

ANNUAL REPORTS

For Period Ended December 31, 2017

This booklet contains the CMFG Variable Life Insurance Account's and CMFG Variable Annuity Account's audited financial statements and the annual reports for the following mutual funds in which each of the CMFG Variable Life Insurance Account and CMFG Variable Annuity Account invests:

MFS® Strategic Income Portfolio of the MFS® Variable Insurance Trust.

Oppenheimer Global Strategic Income Fund/VA of the Oppenheimer Variable Account Funds.

Templeton Developing Markets VIP Fund of the Franklin Templeton Variable Insurance Products Trust.

T. Rowe Price International Stock Portfolio of the T. Rowe Price International Series, Inc.

MEMBERS® Variable Annuity
MEMBERS® Variable Universal Life
MEMBERS® Variable Universal Life II
Ultra Vers-ALL LIFESM

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MEMBERS® Variable Universal Life II and MEMBERS® Variable Annuity no longer accept new payments and do not allow transfers of money from other subaccounts to the subaccounts that invest in the mutual funds described in this booklet.

MEMBERS® Variable Universal Life and Ultra Vers-ALL LIFE accepts new premium for the T. Rowe Price International stock subaccount and also allows transfers of money to the subaccount that invests in that fund.

If you own a MEMBERS® Variable Annuity, MEMBERS® Variable Universal Life, MEMBERS® Variable Universal Life II, or Ultra Vers-ALL LIFE, you will also receive a booklet that contains the annual report for that product as well as an annual report for other mutual funds in which the CMFG Variable Annuity Account and CMFG Variable Life Insurance Account invest.

To reduce service expenses, CMFG Life Insurance Company may send only one copy of this booklet per household, regardless of the number of owners at the household. However, any owner may obtain additional copies of this booklet upon request to CMFG Life Insurance Company.

If you have questions, please call CMFG Life Insurance Company at (800) 798-5500.

As with all variable annuity contracts, variable life insurance policies and mutual funds, the Securities and Exchange Commission ("SEC") has not approved or disapproved of these securities, nor does the SEC guarantee the accuracy or adequacy of any prospectus. Any statement to the contrary is a criminal offense.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
CMFG Life Insurance Company and
Policy Owners of CMFG Variable Life Insurance Account:

Opinion on the Financial Statements and Financial Highlights

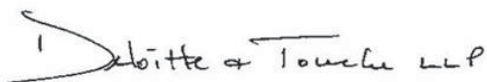
We have audited the accompanying statement of assets and liabilities for each of the subaccounts listed in Appendix A of CMFG Variable Life Insurance Account (the "Account") as of December 31, 2017, and the related statements of operations, the statements of changes in net assets and the financial highlights for each of the periods presented in Appendix A. In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of each of the subaccounts comprising the Account as of December 31, 2017, and the results of their operations, the changes in their net assets, and the financial highlights for each of the periods presented in Appendix A, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Account's management. Our responsibility is to express an opinion on the Account's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Account in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Account is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Account's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2017, by correspondence with the Account's fund managers. We believe that our audits provide a reasonable basis for our opinion.



February 26, 2018

We have served as the auditor of CMFG Variable Life Insurance Account since 2004.

CMFG Variable Life Insurance Account
APPENDIX A

Subaccount	Statement of Assets and Liabilities As of	Statement of Operations For The	Statement Of Changes in Net Assets For the	Financial Highlights For The
Templeton Developing Markets VIP Fund, Class 2, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
MFS® Strategic Income Portfolio, Initial Class, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Four Years Ended December 31, 2017 And The Period From August 16, 2013* To December 31, 2013
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
T. Rowe Price International Stock Portfolio, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Core Bond Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Conservative Allocation Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Diversified Income Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series High Income Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series International Stock Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Large Cap Growth Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Large Cap Value Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Mid Cap Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Moderate Allocation Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Vanguard VIF Money Market Portfolio, Subaccount	December 31, 2017	Year Ended December 31, 2017	Year Ended December 31, 2017 and Period from February 12, 2016* to December 31, 2016	Year ended December 31, 2017 and Period from February 12, 2016* to December 31, 2016

*Date Represents Commencement Of Operations

CMFG Variable Life Insurance Account
Statements of Assets and Liabilities
As of December 31, 2017

	Templeton Developing Markets VIP Fund, Class 2, Subaccount	MFS® Strategic Income Portfolio, Initial Class, Subaccount	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	T. Rowe Price International Stock Portfolio, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 12,968	\$ 239,725	\$ 9,472	\$ 6,659,570
Total assets	12,968	239,725	9,472	6,659,570
Liabilities				
	-	-	-	-
Net assets	\$ 12,968	\$ 239,725	\$ 9,472	\$ 6,659,570
Net assets				
Net assets: type 1	\$ -	\$ 239,516	\$ -	\$ 6,563,695
Net assets: type 2	12,968	209	9,472	95,875
Total net assets	\$ 12,968	\$ 239,725	\$ 9,472	\$ 6,659,570
Number of shares outstanding	1,268	24,362	1,846	383,837
Net asset value per share	\$ 10.23	\$ 9.84	\$ 5.13	\$ 17.35
Cost of mutual fund shares	\$ 9,307	\$ 243,740	\$ 10,104	\$ 5,462,021

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount	Ultra Series Core Bond Fund, Class I, Subaccount	Ultra Series Conservative Allocation Fund, Class I, Subaccount	Ultra Series Diversified Income Fund, Class I, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 1,147,838	\$ 6,079,422	\$ 179,132	\$ 55,806,472
Total assets	1,147,838	6,079,422	179,132	55,806,472
Liabilities				
	-	-	-	-
Net assets	\$ 1,147,838	\$ 6,079,422	\$ 179,132	\$ 55,806,472
Net assets				
Net assets: type 1	\$ -	\$ 4,001,539	\$ -	\$ 47,775,862
Net assets: type 2	1,147,838	2,077,883	179,132	8,030,610
Total net assets	\$ 1,147,838	\$ 6,079,422	\$ 179,132	\$ 55,806,472
Number of shares outstanding	113,396	622,955	17,526	2,855,252
Net asset value per share	\$ 10.12	\$ 9.76	\$ 10.22	\$ 19.55
Cost of mutual fund shares	\$ 1,112,581	\$ 6,391,641	\$ 181,211	\$ 50,357,952

See accompanying notes to financial statements

CMFG Variable Life Insurance Account
Statements of Assets and Liabilities (continued)
As of December 31, 2017

	Ultra Series High Income Fund, Class I, Subaccount	Ultra Series International Stock Fund, Class I, Subaccount	Ultra Series Large Cap Growth Fund, Class I, Subaccount	Ultra Series Large Cap Value Fund, Class I, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 1,002,526	\$ 2,721,579	\$ 41,731,370	\$ 77,973,086
Total assets	1,002,526	2,721,579	41,731,370	77,973,086
Liabilities				
	-	-	-	-
Net assets	\$ 1,002,526	\$ 2,721,579	\$ 41,731,370	\$ 77,973,086
Net assets				
Net assets: type 1	\$ -	\$ -	\$ 32,838,323	\$ 68,696,268
Net assets: type 2	1,002,526	2,721,579	8,893,047	9,276,818
Total net assets	\$ 1,002,526	\$ 2,721,579	\$ 41,731,370	\$ 77,973,086
Number of shares outstanding	115,801	232,027	1,572,502	2,737,646
Net asset value per share	\$ 8.66	\$ 11.73	\$ 26.54	\$ 28.48
Cost of mutual fund shares	\$ 1,082,358	\$ 2,553,683	\$ 35,973,147	\$ 74,209,388

	Ultra Series Mid Cap Fund, Class I, Subaccount	Ultra Series Moderate Allocation Fund, Class I, Subaccount	Vanguard VIF Money Market Portfolio, Subaccount
Assets			
Investments in mutual funds at fair value	\$ 21,147,288	\$ 2,185,875	\$ 2,163,990
Total assets	21,147,288	2,185,875	2,163,990
Liabilities			
	-	-	-
Net assets	\$ 21,147,288	\$ 2,185,875	\$ 2,163,990
Net assets			
Net assets: type 1	\$ 10,862,905	\$ -	\$ 913,983
Net assets: type 2	10,284,383	2,185,875	1,250,007
Total net assets	\$ 21,147,288	\$ 2,185,875	\$ 2,163,990
Number of shares outstanding	1,114,875	201,528	2,163,990
Net asset value per share	\$ 18.97	\$ 10.85	\$ 1.00
Cost of mutual fund shares	\$ 18,075,249	\$ 2,087,035	\$ 2,163,990

See accompanying notes to financial statements

CMFG Variable Life Insurance Account
Statements of Operations
For the Period Ended December 31, 2017

	Templeton Developing Markets VIP Fund, Class 2, Subaccount	MFS® Strategic Income Portfolio, Initial Class, Subaccount	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	T. Rowe Price International Stock Portfolio, Subaccount
Investment income (loss)				
Dividend Income	\$ 120	\$ 11,289	\$ 224	\$ 69,583
Mortality and expense charges (note 3)	(110)	(2,195)	(88)	(56,470)
Net investment income (loss)	10	9,094	136	13,113
Realized gain (loss) on sale of fund shares				
Net realized gain (loss) on sale of fund shares	324	(162)	(68)	101,926
Realized gain distributions	-	-	-	256,357
Net realized gain (loss) on investments	324	(162)	(68)	358,283
Net change in unrealized appreciation (depreciation) on investments	3,616	3,681	439	1,086,461
Net increase (decrease) in net assets resulting from operations	\$ 3,950	\$ 12,613	\$ 507	\$ 1,457,857

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount	Ultra Series Core Bond Fund, Class I, Subaccount	Ultra Series Conservative Allocation Fund, Class I, Subaccount	Ultra Series Diversified Income Fund, Class I, Subaccount
Investment income (loss)				
Dividend Income	\$ 19,257	\$ 180,016	\$ 3,765	\$ 1,201,989
Mortality and expense charges (note 3)	(10,153)	(55,884)	(2,467)	(483,298)
Net investment income (loss)	9,104	124,132	1,298	718,691
Realized gain (loss) on sale of fund shares				
Net realized gain (loss) on sale of fund shares	8,968	(19,669)	887	413,892
Realized gain distributions	74,207	-	4,794	2,296,018
Net realized gain (loss) on investments	83,175	(19,669)	5,681	2,709,910
Net change in unrealized appreciation (depreciation) on investments	88,724	31,325	17,003	2,840,884
Net increase (decrease) in net assets resulting from operations	\$ 181,003	\$ 135,788	\$ 23,982	\$ 6,269,485

See accompanying notes to financial statements

CMFG Variable Life Insurance Account
Statements of Operations (continued)
For the Period Ended December 31, 2017

	Ultra Series High Income Fund, Class I, Subaccount	Ultra Series International Stock Fund, Class I, Subaccount	Ultra Series Large Cap Growth Fund, Class I, Subaccount	Ultra Series Large Cap Value Fund, Class I, Subaccount
Investment income (loss)				
Dividend Income	\$ 49,368	\$ 32,833	\$ 304,940	\$ 1,757,353
Mortality and expense charges (note 3)	(9,377)	(22,894)	(352,227)	(660,855)
Net investment income (loss)	39,991	9,939	(47,287)	1,096,498
Realized gain (loss) on sale of fund shares				
Net realized gain (loss) on sale of fund shares	(4,987)	(824)	622,653	226,782
Realized gain distributions	-	-	5,024,858	4,277,174
Net realized gain (loss) on investments	(4,987)	(824)	5,647,511	4,503,956
Net change in unrealized appreciation (depreciation) on investments	19,786	481,821	1,902,101	4,908,074
Net increase (decrease) in net assets resulting from operations	\$ 54,790	\$ 490,936	\$ 7,502,325	\$ 10,508,528

	Ultra Series Mid Cap Fund, Class I, Subaccount	Ultra Series Moderate Allocation Fund, Class I, Subaccount	Vanguard VIF Money Market Portfolio, Subaccount
Investment income (loss)			
Dividend Income	\$ -	\$ 42,381	\$ 19,048
Mortality and expense charges (note 3)	(181,355)	(18,462)	(17,011)
Net investment income (loss)	(181,355)	23,919	2,037
Realized gain (loss) on sale of fund shares			
Net realized gain (loss) on sale of fund shares	323,734	14,091	-
Realized gain distributions	2,000,182	114,067	-
Net realized gain (loss) on investments	2,323,916	128,158	-
Net change in unrealized appreciation (depreciation) on investments	640,741	113,440	-
Net increase (decrease) in net assets resulting from operations	\$ 2,783,302	\$ 265,517	\$ 2,037

See accompanying notes to financial statements

CMFG Variable Life Insurance Account
Statements of Changes in Net Assets
For the Years Ended December 31,

	Templeton Developing Markets VIP Fund, Class 2, Subaccount		MFS® Strategic Income Portfolio, Initial Class, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 10	\$ (4)	\$ 9,094	\$ 5,424
Net realized gain (loss) on investments	324	(76)	(162)	(717)
Net change in unrealized appreciation (depreciation) on investments	3,616	1,780	3,681	12,596
Net increase (decrease) in net assets resulting from operations	3,950	1,700	12,613	17,303
Contract transactions				
Payments received from contract owners	-	-	-	-
Transfers between subaccounts (including fixed accounts), net	(6)	-	(358)	17
Payment for contract benefits and terminations	(606)	(1,286)	(1,480)	(1,564)
Contract charges and fees	(798)	(804)	(14,755)	(14,950)
Net increase (decrease) in net assets from contract transactions	(1,410)	(2,090)	(16,593)	(16,497)
Total increase (decrease) in net assets	2,540	(390)	(3,980)	806
Net assets				
Beginning of period	10,428	10,818	243,705	242,899
End of period	\$ 12,968	\$ 10,428	\$ 239,725	\$ 243,705

	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount		T. Rowe Price International Stock Portfolio, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 136	\$ 409	\$ 13,113	\$ 8,767
Net realized gain (loss) on investments	(68)	(204)	358,283	246,121
Net change in unrealized appreciation (depreciation) on investments	439	333	1,086,461	(182,519)
Net increase (decrease) in net assets resulting from operations	507	538	1,457,857	72,369
Contract transactions				
Payments received from contract owners	-	-	373,840	382,088
Transfers between subaccounts (including fixed accounts), net	(30)	20	(16,970)	(93,626)
Payment for contract benefits and terminations	(289)	(1,011)	(403,217)	(287,737)
Contract charges and fees	(439)	(502)	(380,206)	(392,968)
Net increase (decrease) in net assets from contract transactions	(758)	(1,493)	(426,553)	(392,243)
Total increase (decrease) in net assets	(251)	(955)	1,031,304	(319,874)
Net assets				
Beginning of period	9,723	10,678	5,628,266	5,948,140
End of period	\$ 9,472	\$ 9,723	\$ 6,659,570	\$ 5,628,266

See accompanying notes to financial statements

CMFG Variable Life Insurance Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount		Ultra Series Core Bond Fund, Class I, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 9,104	\$ 9,921	\$ 124,132	\$ 132,014
Net realized gain (loss) on investments	83,175	13,725	(19,669)	(17,442)
Net change in unrealized appreciation (depreciation) on investments	88,724	53,609	31,325	4,503
Net increase (decrease) in net assets resulting from operations	181,003	77,255	135,788	119,075
Contract transactions				
Payments received from contract owners	74,140	80,826	332,498	362,751
Transfers between subaccounts (including fixed accounts), net	5,227	1,749	76,501	150,888
Payment for contract benefits and terminations	(126,819)	(16,065)	(386,006)	(506,342)
Contract charges and fees	(48,198)	(50,352)	(372,687)	(413,109)
Net increase (decrease) in net assets from contract transactions	(95,650)	16,158	(349,694)	(405,812)
Total increase (decrease) in net assets	85,353	93,413	(213,906)	(286,737)
Net assets				
Beginning of period	1,062,485	969,072	6,293,328	6,580,065
End of period	\$ 1,147,838	\$ 1,062,485	\$ 6,079,422	\$ 6,293,328

	Ultra Series Conservative Allocation Fund, Class I, Subaccount		Ultra Series Diversified Income Fund, Class I, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 1,298	\$ 2,453	\$ 718,691	\$ 798,410
Net realized gain (loss) on investments	5,681	(1,556)	2,709,910	4,304,104
Net change in unrealized appreciation (depreciation) on investments	17,003	18,104	2,840,884	(1,007,120)
Net increase (decrease) in net assets resulting from operations	23,982	19,001	6,269,485	4,095,394
Contract transactions				
Payments received from contract owners	11,115	10,737	2,734,033	2,778,033
Transfers between subaccounts (including fixed accounts), net	(79,700)	(123,391)	(162,499)	(140,290)
Payment for contract benefits and terminations	(62,579)	(834)	(2,392,617)	(3,215,633)
Contract charges and fees	(18,836)	(21,322)	(3,296,794)	(3,422,275)
Net increase (decrease) in net assets from contract transactions	(150,000)	(134,810)	(3,117,877)	(4,000,165)
Total increase (decrease) in net assets	(126,018)	(115,809)	3,151,608	95,229
Net assets				
Beginning of period	305,150	420,959	52,654,864	52,559,635
End of period	\$ 179,132	\$ 305,150	\$ 55,806,472	\$ 52,654,864

See accompanying notes to financial statements

CMFG Variable Life Insurance Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Ultra Series High Income Fund, Class I, Subaccount		Ultra Series International Stock Fund, Class I, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 39,991	\$ 43,234	\$ 9,939	\$ 20,529
Net realized gain (loss) on investments	(4,987)	(10,511)	(824)	(30,105)
Net change in unrealized appreciation (depreciation) on investments	19,786	74,413	481,821	(83,697)
Net increase (decrease) in net assets resulting from operations	54,790	107,136	490,936	(93,273)
Contract transactions				
Payments received from contract owners	37,464	38,774	154,557	155,926
Transfers between subaccounts (including fixed accounts), net	(14,545)	(14,783)	3,115	79,898
Payment for contract benefits and terminations	(64,634)	(55,510)	(119,150)	(209,205)
Contract charges and fees	(40,689)	(41,817)	(104,349)	(107,549)
Net increase (decrease) in net assets from contract transactions	(82,404)	(73,336)	(65,827)	(80,930)
Total increase (decrease) in net assets	(27,614)	33,800	425,109	(174,203)
Net assets				
Beginning of period	1,030,140	996,340	2,296,470	2,470,673
End of period	\$ 1,002,526	\$ 1,030,140	\$ 2,721,579	\$ 2,296,470

	Ultra Series Large Cap Growth Fund, Class I, Subaccount		Ultra Series Large Cap Value Fund, Class I, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ (47,287)	\$ (21,961)	\$ 1,096,498	\$ 432,105
Net realized gain (loss) on investments	5,647,511	2,557,814	4,503,956	8,777,246
Net change in unrealized appreciation (depreciation) on investments	1,902,101	(864,442)	4,908,074	(1,347,817)
Net increase (decrease) in net assets resulting from operations	7,502,325	1,671,411	10,508,528	7,861,534
Contract transactions				
Payments received from contract owners	1,858,321	1,879,410	3,623,071	3,657,668
Transfers between subaccounts (including fixed accounts), net	(192,946)	(465,126)	(282,542)	(640,378)
Payment for contract benefits and terminations	(1,758,483)	(2,145,883)	(4,012,932)	(3,182,523)
Contract charges and fees	(1,898,979)	(1,922,369)	(3,900,221)	(3,970,738)
Net increase (decrease) in net assets from contract transactions	(1,992,087)	(2,653,968)	(4,572,624)	(4,135,971)
Total increase (decrease) in net assets	5,510,238	(982,557)	5,935,904	3,725,563
Net assets				
Beginning of period	36,221,132	37,203,689	72,037,182	68,311,619
End of period	\$ 41,731,370	\$ 36,221,132	\$ 77,973,086	\$ 72,037,182

See accompanying notes to financial statements

CMFG Variable Life Insurance Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Ultra Series Mid Cap Fund, Class I, Subaccount		Ultra Series Moderate Allocation Fund, Class I, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ (181,355)	\$ (163,289)	\$ 23,919	\$ 20,193
Net realized gain (loss) on investments	2,323,916	2,050,535	128,158	50,332
Net change in unrealized appreciation (depreciation) on investments	640,741	208,264	113,440	49,198
Net increase (decrease) in net assets resulting from operations	2,783,302	2,095,510	265,517	119,723
Contract transactions				
Payments received from contract owners	983,449	939,600	111,784	118,385
Transfers between subaccounts (including fixed accounts), net	(133,986)	(214,782)	64,281	10,238
Payment for contract benefits and terminations	(1,018,142)	(1,043,369)	(111,732)	(47,335)
Contract charges and fees	(924,759)	(933,576)	(94,048)	(97,957)
Net increase (decrease) in net assets from contract transactions	(1,093,438)	(1,252,127)	(29,715)	(16,669)
Total increase (decrease) in net assets	1,689,864	843,383	235,802	103,054
Net assets				
Beginning of period	19,457,424	18,614,041	1,950,073	1,847,019
End of period	\$ 21,147,288	\$ 19,457,424	\$ 2,185,875	\$ 1,950,073

	Vanguard VIF Money Market Portfolio, Subaccount*	
	2017	2016
Increase (decrease) in net assets from operations		
Net investment income (loss)	\$ 2,037	\$ (7,338)
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	2,037	(7,338)
Contract transactions		
Payments received from contract owners	228,639	214,251
Transfers between subaccounts (including fixed accounts), net	267,268	2,090,857
Payment for contract benefits and terminations	(110,031)	(84,017)
Contract charges and fees	(229,932)	(207,744)
Net increase (decrease) in net assets from contract transactions	155,944	2,013,347
Total increase (decrease) in net assets	157,981	2,006,009
Net assets		
Beginning of period	2,006,009	-
End of period	\$ 2,163,990	\$ 2,006,009

*The Subaccount commenced operations effective February 12, 2016

CMFG Variable Life Insurance Account

Notes to Financial Statements

(1) Organization

The CMFG Variable Life Insurance Account (“the Account”) was established as a separate account of CMFG Life Insurance Company (“The Company”). The Account is registered with the Securities and Exchange Commission (“SEC”) as a unit investment trust under the Investment Company Act of 1940 (“1940 Act”) as amended. Such registration does not involve supervision of the management or investment practices or policies of the companies or their funds by the SEC.

The Account was established to receive and invest net premiums paid by the contract owners to the Company under two flexible premium variable life insurance contract types issued by the Company: MEMBERS® Variable Universal Life and UltraVers ALL-LifeSM (type 1) and MEMBERS® Variable Universal Life II (type 2) (“contracts”).

The Account is divided into a number of subaccounts, each of which is treated as an individual accounting entity for financial reporting purposes. Each subaccount invests solely in a corresponding portfolio of one of the following funds, each an open-end management investment company registered with the SEC.

Franklin Templeton Variable Insurance Products Trust

Templeton Developing Markets VIP Fund ⁽¹⁾

MFS® Variable Insurance Trust II

MFS® Strategic Income Portfolio

Oppenheimer Variable Account Funds

Oppenheimer Global Strategic Income Fund/VA ⁽¹⁾

T. Rowe Price International Series, Inc.

T. Rowe Price International Stock Portfolio

Ultra Series Fund

Aggressive Allocation Fund ⁽¹⁾

Core Bond Fund

Conservative Allocation Fund ⁽¹⁾

Diversified Income Fund

High Income Fund ⁽¹⁾

International Stock Fund ⁽¹⁾

Large Cap Growth Fund

Large Cap Value Fund

Mid Cap Fund

Moderate Allocation Fund ⁽¹⁾

Vanguard Variable Insurance Fund

Vanguard VIF Money Market Portfolio

⁽¹⁾ This subaccount is only available in the MEMBERS® Variable Universal Life II (type 2) product.

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.

CMFG Variable Life Insurance Account

Notes to Financial Statements

(2) Significant Accounting Policies (continued)

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 Company'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 policies. Accordingly, no provision for income tax is currently recorded. If such taxes are incurred by the Company in the future, a tax provision may be recorded.

Accounting Standards Updated Pending Adoption

In January 2016, the FASB issued Accounting Standard Update ("ASU") No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* ("ASU 2016-01"), effective in 2018. The new standard will require equity investments to be measured at fair value, with changes in fair value recognized in net income. Other provisions in ASU 2016-01 were not applicable to the Account. Because the Account currently records the change in fair value of equity investments in the statement of operations in accordance with guidance for investment companies, ASU 2016-01 will have no impact on its financial statements.

(3) Fees and Charges

Contract Charges

In addition to charges for premium taxes, which reduce premiums prior to the allocation of net premiums to the subaccounts of the Account, the following charges may be deducted by the Company by redeeming an appropriate number of units for each contract and are included in contract charges and fees in the accompanying Statements of Changes in Net Assets of the applicable subaccount:

Administrative Fee: The Company has primary responsibility for the administration of the Account and the contracts issued. As reimbursement for these expenses, the Company may assess each contract a monthly administrative fee which is processed through redemption of units. This fee on an annual basis is \$0.45 per \$1,000 of the amount specified in the contract for the first ten contract years. This fee is not assessed after ten contract years.

Surrender Charges: For the type 1 product, the sales and administrative expenses are incurred when a contract is issued and are deferred (deferred charges) until the contract is surrendered. Such charges are not collected at all if the contract is held for nine years, or if the insured dies during the first ten years.

