the markets' direction or reliably predict where they'll go in the short term. However, investors can control how they *react* to unstable and turbulent markets.

During periods of market adversity, it's more important than ever to keep sight of one of Vanguard's key principles: Maintain perspective and long-term discipline. Whether you're investing for yourself or on behalf of clients, your success is affected greatly by how you respond—or don't respond—during turbulent markets. (You can read *Vanguard's Principles for Investing Success* at vanguard.com/research.)

As I've written in the past, the best course for long-term investors is generally to ignore daily market moves and not make decisions based on emotion. Vanguard's internal fund advisors—our Equity Investment and Fixed Income Groups—maintain a healthy dose of discipline and don't try to time the markets. We look for the same characteristics in the external fund managers we select.

This report starts with a brief overview of the financial markets during the past six months. In the pages that follow, you'll find a review of your portfolio's performance. Each portfolio in Vanguard Variable Insurance Fund can serve as part of an investment program that includes a combination of stock, bond, and money market funds appropriate for your own long-term goals, risk tolerance, and time horizon.

Before I close, I'd like to thank two advisors for their distinguished, long-term service to Vanguard Variable Insurance Fund portfolios. Each firm has managed portfolio assets since inception and recently marked a milestone anniversary. Wellington Management Company has been the sole manager of Vanguard Balanced Portfolio for 25 years and of Vanguard High Yield Bond Portfolio for 20 years. Granahan Investment Management has managed a portion of Vanguard Small Company Growth Portfolio for 20 years.

As always, we appreciate your confidence in Vanguard.

Sincerely,

F. William McNabb III
Chairman and Chief Executive Officer
July 14, 2016

Market Perspective

Events in the first half of 2016 ran contrary to most expectations

The six-month period ended June 30, 2016, was notable for the unexpected events that transpired and the expected events that did not. The U.K. "Brexit" vote to leave the European Union stood out in the first category, as did the Bank of Japan's adoption of a negative interest rate policy. The Federal Reserve's deferral of further interest rate hikes was prominent in the second. Together, these and other developments led investors to generally favor the relative safety of bonds.

The path was rocky again for global stock markets

Major stock markets around the world tumbled in the wake of the momentous June 23 Brexit vote as investors began digesting the outcome and pondering its implications for the global economy. By month's end, however, many markets had recovered all or most of their lost ground.

Even apart from Brexit, the half year did not lack for challenges. The U.S. economy had another weak first quarter, oil prices fell again before stabilizing, and concerns persisted about corporate profits, slower growth in China, and Japan's struggling economy. Still, the broad U.S. stock market returned nearly 4% for the six months.

International stocks were weaker, returning about –1%. European stocks in particular slumped as Brexit uncertainty hit closer to home. Developed Pacific markets also retreated. Emerging-market stocks were a bright spot, returning nearly 8%.

Strong demand boosted bond returns above stocks

Central bank policy again played a major role in bond returns. As anticipated, the European Central Bank announced more stimulus efforts, including purchases of investment-grade, euro-denominated corporate bonds (which began in June). And in a surprise move, the Bank of Japan adopted negative interest rates for certain bank deposits.

These steps, coupled with strong demand for a safe harbor from stock market volatility, helped drive the yield of benchmark 10-year German and Japanese government bonds below zero for the first time. In another first, Japan's 20-year government bond yield also turned negative just after the close of the period.

Against this backdrop, demand was strong at home and from abroad for the still positive yields of U.S. Treasury bonds. The yield of the benchmark 10-year Treasury note fell nearly a full percentage point, from 2.30% at the end of December to 1.47% at the end of June. (Bond prices and yields move in opposite directions.)

The broad U.S. bond market's return of more than 5% was strong, but that was eclipsed by the nearly 12% return of international bonds (as measured by the Barclays Global Aggregate Index ex USD). U.S. investors benefited from the dollar's weakening against many currencies (except Britain's pound), but international bond returns were higher than those of U.S. bonds even without this currency benefit.

Market Barometer

	Total Returns Periods Ended June 30, 2016		
	Six Months	One Year	Five Years[1]
Stocks			
Russell 1000 Index (Large-caps)	3.74%	2.93%	11.88%
Russell 2000 Index (Small-caps)	2.22	-6.73	8.35
Russell 3000 Index (Broad U.S. market)	3.62	2.14	11.60
FTSE All-World ex US Index (International)	-0.92	-9.75	0.49
Bonds			
Barclays U.S. Aggregate Bond Index (Broad taxable market)	5.31%	6.00%	3.76%
Barclays Municipal Bond Index (Broad tax-exempt market)	4.33	7.65	5.33
Citigroup Three-Month U.S. Treasury Bill Index	0.11	0.14	0.05
CPI			
Consumer Price Index	1.91%	1.01%	1.32%

1 Annualized.

Vanguard® Total Stock Market Index Portfolio

Vanguard Total Stock Market Index Portfolio returned 3.51% for the six months ended June 30, 2016, as the market finished the half year with solid gains despite significant volatility. The portfolio's performance was in line with its benchmark index (+3.57%) and ahead of the average return of peer funds (+2.08%).

The table below shows the returns of your portfolio and its comparative standards.

As a "fund of funds," the Total Stock Market Index Portfolio seeks to capture the returns of its target benchmark by investing about 80% of its assets in the Equity Index Portfolio of Vanguard Variable Insurance Fund and about 20% in Vanguard Extended Market Index Fund. Because of its heavy weighting, you may wish to review the Equity Index Portfolio's financial statements, which are included in this report.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Consumer staples and energy drove portfolio performance

Most of the ten industry sectors represented in the portfolio advanced. Consumer staples and energy were notable contributors. Within consumer staples, tobacco, food, and household product companies were among the leaders. As oil and commodity prices have bounced back over the past few months, so have the energy sector's integrated oil and gas companies and exploration and production firms.

Two of the smaller sectors, telecommunication services and utilities, made outsized contributions. They are often viewed as safer, defensive sectors, and their outperformance reflected the caution many investors felt during the period.

Both industries deliver stable, steady dividend yields, which tend to attract those seeking income at a time when bond yields are historically low and stock volatility is high.

Industrials, which returned about 6%, also performed well. Gains were evident across most of the sector; conglomerates, machinery, and aerospace and defense firms all made solid contributions.

Financials, one of the largest sectors, was the top detractor from the portfolio's return. Lower long-term interest rates have hurt banks, asset managers, consumer finance companies, and investment firms.

However, the financial industry was the leading contributor in the Extended Market Index Fund because of the strong performance of real estate investment trusts (REITs), the largest subsector of midsize and small financial firms. REITs rose as investors gravitated to assets that generate regular income; they are required to pay out at least 90% of their income as investor dividends. Falling rates can also benefit REITs, because lower capital costs can help their profit margins, particularly in a growing economy.