For the type 2 product, in the event a contract owner surrenders a contract prior to nine years, the contract owner is assessed and the Company records a contractual surrender charge to compensate the Company for certain sales and administrative expenses. There are no surrender charges assessed after nine years.

Contract Fee: The Company incurs first-year expenses upon issue of a contract, and assesses for each contract a monthly contract fee in the amount of \$6 (\$3 for issue ages 0-19 for the type 1 product only) to recover these expenses.

Cost of Insurance and Additional Benefits Provided: The Company is responsible for providing the insurance benefits stated in the contract. The cost of insurance is determined each month based upon the applicable cost of insurance rates and the net amount at risk. The cost of insurance can vary from month to month since the determination of both the insurance rate and the net amount at risk depends upon a number of

CMFG Variable Life Insurance Account

Notes to Financial Statements

(3) Fees and Charges (continued)

variables such as the death benefit option selected by the contract owner, the benefit amount specified in the contract, and the cash value, all as described in the Account's prospectus. Several riders are available on the contracts that provide additional benefits, including children's insurance, guaranteed insurability, accidental death benefit, other insured term rider, and disability waiver of deductions or premium which can also impact the cost of insurance.

Account Charges

Mortality and Expense Risk Charge: The Company deducts a daily mortality and expense risk charge from the assets of the Subaccount to compensate it for assuming certain mortality and expense risks at an annual rate of 0.90%. These charges are included in mortality and expense charges in the accompanying Statement of Operations 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.

CMFG Variable Life Insurance Account
Notes to Financial Statements

(4) Fair Value (continued)

The following table summarizes the Account's assets that are measured at fair value as of December 31, 2017. 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.

December 31, 2017 Assets, at Fair Value	Total
Templeton Developing Markets VIP Fund, Class 2, Subaccount	\$ 12,968
MFS® Strategic Income Portfolio, Initial Class, Subaccount	239,725
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	9,472
T. Rowe Price International Stock Portfolio, Subaccount	6,659,570
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	1,147,838
Ultra Series Core Bond Fund, Class I, Subaccount	6,079,422
Ultra Series Conservative Allocation Fund, Class I, Subaccount	179,132
Ultra Series Diversified Income Fund, Class I, Subaccount	55,806,472
Ultra Series High Income Fund, Class I, Subaccount	1,002,526
Ultra Series International Stock Fund, Class I, Subaccount	2,721,579
Ultra Series Large Cap Growth Fund, Class I, Subaccount	41,731,370
Ultra Series Large Cap Value Fund, Class I, Subaccount	77,973,086
Ultra Series Mid Cap Fund, Class I, Subaccount	21,147,288
Ultra Series Moderate Allocation Fund, Class I, Subaccount	2,185,875
Vanguard VIF Money Market Portfolio, Subaccount	2,163,990

The following table summarizes the Account's assets that are measured at fair value as of December 31, 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.

December 31, 2016 Assets, at Fair Value	Total
Templeton Developing Markets VIP Fund, Class 2, Subaccount	\$ 10,428
MFS® Strategic Income Portfolio, Initial Class, Subaccount	243,705
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	9,723
T. Rowe Price International Stock Portfolio, Subaccount	5,628,266
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	1,062,485
Ultra Series Core Bond Fund, Class I, Subaccount	6,293,328
Ultra Series Conservative Allocation Fund, Class I, Subaccount	305,150
Ultra Series Diversified Income Fund, Class I, Subaccount	52,654,864
Ultra Series High Income Fund, Class I, Subaccount	1,030,140
Ultra Series International Stock Fund, Class I, Subaccount	2,296,470
Ultra Series Large Cap Growth Fund, Class I, Subaccount	36,221,132
Ultra Series Large Cap Value Fund, Class I, Subaccount	72,037,182
Ultra Series Mid Cap Fund, Class I, Subaccount	19,457,424
Ultra Series Moderate Allocation Fund, Class I, Subaccount	1,950,073
Vanguard VIF Money Market Portfolio, Subaccount	2,006,009

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 years ended December 31, 2017 and 2016.

CMFG Variable Life Insurance Account
Notes to Financial Statements

(5) Purchases and Sales of Investments

The cost of purchases and proceeds from sales of investments in the various subaccounts for the year ended December 31, 2017 are as follows:

Year Ended December 31, 2017	Purchases	Sales
Templeton Developing Markets VIP Fund, Class 2, Subaccount	\$ 121	\$ 1,520
MFS® Strategic Income Portfolio, Initial Class, Subaccount	11,348	18,847
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	250	871
T. Rowe Price International Stock Portfolio, Subaccount	519,070	676,154
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	152,487	164,825
Ultra Series Core Bond Fund, Class I, Subaccount	347,788	573,350
Ultra Series Conservative Allocation Fund, Class I, Subaccount	14,380	158,288
Ultra Series Diversified Income Fund, Class I, Subaccount	4,088,036	4,191,203
Ultra Series High Income Fund, Class I, Subaccount	68,665	111,078
Ultra Series International Stock Fund, Class I, Subaccount	152,845	208,733
Ultra Series Large Cap Growth Fund, Class I, Subaccount	6,233,631	3,248,146
Ultra Series Large Cap Value Fund, Class I, Subaccount	6,841,814	6,040,766
Ultra Series Mid Cap Fund, Class I, Subaccount	2,577,077	1,851,687
Ultra Series Moderate Allocation Fund, Class I, Subaccount	307,616	199,345
Vanguard VIF Money Market Portfolio, Subaccount	651,822	493,841

The cost of purchases and proceeds from sales of investments in the various subaccounts for the year ended December 31, 2016 are as follows:

Year Ended December 31, 2016	Purchases	Sales
Templeton Developing Markets VIP Fund, Class 2, Subaccount	\$ 93	\$ 2,187
MFS® Strategic Income Portfolio, Initial Class, Subaccount	7,671	18,744
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	541	1,625
T. Rowe Price International Stock Portfolio, Subaccount	419,889	595,311
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	96,887	52,988
Ultra Series Core Bond Fund, Class I, Subaccount	546,819	820,617
Ultra Series Conservative Allocation Fund, Class I, Subaccount	33,024	160,636
Ultra Series Diversified Income Fund, Class I, Subaccount	5,856,188	5,332,084
Ultra Series High Income Fund, Class I, Subaccount	67,761	97,863
Ultra Series International Stock Fund, Class I, Subaccount	176,798	237,199
Ultra Series Large Cap Growth Fund, Class I, Subaccount	3,064,886	3,665,071
Ultra Series Large Cap Value Fund, Class I, Subaccount	10,450,475	5,566,654
Ultra Series Mid Cap Fund, Class I, Subaccount	2,336,754	1,976,847
Ultra Series Moderate Allocation Fund, Class I, Subaccount	154,696	101,850
Ultra Series Money Market Fund, Class I, Subaccount	399,467	2,320,978
Ultra Series Small Cap Fund, Class I, Subaccount	3,624	120,293
Vanguard VIF Money Market Portfolio, Subaccount	2,367,266	361,257

CMFG Variable Life Insurance Account
Notes to Financial Statements

(6) Changes in Units Outstanding

The changes in units outstanding for year ended December 31, 2017 and 2016 were as follows:

	Templeton Developing Markets VIP Fund, Class 2, Subaccount		MFS® Strategic Income Portfolio, Initial Class, Subaccount	
	Type 1 ^	Type 2	Type 1	Type 2
Units outstanding at December 31, 2015	-	711	10,283	12
Units issued	-	-	10	-
Units redeemed	-	(122)	(679)	(2)
Units outstanding at December 31, 2016	-	589	9,614	10
Units issued	-	-	-	-
Units redeemed	-	(63)	(627)	(1)
Units outstanding at December 31, 2017	-	526	8,987	9

	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount		T. Rowe Price International Stock Portfolio, Subaccount	
	Type 1 ^	Type 2	Type 1	Type 2
Units outstanding at December 31, 2015	-	2,455	286,996	10,448
Units issued	-	12	25,624	12
Units redeemed	-	(353)	(42,489)	(3,756)
Units outstanding at December 31, 2016	-	2,114	270,131	6,704
Units issued	-	2	22,762	1
Units redeemed	-	(155)	(40,540)	(610)
Units outstanding at December 31, 2017	-	1,961	252,353	6,095

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount		Ultra Series Core Bond Fund, Class I, Subaccount	
	Type 1 ^	Type 2	Type 1	Type 2
Units outstanding at December 31, 2015	-	86,296	90,233	131,506
Units issued	-	11,231	10,253	109,648
Units redeemed	-	(9,822)	(14,864)	(119,800)
Units outstanding at December 31, 2016	-	87,705	85,622	121,354
Units issued	-	9,611	5,925	109,465
Units redeemed	-	(16,766)	(11,066)	(114,866)
Units outstanding at December 31, 2017	-	80,550	80,481	115,953

^ This Subaccount is not available in this product type.

CMFG Variable Life Insurance Account
Notes to Financial Statements

(6) Changes in Units Outstanding (continued)

	Ultra Series Conservative Allocation Fund, Class I, Subaccount		Ultra Series Diversified Income Fund, Class I, Subaccount	
	Type 1 ^	Type 2	Type 1	Type 2
Units outstanding at December 31, 2015	-	34,031	510,288	406,996
Units issued	-	4,020	36,051	107,743
Units redeemed	-	(14,442)	(74,074)	(132,332)
Units outstanding at December 31, 2016	-	23,609	472,265	382,407
Units issued	-	2,534	28,979	94,487
Units redeemed	-	(13,439)	(56,611)	(110,701)
Units outstanding at December 31, 2017	-	12,704	444,633	366,193

	Ultra Series High Income Fund, Class I, Subaccount		Ultra Series International Stock Fund, Class I, Subaccount	
	Type 1 ^	Type 2	Type 1 ^	Type 2
Units outstanding at December 31, 2015	-	52,378	-	105,806
Units issued	-	43,871	-	112,014
Units redeemed	-	(47,568)	-	(115,608)
Units outstanding at December 31, 2016	-	48,681	-	102,212
Units issued	-	41,533	-	108,562
Units redeemed	-	(45,278)	-	(111,082)
Units outstanding at December 31, 2017	-	44,936	-	99,692

	Ultra Series Large Cap Growth Fund, Class I, Subaccount		Ultra Series Large Cap Value Fund, Class I, Subaccount	
	Type 1	Type 2	Type 1	Type 2
Units outstanding at December 31, 2015	584,642	478,745	478,234	527,373
Units issued	43,828	168,076	32,520	227,520
Units redeemed	(86,275)	(199,368)	(59,891)	(263,264)
Units outstanding at December 31, 2016	542,195	447,453	450,863	491,629
Units issued	37,945	154,985	27,856	210,141
Units redeemed	(64,787)	(177,340)	(55,530)	(235,832)
Units outstanding at December 31, 2017	515,353	425,098	423,189	465,938

^ This Subaccount is not available in this product type.

CMFG Variable Life Insurance Account
Notes to Financial Statements

(6) Changes in Units Outstanding (continued)

	Ultra Series Mid Cap Fund, Class I, Subaccount		Ultra Series Moderate Allocation Fund, Class I, Subaccount	
	Type 1	Type 2	Type 1 ^	Type 2
Units outstanding at December 31, 2015	341,004	274,143	-	154,520
Units issued	23,092	130,547	-	25,745
Units redeemed	(42,376)	(150,864)	-	(26,920)
Units outstanding at December 31, 2016	321,720	253,826	-	153,345
Units issued	22,051	117,901	-	27,796
Units redeemed	(36,736)	(133,055)	-	(29,869)
Units outstanding at December 31, 2017	307,035	238,672	-	151,272

	Vanguard VIF Money Market Portfolio, Subaccount*	
	Type 1	Type 2
Units outstanding at December 31, 2015	-	-
Units issued	123,348	151,498
Units redeemed	(27,161)	(47,086)
Units outstanding at December 31, 2016	96,187	104,412
Units issued	19,004	86,933
Units redeemed	(23,793)	(66,344)
Units outstanding at December 31, 2017	91,398	125,001

^ This Subaccount is not available in this product type.

* The Subaccount commenced operations effective February 12, 2016.

CMFG Variable Life Insurance Account
Notes to Financial Statements

(7) Financial Highlights

The table below provides financial highlights for each subaccount for the year ended December 31, 2017 and for the four preceeding years ended December 31. In certain instances, fewer years are presented because the subaccount was not available for the entire five-year period.

	Templeton Developing Markets VIP Fund, Class 2, Subaccount									
	2017		2016		2015		2014		2013	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 17.71	-	\$15.22	-	\$19.10	-	\$21.04	-	\$21.44
Unit value - End of period	-	\$ 24.64	-	\$17.71	-	\$15.22	-	\$19.10	-	\$21.04
Net assets at end of period (000's)	-	\$ 13	-	\$10	-	\$11	-	\$17	-	\$22
Units outstanding at end of period (000's)	-	1	-	1	-	1	-	1	-	1
Total return (1)	-	39.13%	-	16.36%	-	-20.31%	-	-9.22%	-	-1.87%
Investment income ratio (2)	-	0.98%	-	0.86%	-	2.07%	-	1.45%	-	1.97%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

	MFS® Strategic Income Portfolio, Initial Class, Subaccount									
	2017		2016		2015		2014		2013^(a)	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 25.32	\$ 21.20	\$23.60	\$19.84	\$ 24.27	\$ 20.45	\$ 23.72	\$ 19.98	\$ -	\$ -
Unit value - End of period	\$ 26.65	\$ 23.22	\$25.32	\$21.20	\$ 23.60	\$ 19.84	\$ 24.27	\$ 20.45	\$ 23.72	\$ 19.98
Net assets at end of period (000's)	\$ 240	\$ -	\$243	\$0	\$ 243	\$ -	269	-	276	1
Units outstanding at end of period (000's)	9	-	10	-	9	-	11	-	12	-
Total return (1)	5.25%	9.54%	7.29%	6.85%	-2.76%	-2.98%	2.32%	2.35%	2.33%	2.41%
Investment income ratio (2)	4.62%	4.62%	3.10%	3.10%	5.77%	5.77%	3.20%	3.20%	8.40%	8.40%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount									
	2017		2016		2015		2014		2013	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 4.60	-	\$ 4.35	-	\$ 4.48	-	\$ 4.39	-	\$ 4.45
Unit value - End of period	-	\$ 4.83	-	\$ 4.60	-	\$ 4.35	-	\$ 4.48	-	\$ 4.39
Net assets at end of period (000's)	-	\$ 9	-	\$ 10	\$ -	\$ 11	\$ -	\$ 13	-	\$ 14
Units outstanding at end of period (000's)	-	2	-	2	-	2	-	3	-	3
Total return (1)	-	5.00%	-	5.75%	-	-2.90%	-	2.05%	-	-1.35%
Investment income ratio (2)	-	2.29%	-	4.94%	-	5.73%	-	4.25%	-	4.47%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

	T. Rowe Price International Stock Portfolio, Subaccount									
	2017		2016		2015		2014		2013	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 20.53	\$ 12.42	\$ 20.28	\$ 12.27	\$ 20.63	\$ 12.48	\$ 21.05	\$ 12.75	\$ 18.63	\$ 11.29
Unit value - End of period	\$ 26.01	\$ 15.73	\$ 20.53	\$ 12.42	\$ 20.28	\$ 12.27	\$ 20.63	\$ 12.48	\$ 21.05	\$ 12.75
Net assets at end of period (000's)	\$ 6,564	\$ 96	\$ 5,545	\$ 83	\$ 5,820	\$ 128	\$ 6,421	\$ 153	\$ 6,881	\$ 171
Units outstanding at end of period (000's)	252	6	270	7	287	10	311	12	327	13
Total return (1)	26.69%	26.65%	1.23%	1.22%	-1.70%	-1.68%	-2.00%	-2.12%	12.99%	12.93%
Investment income ratio (2)	1.10%	1.10%	1.05%	1.05%	0.91%	0.91%	1.04%	1.04%	0.85%	0.85%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

^ This Subaccount is not available in this product type.

CMFG Variable Life Insurance Account
Notes to Financial Statements

(7) Financial Highlights (continued)

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount									
	2017		2016		2015		2014		2013	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 12.11	-	\$ 11.23	-	\$ 11.47	-	\$ 10.78	-	\$ 8.89
Unit value - End of period	-	\$ 14.25	-	\$ 12.11	-	\$ 11.23	-	\$ 11.47	-	\$ 10.78
Net assets at end of period (000's)	-	\$ 1,148	-	\$ 1,062	-	\$ 969	-	\$ 1,088	-	\$ 1,076
Units outstanding at end of period (000's)	-	81	-	88	-	86	-	95	-	100
Total return (1)	-	17.67%	-	7.84%	-	-2.09%	-	6.40%	-	21.26%
Investment income ratio (2)	-	1.70%	-	1.89%	-	1.46%	-	1.95%	-	1.20%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

	Ultra Series Core Bond Fund, Class I, Subaccount									
	2017		2016		2015		2014		2013	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 48.65	\$ 17.54	\$ 47.80	\$ 17.24	\$ 48.33	\$ 17.43	\$ 46.41	\$ 16.74	\$ 47.90	\$ 17.25
Unit value - End of period	\$ 49.72	\$ 17.92	\$ 48.65	\$ 17.54	\$ 47.80	\$ 17.24	\$ 48.33	\$ 17.43	\$ 46.41	\$ 16.74
Net assets at end of period (000's)	\$ 4,002	\$ 2,078	\$ 4,165	\$ 2,128	\$ 4,313	\$ 2,267	\$ 4,843	\$ 2,536	\$ 4,886	\$ 3,022
Units outstanding at end of period (000's)	80	116	86	121	90	132	100	146	105	181
Total return (1)	2.20%	2.17%	1.78%	1.74%	-1.10%	-1.09%	4.14%	4.12%	-3.11%	-2.96%
Investment income ratio (2)	2.89%	2.89%	2.92%	2.92%	3.02%	3.02%	3.10%	3.10%	3.14%	3.14%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

	Ultra Series Conservative Allocation Fund, Class I, Subaccount									
	2017		2016		2015		2014		2013	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 12.92	-	\$ 12.37	-	\$ 12.56	-	\$ 11.96	-	\$ 11.20
Unit value - End of period	-	\$ 14.10	-	\$ 12.92	-	\$ 12.37	-	\$ 12.56	-	\$ 11.96
Net assets at end of period (000's)	-	\$ 179	-	\$ 305	-	\$ 421	-	\$ 715	-	\$ 704
Units outstanding at end of period (000's)	-	13	-	24	-	34	-	57	-	59
Total return (1)	-	9.13%	-	4.45%	-	-1.51%	-	5.02%	-	6.79%
Investment income ratio (2)	-	1.37%	-	1.51%	-	1.29%	-	2.21%	-	2.76%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

	Ultra Series Diversified Income Fund, Class I, Subaccount									
	2017		2016		2015		2014		2013	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 95.68	\$ 19.53	\$ 88.58	\$ 18.08	\$ 89.29	\$ 18.24	\$ 84.13	\$ 17.21	\$ 73.12	\$ 14.96
Unit value - End of period	\$ 107.45	\$ 21.93	\$ 95.68	\$ 19.53	\$ 88.58	\$ 18.08	\$ 89.29	\$ 18.24	\$ 84.13	\$ 17.21
Net assets at end of period (000's)	\$ 47,776	\$ 8,031	\$ 45,186	\$ 7,469	\$ 45,202	\$ 7,358	\$ 49,090	\$ 8,034	\$ 49,604	\$ 8,251
Units outstanding at end of period (000's)	445	366	472	382	510	407	550	440	590	480
Total return (1)	12.30%	12.29%	8.02%	8.02%	-0.80%	-0.88%	6.13%	5.98%	15.06%	15.04%
Investment income ratio (2)	2.23%	2.23%	2.41%	2.41%	2.48%	2.48%	2.36%	2.36%	2.26%	2.26%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

^ This Subaccount is not available in this product type.

CMFG Variable Life Insurance Account
Notes to Financial Statements

(7) Financial Highlights (continued)

Ultra Series High Income Fund, Class I, Subaccount										
	2017		2016		2015		2014		2013	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 21.16	-	\$ 19.02	-	\$ 19.68	-	\$ 19.53	-	\$ 18.68
Unit value - End of period	-	\$ 22.31	-	\$ 21.16	-	\$ 19.02	-	\$ 19.68	-	\$ 19.53
Net assets at end of period (000's)	-	\$ 1,003	-	\$ 1,030	-	\$ 996	-	\$ 1,100	-	\$ 1,380
Units outstanding at end of period (000's)	-	45	-	49	-	52	-	56	-	71
Total return (1)	-	5.43%	-	11.25%	-	-3.35%	-	0.77%	-	4.55%
Investment income ratio (2)	-	4.73%	-	5.15%	-	5.57%	-	5.67%	-	6.39%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

Ultra Series International Stock Fund, Class I, Subaccount										
	2017		2016		2015		2014		2013	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 22.47	-	\$ 23.35	-	\$ 24.39	-	\$ 26.39	-	\$ 22.05
Unit value - End of period	-	\$ 27.30	-	\$ 22.47	-	\$ 23.35	-	\$ 24.39	-	\$ 26.39
Net assets at end of period (000's)	-	\$ 2,722	-	\$ 2,296	-	\$ 2,471	-	\$ 2,675	-	\$ 3,110
Units outstanding at end of period (000's)	-	100	-	102	-	106	-	110	-	118
Total return (1)	-	21.50%	-	-3.77%	-	-4.26%	-	-7.58%	-	19.68%
Investment income ratio (2)	-	1.29%	-	1.79%	-	1.96%	-	3.57%	-	0.20%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

Ultra Series Large Cap Growth Fund, Class I, Subaccount										
	2017		2016		2015		2014		2013	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 52.56	\$ 17.26	\$ 50.15	\$ 16.46	\$ 49.00	\$ 16.09	\$ 44.09	\$ 14.47	\$ 34.10	\$ 11.19
Unit value - End of period	\$ 63.72	\$ 20.92	\$ 52.56	\$ 17.26	\$ 50.15	\$ 16.46	\$ 49.00	\$ 16.09	\$ 44.09	\$ 14.47
Net assets at end of period (000's)	\$ 32,838	\$ 8,893	\$ 28,500	\$ 7,721	\$ 29,322	\$ 7,881	\$ 30,054	\$ 8,260	\$ 28,816	\$ 8,243
Units outstanding at end of period (000's)	515	425	542	447	585	479	613	513	654	570
Total return (1)	21.23%	21.21%	4.81%	4.86%	2.35%	2.30%	11.14%	11.20%	29.30%	29.31%
Investment income ratio (2)	0.78%	0.78%	0.84%	0.84%	1.13%	1.13%	0.67%	0.67%	0.63%	0.63%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

Ultra Series Large Cap Value Fund, Class I, Subaccount										
	2017		2016		2015		2014		2013	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 140.93	\$ 17.29	\$ 125.82	\$ 15.44	\$ 130.44	\$ 16.01	\$ 117.07	\$ 14.38	\$ 90.81	\$ 11.16
Unit value - End of period	\$ 162.33	\$ 19.91	\$ 140.93	\$ 17.29	\$ 125.82	\$ 15.44	\$ 130.44	\$ 16.01	\$ 117.07	\$ 14.38
Net assets at end of period (000's)	\$ 68,696	\$ 9,277	\$ 63,538	\$ 8,499	\$ 60,169	\$ 8,143	\$ 66,821	\$ 9,164	\$ 64,286	\$ 9,266
Units outstanding at end of period (000's)	423	466	451	492	478	527	512	572	549	644
Total return (1)	15.18%	15.15%	12.01%	11.98%	-3.54%	-3.56%	11.42%	11.34%	28.92%	28.85%
Investment income ratio (2)	2.39%	2.39%	1.53%	1.53%	1.22%	1.22%	1.32%	1.32%	1.56%	1.56%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

^ This Subaccount is not available in this product type.