Information technology was down slightly for the period as stocks of some internet and technology hardware firms declined.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Total Stock Market Index Portfolio	3.51%
S&P Total Market Index	3.57
Variable Insurance Multi-Cap Core Funds Average[1]	2.08

Expense Ratios[2]

Your Portfolio Compared With Its Peer Group

	Acquired Fund Fees and Expenses	Variable Insurance Multi-Cap Core Funds Average
Total Stock Market Index Portfolio	0.16%	0.81%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 This figure—drawn from the prospectus dated April 29, 2016—represents an estimate of the weighted average of the expense ratios and any transaction fees charged by the underlying mutual funds (the "acquired" funds) in which the Total Stock Market Index Portfolio invests. The Total Stock Market Index Portfolio does not charge any expenses or fees of its own. For the six months ended June 30, 2016, the annualized acquired fund fees and expenses were 0.16%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Portfolio Profile

As of June 30, 2016

Total Portfolio Characteristics

Yield[1]	2.2%
Acquired Fund Fees and Expenses[2]	0.16%

Volatility Measures

	Portfolio Versus Target Index[3]
R-Squared	1.00
Beta	1.00

Allocation to Underlying Funds

Vanguard Variable Insurance Fund Equity Index Portfolio	82.3%
Vanguard Extended Market Index Fund	17.7

Investment Focus

Style		Value	Blend	Growth
Market Cap	Large		■	
	Medium			
	Small			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Acquired Fund Fees and Expenses. Portfolios that invest in other Vanguard funds incur no direct expenses, but they do bear proportionate shares of the operating, administrative, and advisory expenses of the underlying funds, and they must pay any fees charged by those funds. The figure for acquired fund fees and expenses represents a weighted average of these underlying costs. *Acquired* is a term that the Securities and Exchange Commission applies to any mutual fund whose shares are owned by another fund.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 30-day SEC yield.

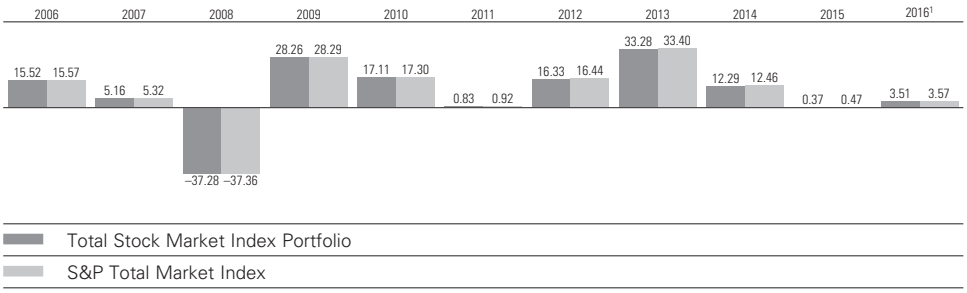
2 This figure—drawn from the prospectus dated April 29, 2016—represents an estimate of the weighted average of the expense ratios and any transaction fees charged by the underlying mutual funds (the "acquired" funds) in which the Total Stock Market Index Portfolio invests. The Total Stock Market Index Portfolio does not charge any expenses or fees of its own. For the six months ended June 30, 2016, the annualized acquired fund fees and expenses were 0.16%.

3 S&P Total Market Index.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Total Stock Market Index Portfolio	1/8/2003	1.98%	11.42%	7.29%

1 Six months ended June 30, 2016.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Investment Companies (100.0%)		
U.S. Stock Funds (100.0%)		
Vanguard Variable Insurance Fund - Equity Index Portfolio	43,648,678	1,443,462
Vanguard Extended Market Index Fund Investor Shares	4,797,188	310,858
Total Investment Companies (Cost $1,572,832)		**1,754,320**
Temporary Cash Investment (0.0%)		
Money Market Fund (0.0%)		
[1] Vanguard Market Liquidity Fund, 0.538% **(Cost $215)**	215,000	**215**
Total Investments (100.0%) (Cost $1,573,047)		**1,754,535**

	Amount ($000)
Other Assets and Liabilities (0.0%)	
Other Assets	
Receivables for Capital Shares Issued	944
Liabilities	
Payables for Investment Securities Purchased	(905)
Payables for Capital Shares Redeemed	(65)
Total Liabilities	**(970)**
Net Assets (100%)	
Applicable to 55,941,102 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,754,509**
Net Asset Value Per Share	**$31.36**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,502,929
Undistributed Net Investment Income	33,146
Accumulated Net Realized Gains	36,946
Unrealized Appreciation (Depreciation)	181,488
Net Assets	**1,754,509**

• See Note A in Notes to Financial Statements.

1 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Affiliated Income Distributions Received	33,426
Net Investment Income—Note B	**33,426**
Realized Net Gain (Loss)	
Capital Gain Distributions Received	25,902
Affiliated Investment Securities Sold	11,065
Realized Net Gain (Loss)	**36,967**
Change in Unrealized Appreciation (Depreciation) of Investment Securities	**(10,619)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**59,774**

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	33,426	25,594
Realized Net Gain (Loss)	36,967	66,824
Change in Unrealized Appreciation (Depreciation)	(10,619)	(87,522)
Net Increase (Decrease) in Net Assets Resulting from Operations	59,774	4,896
Distributions		
Net Investment Income	(25,627)	(21,231)
Realized Capital Gain[1]	(66,820)	(53,936)
Total Distributions	(92,447)	(75,167)
Capital Share Transactions		
Issued	76,031	225,941
Issued in Lieu of Cash Distributions	92,447	75,167
Redeemed	(80,163)	(160,713)
Net Increase (Decrease) from Capital Share Transactions	88,315	140,395
Total Increase (Decrease)	55,642	70,124
Net Assets		
Beginning of Period	**1,698,867**	**1,628,743**
End of Period[2]	**1,754,509**	**1,698,867**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $741,000 and $834,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $33,146,000 and $25,347,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$32.06**	**$33.46**	**$32.01**	**$25.32**	**$23.63**	**$24.44**
Investment Operations						
Net Investment Income	.599	.480	.506[1]	.454	.442	.364[1]
Capital Gain Distributions Received	.439	.672	.462[1]	.560	.858	.649[1]
Net Realized and Unrealized Gain (Loss) on Investments	.008	(1.019)	2.717	7.116	2.488	(.753)
Total from Investment Operations	1.046	.133	3.685	8.130	3.788	.260
Distributions						
Dividends from Net Investment Income	(.484)	(.433)	(.450)	(.435)	(.428)	(.340)
Distributions from Realized Capital Gains	(1.262)	(1.100)	(1.785)	(1.005)	(1.670)	(.730)
Total Distributions	(1.746)	(1.533)	(2.235)	(1.440)	(2.098)	(1.070)
Net Asset Value, End of Period	**$31.36**	**$32.06**	**$33.46**	**$32.01**	**$25.32**	**$23.63**
Total Return	**3.51%**	**0.37%**	**12.29%**	**33.28%**	**16.33%**	**0.83%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,755	$1,699	$1,629	$1,209	$903	$786
Ratio of Total Expenses to Average Net Assets	—	—	—	—	—	—
Acquired Fund Fees and Expenses	0.16%	0.16%	0.17%	0.18%	0.18%	0.18%
Ratio of Net Investment Income to Average Net Assets	2.11%	1.53%	1.61%	1.62%	1.83%	1.52%
Portfolio Turnover Rate	5%	5%	9%	17%	8%	12%

The expense ratio, acquired fund fees and expenses, net investment income ratio, and turnover rate for the current period have been annualized.

1 Calculated based on average shares outstanding.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Total Stock Market Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio seeks to match the return of its target index by investing in selected Vanguard funds and portfolios. Financial statements and other information about each underlying fund and portfolio are available on vanguard.com. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Investments are valued at the net asset value of each underlying Vanguard fund determined as of the close of the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date.

2. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

3. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

4. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each portfolio is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and borne by the funds in which the portfolio invests (see Note B). Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

5. Other: Income and capital gain distributions received are recorded on the ex-dividend date. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. The FSA provides that expenses otherwise allocable to Vanguard funds-of-funds may be reduced or eliminated to the extent of savings realized by the underlying Vanguard funds by virtue of being part of a fund-of-funds. Accordingly, all expenses for services provided by Vanguard to the portfolio and all other expenses incurred by the portfolio during the period ended June 30, 2016, were borne by the underlying Vanguard funds in which the portfolio invests. The portfolio's trustees and officers are also trustees and officers, respectively, of the underlying Vanguard funds, as well as directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

At June 30, 2016, 100% of the market value of the portfolio's investments was determined based on Level 1 inputs.

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $1,573,047,000. Net unrealized appreciation of investment securities for tax purposes was $181,488,000, consisting entirely of unrealized gains on securities that had risen in value since their purchase.

E. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	2,497	6,892
Issued in Lieu of Cash Distributions	3,083	2,330
Redeemed	(2,624)	(4,912)
Net Increase (Decrease) in Shares Outstanding	2,956	4,310

F. Transactions during the period in affiliated underlying Vanguard funds were as follows:

		Current Period Transactions				
	Dec. 31, 2015 Market Value ($000)	Purchases at Cost ($000)	Proceeds from Securities Sold ($000)	Income ($000)	Capital Gain Distributions Received ($000)	June 30, 2016 Market Value ($000)
Vanguard Extended Market Index Fund	315,877	8,217	18,329	1,717	—	310,858
Vanguard Market Liquidity Fund	—	NA[1]	NA[1]	—	—	215
Vanguard Variable Insurance Fund—Equity Index Portfolio	1,382,988	87,235	22,114	31,709	25,902	1,443,462
Total	1,698,865	95,452	40,443	33,426	25,902	1,754,535

1 Not applicable—purchases and sales are for temporary cash investment purposes.

G. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A typical portfolio's expenses are expressed as a percentage of its average net assets. The Total Stock Market Index Portfolio has no direct expenses, but bears its proportionate share of the expenses of the underlying funds in which it invests. These indirect expenses make up the acquired fund fees and expenses, also expressed as a percentage of average net assets. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period. The costs were calculated using the acquired fund fees and expenses for the Total Stock Market Index Portfolio.

The accompanying table illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only. The portfolio's expense figure does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Total Stock Market Index Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,035.11	$0.81
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.07	0.81

1 The calculations are based on the Total Stock Market Index Portfolio's acquired fund fees and expenses for the most recent six-month period. The Total Stock Market Index Portfolio's annualized expense figure for that period is 0.16%. The dollar amounts shown as "Expenses Paid" are equal to the annualized average weighted expense ratio for the underlying funds, multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Total Stock Market Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Equity Index Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost

The board concluded that the portfolio's acquired fund fees and expenses were well below the average expense ratio charged by funds in its peer group. The portfolio does not incur advisory expenses directly; however, the board noted that each of the underlying funds in which the portfolio invests has advisory expenses well below the underlying fund's peer-group average. Information about the portfolio's acquired fund fees and expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that Vanguard's at-cost arrangement with the portfolio and its underlying funds ensures that the portfolio will realize economies of scale as the assets of the underlying funds grow, with the cost to shareholders declining as assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

Vanguard® Equity Index Portfolio

Despite significant volatility, the broad U.S. stock market finished the first half of 2016 with solid gains. For the six months ended June 30, 2016 Vanguard Equity Index Portfolio returned 3.78%, in line with its benchmark index (+3.84%) and better than the average return of peer funds (+2.54%).

The table below shows the returns of your portfolio and its comparative standards for the period.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Consumer staples and energy drove portfolio performance

The Equity Index Portfolio invests in 500 of the largest U.S. companies, which span many different industries and account for about three-fourths of the U.S. stock market's value. Stocks of large-capitalization companies returned more than those of smaller companies, helping the portfolio to slightly outpace the broad market.

Eight of the ten industry sectors represented in the portfolio advanced, with four of them—consumer staples, energy, telecommunication services, and utilities—posting double-digit returns. Aside from energy, these sectors are often viewed as safer and more defensive; their outperformance reflected the caution many investors felt during the period.

Consumer staples and energy lifted performance most, each adding more than 1 percentage point to the portfolio's overall result. Within consumer staples (+10%), tobacco, food, and household product companies were among the leaders.

As oil and commodity prices have bounced back a bit over the past few months, so has the energy sector (+16%). Integrated oil and gas companies and exploration and production firms have done particularly well.

Telecommunication services (+25%) and utilities (+23%), two of the fund's smaller-weighted sectors, also provided a significant boost to returns. Both industries deliver stable, steady dividend yields, which tend to be attractive to investors seeking income at a time when bond yields are historically low and stock volatility is high.

Industrials, which returned about 6%, was another notable performer. Gains were evident across most of the sector, with conglomerates, machinery, and aerospace and defense firms making solid contributions.

Financials (–3%) detracted the most from the index's return. Lower long-term interest rates have hurt banks, asset managers, consumer finance companies, and investment firms. Information technology was down slightly for the period; stocks of some internet and technology hardware firms experienced declines.

Total Returns

	Six Months Ended June 30, 2016
Vanguard Equity Index Portfolio	3.78%
S&P 500 Index	3.84
Variable Insurance Large-Cap Core Funds Average[1]	2.54

Expense Ratios[2]

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Large-Cap Core Funds Average
Equity Index Portfolio	0.15%	0.40%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.15%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

Portfolio Profile

As of June 30, 2016

Portfolio Characteristics

	Portfolio	Target Index[1]	Broad Index[2]
Number of Stocks	507	505	3,863
Median Market Cap	$77.0B	$78.7B	$53.0B
Price/Earnings Ratio	20.7x	20.7x	22.0x
Price/Book Ratio	2.8x	2.8x	2.7x
Yield[3]	2.0%	2.2%	2.1%
Return on Equity	17.6%	17.3%	16.5%
Earnings Growth Rate	6.9%	7.0%	7.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate[4]	5%	—	—
Expense Ratio[5]	0.15%	—	—
Short-Term Reserves	0.5%	—	—

Volatility Measures

	Portfolio Versus Target Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.99
Beta	1.00	0.98

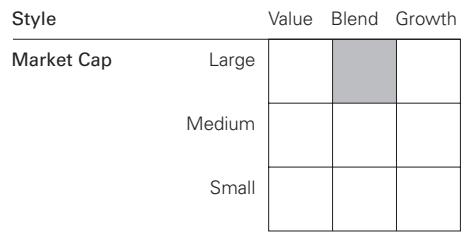
Sector Diversification (% of equity exposure)