CMFG Variable Life Insurance Account
Notes to Financial Statements

(7) Financial Highlights (continued)

	Ultra Series Mid Cap Fund, Class I, Subaccount									
	2017		2016		2015		2014		2013	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 30.85	\$ 37.56	\$ 27.59	\$ 33.58	\$ 27.54	\$ 33.55	\$ 25.29	\$ 30.83	\$ 19.74	\$ 24.07
Unit value - End of period	\$ 35.38	\$ 43.09	\$ 30.85	\$ 37.56	\$ 27.59	\$ 33.58	\$ 27.54	\$ 33.55	\$ 25.29	\$ 30.83
Net assets at end of period (000's)	\$ 10,863	\$ 10,284	\$ 9,923	\$ 9,534	\$ 9,407	\$ 9,207	\$ 9,964	\$ 9,954	\$ 9,744	\$ 10,024
Units outstanding at end of period (000's)	307	239	322	254	341	274	362	297	385	325
Total return (1)	14.68%	14.72%	11.82%	11.85%	0.18%	0.09%	8.90%	8.82%	28.12%	28.08%
Investment income ratio (2)	0.00%	0.00%	0.02%	0.02%	0.07%	0.07%	0.04%	0.04%	0.01%	0.01%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

	Ultra Series Moderate Allocation Fund, Class I, Subaccount									
	2017		2016		2015		2014		2013	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	- \$ 12.72	- \$ 11.95	- \$ 12.18	- \$ 11.49	- \$ 10.04	- \$ 11.49	- \$ 10.04	- \$ 11.49	- \$ 10.04	- \$ 11.49
Unit value - End of period	- \$ 14.45	- \$ 12.72	- \$ 11.95	- \$ 12.18	- \$ 11.49	- \$ 12.18	- \$ 11.49	- \$ 12.18	- \$ 11.49	- \$ 12.18
Net assets at end of period (000's)	- \$ 2,186	- \$ 1,950	- \$ 1,847	- \$ 2,037	- \$ 2,475	- \$ 2,037	- \$ 2,475	- \$ 2,037	- \$ 2,475	- \$ 2,475
Units outstanding at end of period (000's)	- 151	- 153	- 155	- 167	- 215	- 155	- 167	- 167	- 215	- 215
Total return (1)	- 13.60%	- 6.44%	- -1.89%	- 6.01%	- 14.44%	- -1.89%	- 6.01%	- 6.01%	- 14.44%	- 14.44%
Investment income ratio (2)	- 2.06%	- 1.96%	- 1.63%	- 1.82%	- 1.83%	- 2.06%	- 1.96%	- 1.82%	- 1.83%	- 1.83%
Expense ratio (3)	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%

	Vanguard VIF Money Market Portfolio, Subaccount									
	2017		2016(b)		2015		2014		2013	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	-	-	-	-	-	-
Unit value - End of period	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	-	-	-	-	-	-
Net assets at end of period (000's)	\$ 914	\$ 1,250	\$ 962	\$ 1,044	-	-	-	-	-	-
Units outstanding at end of period (000's)	91	125	96	104	-	-	-	-	-	-
Total return (1)	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-
Investment income ratio (2)	1.00%	1.00%	0.43%	0.43%	-	-	-	-	-	-
Expense ratio (3)	0.90%	0.90%	90.00%	90.00%	-	-	-	-	-	-

^ This Subaccount is not available in this product type.

(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 daily 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 subaccount, consisting of mortality and expense risk charges. 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) For the period of August 16, 2013 to December 31, 2013.

(b) For the period of February 15, 2016 to December 31, 2016 with a beginning unit value of \$10.00. Total return is based on the beginning unit value. The Subaccount commenced operations effective February 12, 2016.

(8) Subsequent Events

The Account evaluated subsequent events through the date the financial statements were issued. During this period, there were no significant subsequent events that required adjustment to or disclosure in the accompanying financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
CMFG Life Insurance Company and
Contract Owners of CMFG Variable Annuity Account:

Opinion on the Financial Statements and Financial Highlights

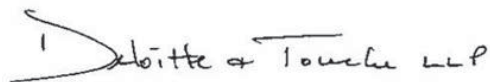
We have audited the accompanying statement of assets and liabilities for each of the subaccounts listed in Appendix A of CMFG Variable Annuity Account (the "Account") as of December 31, 2017, and the related statements of operations, the statements of changes in net assets and the financial highlights for each of the periods presented in Appendix A. In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of each of the subaccounts comprising the Account as of December 31, 2017, and the results of their operations, the changes in their net assets, and the financial highlights for each of the periods presented in Appendix A, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Account's management. Our responsibility is to express an opinion on the Account's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Account in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Account is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Account's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2017, by correspondence with the Account's fund managers. We believe that our audits provide a reasonable basis for our opinion.



February 26, 2018

We have served as the auditor of CMFG Variable Annuity Account since 2004.

CMFG Variable Annuity Account
Appendix A

Subaccount	Statement of Assets and Liabilities As of	Statement of Operations For The	Statement Of Changes in Net Assets For the	Financial Highlights For The
Blackrock Global Allocation V.I. Fund, Class III, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Franklin High Income VIP Fund, Class 4, Subaccount	—	Period From January 1, 2017 to April 21, 2017 [#]	Period Ended April 21, 2017 [#] And Year Ended December 31, 2016	Period Ended April 21, 2017 [#] And Four Years Ended December 31, 2016
Franklin Income VIP Fund, Class 4, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Templeton Developing Markets VIP Fund, Class 2, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Invesco V.I. Growth And Income Fund, Series II Shares, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Invesco V.I. Mid Cap Growth Fund, Series II Shares, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
MFS [®] Strategic Income Portfolio, Initial Class, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Four Years Ended December 31, 2017 And The Period From August 16, 2013* To December 31, 2013
Oppenheimer Global Strategic Income Fund/V.A, Non-Service Shares, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Oppenheimer International Growth Fund/V.A, Service Shares, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Oppenheimer Main Street Small Cap Fund [®] /V.A, Service Shares, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Oppenheimer Main Street Fund [®] /V.A, Service Shares, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
PIMCO Commodity Real Return [®] Strategy Portfolio, Advisor Class, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
PIMCO Total Return Portfolio, Advisor Class, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
T. Rowe Price International Stock Portfolio, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017

CMFG Variable Annuity Account

**Appendix A
(Continued)**

Subaccount	Statement of Assets and Liabilities As of	Statement of Operations For The	Statement Of Changes in Net Assets For the	Financial Highlights For The
Ultra Series Aggressive Allocation Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Core Bond Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Core Bond Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Conservative Allocation Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Conservative Allocation Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Diversified Income Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Diversified Income Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Foundation Account, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Foundation Account, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series High Income Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series High Income Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series International Stock Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series International Stock Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Large Cap Growth Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Large Cap Growth Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Large Cap Value Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Large Cap Value Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Mid Cap Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Mid Cap Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017

CMFG Variable Annuity Account

Subaccount	Statement of Assets and Liabilities As of	Statement of Operations For The	Statement Of Changes in Net Assets For the	Financial Highlights For The
Ultra Series Moderate Allocation Fund, Class I, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Ultra Series Moderate Allocation Fund, Class II, Subaccount	December 31, 2017	Year Ended December 31, 2017	Two Years Ended December 31, 2017	Five Years Ended December 31, 2017
Vanguard VIF Money Market Portfolio, Subaccount	December 31, 2017	Year Ended December 31, 2017	Year Ended December 31, 2017 and Period from February 15, 2016* To December 31, 2016	

* Date represents commencement of operations

Date represents liquidation of operations

CMFG Variable Annuity Account
Statements of Assets and Liabilities
As of December 31, 2017

	BlackRock Global Allocation V.I. Fund, Class III, Subaccount	Franklin Income VIP Fund, Class 4, Subaccount	Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	Templeton Developing Markets VIP Fund, Class 2, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 25,404,536	\$ 14,872,441	\$ 8,974,425	\$ 914,360
Total assets	25,404,536	14,872,441	8,974,425	914,360
Liabilities				
	-	-	-	-
Net assets	\$ 25,404,536	\$ 14,872,441	\$ 8,974,425	\$ 914,360
Net assets				
Contracts in accumulation period	\$ 25,404,536	\$ 14,870,074	\$ 8,971,870	\$ 914,360
Contracts in annuitization period (note 2)	-	2,367	2,555	-
Total net assets	\$ 25,404,536	\$ 14,872,441	\$ 8,974,425	\$ 914,360
Number of shares outstanding	1,711,896	899,724	444,939	89,380
Net asset value per share	\$ 14.84	\$ 16.53	\$ 20.17	\$ 10.23
Cost of mutual fund shares	\$ 24,636,420	\$ 13,328,735	\$ 8,828,206	\$ 711,124

	Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	Invesco V.I. Growth and Income, Series II Shares, Subaccount	Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 7,429,394	\$ 16,374,108	\$ 41,186,443	\$ 10,403,825
Total assets	7,429,394	16,374,108	41,186,443	10,403,825
Liabilities				
	-	-	-	-
Net assets	\$ 7,429,394	\$ 16,374,108	\$ 41,186,443	\$ 10,403,825
Net assets				
Contracts in accumulation period	\$ 7,427,331	\$ 16,374,108	\$ 41,183,359	\$ 10,403,825
Contracts in annuitization period (note 2)	2,063	-	3,084	-
Total net assets	\$ 7,429,394	\$ 16,374,108	\$ 41,186,443	\$ 10,403,825
Number of shares outstanding	440,652	1,447,755	1,817,584	1,881,343
Net asset value per share	\$ 16.86	\$ 11.31	\$ 22.66	\$ 5.53
Cost of mutual fund shares	\$ 5,788,647	\$ 17,313,613	\$ 33,265,896	\$ 7,267,323

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Assets and Liabilities (continued)
As of December 31, 2017

	MFS® Strategic Income Portfolio, Initial Class, Subaccount	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 670,392	\$ 426,215	\$ 21,138,217	\$ 11,175,503
Total assets	670,392	426,215	21,138,217	11,175,503
Liabilities				
	-	-	-	-
Net assets	\$ 670,392	\$ 426,215	\$ 21,138,217	\$ 11,175,503
Net assets				
Contracts in accumulation period	\$ 669,455	\$ 420,017	\$ 21,138,217	\$ 11,170,707
Contracts in annuitization period (note 2)	937	6,198	-	4,796
Total net assets	\$ 670,392	\$ 426,215	\$ 21,138,217	\$ 11,175,503
Number of shares outstanding	68,129	83,083	7,828,969	439,634
Net asset value per share	\$ 9.84	\$ 5.13	\$ 2.70	\$ 25.42
Cost of mutual fund shares	\$ 681,449	\$ 454,759	\$ 14,627,088	\$ 8,072,719

	Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount	PIMCO Total Return Portfolio, Advisor Class, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 20,712,725	\$ 9,366,955	\$ 20,090,664	\$ 40,117,531
Total assets	20,712,725	9,366,955	20,090,664	40,117,531
Liabilities				
	-	-	-	-
Net assets	\$ 20,712,725	\$ 9,366,955	\$ 20,090,664	\$ 40,117,531
Net assets				
Contracts in accumulation period	\$ 20,712,725	\$ 9,366,955	\$ 20,090,664	\$ 40,117,531
Contracts in annuitization period (note 2)	-	-	-	-
Total net assets	\$ 20,712,725	\$ 9,366,955	\$ 20,090,664	\$ 40,117,531
Number of shares outstanding	649,098	1,293,778	1,634,716	3,667,050
Net asset value per share	\$ 31.91	\$ 7.24	\$ 12.29	\$ 10.94
Cost of mutual fund shares	\$ 14,625,748	\$ 15,670,314	\$ 21,191,289	\$ 40,771,597

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Assets and Liabilities (continued)
As of December 31, 2017

	T. Rowe Price International Stock Portfolio, Subaccount	Ultra Series Aggressive Allocation Fund, Class I, Subaccount	Ultra Series Aggressive Allocation Fund, Class II, Subaccount	Ultra Series Core Bond Fund, Class I, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 5,254,238	\$ 9,384,759	\$ 2,267,172	\$ 59,973,976
Total assets	5,254,238	9,384,759	2,267,172	59,973,976
Liabilities				
	-	-	-	-
Net assets	\$ 5,254,238	\$ 9,384,759	\$ 2,267,172	\$ 59,973,976
Net assets				
Contracts in accumulation period	\$ 5,193,843	\$ 9,320,658	\$ 2,267,172	\$ 59,650,402
Contracts in annuitization period (note 2)	60,395	64,101	-	323,574
Total net assets	\$ 5,254,238	\$ 9,384,759	\$ 2,267,172	\$ 59,973,976
Number of shares outstanding	302,838	927,128	224,677	6,145,504
Net asset value per share	\$ 17.35	\$ 10.12	\$ 10.09	\$ 9.76
Cost of mutual fund shares	\$ 4,134,502	\$ 9,019,742	\$ 2,111,390	\$ 63,194,440

	Ultra Series Core Bond Fund, Class II, Subaccount	Ultra Series Conservative Allocation Fund, Class I, Subaccount	Ultra Series Conservative Allocation Fund, Class II, Subaccount	Ultra Series Diversified Income Fund, Class I, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 15,693,692	\$ 57,226,822	\$ 29,771,312	\$ 114,362,490
Total assets	15,693,692	57,226,822	29,771,312	114,362,490
Liabilities				
	-	-	-	-
Net assets	\$ 15,693,692	\$ 57,226,822	\$ 29,771,312	\$ 114,362,490
Net assets				
Contracts in accumulation period	\$ 15,693,692	\$ 57,188,793	\$ 29,771,312	\$ 112,874,185
Contracts in annuitization period (note 2)	-	38,029	-	1,488,305
Total net assets	\$ 15,693,692	\$ 57,226,822	\$ 29,771,312	\$ 114,362,490
Number of shares outstanding	1,613,216	5,599,055	2,912,987	5,851,180
Net asset value per share	\$ 9.73	\$ 10.22	\$ 10.22	\$ 19.55
Cost of mutual fund shares	\$ 16,544,167	\$ 56,404,719	\$ 29,051,212	\$ 107,491,125

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Assets and Liabilities (continued)
As of December 31, 2017

	Ultra Series Diversified Income Fund, Class II, Subaccount	Ultra Series Foundation Account, Class I, Subaccount	Ultra Series Foundation Account, Class II, Subaccount	Ultra Series High Income Fund, Class I, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 40,526,439	\$ 293,667	\$ 19,558,399	\$ 19,540,939
Total assets	40,526,439	293,667	19,558,399	19,540,939
Liabilities				
	-	-	-	-
Net assets	\$ 40,526,439	\$ 293,667	\$ 19,558,399	\$ 19,540,939
Net assets				
Contracts in accumulation period	\$ 40,526,439	\$ 293,667	\$ 19,558,399	\$ 19,411,610
Contracts in annuitization period (note 2)	-	-	-	129,329
Total net assets	\$ 40,526,439	\$ 293,667	\$ 19,558,399	\$ 19,540,939
Number of shares outstanding	2,087,475	30,092	2,010,485	2,257,163
Net asset value per share	\$ 19.41	\$ 9.76	\$ 9.73	\$ 8.66
Cost of mutual fund shares	\$ 37,872,322	\$ 310,509	\$ 20,961,328	\$ 21,058,260

	Ultra Series High Income Fund, Class II, Subaccount	Ultra Series International Stock Fund, Class I, Subaccount	Ultra Series International Stock Fund, Class II, Subaccount	Ultra Series Large Cap Growth Fund, Class I, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 5,561,885	\$ 24,794,637	\$ 13,257,281	\$ 72,371,294
Total assets	5,561,885	24,794,637	13,257,281	72,371,294
Liabilities				
	-	-	-	-
Net assets	\$ 5,561,885	\$ 24,794,637	\$ 13,257,281	\$ 72,371,294
Net assets				
Contracts in accumulation period	\$ 5,561,885	\$ 24,743,727	\$ 13,257,281	\$ 71,951,201
Contracts in annuitization period (note 2)	-	50,910	-	420,093
Total net assets	\$ 5,561,885	\$ 24,794,637	\$ 13,257,281	\$ 72,371,294
Number of shares outstanding	641,865	2,113,852	1,135,732	2,727,061
Net asset value per share	\$ 8.67	\$ 11.73	\$ 11.67	\$ 26.54
Cost of mutual fund shares	\$ 5,897,286	\$ 23,036,209	\$ 11,150,168	\$ 63,305,566

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Assets and Liabilities (continued)
As of December 31, 2017

	Ultra Series Large Cap Growth Fund, Class II, Subaccount	Ultra Series Large Cap Value Fund, Class I, Subaccount	Ultra Series Large Cap Value Fund, Class II, Subaccount	Ultra Series Mid Cap Fund, Class I, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 23,445,270	\$ 104,030,206	\$ 5,539,092	\$ 68,775,687
Total assets	23,445,270	104,030,206	5,539,092	68,775,687
Liabilities				
	-	-	-	-
Net assets	\$ 23,445,270	\$ 104,030,206	\$ 5,539,092	\$ 68,775,687
Net assets				
Contracts in accumulation period	\$ 23,445,270	\$ 103,109,197	\$ 5,539,092	\$ 68,489,550
Contracts in annuitization period (note 2)	-	921,009	-	286,137
Total net assets	\$ 23,445,270	\$ 104,030,206	\$ 5,539,092	\$ 68,775,687
Number of shares outstanding	894,199	3,652,515	196,632	3,625,822
Net asset value per share	\$ 26.22	\$ 28.48	\$ 28.17	\$ 18.97
Cost of mutual fund shares	\$ 20,910,924	\$ 104,298,856	\$ 5,148,858	\$ 58,908,518

	Ultra Series Mid Cap Fund, Class II, Subaccount	Ultra Series Moderate Allocation Fund, Class I, Subaccount	Ultra Series Moderate Allocation Fund, Class II, Subaccount	Vanguard VIF Money Market Portfolio, Subaccount
Assets				
Investments in mutual funds at fair value	\$ 10,508,613	\$ 105,078,970	\$ 26,764,909	\$ 30,547,545
Total assets	10,508,613	105,078,970	26,764,909	30,547,545
Liabilities				
	-	-	-	-
Net assets	\$ 10,508,613	\$ 105,078,970	\$ 26,764,909	\$ 30,547,545
Net assets				
Contracts in accumulation period	\$ 10,508,613	\$ 104,594,260	\$ 26,764,909	\$ 30,501,305
Contracts in annuitization period (note 2)	-	484,710	-	46,240
Total net assets	\$ 10,508,613	\$ 105,078,970	\$ 26,764,909	\$ 30,547,545
Number of shares outstanding	565,152	9,687,823	2,470,592	30,547,545
Net asset value per share	\$ 18.59	\$ 10.85	\$ 10.83	\$ 1.00
Cost of mutual fund shares	\$ 8,721,029	\$ 99,989,309	\$ 24,018,785	\$ 30,547,545

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Operations
For the Year Ended December 31, 2017

	BlackRock Global Allocation V.I. Fund, Class III, Subaccount	Franklin High Income VIP Fund, Class 4, Subaccount*	Franklin Income VIP Fund, Class 4, Subaccount	Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount
Investment income (loss)				
Dividend income	\$ 324,463	\$ -	\$ 633,965	\$ 151,170
Mortality and expense charges (note 3)	(309,352)	(74,682)	(184,937)	(113,284)
Administrative charges	(43,571)	(12,178)	(23,683)	(14,694)
Net investment income (loss)	(28,460)	(86,860)	425,345	23,192
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	58,098	347,314	395,977	129,310
Realized gain distributions	291,810	-	-	523,053
Net realized gain (loss) on investments	349,908	347,314	395,977	652,363
Net change in unrealized appreciation (depreciation) on investments	2,794,159	183,874	445,169	25,126
Net increase (decrease) in net assets resulting from operations	\$ 3,115,607	\$ 444,328	\$ 1,266,491	\$ 700,681
	Templeton Developing Markets VIP Fund, Class 2, Subaccount	Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	Invesco V.I. Growth and Income, Series II Shares, Subaccount
Investment income (loss)				
Dividend income	\$ 8,137	\$ 228,380	\$ 320,904	\$ 537,726
Mortality and expense charges (note 3)	(10,312)	(88,364)	(199,819)	(512,985)
Administrative charges	(1,237)	(13,439)	(31,912)	(81,559)
Net investment income (loss)	(3,412)	126,577	89,173	(56,818)
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	6,400	396,284	(130,849)	2,818,413
Realized gain distributions	-	124,436	-	1,730,289
Net realized gain (loss) on investments	6,400	520,720	(130,849)	4,548,702
Net change in unrealized appreciation (depreciation) on investments	259,875	181,778	112,276	624,402
Net increase (decrease) in net assets resulting from operations	\$ 262,863	\$ 829,075	\$ 70,600	\$ 5,116,286

*The subaccount liquidated effective April 21, 2017

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Operations (continued)
For the Year Ended December 31, 2017

	Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	MFS® Strategic Income Portfolio, Initial Class, Subaccount	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	Oppenheimer International Growth Fund/VA, Service Shares, Subaccount
Investment income (loss)				
Dividend income	\$ -	\$ 31,916	\$ 10,465	\$ 248,726
Mortality and expense charges (note 3)	(125,668)	(8,711)	(5,645)	(250,172)
Administrative charges	(19,781)	(1,044)	(678)	(39,467)
Net investment income (loss)	(145,449)	22,161	4,142	(40,913)
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	1,140,724	(524)	(5,968)	1,615,940
Realized gain distributions	654,784	-	-	-
Net realized gain (loss) on investments	1,795,508	(524)	(5,968)	1,615,940
Net change in unrealized appreciation (depreciation) on investments	427,699	11,253	23,349	3,274,274
Net increase (decrease) in net assets resulting from operations	\$ 2,077,758	\$ 32,890	\$ 21,523	\$ 4,849,301
	Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount
Investment income (loss)				
Dividend income	\$ 75,571	\$ 224,419	\$ 1,067,266	\$ 389,105
Mortality and expense charges (note 3)	(138,846)	(258,797)	(111,382)	(247,380)
Administrative charges	(21,365)	(42,766)	(17,325)	(38,989)
Net investment income (loss)	(84,640)	(77,144)	938,559	102,736
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	1,200,485	2,380,486	(1,699,450)	(442,817)
Realized gain distributions	630,239	368,083	-	-
Net realized gain (loss) on investments	1,830,724	2,748,569	(1,699,450)	(442,817)
Net change in unrealized appreciation (depreciation) on investments	(333,862)	556,353	775,328	1,842,717
Net increase (decrease) in net assets resulting from operations	\$ 1,412,222	\$ 3,227,778	\$ 14,437	\$ 1,502,636

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Operations (continued)
For the Year Ended December 31, 2017

	PIMCO Total Return Portfolio, Advisor Class, Subaccount	T. Rowe Price International Stock Portfolio, Subaccount	Ultra Series Aggressive Allocation Fund, Class I, Subaccount	Ultra Series Aggressive Allocation Fund, Class II, Subaccount
Investment income (loss)				
Dividend income	\$ 847,570	\$ 54,950	\$ 157,374	\$ 31,646
Mortality and expense charges (note 3)	(507,502)	(65,392)	(106,453)	(23,839)
Administrative charges	(72,932)	(7,847)	(8,623)	(3,109)
Net investment income (loss)	267,136	(18,289)	42,298	4,698
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	(318,096)	172,427	74,773	25,574
Realized gain distributions	-	202,447	606,501	147,158
Net realized gain (loss) on investments	(318,096)	374,874	681,274	172,732
Net change in unrealized appreciation (depreciation) on investments	1,621,779	841,829	714,176	141,964
Net increase (decrease) in net assets resulting from operations	\$ 1,570,819	\$ 1,198,414	\$ 1,437,748	\$ 319,394
	Ultra Series Core Bond Fund, Class I, Subaccount	Ultra Series Core Bond Fund, Class II, Subaccount	Ultra Series Conservative Allocation Fund, Class I, Subaccount	Ultra Series Conservative Allocation Fund, Class II, Subaccount
Investment income (loss)				
Dividend income	\$ 1,783,519	\$ 431,409	\$ 1,189,183	\$ 529,648
Mortality and expense charges (note 3)	(743,835)	(185,797)	(698,840)	(344,637)
Administrative charges	(64,052)	(33,707)	(83,709)	(49,871)
Net investment income (loss)	975,632	211,905	406,634	135,140
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	(461,615)	(124,839)	178,305	88,234
Realized gain distributions	-	-	1,515,561	789,843
Net realized gain (loss) on investments	(461,615)	(124,839)	1,693,866	878,077
Net change in unrealized appreciation (depreciation) on investments	665,330	148,754	3,020,220	1,432,935
Net increase (decrease) in net assets resulting from operations	\$ 1,179,347	\$ 235,820	\$ 5,120,720	\$ 2,446,152

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Operations (continued)
For the Year Ended December 31, 2017

	Ultra Series Diversified Income Fund, Class I, Subaccount	Ultra Series Diversified Income Fund, Class II, Subaccount	Ultra Series Foundation Account, Class I, Subaccount	Ultra Series Foundation Account, Class II, Subaccount
Investment income (loss)				
Dividend income	\$ 2,466,220	\$ 826,409	\$ 8,684	\$ 538,247
Mortality and expense charges (note 3)	(1,348,602)	(469,826)	(3,502)	(245,753)
Administrative charges	(102,921)	(79,053)	(457)	(36,301)
Net investment income (loss)	1,014,697	277,530	4,725	256,193
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	1,063,150	544,513	(4,289)	(184,726)
Realized gain distributions	4,717,226	1,683,154	-	-
Net realized gain (loss) on investments	5,780,376	2,227,667	(4,289)	(184,726)
Net change in unrealized appreciation (depreciation) on investments	6,048,691	1,984,229	5,038	261,166
Net increase (decrease) in net assets resulting from operations	<u>\$ 12,843,764</u>	<u>\$ 4,489,426</u>	<u>\$ 5,474</u>	<u>\$ 332,633</u>

	Ultra Series High Income Fund, Class I, Subaccount	Ultra Series High Income Fund, Class II, Subaccount	Ultra Series International Stock Fund, Class I, Subaccount	Ultra Series International Stock Fund, Class II, Subaccount
Investment income (loss)				
Dividend income	\$ 964,039	\$ 260,404	\$ 300,769	\$ 140,056
Mortality and expense charges (note 3)	(237,114)	(64,486)	(285,592)	(153,499)
Administrative charges	(17,311)	(11,096)	(23,905)	(25,642)
Net investment income (loss)	709,614	184,822	(8,728)	(39,085)
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	(177,868)	(34,839)	(18,355)	277,474
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	(177,868)	(34,839)	(18,355)	277,474
Net change in unrealized appreciation (depreciation) on investments	486,726	104,237	4,740,165	2,272,400
Net increase (decrease) in net assets resulting from operations	<u>\$ 1,018,472</u>	<u>\$ 254,220</u>	<u>\$ 4,713,082</u>	<u>\$ 2,510,789</u>

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Operations (continued)
For the Year Ended December 31, 2017