	Portfolio	Target Index[1]	Broad Index[2]
Consumer Discretionary	12.3%	12.3%	12.9%
Consumer Staples	10.6	10.6	9.3
Energy	7.4	7.4	6.7
Financials	15.7	15.7	17.5
Health Care	14.7	14.7	14.2
Industrials	10.2	10.2	10.6
Information Technology	19.6	19.8	19.2
Materials	2.9	2.8	3.3
Telecommunication Services	2.9	2.9	2.6
Utilities	3.7	3.6	3.7

Ten Largest Holdings[6] (% of total net assets)

Apple Inc.	Technology Hardware, Storage & Peripherals	2.9%
Alphabet Inc.	Internet Software & Services	2.2
Microsoft Corp.	Systems Software	2.2
Exxon Mobil Corp.	Integrated Oil & Gas	2.1
Johnson & Johnson	Pharmaceuticals	1.8
General Electric Co.	Industrial Conglomerates	1.6
Amazon.com Inc.	Internet Retail	1.5
Berkshire Hathaway Inc.	Multi-Sector Holdings	1.5
AT&T Inc.	Integrated Telecommunication Services	1.5
Facebook Inc.	Internet Software & Services	1.4
Top Ten		18.7%

Investment Focus



30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds) its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 S&P 500 Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

4 Annualized.

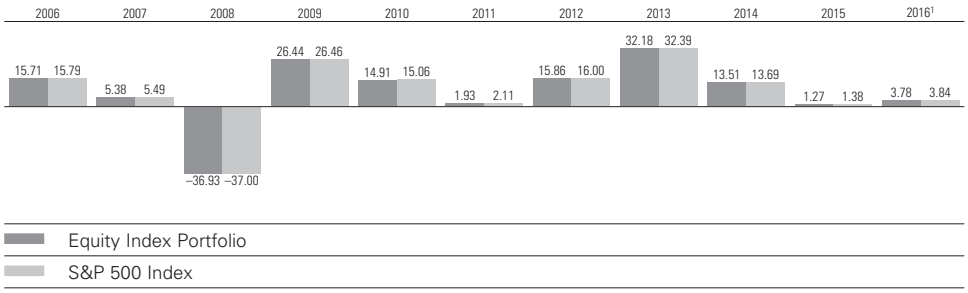
5 The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2016, the annualized expense ratio was 0.15%.

6 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Fiscal-Year Total Returns (%): December 31, 2005–June 30, 2016



Average Annual Total Returns: Periods Ended June 30, 2016

	Inception Date	One Year	Five Years	Ten Years
Equity Index Portfolio	4/29/1991	3.87%	11.94%	7.32%

1 Six months ended June 30, 2016.

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (99.7%)[1]		
Consumer Discretionary (12.2%)		
* Amazon.com Inc.	87,692	62,754
Home Depot Inc.	282,011	36,010
Comcast Corp. Class A	548,008	35,725
Walt Disney Co.	338,335	33,096
McDonald's Corp.	198,991	23,947
Starbucks Corp.	332,102	18,970
NIKE Inc. Class B	301,878	16,664
Lowe's Cos. Inc.	200,901	15,905
* Priceline Group Inc.	11,259	14,056
Time Warner Inc.	178,251	13,109
TJX Cos. Inc.	149,925	11,579
Ford Motor Co.	884,481	11,118
Target Corp.	133,604	9,328
General Motors Co.	317,627	8,989
* Netflix Inc.	97,141	8,886
Yum! Brands Inc.	92,445	7,666
Twenty-First Century Fox Inc. Class A	248,371	6,718
Johnson Controls Inc.	147,025	6,507
Dollar General Corp.	64,388	6,052
* O'Reilly Automotive Inc.	21,867	5,928
* AutoZone Inc.	6,773	5,377
Ross Stores Inc.	90,952	5,156
CBS Corp. Class B	94,181	5,127
* Dollar Tree Inc.	53,287	5,022
Newell Brands Inc.	103,135	5,009
VF Corp.	75,740	4,657
Omnicom Group Inc.	54,215	4,418
Carnival Corp.	99,525	4,399
Delphi Automotive plc	62,019	3,882
L Brands Inc.	57,089	3,832
* Ulta Salon Cosmetics & Fragrance Inc.	14,263	3,475
Genuine Parts Co.	34,018	3,444
Viacom Inc. Class B	78,326	3,248
Marriott International Inc. Class A	43,104	2,865
Whirlpool Corp.	17,115	2,852
Starwood Hotels & Resorts Worldwide Inc.	38,247	2,828
Expedia Inc.	26,417	2,808
Tractor Supply Co.	30,246	2,758
* Mohawk Industries Inc.	14,478	2,747
Advance Auto Parts Inc.	16,676	2,695
Twenty-First Century Fox Inc.	97,757	2,664
* Chipotle Mexican Grill Inc. Class A	6,586	2,653
Royal Caribbean Cruises Ltd.	38,292	2,571
Coach Inc.	62,861	2,561
Mattel Inc.	77,258	2,417
DR Horton Inc.	74,927	2,359
Macy's Inc.	70,023	2,353
* LKQ Corp.	69,518	2,204
* CarMax Inc.	43,787	2,147
Hanesbrands Inc.	85,135	2,139
Hasbro Inc.	25,390	2,133
Interpublic Group of Cos. Inc.	91,267	2,108
* Michael Kors Holdings Ltd.	40,159	1,987
Best Buy Co. Inc.	63,991	1,958
Lennar Corp. Class A	41,445	1,911
Harley-Davidson Inc.	41,136	1,863
Wyndham Worldwide Corp.	25,176	1,793
PVH Corp.	18,505	1,744
Foot Locker Inc.	30,778	1,689
Wynn Resorts Ltd.	18,555	1,682
*,^ Under Armour Inc. Class A	41,367	1,660
* TripAdvisor Inc.	25,617	1,647
Darden Restaurants Inc.	25,649	1,625
Kohl's Corp.	42,071	1,595
Leggett & Platt Inc.	30,344	1,551
Goodyear Tire & Rubber Co.	60,184	1,544
Tiffany & Co.	25,107	1,523
* Under Armour Inc.	41,652	1,516
Bed Bath & Beyond Inc.	34,808	1,504
BorgWarner Inc.	49,850	1,472
Signet Jewelers Ltd.	17,820	1,469
PulteGroup Inc.	71,425	1,392
Scripps Networks Interactive Inc. Class A	21,371	1,331
* Discovery Communications Inc.	53,418	1,274
Staples Inc.	147,351	1,270
News Corp. Class A	109,223	1,240
H&R Block Inc.	52,718	1,213
Ralph Lauren Corp. Class A	13,232	1,186
TEGNA Inc.	49,632	1,150
Harman International Industries Inc.	15,752	1,131
Garmin Ltd.	26,615	1,129
Nordstrom Inc.	28,646	1,090
Gap Inc.	50,809	1,078
* Discovery Communications Inc. Class A	33,718	851
* AutoNation Inc.	15,981	751
* Urban Outfitters Inc.	19,709	542
		506,276
Consumer Staples (10.5%)		
Procter & Gamble Co.	603,324	51,083
Coca-Cola Co.	882,587	40,008
Philip Morris International Inc.	351,600	35,765
PepsiCo Inc.	327,400	34,685
Altria Group Inc.	443,475	30,582
Wal-Mart Stores Inc.	346,229	25,282
CVS Health Corp.	243,461	23,309
Walgreens Boots Alliance Inc.	195,935	16,316
Mondelez International Inc. Class A	351,855	16,013
Costco Wholesale Corp.	99,372	15,605
Colgate-Palmolive Co.	202,472	14,821
Kraft Heinz Co.	135,120	11,955
Kimberly-Clark Corp.	81,712	11,234
Reynolds American Inc.	187,656	10,120
General Mills Inc.	134,814	9,615
Kroger Co.	216,238	7,955
Constellation Brands Inc. Class A	39,905	6,600
Sysco Corp.	118,808	6,028
Archer-Daniels-Midland Co.	133,212	5,714
* Monster Beverage Corp.	31,822	5,114
ConAgra Foods Inc.	98,571	4,713
Kellogg Co.	57,218	4,672
Estee Lauder Cos. Inc. Class A	50,268	4,575
Tyson Foods Inc. Class A	68,232	4,557
Molson Coors Brewing Co. Class B	41,660	4,213
JM Smucker Co.	27,195	4,145
Dr Pepper Snapple Group Inc.	42,242	4,082
Clorox Co.	29,387	4,067
Mead Johnson Nutrition Co.	42,181	3,828
Hershey Co.	32,090	3,642
Church & Dwight Co. Inc.	29,294	3,014
McCormick & Co. Inc.	25,965	2,770
Campbell Soup Co.	40,716	2,709
Whole Foods Market Inc.	72,840	2,332
Brown-Forman Corp. Class B	22,775	2,272
Hormel Foods Corp.	61,020	2,233
		435,628
Energy (7.4%)		
Exxon Mobil Corp.	939,927	88,109
Chevron Corp.	427,261	44,790
Schlumberger Ltd.	314,975	24,908
Occidental Petroleum Corp.	173,145	13,083
ConocoPhillips	280,687	12,238
EOG Resources Inc.	124,782	10,409
Halliburton Co.	194,770	8,821
Phillips 66	106,040	8,413
Kinder Morgan Inc.	414,784	7,765
Anadarko Petroleum Corp.	115,709	6,162
Spectra Energy Corp.	155,233	5,686
Pioneer Natural Resources Co.	37,147	5,617
Valero Energy Corp.	106,635	5,438
Apache Corp.	85,489	4,759
Marathon Petroleum Corp.	119,704	4,544
Baker Hughes Inc.	98,985	4,467
Devon Energy Corp.	118,323	4,289
Hess Corp.	59,443	3,573
* Concho Resources Inc.	29,418	3,509
Noble Energy Inc.	96,986	3,479
Williams Cos. Inc.	154,431	3,340
EQT Corp.	39,057	3,024
Marathon Oil Corp.	191,483	2,874
National Oilwell Varco Inc.	85,222	2,868
Cabot Oil & Gas Corp.	104,924	2,701
Cimarex Energy Co.	21,506	2,566
Columbia Pipeline Group Inc.	90,651	2,311
ONEOK Inc.	47,512	2,255
Tesoro Corp.	27,063	2,028
* Newfield Exploration Co.	44,438	1,963