	Ultra Series Large Cap Growth Fund, Class I, Subaccount	Ultra Series Large Cap Growth Fund, Class II, Subaccount	Ultra Series Large Cap Value Fund, Class I, Subaccount	Ultra Series Large Cap Value Fund, Class II, Subaccount
Investment income (loss)				
Dividend income	\$ 530,512	\$ 139,953	\$ 2,350,648	\$ 117,237
Mortality and expense charges (note 3)	(857,376)	(276,194)	(1,222,946)	(60,514)
Administrative charges	(74,691)	(45,678)	(106,377)	(11,533)
Net investment income (loss)	(401,555)	(181,919)	1,021,325	45,190
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	2,439,984	896,902	(339,008)	83,227
Realized gain distributions	8,765,578	2,888,346	5,732,265	308,723
Net realized gain (loss) on investments	11,205,562	3,785,248	5,393,257	391,950
Net change in unrealized appreciation (depreciation) on investments	2,724,606	858,803	7,674,140	282,434
Net increase (decrease) in net assets resulting from operations	<u>\$ 13,528,613</u>	<u>\$ 4,462,132</u>	<u>\$ 14,088,722</u>	<u>\$ 719,574</u>
	Ultra Series Mid Cap Fund, Class I, Subaccount	Ultra Series Mid Cap Fund, Class II, Subaccount	Ultra Series Moderate Allocation Fund, Class I, Subaccount	Ultra Series Moderate Allocation Fund, Class II, Subaccount
Investment income (loss)				
Dividend income	\$ -	\$ -	\$ 2,041,222	\$ 442,525
Mortality and expense charges (note 3)	(815,003)	(122,853)	(1,224,841)	(317,128)
Administrative charges	(60,608)	(20,743)	(151,223)	(47,040)
Net investment income (loss)	(875,611)	(143,596)	665,158	78,357
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	2,179,613	506,430	1,208,671	738,678
Realized gain distributions	6,536,567	1,015,996	5,491,139	1,405,372
Net realized gain (loss) on investments	8,716,180	1,522,426	6,699,810	2,144,050
Net change in unrealized appreciation (depreciation) on investments	1,371,638	5,321	5,977,719	1,164,760
Net increase (decrease) in net assets resulting from operations	<u>\$ 9,212,207</u>	<u>\$ 1,384,151</u>	<u>\$ 13,342,687</u>	<u>\$ 3,387,167</u>

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Operations (continued)
For the Year Ended December 31, 2017

	Vanguard VIF Money Market Portfolio, Subaccount
Investment income (loss)	
Dividend income	\$ 269,742
Mortality and expense charges (note 3)	(300,765)
Administrative charges	(37,580)
Net investment income (loss)	(68,603)
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	\$ (68,603)

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets
For the Years Ended December 31,

	BlackRock Global Allocation V.I. Fund, Class III, Subaccount		Franklin High Income VIP Fund, Class 4, Subaccount*	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ (28,460)	\$ (67,762)	\$ (86,860)	\$ 1,229,723
Net realized gain (loss) on investments	349,908	(1,195,820)	347,314	(256,588)
Net change in unrealized appreciation (depreciation) on investments	2,794,159	1,724,689	183,874	2,282,802
Net increase (decrease) in net assets resulting from operations	3,115,607	461,107	444,328	3,255,937
Contract transactions				
Payments received from contract owners	128,092	169,995	22,048	100,419
Transfers between subaccounts (including fixed accounts), net	(196,865)	(6,210,685)	(20,486,913)	278,077
Payment for contract benefits and terminations	(4,081,069)	(2,932,296)	(1,668,549)	(3,415,542)
Contract charges and fees	(317,899)	(380,943)	(51,878)	(167,815)
Adjustments to net assets allocated to contracts in payout period	-	-	-	-
Net increase (decrease) in net assets from contract transactions	(4,467,741)	(9,353,929)	(22,185,292)	(3,204,861)
Total increase (decrease) in net assets	(1,352,134)	(8,892,822)	(21,740,964)	51,076
Net assets				
Beginning of period	26,756,670	35,649,492	21,740,963	21,689,887
End of period	\$ 25,404,536	\$ 26,756,670	\$ -	\$ 21,740,963

	Franklin Income VIP Fund, Class 4, Subaccount		Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 425,345	\$ 596,849	\$ 23,192	\$ 17,761
Net realized gain (loss) on investments	395,977	15,650	652,363	740,703
Net change in unrealized appreciation (depreciation) on investments	445,169	1,419,427	25,126	343,312
Net increase (decrease) in net assets resulting from operations	1,266,491	2,031,926	700,681	1,101,776
Contract transactions				
Payments received from contract owners	113,185	163,556	64,459	48,277
Transfers between subaccounts (including fixed accounts), net	(368,367)	328,653	(483,108)	586,601
Payment for contract benefits and terminations	(3,203,055)	(2,716,302)	(2,135,172)	(1,362,139)
Contract charges and fees	(75,618)	(87,076)	(61,452)	(64,334)
Adjustments to net assets allocated to contracts in payout period	331	248	358	263
Net increase (decrease) in net assets from contract transactions	(3,533,524)	(2,310,921)	(2,614,915)	(791,332)
Total increase (decrease) in net assets	(2,267,033)	(278,995)	(1,914,234)	310,444
Net assets				
Beginning of period	17,139,474	17,418,469	10,888,659	10,578,215
End of period	\$ 14,872,441	\$ 17,139,474	\$ 8,974,425	\$ 10,888,659

*The subaccount liquidated effective April 21, 2017

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Templeton Developing Markets VIP Fund, Class 2, Subaccount		Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ (3,412)	\$ (4,252)	\$ 126,577	\$ 2,259
Net realized gain (loss) on investments	6,400	(31,745)	520,720	541,052
Net change in unrealized appreciation (depreciation) on investments	259,875	137,094	181,778	(433,571)
Net increase (decrease) in net assets resulting from operations	262,863	101,097	829,075	109,740
Contract transactions				
Payments received from contract owners	-	-	27,268	43,126
Transfers between subaccounts (including fixed accounts), net	(55)	(41,601)	33,429	206,374
Payment for contract benefits and terminations	(57,452)	(96,524)	(1,453,232)	(1,295,783)
Contract charges and fees	(361)	(401)	(59,580)	(69,608)
Adjustments to net assets allocated to contracts in payout period	-	-	284	224
Net increase (decrease) in net assets from contract transactions	(57,868)	(138,526)	(1,451,831)	(1,115,667)
Total increase (decrease) in net assets	204,995	(37,429)	(622,756)	(1,005,927)
Net assets				
Beginning of period	709,365	746,794	8,052,150	9,058,077
End of period	\$ 914,360	\$ 709,365	\$ 7,429,394	\$ 8,052,150

	Invesco V.I. Government Securities Fund, Series II Shares, Subaccount		Invesco V.I. Growth and Income, Series II Shares, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 89,173	\$ 78,157	\$ (56,818)	\$ (226,591)
Net realized gain (loss) on investments	(130,849)	(81,225)	4,548,702	5,446,487
Net change in unrealized appreciation (depreciation) on investments	112,276	(13,252)	624,402	3,199,136
Net increase (decrease) in net assets resulting from operations	70,600	(16,320)	5,116,286	8,419,032
Contract transactions				
Payments received from contract owners	87,135	124,507	192,232	234,866
Transfers between subaccounts (including fixed accounts), net	1,162,256	(411,775)	(6,823,479)	1,037,076
Payment for contract benefits and terminations	(2,612,284)	(1,767,867)	(9,088,859)	(7,227,621)
Contract charges and fees	(185,977)	(201,932)	(365,124)	(406,083)
Adjustments to net assets allocated to contracts in payout period	-	-	415	287
Net increase (decrease) in net assets from contract transactions	(1,548,870)	(2,257,067)	(16,084,815)	(6,361,475)
Total increase (decrease) in net assets	(1,478,270)	(2,273,387)	(10,968,529)	2,057,557
Net assets				
Beginning of period	17,852,378	20,125,765	52,154,972	50,097,415
End of period	\$ 16,374,108	\$ 17,852,378	\$ 41,186,443	\$ 52,154,972

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount		MFS® Strategic Income Portfolio, Initial Class, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ (145,449)	\$ (156,800)	\$ 22,161	\$ 12,226
Net realized gain (loss) on investments	1,795,508	1,714,874	(524)	(3,552)
Net change in unrealized appreciation (depreciation) on investments	427,699	(1,578,651)	11,253	41,719
Net increase (decrease) in net assets resulting from operations	2,077,758	(20,577)	32,890	50,393
Contract transactions				
Payments received from contract owners	23,013	50,669	-	-
Transfers between subaccounts (including fixed accounts), net	(822,984)	1,358,609	(25)	(31,885)
Payment for contract benefits and terminations	(2,393,343)	(1,591,316)	(74,702)	(74,636)
Contract charges and fees	(73,761)	(79,919)	(253)	(358)
Adjustments to net assets allocated to contracts in payout period	-	-	11	(9)
Net increase (decrease) in net assets from contract transactions	(3,267,075)	(261,957)	(74,969)	(106,888)
Total increase (decrease) in net assets	(1,189,317)	(282,534)	(42,079)	(56,495)
Net assets				
Beginning of period	11,593,142	11,875,676	712,471	768,966
End of period	\$ 10,403,825	\$ 11,593,142	\$ 670,392	\$ 712,471

	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount		Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 4,142	\$ 16,739	\$ (40,913)	\$ (118,071)
Net realized gain (loss) on investments	(5,968)	(8,927)	1,615,940	1,211,311
Net change in unrealized appreciation (depreciation) on investments	23,349	16,122	3,274,274	(1,977,393)
Net increase (decrease) in net assets resulting from operations	21,523	23,934	4,849,301	(884,153)
Contract transactions				
Payments received from contract owners	-	-	82,210	112,445
Transfers between subaccounts (including fixed accounts), net	(5,788)	(16,915)	(1,009,289)	1,460,356
Payment for contract benefits and terminations	(60,429)	(53,349)	(4,478,926)	(3,284,943)
Contract charges and fees	(259)	(289)	(172,124)	(190,742)
Adjustments to net assets allocated to contracts in payout period	241	242	-	-
Net increase (decrease) in net assets from contract transactions	(66,235)	(70,311)	(5,578,129)	(1,902,884)
Total increase (decrease) in net assets	(44,712)	(46,377)	(728,828)	(2,787,037)
Net assets				
Beginning of period	470,927	517,304	21,867,045	24,654,082
End of period	\$ 426,215	\$ 470,927	\$ 21,138,217	\$ 21,867,045

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount		Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ (84,640)	\$ (138,454)	\$ (77,144)	\$ (121,903)
Net realized gain (loss) on investments	1,830,724	898,850	2,748,569	4,314,123
Net change in unrealized appreciation (depreciation) on investments	(333,862)	1,260,813	556,353	(1,704,140)
Net increase (decrease) in net assets resulting from operations	1,412,222	2,021,209	3,227,778	2,488,080
Contract transactions				
Payments received from contract owners	37,827	52,588	68,421	130,360
Transfers between subaccounts (including fixed accounts), net	(1,266,350)	1,075,047	(2,163,472)	877,576
Payment for contract benefits and terminations	(2,568,445)	(1,977,110)	(5,419,695)	(3,701,649)
Contract charges and fees	(87,468)	(95,257)	(151,796)	(172,363)
Adjustments to net assets allocated to contracts in payout period	844	-	-	-
Net increase (decrease) in net assets from contract transactions	(3,883,592)	(944,732)	(7,666,542)	(2,866,076)
Total increase (decrease) in net assets	(2,471,370)	1,076,477	(4,438,764)	(377,996)
Net assets				
Beginning of period	13,646,873	12,570,396	25,151,489	25,529,485
End of period	\$ 11,175,503	\$ 13,646,873	\$ 20,712,725	\$ 25,151,489

	PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount		PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 938,559	\$ (36,568)	\$ 102,736	\$ 20,040
Net realized gain (loss) on investments	(1,699,450)	(1,083,791)	(442,817)	(549,576)
Net change in unrealized appreciation (depreciation) on investments	775,328	2,570,920	1,842,717	1,400,672
Net increase (decrease) in net assets resulting from operations	14,437	1,450,561	1,502,636	871,136
Contract transactions				
Payments received from contract owners	50,251	54,353	71,010	133,684
Transfers between subaccounts (including fixed accounts), net	(9,252)	1,534,674	111,390	(590,393)
Payment for contract benefits and terminations	(1,938,620)	(1,677,683)	(4,544,900)	(3,948,504)
Contract charges and fees	(81,043)	(93,697)	(176,462)	(212,778)
Adjustments to net assets allocated to contracts in payout period	-	-	-	-
Net increase (decrease) in net assets from contract transactions	(1,978,664)	(182,353)	(4,538,962)	(4,617,991)
Total increase (decrease) in net assets	(1,964,227)	1,268,208	(3,036,326)	(3,746,855)
Net assets				
Beginning of period	11,331,182	10,062,974	23,126,990	26,873,845
End of period	\$ 9,366,955	\$ 11,331,182	\$ 20,090,664	\$ 23,126,990

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	PIMCO Total Return Portfolio, Advisor Class, Subaccount		T. Rowe Price International Stock Portfolio, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 267,136	\$ 357,935	\$ (18,289)	\$ (19,437)
Net realized gain (loss) on investments	(318,096)	(376,216)	374,874	237,519
Net change in unrealized appreciation (depreciation) on investments	1,621,779	797,844	841,829	(189,643)
Net increase (decrease) in net assets resulting from operations	1,570,819	779,563	1,198,414	28,439
Contract transactions				
Payments received from contract owners	254,819	319,147	-	-
Transfers between subaccounts (including fixed accounts), net	133,062	207,756	(96,002)	(92,252)
Payment for contract benefits and terminations	(10,503,005)	(7,796,246)	(620,129)	(556,356)
Contract charges and fees	(288,875)	(347,294)	(2,195)	(2,901)
Adjustments to net assets allocated to contracts in payout period	-	-	760	(652)
Net increase (decrease) in net assets from contract transactions	(10,403,999)	(7,616,637)	(717,566)	(652,161)
Total increase (decrease) in net assets	(8,833,180)	(6,837,074)	480,848	(623,722)
Net assets				
Beginning of period	48,950,711	55,787,785	4,773,390	5,397,112
End of period	\$ 40,117,531	\$ 48,950,711	\$ 5,254,238	\$ 4,773,390

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount		Ultra Series Aggressive Allocation Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 42,298	\$ 44,262	\$ 4,698	\$ 8,122
Net realized gain (loss) on investments	681,274	46,758	172,732	34,115
Net change in unrealized appreciation (depreciation) on investments	714,176	571,300	141,964	81,330
Net increase (decrease) in net assets resulting from operations	1,437,748	662,320	319,394	123,567
Contract transactions				
Payments received from contract owners	230,331	89,189	1,514	1,499
Transfers between subaccounts (including fixed accounts), net	(2,846)	(75,254)	164,562	297,404
Payment for contract benefits and terminations	(1,147,211)	(1,267,410)	(249,873)	(69,938)
Contract charges and fees	(4,979)	(6,856)	(841)	(1,226)
Adjustments to net assets allocated to contracts in payout period	1,983	1,662	-	-
Net increase (decrease) in net assets from contract transactions	(922,722)	(1,258,669)	(84,638)	227,739
Total increase (decrease) in net assets	515,026	(596,349)	234,756	351,306
Net assets				
Beginning of period	8,869,733	9,466,082	2,032,416	1,681,110
End of period	\$ 9,384,759	\$ 8,869,733	\$ 2,267,172	\$ 2,032,416

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Ultra Series Core Bond Fund, Class I, Subaccount		Ultra Series Core Bond Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 975,632	\$ 1,141,829	\$ 211,905	\$ 210,157
Net realized gain (loss) on investments	(461,615)	(462,189)	(124,839)	(153,368)
Net change in unrealized appreciation (depreciation) on investments	665,330	490,352	148,754	210,789
Net increase (decrease) in net assets resulting from operations	1,179,347	1,169,992	235,820	267,578
Contract transactions				
Payments received from contract owners	185,483	435,299	34,973	129,561
Transfers between subaccounts (including fixed accounts), net	292,082	(995,532)	2,471,569	(1,257,193)
Payment for contract benefits and terminations	(9,730,440)	(12,301,014)	(2,968,065)	(3,245,411)
Contract charges and fees	(85,819)	(94,588)	(138,173)	(164,904)
Adjustments to net assets allocated to contracts in payout period	(2,095)	(2,777)	-	-
Net increase (decrease) in net assets from contract transactions	(9,340,789)	(12,958,612)	(599,696)	(4,537,947)
Total increase (decrease) in net assets	(8,161,442)	(11,788,620)	(363,876)	(4,270,369)
Net assets				
Beginning of period	68,135,418	79,924,038	16,057,568	20,327,937
End of period	\$ 59,973,976	\$ 68,135,418	\$ 15,693,692	\$ 16,057,568

	Ultra Series Conservative Allocation Fund, Class I, Subaccount		Ultra Series Conservative Allocation Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 406,634	\$ 382,680	\$ 135,140	\$ 78,717
Net realized gain (loss) on investments	1,693,866	704,526	878,077	465,611
Net change in unrealized appreciation (depreciation) on investments	3,020,220	1,802,404	1,432,935	742,572
Net increase (decrease) in net assets resulting from operations	5,120,720	2,889,610	2,446,152	1,286,900
Contract transactions				
Payments received from contract owners	287,050	875,992	111,116	122,478
Transfers between subaccounts (including fixed accounts), net	(483,055)	578,709	1,629,295	3,258,118
Payment for contract benefits and terminations	(12,629,730)	(12,655,895)	(5,272,053)	(6,978,267)
Contract charges and fees	(154,789)	(187,567)	(258,841)	(278,144)
Adjustments to net assets allocated to contracts in payout period	(1,097)	538	-	-
Net increase (decrease) in net assets from contract transactions	(12,981,621)	(11,388,223)	(3,790,483)	(3,875,815)
Total increase (decrease) in net assets	(7,860,901)	(8,498,613)	(1,344,331)	(2,588,915)
Net assets				
Beginning of period	65,087,723	73,586,336	31,115,643	33,704,558
End of period	\$ 57,226,822	\$ 65,087,723	\$ 29,771,312	\$ 31,115,643

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Ultra Series Diversified Income Fund, Class I, Subaccount		Ultra Series Diversified Income Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 1,014,697	\$ 1,247,775	\$ 277,530	\$ 362,599
Net realized gain (loss) on investments	5,780,376	9,608,970	2,227,667	3,534,083
Net change in unrealized appreciation (depreciation) on investments	6,048,691	(1,972,294)	1,984,229	(1,004,864)
Net increase (decrease) in net assets resulting from operations	12,843,764	8,884,451	4,489,426	2,891,818
Contract transactions				
Payments received from contract owners	979,377	1,033,040	334,440	322,748
Transfers between subaccounts (including fixed accounts), net	564,985	(1,635,683)	1,769,144	2,811,701
Payment for contract benefits and terminations	(15,476,794)	(21,554,034)	(6,245,489)	(4,995,571)
Contract charges and fees	(101,335)	(145,734)	(369,259)	(376,871)
Adjustments to net assets allocated to contracts in payout period	(9,012)	10,396	-	-
Net increase (decrease) in net assets from contract transactions	(14,042,779)	(22,292,015)	(4,511,164)	(2,237,993)
Total increase (decrease) in net assets	(1,199,015)	(13,407,564)	(21,738)	653,825
Net assets				
Beginning of period	115,561,505	128,969,069	40,548,177	39,894,352
End of period	\$ 114,362,490	\$ 115,561,505	\$ 40,526,439	\$ 40,548,177

	Ultra Series Foundation Account, Class I, Subaccount		Ultra Series Foundation Account, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 4,725	\$ 5,640	\$ 256,193	\$ 316,602
Net realized gain (loss) on investments	(4,289)	(2,286)	(184,726)	(98,202)
Net change in unrealized appreciation (depreciation) on investments	5,038	1,457	261,166	73,287
Net increase (decrease) in net assets resulting from operations	5,474	4,811	332,633	291,687
Contract transactions				
Payments received from contract owners	1,645	322	60,102	107,423
Transfers between subaccounts (including fixed accounts), net	47,556	32,123	184,730	(645,016)
Payment for contract benefits and terminations	(88,868)	(62,807)	(3,109,264)	(1,438,369)
Contract charges and fees	(12)	(886)	(17,016)	(31,456)
Adjustments to net assets allocated to contracts in payout period	-	-	-	-
Net increase (decrease) in net assets from contract transactions	(39,679)	(31,248)	(2,881,448)	(2,007,418)
Total increase (decrease) in net assets	(34,205)	(26,437)	(2,548,815)	(1,715,731)
Net assets				
Beginning of period	327,872	354,309	22,107,214	23,822,945
End of period	\$ 293,667	\$ 327,872	\$ 19,558,399	\$ 22,107,214

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Ultra Series High Income Fund, Class I, Subaccount		Ultra Series High Income Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 709,614	\$ 799,548	\$ 184,822	\$ 183,394
Net realized gain (loss) on investments	(177,868)	(553,793)	(34,839)	(133,532)
Net change in unrealized appreciation (depreciation) on investments	486,726	1,974,403	104,237	503,194
Net increase (decrease) in net assets resulting from operations	1,018,472	2,220,158	254,220	553,056
Contract transactions				
Payments received from contract owners	56,283	103,873	18,556	65,393
Transfers between subaccounts (including fixed accounts), net	340,749	(1,205,670)	874,076	(488,067)
Payment for contract benefits and terminations	(2,843,629)	(3,031,516)	(840,150)	(697,671)
Contract charges and fees	(21,066)	(21,177)	(58,669)	(61,701)
Adjustments to net assets allocated to contracts in payout period	(480)	1,302	-	-
Net increase (decrease) in net assets from contract transactions	(2,468,143)	(4,153,188)	(6,187)	(1,182,046)
Total increase (decrease) in net assets	(1,449,671)	(1,933,030)	248,033	(628,990)
Net assets				
Beginning of period	20,990,610	22,923,640	5,313,852	5,942,842
End of period	\$ 19,540,939	\$ 20,990,610	\$ 5,561,885	\$ 5,313,852

	Ultra Series International Stock Fund, Class I, Subaccount		Ultra Series International Stock Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ (8,728)	\$ 110,136	\$ (39,085)	\$ 34,596
Net realized gain (loss) on investments	(18,355)	(661,811)	277,474	6,812
Net change in unrealized appreciation (depreciation) on investments	4,740,165	(683,276)	2,272,400	(682,865)
Net increase (decrease) in net assets resulting from operations	4,713,082	(1,234,951)	2,510,789	(641,457)
Contract transactions				
Payments received from contract owners	241,445	185,957	51,220	108,708
Transfers between subaccounts (including fixed accounts), net	(264,539)	(571,494)	162,118	727,461
Payment for contract benefits and terminations	(3,896,458)	(3,768,663)	(2,127,437)	(1,895,788)
Contract charges and fees	(36,692)	(38,019)	(134,936)	(144,079)
Adjustments to net assets allocated to contracts in payout period	2,113	1,571	-	-
Net increase (decrease) in net assets from contract transactions	(3,954,131)	(4,190,648)	(2,049,035)	(1,203,698)
Total increase (decrease) in net assets	758,951	(5,425,599)	461,754	(1,845,155)
Net assets				
Beginning of period	24,035,686	29,461,285	12,795,527	14,640,682
End of period	\$ 24,794,637	\$ 24,035,686	\$ 13,257,281	\$ 12,795,527

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Ultra Series Large Cap Growth Fund, Class I, Subaccount		Ultra Series Large Cap Growth Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ (401,555)	\$ (360,011)	\$ (181,919)	\$ (177,017)
Net realized gain (loss) on investments	11,205,562	5,589,144	3,785,248	1,935,739
Net change in unrealized appreciation (depreciation) on investments	2,724,606	(2,225,929)	858,803	(781,810)
Net increase (decrease) in net assets resulting from operations	13,528,613	3,003,204	4,462,132	976,912
Contract transactions				
Payments received from contract owners	411,829	491,300	95,944	177,757
Transfers between subaccounts (including fixed accounts), net	(1,700,288)	(2,775,544)	(798,240)	(1,596,600)
Payment for contract benefits and terminations	(9,569,281)	(9,610,005)	(3,842,269)	(3,268,301)
Contract charges and fees	(63,036)	(71,437)	(246,082)	(265,381)
Adjustments to net assets allocated to contracts in payout period	(9,024)	7,733	-	-
Net increase (decrease) in net assets from contract transactions	(10,929,800)	(11,957,953)	(4,790,647)	(4,952,525)
Total increase (decrease) in net assets	2,598,813	(8,954,749)	(328,515)	(3,975,613)
Net assets				
Beginning of period	69,772,481	78,727,230	23,773,785	27,749,398
End of period	\$ 72,371,294	\$ 69,772,481	\$ 23,445,270	\$ 23,773,785