	Shares	Market Value• ($000)
Range Resources Corp.	38,281	1,651
Helmerich & Payne Inc.	24,328	1,633
* FMC Technologies Inc.	50,610	1,350
* Southwestern Energy Co.	106,875	1,345
Murphy Oil Corp.	36,637	1,163
Transocean Ltd.	77,558	922
* Chesapeake Energy Corp.	132,043	565
Diamond Offshore Drilling Inc.	14,976	364
		304,982
Financials (15.7%)		
* Berkshire Hathaway Inc. Class B	393,263	56,940
JPMorgan Chase & Co.	828,832	51,504
Wells Fargo & Co.	1,047,260	49,567
Bank of America Corp.	2,328,246	30,896
Citigroup Inc.	665,227	28,199
Simon Property Group Inc.	70,138	15,213
US Bancorp	367,882	14,837
Chubb Ltd.	105,332	13,768
American International Group Inc.	253,660	13,416
Goldman Sachs Group Inc.	87,566	13,011
American Express Co.	183,290	11,137
American Tower Corporation	96,240	10,934
MetLife Inc.	249,068	9,920
BlackRock Inc.	28,518	9,768
Bank of New York Mellon Corp.	244,168	9,486
PNC Financial Services Group Inc.	113,196	9,213
Morgan Stanley	342,516	8,899
Public Storage	33,409	8,539
Marsh & McLennan Cos. Inc.	118,171	8,090
Travelers Cos. Inc.	66,151	7,875
Crown Castle International Corp.	76,429	7,752
CME Group Inc.	76,835	7,484
Capital One Financial Corp.	116,128	7,375
Prudential Financial Inc.	100,265	7,153
Intercontinental Exchange Inc.	26,995	6,910
Charles Schwab Corp.	272,661	6,901
Aflac Inc.	93,964	6,780
BB&T Corp.	186,090	6,627
Aon plc	60,086	6,563
S&P Global Inc.	60,045	6,440
Welltower Inc.	81,031	6,172
Equinix Inc.	15,744	6,104
Allstate Corp.	84,684	5,924
Prologis Inc.	118,721	5,822
Equity Residential	82,604	5,690
AvalonBay Communities Inc.	31,020	5,596
Ventas Inc.	76,697	5,585
Weyerhaeuser Co.	168,725	5,023
Discover Financial Services	93,443	5,008
State Street Corp.	89,800	4,842
* Synchrony Financial	188,439	4,764
SunTrust Banks Inc.	113,831	4,676
Boston Properties Inc.	34,687	4,575
* Berkshire Hathaway Inc. Class A	21	4,556
Progressive Corp.	132,179	4,428
M&T Bank Corp.	35,959	4,251
T. Rowe Price Group Inc.	56,039	4,089
Realty Income Corp.	58,209	4,037
Vornado Realty Trust	40,094	4,014
Hartford Financial Services Group Inc.	88,964	3,948
General Growth Properties Inc.	131,682	3,927
Willis Towers Watson plc	31,331	3,895
HCP Inc.	105,531	3,734
Digital Realty Trust Inc.	33,241	3,623
Moody's Corp.	38,340	3,593
Essex Property Trust Inc.	14,837	3,384
Ameriprise Financial Inc.	37,627	3,381
Northern Trust Corp.	48,547	3,217
Fifth Third Bancorp	173,214	3,047
Kimco Realty Corp.	94,722	2,972
Franklin Resources Inc.	83,124	2,774
Host Hotels & Resorts Inc.	169,418	2,746
Federal Realty Investment Trust	16,098	2,665
Extra Space Storage Inc.	28,382	2,626
Cincinnati Financial Corp.	33,415	2,502
Principal Financial Group Inc.	60,864	2,502
Loews Corp.	60,727	2,495
Macerich Co.	28,677	2,449
Regions Financial Corp.	285,753	2,432
SL Green Realty Corp.	22,654	2,412
Invesco Ltd.	94,254	2,407
Citizens Financial Group Inc.	118,415	2,366
UDR Inc.	60,678	2,240
Iron Mountain Inc.	54,069	2,154
XL Group plc Class A	64,143	2,137
KeyCorp	190,082	2,100
Lincoln National Corp.	53,950	2,092
Arthur J Gallagher & Co.	40,274	1,917
* CBRE Group Inc. Class A	65,916	1,745
Unum Group	54,823	1,743
* Affiliated Managers Group Inc.	12,208	1,718
Nasdaq Inc.	25,917	1,676
Comerica Inc.	39,728	1,634
Huntington Bancshares Inc.	180,445	1,613
Torchmark Corp.	25,634	1,585
Apartment Investment & Management Co.	35,233	1,556
* E*TRADE Financial Corp.	62,851	1,476
Leucadia National Corp.	76,014	1,317
Assurant Inc.	13,887	1,199
Zions Bancorporation	45,795	1,151
People's United Financial Inc.	69,826	1,024
Navient Corp.	76,735	917
Legg Mason Inc.	24,224	714
		649,158
Health Care (14.6%)		
Johnson & Johnson	623,450	75,625
Pfizer Inc.	1,374,670	48,402
Merck & Co. Inc.	627,461	36,148
UnitedHealth Group Inc.	215,600	30,443
Bristol-Myers Squibb Co.	378,396	27,831
Medtronic plc	318,747	27,658
Amgen Inc.	170,346	25,918
Gilead Sciences Inc.	301,938	25,188
AbbVie Inc.	366,674	22,701
* Allergan plc	89,659	20,719
Eli Lilly & Co.	220,209	17,341
* Celgene Corp.	175,580	17,317
Thermo Fisher Scientific Inc.	89,239	13,186
Abbott Laboratories	333,030	13,091
* Biogen Inc.	49,658	12,008
* Express Scripts Holding Co.	143,510	10,878
Aetna Inc.	79,486	9,708
McKesson Corp.	51,074	9,533
Stryker Corp.	71,288	8,542
Becton Dickinson and Co.	48,147	8,165
Anthem Inc.	59,658	7,835
Cigna Corp.	58,209	7,450
* Boston Scientific Corp.	307,562	7,188
* Regeneron Pharmaceuticals Inc.	17,693	6,179
Humana Inc.	33,844	6,088
* Alexion Pharmaceuticals Inc.	50,903	5,943
Cardinal Health Inc.	73,969	5,770
* Intuitive Surgical Inc.	8,632	5,709
Baxter International Inc.	125,293	5,666
Zimmer Biomet Holdings Inc.	45,015	5,419
* HCA Holdings Inc.	68,280	5,258
St. Jude Medical Inc.	64,279	5,014
Zoetis Inc.	103,471	4,911
* Vertex Pharmaceuticals Inc.	55,885	4,807
* Edwards Lifesciences Corp.	48,022	4,789
* Illumina Inc.	33,262	4,669
* Mylan NV	96,432	4,170
* Cerner Corp.	67,876	3,978
CR Bard Inc.	16,584	3,900
AmerisourceBergen Corp. Class A	41,706	3,308
Agilent Technologies Inc.	74,431	3,302
* Henry Schein Inc.	18,550	3,280
Dentsply Sirona Inc.	52,804	3,276
* Laboratory Corp. of America Holdings	23,178	3,019
Perrigo Co. plc	32,754	2,970
* DaVita HealthCare Partners Inc.	37,404	2,892
* Centene Corp.	38,503	2,748
Universal Health Services Inc. Class B	20,352	2,729
Quest Diagnostics Inc.	31,980	2,604
* Waters Corp.	18,407	2,589
* Hologic Inc.	55,369	1,916
* Varian Medical Systems Inc.	21,472	1,766
* Mallinckrodt plc	24,661	1,499
PerkinElmer Inc.	24,856	1,303
Patterson Cos. Inc.	19,000	910
* Endo International plc	46,512	725
		605,981
Industrials (10.1%)		
General Electric Co.	2,084,242	65,612
3M Co.	137,537	24,085
Honeywell International Inc.	172,823	20,103
United Technologies Corp.	176,438	18,094
Boeing Co.	135,756	17,631
United Parcel Service Inc. Class B	156,495	16,858
Union Pacific Corp.	190,666	16,636
Lockheed Martin Corp.	59,346	14,728
Danaher Corp.	135,892	13,725
Caterpillar Inc.	132,433	10,040
Raytheon Co.	67,210	9,137
Northrop Grumman Corp.	40,907	9,093
General Dynamics Corp.	65,132	9,069
FedEx Corp.	56,655	8,599
Illinois Tool Works Inc.	73,310	7,636
Emerson Electric Co.	145,910	7,611
Delta Air Lines Inc.	175,032	6,376
Waste Management Inc.	93,735	6,212
Eaton Corp. plc	103,877	6,205
Norfolk Southern Corp.	67,061	5,709
Southwest Airlines Co.	144,889	5,681
CSX Corp.	216,749	5,653
Deere & Co.	67,691	5,486
Nielsen Holdings plc	81,845	4,253

	Shares	Market Value• ($000)
PACCAR Inc.	79,330	4,115
Tyco International plc	96,135	4,095
Cummins Inc.	35,984	4,046
Roper Technologies Inc.	22,957	3,915
Stanley Black & Decker Inc.	34,227	3,807
Ingersoll-Rand plc	58,379	3,718
American Airlines Group Inc.	130,408	3,692
Equifax Inc.	27,020	3,469
Rockwell Automation Inc.	29,556	3,394
Parker-Hannifin Corp.	30,412	3,286
* TransDigm Group Inc.	12,028	3,172
* United Continental Holdings Inc.	76,105	3,123
WW Grainger Inc.	12,930	2,938
Fastenal Co.	65,368	2,902
* Verisk Analytics Inc. Class A	35,072	2,844
Republic Services Inc. Class A	53,802	2,761
L-3 Communications Holdings Inc.	17,581	2,579
Rockwell Collins Inc.	29,361	2,500
Acuity Brands Inc.	9,908	2,457
AMETEK Inc.	53,004	2,450
Dover Corp.	35,254	2,444
CH Robinson Worldwide Inc.	32,382	2,404
Pentair plc	40,974	2,388
Masco Corp.	75,555	2,338
Textron Inc.	60,890	2,226
Kansas City Southern	24,557	2,212
Snap-on Inc.	13,136	2,073
Expeditors International of Washington Inc.	41,858	2,053
* Stericycle Inc.	19,312	2,011
Fortune Brands Home & Security Inc.	34,633	2,008
Cintas Corp.	19,650	1,928
Xylem Inc.	40,648	1,815
JB Hunt Transport Services Inc.	20,280	1,641
Alaska Air Group Inc.	27,914	1,627
Fluor Corp.	31,376	1,546
Allegion plc	21,593	1,499
* Jacobs Engineering Group Inc.	27,772	1,383
* United Rentals Inc.	20,558	1,379
Flowserve Corp.	29,644	1,339
Robert Half International Inc.	29,639	1,131
Dun & Bradstreet Corp.	8,367	1,019
Pitney Bowes Inc.	44,658	795
* Quanta Services Inc.	33,794	781
Ryder System Inc.	12,283	751
		420,286
Information Technology (19.7%)		
Apple Inc.	1,241,559	118,693
Microsoft Corp.	1,781,644	91,167
* Facebook Inc. Class A	524,088	59,893
* Alphabet Inc. Class A	66,572	46,835
* Alphabet Inc. Class C	66,951	46,337
Intel Corp.	1,070,289	35,105
Cisco Systems Inc.	1,140,043	32,708
Visa Inc. Class A	431,758	32,023
International Business Machines Corp.	200,252	30,394
Oracle Corp.	705,477	28,875
MasterCard Inc. Class A	220,050	19,378
QUALCOMM Inc.	332,963	17,837
Accenture plc Class A	141,465	16,027
Texas Instruments Inc.	227,669	14,263
Broadcom Ltd.	84,124	13,073
EMC Corp.	442,754	12,030
* salesforce.com Inc.	144,420	11,468
* Adobe Systems Inc.	113,379	10,861
Automatic Data Processing Inc.	103,333	9,493
* PayPal Holdings Inc.	250,274	9,137
* Cognizant Technology Solutions Corp. Class A	137,344	7,862
* Yahoo! Inc.	198,079	7,440
Hewlett Packard Enterprise Co.	376,640	6,881
Intuit Inc.	57,859	6,458
Applied Materials Inc.	246,904	5,918
* eBay Inc.	239,574	5,608
* Fiserv Inc.	50,230	5,461
NVIDIA Corp.	114,606	5,388
* Electronic Arts Inc.	68,460	5,186
Corning Inc.	243,888	4,995
HP Inc.	387,540	4,864
TE Connectivity Ltd.	81,179	4,636
Fidelity National Information Services Inc.	62,674	4,618
Activision Blizzard Inc.	115,081	4,561
Paychex Inc.	72,699	4,326
Amphenol Corp. Class A	69,800	4,002
Analog Devices Inc.	69,603	3,942
* Micron Technology Inc.	234,499	3,227
Lam Research Corp.	36,125	3,037
Western Digital Corp.	63,798	3,015
* Red Hat Inc.	41,168	2,989
Symantec Corp.	138,352	2,842
* Citrix Systems Inc.	35,096	2,811
* Autodesk Inc.	50,571	2,738
Skyworks Solutions Inc.	43,087	2,727
Xilinx Inc.	57,476	2,651
* Alliance Data Systems Corp.	13,269	2,600
KLA-Tencor Corp.	35,393	2,592
Linear Technology Corp.	53,997	2,512
Global Payments Inc.	34,905	2,491
Microchip Technology Inc.	48,607	2,467
Motorola Solutions Inc.	35,863	2,366
Harris Corp.	28,059	2,341
* Akamai Technologies Inc.	39,652	2,218
CA Inc.	67,247	2,208
Western Union Co.	112,099	2,150
Xerox Corp.	215,017	2,040
Total System Services Inc.	37,948	2,015
* VeriSign Inc.	21,950	1,898
Juniper Networks Inc.	80,271	1,805
* F5 Networks Inc.	15,106	1,720
Seagate Technology plc	67,750	1,650
NetApp Inc.	64,773	1,593
* Qorvo Inc.	28,749	1,589
FLIR Systems Inc.	30,963	958
* First Solar Inc.	17,525	850
* Teradata Corp.	29,208	732
CSRA Inc.	31,114	729
		815,304
Materials (2.9%)		
El du Pont de Nemours & Co.	198,012	12,831
Dow Chemical Co.	254,548	12,654
Monsanto Co.	99,080	10,246
Praxair Inc.	64,734	7,275
Ecolab Inc.	59,875	7,101
PPG Industries Inc.	60,346	6,285
Air Products & Chemicals Inc.	44,135	6,269
LyondellBasell Industries NV Class A	77,596	5,775
Sherwin-Williams Co.	17,823	5,234
Newmont Mining Corp.	119,881	4,690
International Paper Co.	93,306	3,954
Vulcan Materials Co.	30,277	3,644
Nucor Corp.	71,860	3,551
Freeport-McMoRan Inc.	283,190	3,155
Ball Corp.	39,372	2,846
Alcoa Inc.	298,079	2,763
Martin Marietta Materials Inc.	14,324	2,750
Eastman Chemical Co.	33,706	2,289
International Flavors & Fragrances Inc.	18,042	2,275
WestRock Co.	57,640	2,240
Mosaic Co.	79,143	2,072
Sealed Air Corp.	44,596	2,050
Albemarle Corp.	25,440	2,018
Avery Dennison Corp.	20,128	1,505
FMC Corp.	30,194	1,398
CF Industries Holdings Inc.	52,365	1,262
* Owens-Illinois Inc.	35,769	644
		118,776
Telecommunication Services (2.9%)		
AT&T Inc.	1,395,326	60,292
Verizon Communications Inc.	923,908	51,591
CenturyLink Inc.	123,774	3,591
* Level 3 Communications Inc.	65,565	3,376
Frontier Communications Corp.	265,702	1,312
		120,162
Utilities (3.7%)		
NextEra Energy Inc.	104,589	13,638
Duke Energy Corp.	156,212	13,401
Southern Co.	212,792	11,412
Dominion Resources Inc.	139,668	10,884
American Electric Power Co. Inc.	111,363	7,805
Exelon Corp.	209,023	7,600
PG&E Corp.	112,525	7,193
Sempra Energy	53,811	6,136
PPL Corp.	153,469	5,793
Edison International	73,613	5,718
Consolidated Edison Inc.	69,067	5,556
Public Service Enterprise Group Inc.	114,287	5,327
Xcel Energy Inc.	114,740	5,138
WEC Energy Group Inc.	71,302	4,656
Eversource Energy	71,634	4,291
DTE Energy Co.	40,748	4,039
American Water Works Co. Inc.	40,185	3,396
FirstEnergy Corp.	96,002	3,351
Entergy Corp.	40,393	3,286
Ameren Corp.	55,011	2,948
CMS Energy Corp.	63,060	2,892
SCANA Corp.	32,351	2,448
CenterPoint Energy Inc.	97,289	2,335
Pinnacle West Capital Corp.	25,157	2,039
NiSource Inc.	72,651	1,927
AES Corp.	149,070	1,860
AGL Resources Inc.	27,304	1,801
Alliant Energy Corp.	43,221	1,716
TECO Energy Inc.	52,849	1,461
NRG Energy Inc.	71,474	1,071
		151,118
Total Common Stocks (Cost $3,153,740)		**4,127,671**