	Ultra Series Large Cap Value Fund, Class I, Subaccount		Ultra Series Large Cap Value Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 1,021,325	\$ 156,612	\$ 45,190	\$ (1,548)
Net realized gain (loss) on investments	5,393,257	11,604,976	391,950	684,766
Net change in unrealized appreciation (depreciation) on investments	7,674,140	(518,013)	282,434	(215,019)
Net increase (decrease) in net assets resulting from operations	14,088,722	11,243,575	719,574	468,199
Contract transactions				
Payments received from contract owners	633,175	725,273	11,067	65,000
Transfers between subaccounts (including fixed accounts), net	(1,249,456)	(4,180,645)	1,013,743	(570,151)
Payment for contract benefits and terminations	(13,553,036)	(14,137,241)	(868,927)	(719,750)
Contract charges and fees	(70,671)	(67,510)	(44,959)	(43,804)
Adjustments to net assets allocated to contracts in payout period	(11,019)	11,456	-	-
Net increase (decrease) in net assets from contract transactions	(14,251,007)	(17,648,667)	110,924	(1,268,705)
Total increase (decrease) in net assets	(162,285)	(6,405,092)	830,498	(800,506)
Net assets				
Beginning of period	104,192,491	110,597,583	4,708,594	5,509,100
End of period	\$ 104,030,206	\$ 104,192,491	\$ 5,539,092	\$ 4,708,594

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Ultra Series Mid Cap Fund, Class I, Subaccount		Ultra Series Mid Cap Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ (875,611)	\$ (886,745)	\$ (143,596)	\$ (156,317)
Net realized gain (loss) on investments	8,716,180	8,310,474	1,522,426	1,612,180
Net change in unrealized appreciation (depreciation) on investments	1,371,638	114,220	5,321	(268,206)
Net increase (decrease) in net assets resulting from operations	9,212,207	7,537,949	1,384,151	1,187,657
Contract transactions				
Payments received from contract owners	624,109	536,512	29,525	77,389
Transfers between subaccounts (including fixed accounts), net	(2,391,638)	(3,051,460)	(126,350)	(958,156)
Payment for contract benefits and terminations	(9,656,991)	(9,062,558)	(1,815,159)	(1,758,263)
Contract charges and fees	(61,132)	(64,599)	(105,348)	(116,491)
Adjustments to net assets allocated to contracts in payout period	1,736	2,127	-	-
Net increase (decrease) in net assets from contract transactions	(11,483,916)	(11,639,978)	(2,017,332)	(2,755,521)
Total increase (decrease) in net assets	(2,271,709)	(4,102,029)	(633,181)	(1,567,864)
Net assets				
Beginning of period	71,047,396	75,149,425	11,141,794	12,709,658
End of period	\$ 68,775,687	\$ 71,047,396	\$ 10,508,613	\$ 11,141,794

	Ultra Series Moderate Allocation Fund, Class I, Subaccount		Ultra Series Moderate Allocation Fund, Class II, Subaccount	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations				
Net investment income (loss)	\$ 665,158	\$ 611,855	\$ 78,357	\$ 60,920
Net realized gain (loss) on investments	6,699,810	2,682,207	2,144,050	1,189,134
Net change in unrealized appreciation (depreciation) on investments	5,977,719	3,279,628	1,164,760	406,348
Net increase (decrease) in net assets resulting from operations	13,342,687	6,573,690	3,387,167	1,656,402
Contract transactions				
Payments received from contract owners	747,933	581,388	165,519	110,893
Transfers between subaccounts (including fixed accounts), net	2,959,951	(658,942)	1,175,237	1,191,585
Payment for contract benefits and terminations	(20,008,246)	(16,188,599)	(5,614,760)	(5,600,687)
Contract charges and fees	(106,326)	(401,281)	(217,880)	(250,613)
Adjustments to net assets allocated to contracts in payout period	997	6,859	-	-
Net increase (decrease) in net assets from contract transactions	(16,405,691)	(16,660,575)	(4,491,884)	(4,548,822)
Total increase (decrease) in net assets	(3,063,004)	(10,086,885)	(1,104,717)	(2,892,420)
Net assets				
Beginning of period	108,141,974	118,228,859	27,869,626	30,762,046
End of period	\$ 105,078,970	\$ 108,141,974	\$ 26,764,909	\$ 27,869,626

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Changes in Net Assets (continued)
For the Years Ended December 31,

	Vanguard VIF Money Market Portfolio, Subaccount**	
	2017	2016
Increase (decrease) in net assets from operations		
Net investment income (loss)	\$ (68,603)	\$ (114,455)
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	<u>(68,603)</u>	<u>(114,455)</u>
Contract transactions		
Payments received from contract owners	264,392	164,419
Transfers between subaccounts (including fixed accounts), net	20,703,309	21,404,566
Payment for contract benefits and terminations	(5,593,318)	(6,005,744)
Contract charges and fees	(119,312)	(44,934)
Adjustments to net assets allocated to contracts in payout period	<u>(43,567)</u>	<u>792</u>
Net increase (decrease) in net assets from contract transactions	<u>15,211,504</u>	<u>15,519,099</u>
Total increase (decrease) in net assets	<u>15,142,901</u>	<u>15,404,644</u>
Net assets		
Beginning of period	15,404,644	-
End of period	<u>\$ 30,547,545</u>	<u>\$ 15,404,644</u>

**The subaccount commenced operations effective February 12, 2016.

CMFG Variable Annuity Account

Notes to Financial Statements

(1) Organization

The CMFG Variable Annuity Account (“the Account”) is a separate account of CMFG Life Insurance Company (“The Company”). The Account is registered with the Securities and Exchange Commission (“SEC”) as a unit investment trust under the Investment Company Act of 1940 (“1940 Act”) as amended. Such registration does not involve supervision of the management or investment practices or policies of the companies or their funds by the SEC.

The Account was established to receive and invest net premiums paid by the contract owners to the Company under four variable annuity contracts (“contracts”) issued by the Company: MEMBERS® Variable Annuity, MEMBERS® Variable Annuity II, MEMBERS® Choice Variable Annuity and MEMBERS® Variable Annuity III.

The Account is divided into a number of subaccounts, each of which is treated as an individual accounting entity for financial reporting purposes. Each subaccount invests solely in a corresponding portfolio of one of the following funds, each an open-end management investment company registered with the SEC.

BlackRock Variable Series Funds, Inc.

BlackRock Global Allocation V.I. Fund ⁽²⁾

Franklin Templeton Variable Insurance Products Trust

Franklin Income VIP Fund

Franklin Mutual Global Discovery VIP Fund

Templeton Developing Markets VIP Fund ⁽¹⁾

AIM Variable Insurance Funds

(Invesco Variable Insurance Funds)

Invesco V.I. Global Real Estate Fund

Invesco V.I. Government Securities Fund ⁽²⁾

Invesco V.I. Growth and Income Fund

Invesco V.I. Mid Cap Growth Fund

MFS® Variable Insurance Trust II

MFS® Strategic Income Portfolio ⁽¹⁾

Oppenheimer Variable Account Funds

Oppenheimer Global Strategic Income Fund/VA ⁽¹⁾

Oppenheimer International Growth Fund/VA

Oppenheimer Main Street Small Cap Fund®/VA

Oppenheimer Main Street Fund®/VA

PIMCO Variable Insurance Trust

PIMCO CommodityRealReturn® Strategy Portfolio

PIMCO Global Bond Portfolio (Unhedged)

PIMCO Total Return Portfolio

T. Rowe Price International Series, Inc.

T. Rowe Price International Stock Portfolio ⁽¹⁾

Ultra Series Fund⁽³⁾

Aggressive Allocation Fund

Core Bond Fund

Conservative Allocation Fund

Diversified Income Fund

Foundation Account⁽⁴⁾

High Income Fund

International Stock Fund

Large Cap Growth Fund

Large Cap Value Fund

Mid Cap Fund

Moderate Allocation Fund

Vanguard Variable Insurance Fund

Vanguard VIF Money Market Portfolio

⁽¹⁾ This subaccount is only available in the MEMBERS® Variable Annuity product.

⁽²⁾ This subaccount is only available in the MEMBERS® Variable Annuity III product.

⁽³⁾ The Ultra Series Fund offers both Class 1 and 2 shares to contract owners. Class 2 shares are only available in the MEMBERS® Variable Annuity III product.

⁽⁴⁾ The Foundation Subaccount is only available in the MEMBERS® Variable Annuity III product, and is one of two available subaccounts that invest in the Ultra Series Core Bond Fund.

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*.

CMFG Variable Annuity Account

Notes to Financial Statements

(2) Significant Accounting Policies (continued)

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 Company'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 contract owner's account. Accordingly, no provision for income tax is currently recorded. If such taxes are incurred by the Company in the future, a tax provision may be recorded.

Contracts in Annuitization Period

Contracts in the payout stage (annuitization period) are computed according to the 2000 Individual Annuity Mortality Table using an assumed investment return of 3.5%. The mortality risk arises because the Company bears the risk from contract riders, as described in the Fees and Charges note, which may result in additional amounts being transferred into the Account by the Company to cover greater than expected longevity of annuitants. Conversely, if reserves exceed amounts required, transfers may be made to the Company.

Accounting Standards Updates Pending Adoption

In January 2016, the FASB issued Accounting Standard Update ("ASU") No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* ("ASU 2016-01"), effective in 2018. The new standard will require equity investments to be measured at fair value, with changes in fair value recognized in net income. Other provisions in ASU 2016-01 were not applicable to the Account. Because the Account currently records the change in fair value of equity investments in the statement of operations in accordance with guidance for investment companies, ASU 2016-01 will have no impact on its financial statements.

(3) Fees and Charges

Contract Charges

Surrender Charge. A surrender charge is assessed against a contract owner's account upon surrender or partial withdrawal of payments received from contract owners within the first seven years of the contract period and, in certain circumstances, surrender charges are waived upon payment of a death benefit or the election of certain annuity payment options.

For purchase payments withdrawn or surrendered within the first year of the contract, a charge of 7% to 9% of the amount of the payment withdrawn or surrendered is assessed depending on the product version chosen. The surrender charge decreases by 1% (or the noted percentage decrease outlined in the contract) for each full year 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

CMFG Variable Annuity Account

Notes to Financial Statements

(3) Fees and Charges (continued)

payments made more than seven years prior to the withdrawal or surrender. No surrender charge is assessed on purchase payments made more than four years prior to the withdrawal or surrender for one of the contract options of the MEMBERS® Variable Annuity III product. Subject to certain restrictions in each contract year, an amount equal to 10% of aggregate purchase payments subject to a surrender charge (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.

Annual Contract Fee. On each contract anniversary prior to the annuity date, the Company deducts an annual contract fee of \$30 from the contract owner's account. After the annuity date, the Company deducts this fee from variable annuity payments. A pro-rated portion of the fee is deducted upon annuitization of a contract except on a contract anniversary when the full fee is deducted. The Company currently waives this fee for all contracts with \$50,000 or more of contract value for the MEMBERS® Variable Annuity III product and \$25,000 or more of contract value for all other products. 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.

Death Benefit Rider Charges. Optional death benefit riders are available on MEMBERS® Variable Annuity II and MEMBERS® Choice Variable Annuity contracts. The Maximum Anniversary Value Death Benefit and 5% Annual Guarantee Death Benefit Riders are available for issue ages 0 to 75. The Minimum Death Benefit Guarantee Rider is available for issue ages 76 to 85. All death benefit rider 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.

On each contract anniversary (or upon surrender of the contract) prior to the annuity date, the Company deducts rider fees from the contract value. The annual charge for each of these riders ranges from 0.15% to 0.20% of average assets during the prior contract year.

Optional death benefit riders are also available on MEMBERS® Variable Annuity III contracts. The Maximum Anniversary Value Death Benefit, 3% Annual Guarantee Death Benefit and Earnings Enhanced Death Benefit Riders are available for issue ages 0 to 75. On each contract anniversary (or upon surrender of the contract) prior to the annuity date, the Company deducts the applicable rider fees from the contract value. The annual charge for each of these riders ranges from 0.15% to 0.35% of average assets during the prior contract year.

Living Benefit Riders. Optional living benefit riders, such as Guaranteed Minimum Withdrawal Benefit, Guaranteed Lifetime Withdrawal Benefit, and Guaranteed Minimum Accumulation Benefit are available. Charges for these benefits range from 0.50% to 1.75%. Generally, the charge is assessed on the average benefit basis for the prior 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.

Transfer Fee. No charge is generally made for transfers between subaccounts. However, the Company reserves the right to charge \$10 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.

CMFG Variable Annuity Account

Notes to Financial Statements

(3) Fees and Charges (continued)

Account Charges

Mortality and Expense Risk Charge. The Company deducts a daily mortality and expense risk charge from the assets of the subaccount to compensate it for assuming certain mortality and expense risks. The charge is deducted from the assets of the subaccount at an annual rate of 1.15% to 1.65%. These charges are included in mortality and expense charges in the accompanying Statement of Operations of the applicable subaccount.

Administrative Charge. The Company deducts a daily administrative charge from the assets of the subaccount to compensate it for certain expenses it incurs in administration of MEMBERS® Variable Annuity and MEMBERS® Variable Annuity III contracts. The charge is deducted from the assets of the subaccount at an annual rate of 0.15%. These charges are included in administrative charges in the accompanying Statement of Operations 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 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.

CMFG Variable Annuity Account
Notes to Financial Statements

(4) Fair Value (continued)

The following table summarizes the Account's assets that are measured at fair value as of December 31, 2017. 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.

December 31, 2017 Assets, at Fair Value	Total
BlackRock Global Allocation V.I. Fund, Class III, Subaccount	\$ 25,404,536
Franklin Income VIP Fund, Class 4, Subaccount	14,872,441
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	8,974,425
Templeton Developing Markets VIP Fund, Class 2, Subaccount	914,360
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	7,429,394
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	16,374,108
Invesco V.I. Growth and Income, Series II Shares, Subaccount	41,186,443
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	10,403,825
MFS® Strategic Income Portfolio, Initial Class, Subaccount	670,392
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	426,215
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	21,138,217
Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	11,175,503
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	20,712,725
PIMCO CommodityRealReturn® Strategy Portfolio, Advisor Class, Subaccount	9,366,955
PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount	20,090,664
PIMCO Total Return Portfolio, Advisor Class, Subaccount	40,117,531
T. Rowe Price International Stock Portfolio, Subaccount	5,254,238
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	9,384,759
Ultra Series Aggressive Allocation Fund, Class II, Subaccount	2,267,172
Ultra Series Core Bond Fund, Class I, Subaccount	59,973,976
Ultra Series Core Bond Fund, Class II, Subaccount	15,693,692
Ultra Series Conservative Allocation Fund, Class I, Subaccount	57,226,822
Ultra Series Conservative Allocation Fund, Class II, Subaccount	29,771,312
Ultra Series Diversified Income Fund, Class I, Subaccount	114,362,490
Ultra Series Diversified Income Fund, Class II, Subaccount	40,526,439
Ultra Series Foundation Account, Class I, Subaccount	293,667
Ultra Series Foundation Account, Class II, Subaccount	19,558,399
Ultra Series High Income Fund, Class I, Subaccount	19,540,939
Ultra Series High Income Fund, Class II, Subaccount	5,561,885
Ultra Series International Stock Fund, Class I, Subaccount	24,794,637
Ultra Series International Stock Fund, Class II, Subaccount	13,257,281
Ultra Series Large Cap Growth Fund, Class I, Subaccount	72,371,294
Ultra Series Large Cap Growth Fund, Class II, Subaccount	23,445,270
Ultra Series Large Cap Value Fund, Class I, Subaccount	104,030,206
Ultra Series Large Cap Value Fund, Class II, Subaccount	5,539,092
Ultra Series Mid Cap Fund, Class I, Subaccount	68,775,687
Ultra Series Mid Cap Fund, Class II, Subaccount	10,508,613
Ultra Series Moderate Allocation Fund, Class I, Subaccount	105,078,970
Ultra Series Moderate Allocation Fund, Class II, Subaccount	26,764,909
Vanguard Variable Insurance Fund Money Market Portfolio, Subaccount	30,547,545

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 year ended December 31, 2017.

CMFG Variable Annuity Account
Notes to Financial Statements

(4) Fair Value (continued)

The following table summarizes the Account's assets that are measured at fair value as of December 31, 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.

December 31, 2016 Assets, at Fair Value	Total
BlackRock Global Allocation V.I. Fund, Class III, Subaccount	\$ 26,756,670
Franklin High Income VIP Fund, Class 4, Subaccount	21,740,963
Franklin Income VIP Fund, Class 4, Subaccount	17,139,474
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	10,888,659
Templeton Developing Markets VIP Fund, Class 2, Subaccount	709,365
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	8,052,150
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	17,852,378
Invesco V.I. Growth and Income, Series II Shares, Subaccount	52,154,972
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	11,593,142
MFS® Strategic Income Portfolio, Initial Class, Subaccount	712,471
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	470,927
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	21,867,045
Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	13,646,873
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	25,151,489
PIMCO CommodityRealReturn® Strategy Portfolio, Advisor Class, Subaccount	11,331,182
PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount	23,126,990
PIMCO Total Return Portfolio, Advisor Class, Subaccount	48,950,711
T. Rowe Price International Stock Portfolio, Subaccount	4,773,390
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	8,869,733
Ultra Series Aggressive Allocation Fund, Class II, Subaccount	2,032,416
Ultra Series Core Bond Fund, Class I, Subaccount	68,135,418
Ultra Series Core Bond Fund, Class II, Subaccount	16,057,568
Ultra Series Conservative Allocation Fund, Class I, Subaccount	65,087,723
Ultra Series Conservative Allocation Fund, Class II, Subaccount	31,115,643
Ultra Series Diversified Income Fund, Class I, Subaccount	115,561,505
Ultra Series Diversified Income Fund, Class II, Subaccount	40,548,177
Ultra Series Foundation Account, Class I, Subaccount	327,872
Ultra Series Foundation Account, Class II, Subaccount	22,107,214
Ultra Series High Income Fund, Class I, Subaccount	20,990,610
Ultra Series High Income Fund, Class II, Subaccount	5,313,852
Ultra Series International Stock Fund, Class I, Subaccount	24,035,686
Ultra Series International Stock Fund, Class II, Subaccount	12,795,527
Ultra Series Large Cap Growth Fund, Class I, Subaccount	69,772,481
Ultra Series Large Cap Growth Fund, Class II, Subaccount	23,773,785
Ultra Series Large Cap Value Fund, Class I, Subaccount	104,192,491
Ultra Series Large Cap Value Fund, Class II, Subaccount	4,708,594
Ultra Series Mid Cap Fund, Class I, Subaccount	71,047,396
Ultra Series Mid Cap Fund, Class II, Subaccount	11,141,794
Ultra Series Moderate Allocation Fund, Class I, Subaccount	108,141,974
Ultra Series Moderate Allocation Fund, Class II, Subaccount	27,869,626
Vanguard Variable Insurance Fund Money Market Portfolio, Subaccount	15,404,644

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 year ended December 31, 2016.

CMFG Variable Annuity Account
Notes to Financial Statements

(5) Purchases and Sales of Investments

The cost of purchases and proceeds from sales of investments in the various subaccounts for the year ended December 31, 2017 were as follows:

Year Ended December 31, 2017	Purchases	Sales
BlackRock Global Allocation V.I. Fund, Class III, Subaccount	\$ 786,086	\$ 4,990,477
Franklin High Income VIP Fund, Class 4, Subaccount*	75,234	22,347,386
Franklin Income VIP Fund, Class 4, Subaccount	1,314,872	4,423,051
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	1,062,481	3,131,151
Templeton Developing Markets VIP Fund, Class 2, Subaccount	8,810	70,089
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	595,228	1,796,047
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	1,140,461	2,600,157
Invesco V.I. Growth and Income, Series II Shares, Subaccount	2,677,405	17,088,749
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	1,125,691	3,883,432
MFS® Strategic Income Portfolio, Initial Class, Subaccount	32,077	84,885
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	10,764	72,858
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	980,132	6,599,174
Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	1,211,029	4,549,022
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	1,487,876	8,863,479
PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	1,415,183	2,455,289
PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount	1,200,876	5,637,101
PIMCO Total Return Portfolio, Advisor Class, Subaccount	2,792,601	12,929,465
T. Rowe Price International Stock Portfolio, Subaccount	307,850	841,259
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	1,220,183	1,494,106
Ultra Series Aggressive Allocation Fund, Class II, Subaccount	391,589	324,371
Ultra Series Core Bond Fund, Class I, Subaccount	3,467,648	11,832,806
Ultra Series Core Bond Fund, Class II, Subaccount	2,684,807	3,072,597
Ultra Series Conservative Allocation Fund, Class I, Subaccount	4,578,207	15,637,633
Ultra Series Conservative Allocation Fund, Class II, Subaccount	3,223,204	6,088,704
Ultra Series Diversified Income Fund, Class I, Subaccount	10,056,549	18,367,405
Ultra Series Diversified Income Fund, Class II, Subaccount	5,394,955	7,945,436
Ultra Series Foundation Account, Class I, Subaccount	58,231	93,186
Ultra Series Foundation Account, Class II, Subaccount	960,963	3,586,218
Ultra Series High Income Fund, Class I, Subaccount	1,664,402	3,422,931
Ultra Series High Income Fund, Class II, Subaccount	1,091,905	913,270
Ultra Series International Stock Fund, Class I, Subaccount	1,009,529	4,972,387
Ultra Series International Stock Fund, Class II, Subaccount	645,397	2,733,517
Ultra Series Large Cap Growth Fund, Class I, Subaccount	10,937,377	13,503,155
Ultra Series Large Cap Growth Fund, Class II, Subaccount	3,491,364	5,575,584
Ultra Series Large Cap Value Fund, Class I, Subaccount	9,316,016	16,813,432
Ultra Series Large Cap Value Fund, Class II, Subaccount	1,700,512	1,235,675
Ultra Series Mid Cap Fund, Class I, Subaccount	7,498,938	13,321,899
Ultra Series Mid Cap Fund, Class II, Subaccount	1,391,069	2,536,002
Ultra Series Moderate Allocation Fund, Class I, Subaccount	11,529,025	21,778,420
Ultra Series Moderate Allocation Fund, Class II, Subaccount	3,333,711	6,341,865
Vanguard VIF Money Market Portfolio, Subaccount	24,758,539	9,615,638

CMFG Variable Annuity Account
Notes to Financial Statements

(5) Purchases and Sales of Investments (continued)

The cost of purchases and proceeds from sales of investments in the various subaccounts for the year ended December 31, 2016 were as follows:

Year Ended December 31, 2016	Purchases	Sales
BlackRock Global Allocation V.I. Fund, Class III, Subaccount	\$ 745,608	\$ 10,167,299
Franklin High Income VIP Fund, Class 4, Subaccount	2,534,939	4,510,077
Franklin Income VIP Fund, Class 4, Subaccount	1,926,929	3,641,001
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	1,990,448	1,942,537
Templeton Developing Markets VIP Fund, Class 2, Subaccount	6,343	149,122
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	781,510	1,732,815
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	684,959	2,863,871
Invesco V.I. Growth and Income, Series II Shares, Subaccount	7,192,543	9,169,893
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	2,499,187	1,712,414
MFS® Strategic Income Portfolio, Initial Class, Subaccount	22,944	117,606
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	25,108	78,680
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	2,312,818	3,794,838
Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	1,766,570	2,344,459
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	5,549,380	5,455,182
PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	1,335,236	1,554,156
PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount	1,419,746	6,017,698
PIMCO Total Return Portfolio, Advisor Class, Subaccount	3,836,682	11,095,383
T. Rowe Price International Stock Portfolio, Subaccount	229,584	723,877
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	584,274	1,648,320
Ultra Series Aggressive Allocation Fund, Class II, Subaccount	361,539	91,883
Ultra Series Core Bond Fund, Class I, Subaccount	5,422,665	17,239,448
Ultra Series Core Bond Fund, Class II, Subaccount	977,336	5,305,126
Ultra Series Conservative Allocation Fund, Class I, Subaccount	6,446,099	16,455,069
Ultra Series Conservative Allocation Fund, Class II, Subaccount	4,996,278	8,312,544
Ultra Series Diversified Income Fund, Class I, Subaccount	13,417,748	26,280,893
Ultra Series Diversified Income Fund, Class II, Subaccount	9,406,970	8,400,889
Ultra Series Foundation Account, Class I, Subaccount	42,440	68,049
Ultra Series Foundation Account, Class II, Subaccount	987,062	2,677,879
Ultra Series High Income Fund, Class I, Subaccount	1,464,683	4,818,323
Ultra Series High Income Fund, Class II, Subaccount	333,591	1,332,242
Ultra Series International Stock Fund, Class I, Subaccount	1,363,561	5,444,073
Ultra Series International Stock Fund, Class II, Subaccount	1,012,845	2,181,946
Ultra Series Large Cap Growth Fund, Class I, Subaccount	5,642,012	13,908,036
Ultra Series Large Cap Growth Fund, Class II, Subaccount	1,854,529	5,577,741
Ultra Series Large Cap Value Fund, Class I, Subaccount	15,175,733	20,204,271
Ultra Series Large Cap Value Fund, Class II, Subaccount	1,027,385	1,727,404
Ultra Series Mid Cap Fund, Class I, Subaccount	8,119,916	14,075,523
Ultra Series Mid Cap Fund, Class II, Subaccount	1,239,038	3,087,589
Ultra Series Moderate Allocation Fund, Class I, Subaccount	5,823,487	19,127,172
Ultra Series Moderate Allocation Fund, Class II, Subaccount	2,990,868	6,770,757
Ultra Series Money Market Fund, Class I, Subaccount	1,377,850	14,191,478
Ultra Series Money Market Fund, Class II, Subaccount	431,256	2,360,913
Ultra Series Small Cap Fund, Class I, Subaccount	44,521	2,989,923
Ultra Series Small Cap Fund, Class II, Subaccount	29,335	1,239,726
Vanguard VIF Money Market Portfolio, Subaccount	22,962,937	7,558,293