	Shares	Market Value• ($000)
Temporary Cash Investments (0.9%)[1]		
Money Market Fund (0.9%)		
[2,3] Vanguard Market Liquidity Fund, 0.538%	36,780,094	36,780
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.0%)		
[4] Federal Home Loan Bank Discount Notes, 0.486%–0.496%, 8/24/16	300	300
[4,5] Federal Home Loan Bank Discount Notes, 0.511%, 9/2/16	1,000	999
		1,299
Total Temporary Cash Investments (Cost $38,079)		**38,079**
Total Investments (100.6%) (Cost $3,191,819)		**4,165,750**

	Amount ($000)
Other Assets and Liabilities (-0.6%)	
Other Assets	
Investment in Vanguard	337
Receivables for Accrued Income	4,653
Receivables for Capital Shares Issued	3,405
Other Assets	179
Total Other Assets	**8,574**
Liabilities	
Payables for Investment Securities Purchased	(26,885)
Collateral for Securities on Loan	(336)
Payables for Capital Shares Redeemed	(1,979)
Payables to Vanguard	(3,150)
Other Liabilities	(472)
Total Liabilities	**(32,822)**
Net Assets (100%)	
Applicable to 125,248,609 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**4,141,502**
Net Asset Value Per Share	**$33.07**

At June 30, 2016, net assets consisted of:

	Amount ($000)
Paid-in Capital	3,093,535
Undistributed Net Investment Income	37,433
Accumulated Net Realized Gains	36,377
Unrealized Appreciation (Depreciation)	
Investment Securities	973,931
Futures Contracts	226
Net Assets	**4,141,502**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $329,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.1% and 0.5%, respectively, of net assets.