CMFG Variable Annuity Account

Notes to Financial Statements

(6) Changes in Units Outstanding

The changes in units outstanding for the years ended December 31, 2017 and 2016 were as follows:

	BlackRock Global Allocation V.I. Fund, Class III, Subaccount	Franklin High Income VIP Fund, Class 4, Subaccount*	Franklin Income VIP Fund, Class 4, Subaccount
Units outstanding at December 31, 2015	2,869,634	1,684,965	1,428,435
Units issued	133,582	1,611,844	1,077,893
Units redeemed	(900,521)	(1,830,990)	(1,255,938)
Units outstanding at December 31, 2016	2,102,695	1,465,819	1,250,390
Units issued	96,943	485,288	904,733
Units redeemed	(419,905)	(1,951,107)	(1,152,631)
Units outstanding at December 31, 2017	1,779,733	-	1,002,492

	Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	Templeton Developing Markets VIP Fund, Class 2, Subaccount	Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount
Units outstanding at December 31, 2015	803,953	71,396	876,741
Units issued	848,949	76	875,823
Units redeemed	(903,669)	(12,864)	(975,837)
Units outstanding at December 31, 2016	749,233	58,608	776,727
Units issued	722,572	23	766,423
Units redeemed	(894,675)	(4,075)	(899,735)
Units outstanding at December 31, 2017	577,130	54,556	643,415

	Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	Invesco V.I. Growth and Income, Series II Shares, Subaccount	Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount
Units outstanding at December 31, 2015	1,924,119	3,551,125	811,143
Units issued	1,811,915	3,498,280	904,892
Units redeemed	(2,023,703)	(3,917,557)	(917,901)
Units outstanding at December 31, 2016	1,712,331	3,131,848	798,134
Units issued	1,739,222	2,596,508	746,451
Units redeemed	(1,886,792)	(3,530,976)	(948,609)
Units outstanding at December 31, 2017	1,564,761	2,197,380	595,976

	MFS® Strategic Income Portfolio, Initial Class, Subaccount	Oppenheimer Global Strategic Income Fund/VA, Service Shares, Subaccount	Oppenheimer Main International Growth Fund/VA, Service Shares, Subaccount
Units outstanding at December 31, 2015	36,213	116,019	2,141,029
Units issued	16	1,053	2,228,821
Units redeemed	(4,776)	(16,439)	(2,390,337)
Units outstanding at December 31, 2016	31,453	100,633	1,979,513
Units issued	3	77	1,858,858
Units redeemed	(3,205)	(13,191)	(2,304,692)
Units outstanding at December 31, 2017	28,251	87,519	1,533,679

* The subaccount Liquidated effective April 21, 2017

CMFG Variable Annuity Account
Notes to Financial Statements

(6) Changes in Units Outstanding (continued)

	Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount
Units outstanding at December 31, 2015	750,841	1,705,794	2,669,948
Units issued	781,505	1,673,617	3,103,348
Units redeemed	(830,990)	(1,849,725)	(3,124,477)
Units outstanding at December 31, 2016	701,356	1,529,686	2,648,819
Units issued	607,463	1,281,822	2,683,253
Units redeemed	(798,078)	(1,717,738)	(3,159,316)
Units outstanding at December 31, 2017	510,741	1,093,770	2,172,756

	PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount	PIMCO Total Return Portfolio, Advisor Class, Subaccount	T. Rowe Price International Stock Portfolio, Subaccount
Units outstanding at December 31, 2015	2,379,662	4,289,497	285,293
Units issued	2,232,897	3,626,093	544
Units redeemed	(2,615,321)	(4,199,308)	(35,337)
Units outstanding at December 31, 2016	1,997,238	3,716,282	250,500
Units issued	1,965,387	3,168,707	2,311
Units redeemed	(2,344,921)	(3,942,153)	(34,158)
Units outstanding at December 31, 2017	1,617,704	2,942,836	218,653

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount	Ultra Series Aggressive Allocation Fund, Class II, Subaccount	Ultra Series Core Bond Fund, Class I, Subaccount
Units outstanding at December 31, 2015	817,760	94,545	5,545,531
Units issued	178,579	18,920	4,183,553
Units redeemed	(283,225)	(6,889)	(5,115,345)
Units outstanding at December 31, 2016	713,114	106,576	4,613,739
Units issued	188,988	17,758	3,648,201
Units redeemed	(256,876)	(22,439)	(4,258,019)
Units outstanding at December 31, 2017	645,226	101,895	4,003,921

	Ultra Series Core Bond Fund, Class II, Subaccount	Ultra Series Conservative Allocation Fund, Class I, Subaccount	Ultra Series Conservative Allocation Fund, Class II, Subaccount
Units outstanding at December 31, 2015	1,782,533	6,001,845	2,355,749
Units issued	1,561,572	1,817,559	1,119,106
Units redeemed	(1,949,221)	(2,718,001)	(1,378,216)
Units outstanding at December 31, 2016	1,394,884	5,101,403	2,096,639
Units issued	1,689,177	1,360,028	858,399
Units redeemed	(1,736,089)	(2,339,289)	(1,106,578)
Units outstanding at December 31, 2017	1,347,972	4,122,142	1,848,460

CMFG Variable Annuity Account
Notes to Financial Statements

(6) Changes in Units Outstanding (continued)

	Ultra Series Diversified Income Fund, Class I, Subaccount	Ultra Series Diversified Income Fund, Class II, Subaccount	Ultra Series Foundation Account, Class I, Subaccount
Units outstanding at December 31, 2015	6,575,883	2,408,801	33,312
Units issued	2,459,487	531,131	2,962
Units redeemed	(3,589,114)	(658,060)	(5,890)
Units outstanding at December 31, 2016	5,446,256	2,281,872	30,384
Units issued	2,243,527	371,708	5,868
Units redeemed	(2,864,016)	(609,404)	(9,506)
Units outstanding at December 31, 2017	4,825,767	2,044,176	26,746

	Ultra Series Foundation Account, Class II, Subaccount	Ultra Series High Income Fund, Class I, Subaccount	Ultra Series High Income Fund, Class II, Subaccount
Units outstanding at December 31, 2015	2,239,332	1,286,865	412,761
Units issued	98,999	914,035	373,617
Units redeemed	(280,372)	(1,144,003)	(451,945)
Units outstanding at December 31, 2016	2,057,959	1,056,897	334,433
Units issued	136,109	805,077	410,978
Units redeemed	(402,341)	(926,839)	(410,068)
Units outstanding at December 31, 2017	1,791,727	935,135	335,343

	Ultra Series International Stock Fund, Class I, Subaccount	Ultra Series International Stock Fund, Class II, Subaccount	Ultra Series Large Cap Growth Fund, Class I, Subaccount
Units outstanding at December 31, 2015	1,800,914	950,862	3,696,637
Units issued	1,505,604	983,251	2,198,011
Units redeemed	(1,780,641)	(1,063,932)	(2,786,090)
Units outstanding at December 31, 2016	1,525,877	870,181	3,108,558
Units issued	1,300,974	907,245	1,857,192
Units redeemed	(1,532,489)	(1,027,026)	(2,283,278)
Units outstanding at December 31, 2017	1,294,362	750,400	2,682,472

	Ultra Series Large Cap Growth Fund, Class II, Subaccount	Ultra Series Large Cap Value Fund, Class I, Subaccount	Ultra Series Large Cap Value Fund, Class II, Subaccount
Units outstanding at December 31, 2015	1,317,774	5,210,700	263,004
Units issued	1,188,766	2,934,208	223,987
Units redeemed	(1,421,357)	(3,775,557)	(284,744)
Units outstanding at December 31, 2016	1,085,183	4,369,351	202,247
Units issued	1,048,057	2,480,601	263,832
Units redeemed	(1,242,356)	(3,041,849)	(255,558)
Units outstanding at December 31, 2017	890,884	3,808,103	210,521

CMFG Variable Annuity Account
Notes to Financial Statements

(6) Changes in Units Outstanding (continued)

	Ultra Series Mid Cap Fund, Class I, Subaccount	Ultra Series Mid Cap Fund, Class II, Subaccount	Ultra Series Moderate Allocation Fund, Class I, Subaccount
Units outstanding at December 31, 2015	2,975,498	544,894	9,772,923
Units issued	1,857,157	478,041	1,400,369
Units redeemed	(2,334,511)	(592,886)	(2,736,940)
Units outstanding at December 31, 2016	2,498,144	430,049	8,436,352
Units issued	1,509,946	429,485	1,578,802
Units redeemed	(1,903,868)	(502,698)	(2,767,579)
Units outstanding at December 31, 2017	2,104,222	356,836	7,247,575

	Ultra Series Moderate Allocation Fund, Class II, Subaccount	Vanguard VIF Money Market Portfolio, Subaccount**
Units outstanding at December 31, 2015	1,886,951	-
Units issued	589,708	2,892,580
Units redeemed	(858,392)	(1,337,989)
Units outstanding at December 31, 2016	1,618,267	1,554,591
Units issued	523,805	4,203,540
Units redeemed	(765,413)	(2,671,304)
Units outstanding at December 31, 2017	1,376,659	3,086,827

** The subaccount commenced operations effective February 12, 2016.

CMFG Variable Annuity Account
Notes to Financial Statements

(7) Financial Highlights

The table below provides financial highlights for each subaccount for the year ended December 31, 2017 and the four preceeding years ended December 31. In certain instances, fewer years are presented because the subaccount was not available for the entire five-year period. The unit value, the expense ratio and the total returns are presented for the product with the lowest and highest expense ratios. In addition, the lowest unit value and total return can exceed the highest unit value and total return due to timing of when amounts were actually invested in the respective contract by contract owners.

As of						For the period ended				
Units (000's)		Unit Value for Lowest to Highest Expense Ratio		Net Assets (000's)		(1) Investment Income Ratio	(2) Expense Ratio Lowest to Highest	(3) Total Return for Lowest to Highest Expense Ratio		
BlackRock Global Allocation V.I. Fund, Class III, Subaccount										
12/31/2017	1,780	\$ 14.28	to \$	13.98	\$ 25,405	1.20%	1.30% to 1.80%	12.18%	to	11.57%
12/31/2016	2,103	\$ 12.73	to \$	12.53	\$ 26,757	1.09%	1.30% to 1.80%	2.50%	to	2.12%
12/31/2015	2,870	12.42	to	12.27	35,649	1.00%	1.30% to 1.80%	-2.28%	to	-2.77%
12/31/2014	3,236	12.71	to	12.62	41,146	2.17%	1.30% to 1.80%	0.71%	to	0.16%
12/31/2013	3,486	12.62	to	12.60	44,023	1.04%	1.30% to 1.80%	12.98%	to	12.50%
Franklin High Income VIP Fund, Class 4, Subaccount										
12/31/2017 ^(a)	-	\$ 15.43	to \$	15.13	\$ -	0.00%	1.15% to 1.80%	2.12%	to	1.95%
12/31/2016	1,466	15.11	to	14.84	21,741	6.81%	1.15% to 1.80%	15.52%	to	14.77%
12/31/2015	1,685	13.08	to	12.93	21,690	6.57%	1.15% to 1.80%	-10.23%	to	-10.83%
12/31/2014	1,790	14.57	to	14.50	25,724	5.77%	1.15% to 1.80%	-1.29%	to	-1.89%
12/31/2013	1,906	14.76	to	14.78	27,788	7.11%	1.15% to 1.80%	6.49%	to	5.72%
Franklin Income VIP Fund, Class 4, Subaccount										
12/31/2017	1,002	\$ 15.05	to \$	15.40	\$ 14,872	3.94%	1.15% to 1.80%	8.27%	to	7.62%
12/31/2016	1,250	13.90	to	14.31	17,139	4.78%	1.15% to 1.80%	12.64%	to	11.80%
12/31/2015	1,428	12.34	to	12.80	17,418	4.61%	1.15% to 1.80%	-8.32%	to	-8.77%
12/31/2014	1,958	13.46	to	14.03	26,128	4.75%	1.15% to 1.80%	3.22%	to	2.63%
12/31/2013	2,044	13.04	to	13.67	26,424	6.10%	1.15% to 1.80%	12.71%	to	11.68%
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount										
12/31/2017	577	\$ 15.84	to \$	16.36	\$ 8,974	1.54%	1.15% to 1.80%	7.24%	to	6.58%
12/31/2016	749	14.77	to	15.35	10,889	1.47%	1.15% to 1.80%	10.72%	to	10.11%
12/31/2015	804	13.34	to	13.94	10,578	2.56%	1.15% to 1.80%	-4.85%	to	-5.43%
12/31/2014	883	14.02	to	14.74	12,245	1.94%	1.15% to 1.80%	4.47%	to	3.66%
12/31/2013	1,013	13.42	to	14.22	13,483	2.09%	1.15% to 1.80%	26.13%	to	25.29%
Templeton Developing Markets VIP Fund, Class 2, Subaccount										
12/31/2017	55	\$ 16.76	to	(b)	\$ 914	0.98%	1.40%	38.51%	to	(b)
12/31/2016	59	12.10	to	(b)	709	0.80%	1.40%	15.68%	to	(b)
12/31/2015	71	10.46	to	(b)	747	2.08%	1.40%	-20.64%	to	(b)
12/31/2014	79	13.18	to	(b)	1,038	1.48%	1.40%	-9.73%	to	(b)
12/31/2013	91	14.60	to	(b)	1,328	1.97%	1.40%	-2.28%	to	(b)

CMFG Variable Annuity Account
Notes to Financial Statements

(7) Financial Highlights (continued)

As of						For the period ended				
Units (000's)	Unit Value for Lowest to Highest Expense Ratio				Net Assets (000's)	(1) Investment Income Ratio	(2) Expense Ratio Lowest to Highest	(3) Total Return for Lowest to Highest Expense Ratio		
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount										
12/31/2017	643	\$ 11.99	to	\$ 13.54	\$7,429	2.97%	1.15% to 1.80%	11.33%	to	10.71%
12/31/2016	777	10.77	to	12.23	8,052	1.35%	1.15% to 1.80%	0.56%	to	0.00%
12/31/2015	877	10.71	to	12.23	9,058	3.25%	1.15% to 1.80%	-2.81%	to	-3.47%
12/31/2014	993	11.02	to	12.67	10,584	1.41%	1.15% to 1.80%	13.03%	to	12.32%
12/31/2013	1,056	9.75	to	11.28	9,978	3.66%	1.15% to 1.80%	1.25%	to	0.62%
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount										
12/31/2017	1,565	\$ 10.49	to	\$ 9.99	\$16,374	1.84%	1.30% to 1.80%	0.38%	to	0.00%
12/31/2016	1,712	10.45	to	9.99	17,852	1.74%	1.30% to 1.80%	-0.29%	to	-0.70%
12/31/2015	1,924	10.48	to	10.06	20,126	1.89%	1.30% to 1.80%	-1.23%	to	-1.76%
12/31/2014	2,192	10.61	to	10.24	23,219	2.93%	1.30% to 1.80%	2.51%	to	1.89%
12/31/2013	2,185	10.35	to	10.05	22,579	3.25%	1.30% to 1.80%	-4.08%	to	-4.47%
Invesco V.I. Growth and Income, Series II Shares, Subaccount										
12/31/2017	2,197	\$ 18.98	to	\$ 19.71	\$41,186	1.21%	1.15% to 1.80%	11.19%	to	12.05%
12/31/2016	3,132	17.07	to	17.59	52,155	0.88%	1.15% to 1.80%	17.97%	to	17.27%
12/31/2015	3,551	14.47	to	15.00	50,097	2.56%	1.15% to 1.80%	-4.30%	to	-5.00%
12/31/2014	4,018	15.12	to	15.79	59,405	1.46%	1.15% to 1.80%	8.62%	to	8.00%
12/31/2013	4,690	13.92	to	14.62	63,949	1.26%	1.15% to 1.80%	32.19%	to	31.36%
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount										
12/31/2017	596	\$ 17.39	to	\$ 18.06	\$10,404	0.00%	1.15% to 1.80%	17.03%	to	20.00%
12/31/2016	798	14.86	to	15.05	11,593	0.00%	1.15% to 1.80%	-0.54%	to	-1.25%
12/31/2015	811	14.94	to	15.24	11,876	0.00%	1.15% to 1.80%	-0.13%	to	-0.72%
12/31/2014	950	14.96	to	15.35	13,960	0.00%	1.15% to 1.80%	6.63%	to	5.79%
12/31/2013 ^(d)	1,122	14.03	to	14.51	15,524	0.22%	1.15% to 1.80%	34.90%	to	34.10%
MFS® Strategic Income Portfolio, Initial Class, Subaccount										
12/31/2017	28	\$ 23.73	to	(b)	\$ 670	4.57%	1.40%	4.77%	to	(b)
12/31/2016	31	22.65	to	(b)	712	3.03%	1.40%	6.69%	to	(b)
12/31/2015	36	21.23	to	(b)	769	5.64%	1.40%	-3.19%	to	(b)
12/31/2014	41	21.93	to	(b)	892	3.17%	1.40%	1.81%	to	(b)
12/31/2013	45	21.54	to	(b)	965	8.51%	1.40%	2.18%	to	(b)
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount										
12/31/2017	88	\$ 4.87	to	(b)	\$ 426	2.31%	1.40%	4.06%	to	(b)
12/31/2016	101	4.68	to	(b)	471	4.84%	1.40%	4.93%	to	(b)
12/31/2015	116	4.46	to	(b)	517	5.95%	1.40%	-3.67%	to	(b)
12/31/2014	135	4.63	to	(b)	625	4.30%	1.40%	1.31%	to	(b)
12/31/2013	154	4.57	to	(b)	704	5.10%	0.014	-1.72%	to	(b)

CMFG Variable Annuity Account
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(7) Financial Highlights (continued)

As of						For the period ended				
Units (000's)		Unit Value for Lowest to Highest Expense Ratio		Net Assets (000's)		(1) Investment Income Ratio	(2) Expense Ratio Lowest to Highest	(3) Total Return for Lowest to Highest Expense Ratio		
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount										
12/31/2017	1,534	\$ 14.19	to \$	14.39	\$ 21,138	1.14%	1.15% to 1.80%	24.91%	to	24.16%
12/31/2016	1,980	11.36	to	11.59	21,867	0.83%	1.15% to 1.80%	-3.73%	to	-4.37%
12/31/2015	2,141	11.80	to	12.12	24,654	0.92%	1.15% to 1.80%	1.90%	to	1.42%
12/31/2014	2,333	11.58	to	11.95	26,393	0.94%	1.15% to 1.80%	-8.24%	to	-8.85%
12/31/2013	2,543	12.62	to	13.11	31,414	1.12%	1.15% to 1.80%	24.21%	to	23.68%
Oppenheimer Main Street Small Cap Fund@/VA, Service Shares, Subaccount										
12/31/2017	511	\$ 22.31	to \$	22.05	\$ 11,176	0.63%	1.15% to 1.80%	12.56%	to	11.93%
12/31/2016	701	19.82	to	19.70	13,647	0.26%	1.15% to 1.80%	16.45%	to	15.61%
12/31/2015	751	17.02	to	17.04	12,570	0.67%	1.15% to 1.80%	-7.20%	to	-7.79%
12/31/2014	931	18.34	to	18.48	16,834	0.64%	1.15% to 1.80%	10.28%	to	9.61%
12/31/2013	1,089	16.63	to	16.86	17,880	0.71%	1.15% to 1.80%	39.05%	to	38.20%
Oppenheimer Main Street Fund@/VA, Service Shares, Subaccount										
12/31/2017	1,094	\$ 19.26	to \$	19.96	\$ 20,713	1.00%	1.15% to 1.80%	15.26%	to	14.58%
12/31/2016	1,530	16.71	to	17.42	25,151	0.87%	1.15% to 1.80%	9.93%	to	9.42%
12/31/2015	1,706	15.20	to	15.92	25,529	0.66%	1.15% to 1.80%	1.88%	to	1.27%
12/31/2014	1,960	14.92	to	15.72	28,831	0.58%	1.15% to 1.80%	9.22%	to	8.26%
12/31/2013	2,322	13.66	to	14.52	31,357	0.86%	1.15% to 1.80%	29.97%	to	28.95%
PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount										
12/31/2017	2,173	\$ 4.35	to \$	3.85	\$ 9,367	11.02%	1.15% to 1.80%	1.16%	to	-0.26%
12/31/2016	2,649	4.30	to	3.86	11,331	1.00%	1.15% to 1.80%	14.06%	to	12.87%
12/31/2015	2,670	3.77	to	3.42	10,063	4.14%	1.15% to 1.80%	-26.51%	to	-27.23%
12/31/2014	2,146	5.13	to	4.70	11,034	0.26%	1.15% to 1.80%	-19.59%	to	-20.20%
12/31/2013	2,077	6.38	to	5.89	13,304	1.64%	1.15% to 1.80%	-15.72%	to	-16.22%
PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount										
12/31/2017	1,618	\$ 12.66	to \$	11.92	\$ 20,091	1.81%	1.15% to 1.80%	7.29%	to	6.43%
12/31/2016	1,997	11.80	to	11.20	23,127	1.41%	1.15% to 1.80%	2.88%	to	2.10%
12/31/2015	2,380	11.47	to	10.97	26,874	1.74%	1.15% to 1.80%	-5.21%	to	-5.84%
12/31/2014	2,548	12.10	to	11.65	30,411	2.37%	1.15% to 1.80%	0.92%	to	0.43%
12/31/2013	2,632	11.99	to	11.60	31,160	0.95%	1.15% to 1.80%	-9.58%	to	-10.22%
PIMCO Total Return Portfolio, Advisor Class, Subaccount										
12/31/2017	2,943	\$ 13.82	to \$	13.28	\$ 40,118	1.92%	1.15% to 1.80%	3.75%	to	2.95%
12/31/2016	3,716	13.32	to	12.90	48,951	1.99%	1.15% to 1.80%	1.45%	to	0.70%
12/31/2015	4,289	13.13	to	12.81	55,788	4.74%	1.15% to 1.80%	-0.83%	to	-1.39%
12/31/2014	4,928	13.24	to	12.99	64,693	2.08%	1.15% to 1.80%	2.87%	to	2.20%
12/31/2013	5,486	12.87	to	12.71	70,050	2.09%	1.15% to 1.80%	-3.23%	to	-3.79%

CMFG Variable Annuity Account
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(7) Financial Highlights (continued)

As of						For the period ended				
Units (000's)		Unit Value for Lowest to Highest Expense Ratio		Net Assets (000's)		(1) Investment Income Ratio	(2) Expense Ratio Lowest to Highest	(3) Total Return for Lowest to Highest Expense Ratio		
T. Rowe Price International Stock Portfolio, Subaccount										
12/31/2017	219	\$ 24.03	to	(b)	\$ 5,254	1.05%	1.40%	26.08%	to	(b)
12/31/2016	251	19.06	to	(b)	4,773	1.02%	1.40%	0.74%	to	(b)
12/31/2015	285	18.92	to	(b)	5,397	0.88%	1.40%	-2.27%	to	(b)
12/31/2014	323	19.36	to	(b)	6,254	0.99%	1.40%	-2.57%	to	(b)
12/31/2013	368	19.87	to	(b)	7,320	0.83%	1.40%	12.45%	to	(b)
Ultra Series Aggressive Allocation Fund, Class I, Subaccount										
12/31/2017	645	\$ 14.09	to	\$ 14.87	\$ 9,385	1.72%	1.15% to 1.80%	17.12%	to	16.44%
12/31/2016	713	12.03	to	12.77	8,870	1.75%	1.15% to 1.80%	7.51%	to	6.77%
12/31/2015	818	11.19	to	11.96	9,466	1.43%	1.15% to 1.80%	-2.27%	to	-3.00%
12/31/2014	1,011	11.45	to	12.33	11,996	1.73%	1.15% to 1.80%	6.12%	to	5.66%
12/31/2013	1,384	10.79	to	11.67	15,532	1.16%	1.15% to 1.80%	20.96%	to	19.94%
Ultra Series Aggressive Allocation Fund, Class II, Subaccount										
12/31/2017	102	\$ 22.25	to	(c)	\$ 2,267	1.52%	1.30%	16.68%	to	(c)
12/31/2016	107	19.07	to	(c)	2,032	1.76%	1.30%	7.26%	to	(c)
12/31/2015	95	17.78	to	(c)	1,681	1.28%	1.30%	-2.68%	to	(c)
12/31/2014	99	18.27	to	(c)	1,810	1.65%	1.30%	5.91%	to	(c)
12/31/2013	111	17.25	to	(c)	1,911	0.90%	1.30%	20.63%	to	(c)
Ultra Series Core Bond Fund, Class I, Subaccount										
12/31/2017	4,004	\$ 16.52	to	\$ 11.73	\$ 59,974	2.79%	1.15% to 1.80%	1.91%	to	1.38%
12/31/2016	4,614	16.21	to	11.57	68,135	2.81%	1.15% to 1.80%	1.57%	to	0.78%
12/31/2015	5,546	15.96	to	11.48	79,924	2.92%	1.15% to 1.80%	-1.18%	to	-1.88%
12/31/2014	6,636	16.15	to	11.70	96,654	2.93%	1.15% to 1.80%	3.73%	to	3.27%
12/31/2013	8,140	15.57	to	11.33	114,400	2.93%	1.15% to 1.80%	-3.35%	to	-4.15%
Ultra Series Core Bond Fund, Class II, Subaccount										
12/31/2017	1,348	\$ 11.72	to	\$ 11.15	\$ 15,694	2.66%	1.30% to 1.80%	1.47%	to	1.00%
12/31/2016	1,395	11.55	to	11.04	16,058	2.48%	1.30% to 1.80%	0.96%	to	0.55%
12/31/2015	1,783	11.44	to	10.98	20,328	2.82%	1.30% to 1.80%	-1.63%	to	-2.14%
12/31/2014	1,951	11.63	to	11.22	22,638	2.94%	1.30% to 1.80%	3.65%	to	3.03%
12/31/2013	2,007	11.22	to	10.89	22,484	3.15%	1.30% to 1.80%	-3.77%	to	-4.31%
Ultra Series Conservative Allocation Fund, Class I, Subaccount										
12/31/2017	4,122	\$ 13.76	to	\$ 12.90	\$ 57,227	1.96%	1.15% to 1.80%	9.03%	to	8.31%
12/31/2016	5,101	12.62	to	11.91	65,088	1.84%	1.15% to 1.80%	4.21%	to	3.39%
12/31/2015	6,002	12.11	to	11.52	73,586	1.73%	1.15% to 1.80%	-1.94%	to	-2.46%
12/31/2014	7,266	12.35	to	11.81	90,931	2.07%	1.15% to 1.80%	4.93%	to	3.96%
12/31/2013	8,433	11.77	to	11.36	100,798	2.21%	1.15% to 1.80%	6.42%	to	5.87%