2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

3 Includes $336,000 of collateral received for securities on loan.

4 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

5 Securities with a value of $700,000 have been segregated as initial margin for open futures contracts.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2016
	($000)
Investment Income	
Income	
Dividends	44,004
Interest[1]	36
Securities Lending	52
Total Income	44,092
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	381
Management and Administrative	2,108
Marketing and Distribution	392
Custodian Fees	34
Shareholders' Reports	28
Trustees' Fees and Expenses	1
Total Expenses	2,944
Net Investment Income	**41,148**
Realized Net Gain (Loss)	
Investment Securities Sold	34,605
Futures Contracts	1,922
Realized Net Gain (Loss)	**36,527**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	74,011
Futures Contracts	214
Change in Unrealized Appreciation (Depreciation)	**74,225**
Net Increase (Decrease) in Net Assets Resulting from Operations	**151,900**

1 Interest income from an affiliated company of the portfolio was $33,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	41,148	91,367
Realized Net Gain (Loss)	36,527	74,917
Change in Unrealized Appreciation (Depreciation)	74,225	(119,916)
Net Increase (Decrease) in Net Assets Resulting from Operations	151,900	46,368
Distributions		
Net Investment Income	(91,047)	(63,303)
Realized Capital Gain[1]	(74,373)	(115,925)
Total Distributions	(165,420)	(179,228)
Capital Share Transactions		
Issued	238,397	608,805
Issued in Lieu of Cash Distributions	165,420	179,228
Redeemed	(233,612)	(454,226)
Net Increase (Decrease) from Capital Share Transactions	170,205	333,807
Total Increase (Decrease)	156,685	200,947
Net Assets		
Beginning of Period	**3,984,817**	**3,783,870**
End of Period[2]	**4,141,502**	**3,984,817**

1 Includes fiscal 2016 and 2015 short-term gain distributions totaling $600,000 and $2,114,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $37,433,000 and $87,332,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Net Asset Value, Beginning of Period	**$33.25**	**$34.44**	**$31.50**	**$24.93**	**$22.85**	**$23.51**
Investment Operations						
Net Investment Income	.329	.759[1]	.587	.545	.512	.466
Net Realized and Unrealized Gain (Loss) on Investments	.870	(.338)	3.522	7.235	3.062	.034
Total from Investment Operations	1.199	.421	4.109	7.780	3.574	.500
Distributions						
Dividends from Net Investment Income	(.759)	(.569)	(.555)	(.505)	(.474)	(.390)
Distributions from Realized Capital Gains	(.620)	(1.042)	(.614)	(.705)	(1.020)	(.770)
Total Distributions	(1.379)	(1.611)	(1.169)	(1.210)	(1.494)	(1.160)
Net Asset Value, End of Period	**$33.07**	**$33.25**	**$34.44**	**$31.50**	**$24.93**	**$22.85**
Total Return	**3.78%**	**1.27%**	**13.51%**	**32.18%**	**15.86%**	**1.93%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$4,142	$3,985	$3,784	$3,199	$2,418	$2,132
Ratio of Total Expenses to Average Net Assets	0.15%	0.15%	0.16%	0.16%	0.17%	0.17%
Ratio of Net Investment Income to Average Net Assets	2.10%	2.31%[1]	1.88%	1.96%	2.13%	1.92%
Portfolio Turnover Rate	5%	4%	7%	8%	9%	8%

The expense ratio, net investment income ratio, and turnover rate for the current period have been annualized.

1 Net investment income per share and the ratio of net investment income to average net assets include $.13 and 0.35%, respectively, resulting from a special dividend from Medtronic plc in January 2015.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Equity Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Other temporary cash investments are valued at amortized cost, which approximates market value.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, enhancing returns, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The portfolio may seek to enhance returns by using futures contracts instead of the underlying securities when futures are believed to be priced more attractively than the underlying securities. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the six months ended June 30, 2016, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2012–2015), and for the period ended June 30, 2016, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a

counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the absence of a default the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2016, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2016, the portfolio had contributed to Vanguard capital in the amount of $337,000, representing 0.01% of the portfolio's net assets and 0.13% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of June 30, 2016, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	4,127,671	—	—
Temporary Cash Investments	36,780	1,299	—
Futures Contracts—Assets[1]	179	—	—
Total	4,164,630	1,299	—

1 Represents variation margin on the last day of the reporting period.

D. At June 30, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

				($000)
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value Long (Short)	Unrealized Appreciation (Depreciation)
E-mini S&P 500 Index	September 2016	178	18,603	226

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

E. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2016, the cost of investment securities for tax purposes was $3,191,819,000. Net unrealized appreciation of investment securities for tax purposes was $973,931,000 consisting of unrealized gains of $1,234,677,000 on securities that had risen in value since their purchase and $260,746,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended June 30, 2016, the portfolio purchased $138,501,000 of investment securities and sold $97,867,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2016	Year Ended December 31, 2015
	Shares (000)	Shares (000)
Issued	7,470	18,193
Issued in Lieu of Cash Distributions	5,208	5,441
Redeemed	(7,268)	(13,658)
Net Increase (Decrease) in Shares Outstanding	5,410	9,976

At June 30, 2016, two shareholders (an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders and Vanguard Total Stock Market Index Portfolio), were each the record or beneficial owner of 35% or more of the portfolio's net assets, with a combined ownership of 70%. If one of these shareholders were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

H. Management has determined that no material events or transactions occurred subsequent to June 30, 2016, that would require recognition or disclosure in these financial statements.

About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, 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 given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

Six Months Ended June 30, 2016

Equity Index Portfolio	Beginning Account Value 12/31/2015	Ending Account Value 6/30/2016	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,037.77	$0.76
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.12	0.75

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.15%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/366).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Equity Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard)—through its Equity Index Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services
The board reviewed the quality of the portfolio's investment management services over both the short and long term and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than three decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance
The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance relative to a target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found on the Performance Summary page for this portfolio.

Cost
The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below its peer-group average. Information about the portfolio's expenses appears on the About Your Portfolio's Expenses page as well as in the Financial Statements pages.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale
The board concluded that the portfolio's at-cost arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III
Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood
Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

Rajiv L. Gupta
Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann
Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

JoAnn Heffernan Heisen
Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey
Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge
Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass
Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

André F. Perold
Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Trustee of Colby-Sawyer College and Chairman of its Finance and Enrollment Committee; Member of the Advisory Board of the Norris Cotton Cancer Center.

Executive Officers

Glenn Booraem
Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Heidi Stam
Born 1956. Secretary Since July 2005. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation.

Vanguard Senior Management Team

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Chris D. McIsaac
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Glenn W. Reed
Karin A. Risi
Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

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