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(7) Financial Highlights (continued)

As of						For the period ended				
Units (000's)		Unit Value for Lowest to Highest Expense Ratio		Net Assets (000's)		(1) Investment Income Ratio	(2) Expense Ratio Lowest to Highest	(3) Total Return for Lowest to Highest Expense Ratio		
Ultra Series Conservative Allocation Fund, Class II, Subaccount										
12/31/2017	1,848	\$ 16.15	to \$ 14.93	\$ 29,771		1.76%	1.30% to 1.80%	8.53%	to	8.03%
12/31/2016	2,097	14.88	to 13.82	31,116		1.55%	1.30% to 1.80%	3.77%	to	3.44%
12/31/2015	2,356	14.34	to 13.36	33,705		1.54%	1.30% to 1.80%	-2.32%	to	-2.84%
12/31/2014	2,583	14.68	to 13.75	37,844		1.83%	1.30% to 1.80%	4.56%	to	3.93%
12/31/2013	2,859	14.04	to 13.23	40,068		2.04%	1.30% to 1.80%	5.88%	to	5.59%
Ultra Series Diversified Income Fund, Class I, Subaccount										
12/31/2017	4,826	\$ 20.17	to \$ 16.70	\$ 114,362		2.16%	1.15% to 1.80%	12.18%	to	11.41%
12/31/2016	5,446	17.98	to 14.99	115,562		2.30%	1.15% to 1.80%	7.66%	to	6.92%
12/31/2015	6,576	16.70	to 14.02	128,969		2.35%	1.15% to 1.80%	-1.01%	to	-1.75%
12/31/2014	7,781	16.87	to 14.27	154,938		2.28%	1.15% to 1.80%	5.97%	to	5.24%
12/31/2013	9,012	15.92	to 13.56	168,653		2.29%	1.15% to 1.80%	14.78%	to	13.95%
Ultra Series Diversified Income Fund, Class II, Subaccount										
12/31/2017	2,044	\$ 19.90	to \$ 19.12	\$ 40,526		2.02%	1.30% to 1.80%	11.61%	to	10.97%
12/31/2016	2,282	17.83	to 17.23	40,548		2.25%	1.30% to 1.80%	7.28%	to	6.69%
12/31/2015	2,409	16.62	to 16.15	39,894		2.24%	1.30% to 1.80%	-1.42%	to	-1.94%
12/31/2014	2,664	16.86	to 16.47	44,772		2.19%	1.30% to 1.80%	5.51%	to	4.97%
12/31/2013	2,735	15.98	to 15.69	43,601		2.32%	1.30% to 1.80%	14.14%	to	13.70%
Ultra Series Foundation Account, Class I, Subaccount										
12/31/2017	27	\$ 10.98	to (b)	\$ 294		2.85%	1.30%	1.76%	to	(b)
12/31/2016	30	10.79	to (b)	328		3.02%	1.30%	1.41%	to	(b)
12/31/2015	33	10.64	to (b)	354		3.18%	1.30%	-1.48%	to	(b)
12/31/2014	34	10.80	to (b)	364		0.63%	1.30%	3.85%	to	(b)
12/31/2013	22	10.40	to (b)	226		3.47%	1.30%	-3.61%	to	(b)
Ultra Series Foundation Account, Class II, Subaccount										
12/31/2017	1,792	\$ 10.93	to \$ 10.50	\$ 19,558		2.51%	1.30% to 1.80%	1.58%	to	1.16%
12/31/2016	2,058	10.76	to 10.38	22,107		2.69%	1.30% to 1.80%	0.94%	to	0.48%
12/31/2015	2,239	10.66	to 10.33	23,823		2.95%	1.30% to 1.80%	-1.75%	to	-2.09%
12/31/2014	2,265	10.85	to 10.55	24,525		2.96%	1.30% to 1.80%	3.63%	to	2.93%
12/31/2013	2,342	10.47	to 10.25	24,507		3.05%	1.30% to 1.80%	-3.86%	to	-4.21%
Ultra Series High Income Fund, Class I, Subaccount										
12/31/2017	935	\$ 24.18	to \$ 15.62	\$ 19,541		4.70%	1.15% to 1.80%	5.18%	to	4.27%
12/31/2016	1,057	22.99	to 14.98	20,991		4.92%	1.15% to 1.80%	10.80%	to	10.23%
12/31/2015	1,287	20.75	to 13.59	22,924		5.22%	1.15% to 1.80%	-3.58%	to	-4.30%
12/31/2014	1,592	21.52	to 14.20	29,284		5.61%	1.15% to 1.80%	0.56%	to	-0.14%
12/31/2013	1,949	21.40	to 14.22	35,886		6.12%	1.15% to 1.80%	4.19%	to	3.80%

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(7) Financial Highlights (continued)

As of						For the period ended					
Units (000's)		Unit Value for Lowest to Highest Expense Ratio			Net Assets (000's)	(1) Investment Income Ratio	(2) Expense Ratio Lowest to Highest	(3) Total Return for Lowest to Highest Expense Ratio			
Ultra Series High Income Fund, Class II, Subaccount											
12/31/2017	335	\$ 16.74	to \$ 15.64	\$ 5,562	4.63%	1.30% to 1.80%	4.76%	to	4.20%		
12/31/2016	334	15.98	to 15.01	5,314	4.60%	1.30% to 1.80%	10.44%	to	9.88%		
12/31/2015	413	14.47	to 13.66	5,943	5.26%	1.30% to 1.80%	-3.98%	to	-4.41%		
12/31/2014	446	15.07	to 14.29	6,685	5.89%	1.30% to 1.80%	0.13%	to	-0.42%		
12/31/2013	461	15.05	to 14.35	6,906	6.58%	1.30% to 1.80%	3.72%	to	3.39%		
Ultra Series International Stock Fund, Class I, Subaccount											
12/31/2017	1,294	\$ 18.96	to \$ 9.90	\$ 24,795	1.22%	1.15% to 1.80%	21.07%	to	20.58%		
12/31/2016	1,526	15.66	to 8.21	24,036	1.69%	1.15% to 1.80%	-3.99%	to	-4.65%		
12/31/2015	1,801	16.31	to 8.61	29,461	1.87%	1.15% to 1.80%	-4.62%	to	-5.07%		
12/31/2014	2,077	17.10	to 9.07	35,485	3.46%	1.15% to 1.80%	-7.82%	to	-8.57%		
12/31/2013	2,426	18.55	to 9.92	45,090	0.19%	1.15% to 1.80%	19.52%	to	18.80%		
Ultra Series International Stock Fund, Class II, Subaccount											
12/31/2017	750	\$ 17.96	to \$ 15.78	\$ 13,257	1.05%	1.30% to 1.80%	20.70%	to	20.09%		
12/31/2016	870	14.88	to 13.14	12,796	1.59%	1.30% to 1.80%	-4.43%	to	-4.78%		
12/31/2015	951	15.57	to 13.80	14,641	1.68%	1.30% to 1.80%	-5.00%	to	-5.41%		
12/31/2014	998	16.39	to 14.59	16,174	3.31%	1.30% to 1.80%	-8.13%	to	-8.76%		
12/31/2013	1,084	17.84	to 15.99	19,134	0.00%	1.30% to 1.80%	18.85%	to	18.18%		
Ultra Series Large Cap Growth Fund, Class I, Subaccount											
12/31/2017	2,682	\$ 17.60	to \$ 16.94	\$ 72,371	0.74%	1.15% to 1.80%	20.96%	to	20.14%		
12/31/2016	3,109	14.55	to 14.10	69,772	0.80%	1.15% to 1.80%	4.53%	to	3.75%		
12/31/2015	3,697	13.92	to 13.59	78,727	1.07%	1.15% to 1.80%	2.13%	to	1.34%		
12/31/2014	4,400	13.63	to 13.41	90,923	0.63%	1.15% to 1.80%	10.90%	to	10.19%		
12/31/2013	5,373	12.29	to 12.17	98,692	0.60%	1.15% to 1.80%	28.96%	to	28.24%		
Ultra Series Large Cap Growth Fund, Class II, Subaccount											
12/31/2017	891	\$ 26.61	to \$ 24.45	\$ 23,445	0.58%	1.30% to 1.80%	20.41%	to	19.74%		
12/31/2016	1,085	22.10	to 20.42	23,774	0.64%	1.30% to 1.80%	4.10%	to	3.60%		
12/31/2015	1,318	21.23	to 19.71	27,749	0.90%	1.30% to 1.80%	1.77%	to	1.28%		
12/31/2014	1,555	20.86	to 19.46	32,169	0.49%	1.30% to 1.80%	10.37%	to	9.82%		
12/31/2013	1,812	18.90	to 17.72	33,983	0.46%	1.30% to 1.80%	28.57%	to	27.67%		
Ultra Series Large Cap Value Fund, Class I, Subaccount											
12/31/2017	3,808	\$ 18.53	to \$ 14.64	\$ 104,030	2.30%	1.15% to 1.80%	14.88%	to	14.11%		
12/31/2016	4,369	16.13	to 12.83	104,192	1.45%	1.15% to 1.80%	11.70%	to	10.89%		
12/31/2015	5,211	14.44	to 11.57	110,598	1.16%	1.15% to 1.80%	-3.73%	to	-4.38%		
12/31/2014	6,208	15.00	to 12.10	135,929	1.26%	1.15% to 1.80%	11.11%	to	10.20%		
12/31/2013	7,491	13.50	to 10.98	145,589	1.47%	1.15% to 1.80%	28.57%	to	27.67%		

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(7) Financial Highlights (continued)

As of						For the period ended				
Units (000's)		Unit Value for Lowest to Highest Expense Ratio		Net Assets (000's)		(1) Investment Income Ratio	(2) Expense Ratio Lowest to Highest	(3) Total Return for Lowest to Highest Expense Ratio		
Ultra Series Large Cap Value Fund, Class II, Subaccount										
12/31/2017	211	\$ 26.85	to \$ 24.76	\$	5,539	2.22%	1.30% to 1.80%	14.50%	to	13.89%
12/31/2016	202	23.45	to 21.74		4,709	1.31%	1.30% to 1.80%	11.30%	to	10.64%
12/31/2015	263	21.07	to 19.65		5,509	1.00%	1.30% to 1.80%	-4.23%	to	-4.66%
12/31/2014	306	22.00	to 20.61		6,700	1.13%	1.30% to 1.80%	10.72%	to	10.21%
12/31/2013	348	19.87	to 18.70		6,875	1.35%	1.30% to 1.80%	28.03%	to	27.47%
Ultra Series Mid Cap Fund, Class I, Subaccount										
12/31/2017	2,104	\$ 33.02	to \$ 17.48	\$	68,776	0.00%	1.15% to 1.80%	14.37%	to	13.65%
12/31/2016	2,498	28.87	to 15.38		71,047	0.02%	1.15% to 1.80%	11.55%	to	10.81%
12/31/2015	2,975	25.88	to 13.88		75,149	0.07%	1.15% to 1.80%	-0.15%	to	-0.64%
12/31/2014	3,628	25.92	to 13.97		90,730	0.04%	1.15% to 1.80%	8.59%	to	7.79%
12/31/2013	4,405	23.87	to 12.96		101,247	0.01%	1.15% to 1.80%	27.72%	to	26.93%
Ultra Series Mid Cap Fund, Class II, Subaccount										
12/31/2017	357	\$ 29.69	to \$ 28.05	\$	10,509	0.00%	1.30% to 1.80%	13.97%	to	13.38%
12/31/2016	430	26.05	to 24.74		11,142	0.00%	1.30% to 1.80%	11.13%	to	10.55%
12/31/2015	545	23.44	to 22.38		12,710	0.00%	1.30% to 1.80%	-0.59%	to	-1.02%
12/31/2014	642	23.58	to 22.61		15,067	0.00%	1.30% to 1.80%	8.17%	to	7.56%
12/31/2013	726	21.80	to 21.02		15,762	0.00%	1.30% to 1.80%	27.19%	to	26.78%
Ultra Series Moderate Allocation Fund, Class I, Subaccount										
12/31/2017	7,248	\$ 14.14	to \$ 12.70	\$	105,079	1.92%	1.15% to 1.80%	13.57%	to	12.59%
12/31/2016	8,436	12.45	to 11.28		108,142	1.84%	1.15% to 1.80%	6.14%	to	5.42%
12/31/2015	9,773	11.73	to 10.70		118,229	1.58%	1.15% to 1.80%	-1.92%	to	-2.64%
12/31/2014	11,655	11.96	to 10.99		144,208	1.94%	1.15% to 1.80%	5.56%	to	5.07%
12/31/2013	13,879	11.33	to 10.46		163,157	1.81%	1.15% to 1.80%	14.33%	to	13.70%
Ultra Series Moderate Allocation Fund, Class II, Subaccount										
12/31/2017	1,377	\$ 19.51	to \$ 18.24	\$	26,765	1.60%	1.30% to 1.80%	12.97%	to	12.45%
12/31/2016	1,618	17.27	to 16.22		27,870	1.52%	1.30% to 1.80%	5.69%	to	5.26%
12/31/2015	1,887	16.34	to 15.41		30,762	1.36%	1.30% to 1.80%	-2.56%	to	-2.90%
12/31/2014	2,041	16.77	to 15.87		34,147	1.74%	1.30% to 1.80%	5.34%	to	4.61%
12/31/2013	2,200	15.92	to 15.17		34,964	1.56%	1.30% to 1.80%	13.96%	to	13.29%
Vanguard VIF Money Market Portfolio, Subaccount										
12/31/2017	3,087	\$ 9.93	to \$ 9.76	\$	30,548	1.04%	1.15% to 1.80%	0.00%	to	-1.11%
12/31/2016 ^(e)	3,109	\$ 9.93	to \$ 9.87	\$	15,405	0.48%	1.15% to 1.80%	-0.70%	to	-1.30%

CMFG Variable Annuity Account

Notes to Financial Statements

(7) Financial Highlights (continued)

- (1) The Investment Income Ratio represents dividends received by the subaccount, excluding capital gains distributions, divided by the daily 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.

- (2) The Expense Ratio represents the annualized contract expenses of the respective contract of the Account, consisting primarily 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.

- (3) 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. As the total return for each of the periods is presented as a range of lowest to highest percentages based on the product grouping representing the lowest and highest expense ratio amounts, some individual contract total returns are not within the ranges presented.
 - (a) The Subaccount Liquidated effective April 21, 2017. The total return calculation is based on the last unit price.
 - (b) This subaccount is only available in the MEMBERS Variable Annuity product that offers one class and expense ratio, therefore a range of lowest to highest is not presented.
 - (c) This subaccount is only available in the MEMBERS Variable Annuity III product that offers multiple classes and expense ratios, therefore a range of lowest to highest is presented if contract owners have invested in multiple classes for the respective subaccount.

- (d) For the period of August 16, 2013 to December 31, 2013.

- (e) For the period of February 15, 2016 to December 31, 2016 with a beginning unit value of \$10.00. Total return is based on the beginning unit value. The Subaccount commenced operations effective February 12, 2016.

(8) Subsequent Events

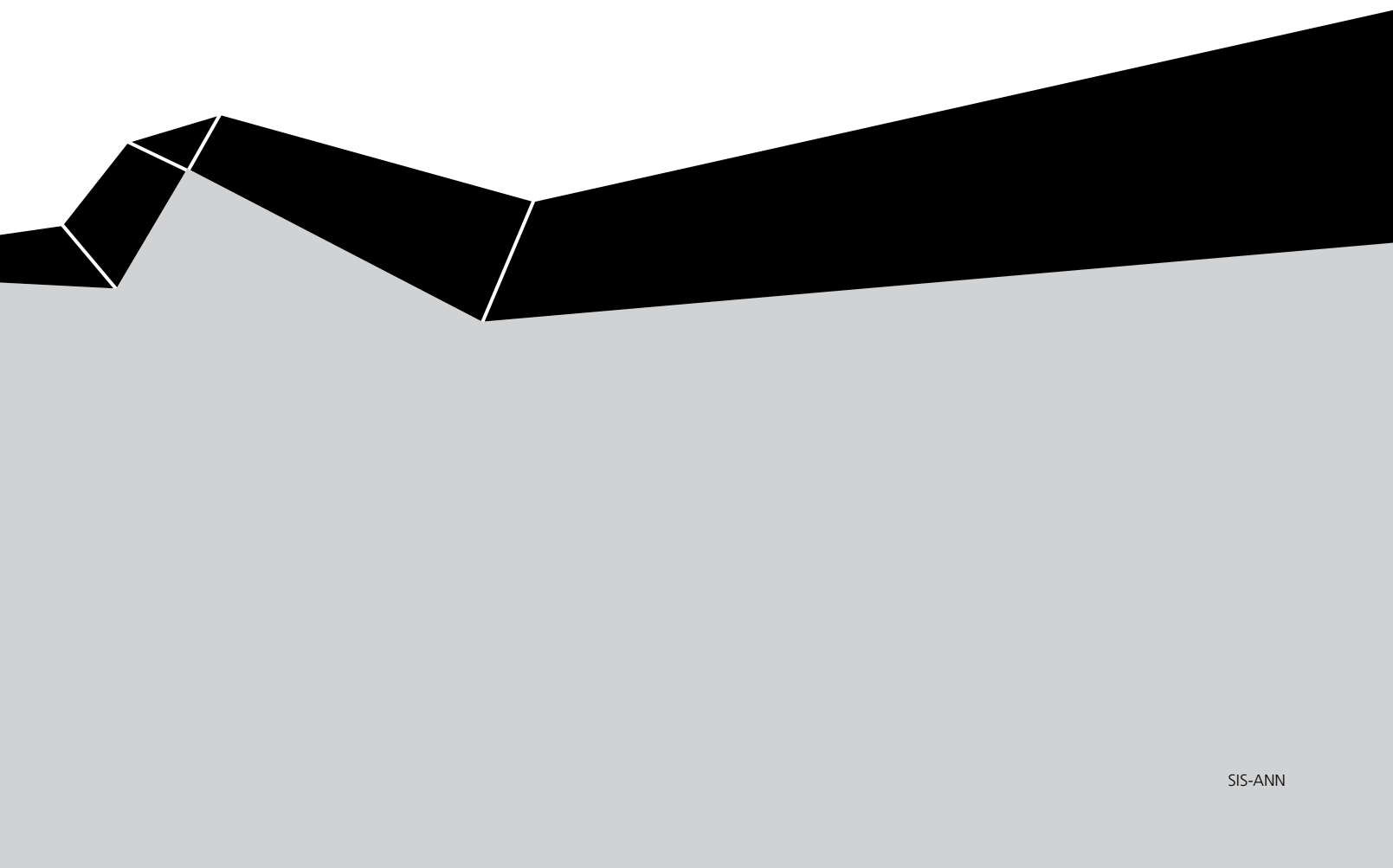
The Account evaluated subsequent events through the date the financial statements were issued. During this period, there were no significant subsequent events that required adjustment to or disclosure in the accompanying financial statements.

ANNUAL REPORT
December 31, 2017



MFS® STRATEGIC INCOME PORTFOLIO

MFS® Variable Insurance Trust II



MFS® STRATEGIC INCOME 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 EXECUTIVE CHAIRMAN



Dear Contract Owners:

Rising bond yields have led to a measurable uptick in market volatility, which has been a departure from the low-volatility environment that prevailed for much of 2017. In spite of this, global markets remain elevated amid synchronized economic growth. Although the U.S. Federal Reserve continues to gradually raise interest rates and shrink its balance sheet, monetary policy remains accommodative around the world, with many central banks taking only tentative steps toward tighter policies. However, interest rates have begun to rise globally of late as investors anticipate that central policy shifts may be necessary in the months ahead.

Newly enacted U.S. tax reforms have been welcomed by equity markets while emerging market economies have been boosted by a weaker U.S. dollar. Around the world, inflation remains largely subdued but tight labor markets and solid global demand have investors on the lookout for its potential resurgence amid robust global trade and recovering commodity prices.

At MFS®, we believe having a disciplined, long-term investment approach through a full market cycle is essential to capturing the best opportunities while also managing risk. In our view, such a strategy, along with the professional guidance of a financial advisor, will help you reach your investment objectives.

Respectfully,

A handwritten signature in black ink that reads "Robert J. Manning".

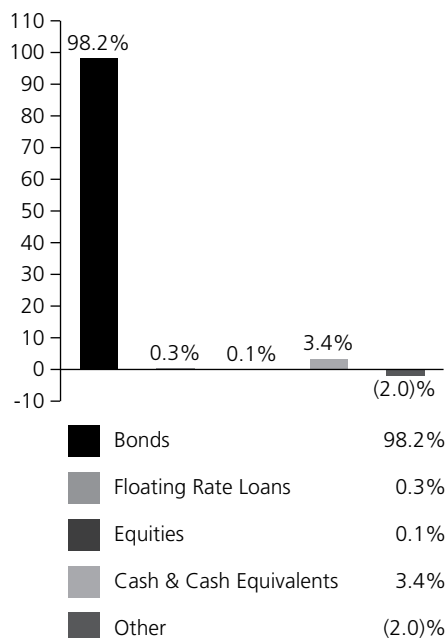
Robert J. Manning
Executive Chairman
MFS Investment Management

February 15, 2018

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	31.2%
High Yield Corporates	20.4%
U.S. Treasury Securities	19.5%
Collateralized Debt Obligations	9.8%
Emerging Markets Bonds	6.3%
Commercial Mortgage-Backed Securities	5.6%
Asset-Backed Securities	3.4%
Mortgage-Backed Securities	0.6%
Municipal Bonds	0.6%
Non-U.S. Government Bonds	0.5%
Floating Rate Loans	0.3%
U.S. Government Agencies	0.3%

Composition including fixed income credit quality (a)(i)

AAA	7.4%
AA	4.9%
A	19.5%
BBB	20.4%
BB	11.8%
B	10.7%
CCC	2.0%
CC (o)	0.0%
C	0.6%
D (o)	0.0%
U.S. Government	17.5%
Federal Agencies	0.9%
Not Rated	2.8%
Non-Fixed Income	0.1%
Cash & Cash Equivalents	3.4%
Other	(2.0)%

Portfolio facts (i)

Average Duration (d)	5.8
Average Effective Maturity (m)	9.6 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 or may not have held all of these instruments on this date. 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.

Portfolio Composition – continued

- (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, they are treated as part of the equity portion of the portfolio.

The fund invests a portion of its assets in the MFS High Yield Pooled Portfolio. Percentages reflect exposure to the underlying holdings, including Cash & Cash Equivalents and Other, of the MFS High Yield Pooled Portfolio and not to the exposure from investing directly in the MFS High Yield Pooled Portfolio itself.

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 December 31, 2017.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2017, Initial Class shares of the MFS Strategic Income Portfolio (“fund”) provided a total return of 6.24%, while Service Class shares of the fund provided a total return of 5.88%. These compare with a return of 3.54% over the same period for the fund’s benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index.

Market Environment

For the first time in many years, the global economy experienced a period of synchronized economic growth over the reporting period. The rebound in emerging markets (“EM”) economies was more pronounced (despite the slight deceleration in Chinese growth at the end of the period), helped by larger economies, such as Brazil and Russia, emerging from recessions. At the same time, developed markets (“DM”) economies continued to grow at or above potential. Market confidence increased in the US during the period fueled, in part, by a more lenient US regulatory backdrop and hopes for a significant cut in corporate tax rates, which came to fruition at the end of the period.

Globally, markets benefited from a reflation trade as commodity prices strengthened, activity and growth prospects improved, and inflation moved higher, though within moderate bounds. As a result, there were more tightening signals and actions by DM central banks. The US Federal Reserve increased interest rates by 25 basis points three times during the period, bringing the total number of quarter-percent hikes in the federal funds rate to five, since December 2015. The European Central Bank announced an extension of its quantitative easing program at the end of the period, but reduced the pace of its monthly asset purchases by half. In addition, the Bank of England hiked its base rate for the first time in a decade, late in the end of the period. Markets were comforted, along with central banks, by the decline in fears of a populist surge in Europe after establishment candidates won the Dutch and French elections, though a right-wing populist party gained seats in the German parliament for the first time in the post-World War II era. Additionally, European growth reflected a generally calmer political economic backdrop.

In recent months, the US dollar reversed the sharp rise seen early in the period, easing what had been a substantial headwind to earnings for multinationals. US consumer spending held up well during the second half of the period amid a modest increase in real wages and relatively low gasoline prices. However, demand for autos cooled from the record level logged early in the period, while the housing market improved, albeit constrained by below-average inventory levels. Global trade, which was sluggish early in the period, showed signs of improvement in the period’s second half, a positive indicator of global economic activity and prospects. Early in the period, there was a selloff in EM due to fears that President Trump would follow through on various campaign threats and promises that were judged to be detrimental to EM. While President Trump withdrew the US from the Trans-Pacific Partnership and began the renegotiation of the North American Free Trade Agreement, significant additional policy action was lacking on economic issues involving EM. As a result, EM resumed their upward trajectory, powered by strong inflows throughout 2017.

Factors Affecting Performance

Relative to the Bloomberg Barclays U.S. Aggregate Bond Index, the fund’s greater exposure to both *industrials* and *financial institutions* contributed to performance as these sectors outperformed the benchmark during the reporting period. The fund’s exposure to lower-quality “BB”, “CCC”, and “B” rated^(r) bonds, which are not represented in the benchmark, also benefited relative returns as these credit-quality segments outperformed higher-quality segments during the period. A lesser exposure to securities within both the *treasury* and *mortgage-backed securities (MBS) agency fixed rate* sectors also benefited relative returns. The fund’s average shorter duration^(d) stance during the reporting period was another positive factor for relative performance, as yields generally increased across the yield curve^(y). Security selection also contributed to relative returns, particularly within “BBB” and “AA” rated securities.

Conversely, the fund’s cash and/or cash equivalents position during the period detracted from relative performance.

Respectfully,

Portfolio Manager(s)

William Adams, Ward Brown, Philipp Burgener, David Cole, Alexander Mackey, Joshua Marston, Robert Persons, and Matt Ryan

(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.

(r) Bonds rated “BBB”, “Baa”, or higher are considered investment grade; bonds rated “BB”, “Ba”, or below are considered non-investment grade. The source for bond quality ratings is Moody’s Investors Service, Standard & Poor’s and Fitch, Inc. and are applied using the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). For securities which are not rated by any of the three agencies, the security is considered Not Rated.

(y) A yield curve graphically depicts the yields of different maturity bonds of the same credit quality and type; a normal yield curve is upward sloping, with short-term rates lower than long-term rates.

Note to Shareholders: Effective February 1, 2017, James Calmas was no longer a Portfolio Manager of the Fund. Effective February 1, 2017, Philipp Burgener and Alexander Mackey became Portfolio Managers of the Fund.

Management Review – continued

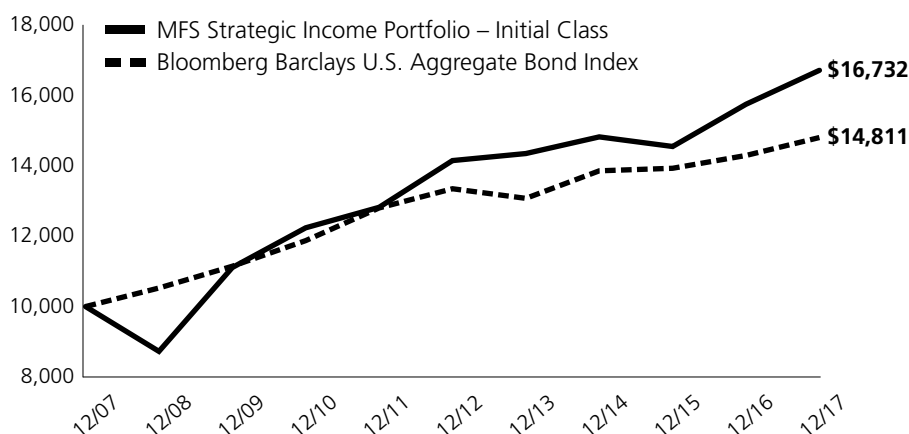
The views expressed in this report are those of the portfolio manager(s) only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/17

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical \$10,000 Investment



Total Returns through 12/31/17

Average annual total returns

Share Class	Class Inception Date	1-yr	5-yr	10-yr
Initial Class	5/06/98	6.24%	3.41%	5.28%
Service Class	8/24/01	5.88%	3.12%	5.01%

Comparative benchmark(s)

Bloomberg Barclays U.S. Aggregate Bond Index (f)	3.54%	2.10%	4.01%
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(f) Source: FactSet Research Systems Inc.

Benchmark Definition(s)

Bloomberg Barclays U.S. Aggregate Bond Index – a market capitalization-weighted index that measures the performance of the U.S. investment-grade, fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities with at least one year to final maturity.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders during the Period, July 1, 2017 through December 31, 2017

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.

In addition to the fees and expenses which the fund bears directly, the fund indirectly bears a pro rata share of the fees and expenses of the underlying MFS Pooled Portfolio in which the fund invests. MFS Pooled Portfolios are mutual funds advised by MFS that do not pay management fees to MFS but do incur investment and operating costs. If these transactional and indirect costs were included, your costs would have been higher.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period July 1, 2017 through December 31, 2017.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 7/01/17	Ending Account Value 12/31/17	Expenses Paid During Period (p) 7/01/17-12/31/17
Initial Class	Actual	0.80%	\$1,000.00	\$1,019.33	\$4.07
	Hypothetical (h)	0.80%	\$1,000.00	\$1,021.17	\$4.08
Service Class	Actual	1.05%	\$1,000.00	\$1,017.63	\$5.34
	Hypothetical (h)	1.05%	\$1,000.00	\$1,019.91	\$5.35

(h) 5% class return per year before expenses.

(p) "Expenses Paid During Period" are equal to each class's annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period). In addition to the fees and expenses which the fund bears directly, the fund indirectly bears a pro rata share of the fees and expenses of the underlying funds in which the fund invests. If these indirect costs were included, your costs would have been higher.

PORTFOLIO OF INVESTMENTS – 12/31/17

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 (\$)	Issuer	Shares/Par	Value (\$)
BONDS – 75.0%			BONDS – continued		
Apparel Manufacturers – 0.3%			Asset-Backed & Securitized – continued		
Coach, Inc., 4.125% 7/15/2027	\$ 134,000	\$ 134,981	Falcon Franchise Loan LLC, 7.482% 1/05/2023 (i)(z)	\$ 9,667	\$ 387
Asset-Backed & Securitized – 18.6%			First Union-Lehman Brothers Bank of America, 1.117% 11/18/2035 (i)	247,073	3,615
A Voce CLO Ltd., 2014-1A, "BR", FLR, 3.509% (U.S. LIBOR-3mo. + 2.15%), 7/15/2026 (n)	\$ 290,000	\$ 290,421	Flatiron CLO Ltd., 2015-1A, "CR", FLR, 3.259% (U.S. LIBOR-3mo. + 1.9%), 4/15/2027 (n)	260,000	259,964
ARI Fleet Lease Trust, 2016-A, "A2", 1.82% 7/15/2024 (n)	39,189	39,170	GMF Floorplan Owner Revolving Trust, 2017-2, "C", 2.63% 7/15/2022 (z)	260,000	257,446
Babson CLO Ltd., 2013-IIA, "BR", FLR, 2.907% (U.S. LIBOR-3mo. + 1.25%), 1/20/2028 (n)	250,000	249,836	GS Mortgage Securities Trust, 2017-GS6, "A3", 3.433% 5/10/2050	177,406	181,804
Babson CLO Ltd., 2014-IIA, "CR", FLR, 3.553% (U.S. LIBOR-3mo. + 2.2%), 10/17/2026 (n)	290,000	289,530	HarbourView CLO VII Ltd., 7A, "CR", FLR, 3.815% (U.S. LIBOR-3mo. + 2.38%), 11/18/2026 (n)	300,000	299,645
Bayview Financial Revolving Mortgage Loan Trust, FLR, 2.937% (U.S. LIBOR-1mo. + 1.6%), 12/28/2040 (z)	196,118	171,223	JPMorgan Chase Commercial Mortgage Securities Corp., 3.454% 9/15/2050	134,136	137,409
Cent CLO LP, 2012-16AR, "A1AR", FLR, 4.576% (U.S. LIBOR-3mo. + 3.2%), 8/01/2024 (z)	315,000	314,692	JPMorgan Chase Commercial Mortgage Trust, 2007-LD11, "AM", 6.008% 6/15/2049	93,819	95,290
Cent CLO LP, 2014-21A, "A2AR", FLR, 3.074% (U.S. LIBOR-3mo. + 1.7%), 7/27/2026 (n)	250,000	251,405	Lehman Brothers Commercial Conduit Mortgage Trust, 0.958% 2/18/2030 (i)	7,169	0
Cent CLO LP, 2014-21A, "BR", FLR, 3.774% (U.S. LIBOR-3mo. + 2.4%), 7/27/2026 (n)	350,000	349,458	Morgan Stanley Bank of America Merrill Lynch Trust, 2017-C34, "A4", 3.536% 11/15/2052	250,000	257,800
Chesapeake Funding II LLC, 2017-2A, "C", 3.01% 5/15/2029 (n)	215,000	215,780	Morgan Stanley Capital I Trust, 2017-H1, "A5", 3.53% 6/15/2050	187,518	193,541
Citigroup Commercial Mortgage Trust, 2017-C4, 3.471% 10/12/2050	204,682	209,681	Morgan Stanley Capital I, Inc., 1.493% 4/28/2039 (i)(z)	286,630	2,006
Commercial Mortgage Trust, 2015-CR22, "A5", 3.309% 3/10/2048	158,753	161,455	NextGear Floorplan Master Owner Trust, 2017-2A, "B", 3.02% 10/17/2022 (n)	212,000	210,626
Commercial Mortgage Trust, 2015-PC1, "A5", 3.902% 7/10/2050	346,107	364,492	Oaktree CLO Ltd., 2014-2A, "BR", FLR, 3.912% (U.S. LIBOR-3mo. + 2.55%), 10/20/2026 (n)	300,000	301,108
Commercial Mortgage Trust, 2017-CD4, "A4", 3.514% 5/10/2050	112,627	116,231	Race Point CLO Ltd., 2013-8A, "CR", FLR, 3.935% (U.S. LIBOR-3mo. + 2.5%), 2/20/2030 (n)	300,000	303,904
Commercial Mortgage Trust, 2017-COR2, "A3", 3.51% 9/10/2050	250,000	257,771	Santander Drive Auto Receivables Trust, 2017-2, "C", 2.79% 8/15/2022	214,000	214,643
CPS Auto Trust, 2016-D, "B", 2.11% 3/15/2021 (n)	215,000	213,992	Shackleton CLO Ltd., 2014-6A, "CR", FLR, 3.603% (U.S. LIBOR-3mo. + 2.25%), 7/17/2026 (n)	290,000	291,659
Crest Ltd., CDO, 7% (0.001% cash or 7% PIK) 1/28/2040 (a)(p)	684,900	109,584	Sierra Receivables Funding Co. LLC, 2015-1A, "A", 2.4% 3/22/2032 (n)	51,759	51,565
Drive Auto Receivables Trust, 2017-1, "C", 2.84% 4/15/2022	98,000	98,431	Silver Spring CLO Ltd., FLR, 4.109% (U.S. LIBOR-3mo. + 2.75%), 10/15/2026 (n)	280,000	279,249
Dryden Senior Loan Fund, 2014-31A, "CR", FLR, 3.453% (U.S. LIBOR-3mo. + 2.1%), 4/18/2026 (n)	370,000	369,396	UBS Commercial Mortgage Trust 2017-C6, "A5", 3.579% 12/15/2050	250,000	257,886
DT Auto Owner Trust, 2017-2A, "C", 3.03% 1/17/2023 (n)	215,000	215,020	UBS Commercial Mortgage Trust 2017-C7, "A4", 3.679% 12/15/2050	250,000	259,585
Eaton Vance CLO Ltd., 2014-1A, "CR", FLR, 3.609% (U.S. LIBOR-3mo. + 2.25%), 7/15/2026 (n)	300,000	299,473	Voya CLO Ltd., 2013-3A, "BR", FLR, 3.503% (U.S. LIBOR-3mo. + 2.15%), 1/18/2026 (n)	290,000	291,666

Portfolio of Investments – continued

Issuer	Shares/Par	Value (\$)
BONDS – continued		
Asset-Backed & Securitized – continued		
Wells Fargo Commercial Mortgage Trust, 2017-C42, "A5", 3.589% 12/15/2050	\$ 250,000	\$ 257,965
West CLO Ltd., 2014-1A, "CR", FLR, 4.353% (U.S. LIBOR-3mo. + 3%), 7/18/2026 (n)	260,000	262,636
		<u>\$ 9,258,440</u>
Automotive – 0.8%		
General Motors Co., 4.2% 10/01/2027	\$ 134,000	\$ 138,645
General Motors Financial Co., Inc., 3.45% 4/10/2022	273,000	276,607
		<u>\$ 415,252</u>
Broadcasting – 0.3%		
Time Warner, Inc., 3.8% 2/15/2027	\$ 125,000	\$ 124,847
Brokerage & Asset Managers – 0.4%		
Raymond James Financial, 4.95% 7/15/2046	\$ 163,000	\$ 184,116
Building – 0.7%		
Martin Marietta Materials, Inc., 3.5% 12/15/2027	\$ 115,000	\$ 114,107
Martin Marietta Materials, Inc., 4.25% 7/02/2024	215,000	226,106
		<u>\$ 340,213</u>
Cable TV – 1.3%		
Cox Communications, Inc., 3.15% 8/15/2024 (n)	\$ 123,000	\$ 121,113
Cox Communications, Inc., 3.5% 8/15/2027 (n)	200,000	197,212
Time Warner Cable, Inc., 8.25% 4/01/2019	150,000	160,306
Time Warner Cable, Inc., 4.5% 9/15/2042	183,000	171,555
		<u>\$ 650,186</u>
Computer Software – 2.0%		
Microsoft Corp., 3.125% 11/03/2025	\$ 314,000	\$ 320,497
Microsoft Corp., 4.25% 2/06/2047	295,000	336,940
Oracle Corp., 3.25% 11/15/2027	315,000	320,247
		<u>\$ 977,684</u>
Computer Software – Systems – 0.7%		
Apple, Inc., 4.25% 2/09/2047	\$ 295,000	\$ 327,500
Conglomerates – 0.4%		
Johnson Controls International PLC, 5.7% 3/01/2041	\$ 171,000	\$ 201,518
Consumer Products – 1.3%		
Reckitt Benckiser Treasury Services PLC, 3.625% 9/21/2023 (n)	\$ 259,000	\$ 267,508
Reckitt Benckiser Treasury Services PLC, 2.75% 6/26/2024 (n)	401,000	392,222
		<u>\$ 659,730</u>
Consumer Services – 0.1%		
Priceline Group, Inc., 3.55% 3/15/2028	\$ 63,000	\$ 62,386
Containers – 0.4%		
San Miguel Industrias PET S.A., 4.5% 9/18/2022 (n)	\$ 200,000	\$ 203,200

Issuer	Shares/Par	Value (\$)
BONDS – continued		
Emerging Market Quasi-Sovereign – 1.0%		
Abu Dhabi Crude Oil Pipeline, 4.6% 11/02/2047 (n)	\$ 200,000	\$ 205,706
Gaz Capital S.A., 7.288% 8/16/2037	100,000	123,254
Petrobras Global Finance B.V., 5.999% 1/27/2028 (n)	122,000	122,305
Petroleos Mexicanos, 5.625% 1/23/2046	55,000	50,903
		<u>\$ 502,168</u>
Emerging Market Sovereign – 1.8%		
Dominican Republic, 8.625% 4/20/2027	\$ 100,000	\$ 122,500
Government of Malaysia, 3.58% 9/28/2018	MYR 524,000	130,219
Government of Ukraine, 7.75% 9/01/2021	\$ 135,000	143,699
Republic of Argentina, 7.125% 7/06/2036	150,000	162,525
Republic of El Salvador, 7.65% 6/15/2035	92,000	99,720
Republic of Sri Lanka, 6.825% 7/18/2026	200,000	220,063
		<u>\$ 878,726</u>
Energy – Independent – 0.9%		
Canadian Oil Sands Co., 7.75% 5/15/2019 (z)	\$ 126,000	\$ 134,054
Canadian Oil Sands Co., 4.5% 4/01/2022 (z)	118,000	120,860
Tengizchevroil Finance Co. International Ltd., 4% 8/15/2026	200,000	200,500
		<u>\$ 455,414</u>
Energy – Integrated – 0.5%		
Shell International Finance B.V., 2.875% 5/10/2026	\$ 225,000	\$ 224,941
Food & Beverages – 1.9%		
Anheuser-Busch InBev Worldwide, Inc., 3.75% 1/15/2022	\$ 205,000	\$ 214,238
Anheuser-Busch InBev Worldwide, Inc., 3.3% 2/01/2023	154,000	157,565
Anheuser-Busch InBev Worldwide, Inc., 4.439% 10/06/2048	125,491	136,578
Kraft Foods Group, Inc., 5% 6/04/2042	269,000	288,412
Wm. Wrigley Jr. Co., 3.375% 10/21/2020 (n)	149,000	152,585
		<u>\$ 949,378</u>
Insurance – 1.1%		
American International Group, Inc., 3.75% 7/10/2025	\$ 94,000	\$ 96,894
American International Group, Inc., 3.9% 4/01/2026	294,000	304,804
American International Group, Inc., 4.7% 7/10/2035	59,000	65,210
American International Group, Inc., 4.5% 7/16/2044	53,000	57,037
		<u>\$ 523,945</u>
Insurance – Health – 0.5%		
UnitedHealth Group, Inc., 3.75% 10/15/2047	\$ 220,000	\$ 224,237

MFS Strategic Income Portfolio

Portfolio of Investments – continued

Issuer	Shares/Par	Value (\$)
BONDS – continued		
Insurance – Property & Casualty – 0.6%		
Allied World Assurance Co. Holdings Ltd., 4.35% 10/29/2025	\$ 310,000	\$ 313,690
International Market Quasi-Sovereign – 0.5%		
Dexia Credit Local S.A., 2.25% 2/18/2020 (n)	\$ 270,000	\$ 269,365
Machinery & Tools – 0.5%		
CNH Industrial Capital LLC, 3.85% 11/15/2027	\$ 273,000	\$ 272,488
Major Banks – 7.3%		
Bank of America Corp., 2.151% 11/09/2020	\$ 100,000	\$ 99,535
Bank of America Corp., 4.125% 1/22/2024	75,000	79,751
Bank of America Corp., 3.248% 10/21/2027	656,000	650,762
Bank of America Corp., 4.183% 11/25/2027	260,000	271,435
Barclays PLC, 3.25% 1/12/2021	224,000	226,151
Credit Suisse Group AG, “A”, 3.574% 1/09/2023 (n)	250,000	254,149
Goldman Sachs Group, Inc., 5.75% 1/24/2022	194,000	215,089
Goldman Sachs Group, Inc., 3% 4/26/2022	50,000	50,191
ING Bank N.V., 5.8% 9/25/2023 (n)	322,000	361,305
JPMorgan Chase & Co., 3.882% to 7/24/2037, FLR to 7/24/2038	269,000	277,665
Morgan Stanley, 7.3% 5/13/2019	100,000	106,602
Morgan Stanley, 3.7% 10/23/2024	277,000	286,169
Morgan Stanley, 3.625% 1/20/2027	522,000	534,092
UBS Group Funding (Switzerland) AG, 4.253% 3/23/2028 (n)	215,000	226,479
		\$ 3,639,375
Medical & Health Technology & Services – 0.3%		
Laboratory Corp. of America Holdings, 2.625% 2/01/2020	\$ 140,000	\$ 140,361
Medical Equipment – 0.5%		
Abbott Laboratories, 4.75% 11/30/2036	\$ 221,000	\$ 248,142
Metals & Mining – 0.8%		
Glencore Funding LLC, 4.125% 5/30/2023 (n)	\$ 164,000	\$ 169,658
Glencore Funding LLC, 4% 4/16/2025 (n)	84,000	84,844
Glencore Funding LLC, 3.875% 10/27/2027 (n)	167,000	164,789
		\$ 419,291
Midstream – 0.7%		
Kinder Morgan Energy Partners LP, 6.375% 3/01/2041	\$ 320,000	\$ 371,690
Mortgage-Backed – 0.6%		
Fannie Mae, 5.5%, 3/01/2020 - 9/01/2034	\$ 19,837	\$ 21,209
Fannie Mae, 6.5%, 4/01/2032	23,578	26,560
Freddie Mac, 4.224%, 3/25/2020	241,289	249,851
		\$ 297,620
Municipals – 0.6%		
New Jersey Economic Development Authority State Pension Funding Rev., “B”, AGM, 0% 2/15/2023	\$ 350,000	\$ 292,810
Natural Gas – Distribution – 0.4%		
GNL Quintero S.A., 4.634% 7/31/2029	\$ 200,000	\$ 208,250

Issuer	Shares/Par	Value (\$)
BONDS – continued		
Network & Telecom – 0.8%		
AT&T, Inc., 5.45% 3/01/2047	\$ 361,000	\$ 385,507
AT&T, Inc., 5.15% 2/14/2050	26,000	26,130
		\$ 411,637
Oils – 1.4%		
Andeavor, 3.8% 4/01/2028	\$ 67,000	\$ 67,140
Marathon Petroleum Corp., 4.75% 9/15/2044	294,000	306,920
Phillips 66, 4.875% 11/15/2044	277,000	316,997
		\$ 691,057
Other Banks & Diversified Financials – 0.7%		
Compass Bank, 2.875% 6/29/2022	\$ 250,000	\$ 247,354
JSC Kazkommertsbank, 5.5% 12/21/2022	99,000	98,951
		\$ 346,305
Pharmaceuticals – 2.1%		
Celgene Corp., 2.75% 2/15/2023	\$ 287,000	\$ 284,590
Gilead Sciences, Inc., 3.65% 3/01/2026	209,000	216,762
Johnson & Johnson, 2.9% 1/15/2028	314,000	314,368
Shire Acquisitions Investments Ireland Designated Activity Co., 2.875% 9/23/2023	206,000	202,481
		\$ 1,018,201
Railroad & Shipping – 0.3%		
Panama Canal Railway Co., 7% 11/01/2026 (n)	\$ 141,600	\$ 144,786
Supranational – 0.7%		
Corporacion Andina de Fomento, 4.375% 6/15/2022	\$ 340,000	\$ 362,233
Telecommunications – Wireless – 1.4%		
American Tower Corp., REIT, 3.55% 7/15/2027	\$ 358,000	\$ 355,278
American Tower Corp., REIT, 3.6% 1/15/2028	125,000	124,227
Digicel Group Ltd., 6% 4/15/2021	200,000	196,848
		\$ 676,353
Tobacco – 0.8%		
B.A.T. Capital Corp., 3.557% 8/15/2027 (n)	\$ 384,000	\$ 384,384
U.S. Government Agencies and Equivalents – 0.3%		
Small Business Administration, 6.35% 4/01/2021	\$ 2,936	\$ 3,056
Small Business Administration, 4.77% 4/01/2024	26,871	27,940
Small Business Administration, 4.99% 9/01/2024	20,702	21,664
Small Business Administration, 4.86% 1/01/2025	27,206	28,343
Small Business Administration, 4.625% 2/01/2025	35,554	36,857
Small Business Administration, 5.11% 8/01/2025	28,679	30,092
		\$ 147,952

Portfolio of Investments – continued

Issuer	Shares/Par	Value (\$)
BONDS – continued		
U.S. Treasury Obligations – 17.3%		
U.S. Treasury Bonds, 4.75% 2/15/2037	\$ 760,000	\$ 1,011,735
U.S. Treasury Bonds, 3.5% 2/15/2039	900,000	1,027,016
U.S. Treasury Bonds, 2.5% 2/15/2045 (f)	1,542,000	1,468,371
U.S. Treasury Notes, 1.625% 3/15/2020	3,450,000	3,428,549
U.S. Treasury Notes, 1.75% 2/28/2022	1,700,000	1,673,847
		<u>\$ 8,609,518</u>
Utilities – Electric Power – 1.4%		
Dominion Resources, Inc., 3.9% 10/01/2025	\$ 186,000	\$ 194,065
Enel Finance International N.V., 3.625% 5/25/2027 (n)	280,000	278,114
FirstEnergy Corp., 4.85% 7/15/2047	185,000	206,271
		<u>\$ 678,450</u>
Total Bonds (Identified Cost, \$36,926,844)		<u>\$37,242,820</u>
COMMON STOCKS – 0.0%		
Energy – Independent – 0.0%		
Frontera Energy Corp. (a)	594	<u>\$ 18,713</u>

(a) Non-income producing security.

(f) All or a portion of the security has been segregated as collateral for open futures contracts.

(h) 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. At period end, the aggregate values of the fund's investments in affiliated issuers and in unaffiliated issuers were \$12,174,524 and \$37,261,714, respectively.

(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 \$9,335,227, representing 18.8% of net assets.

(p) Payment-in-kind security for which interest income may be received in additional securities and/or cash.

(v) Affiliated issuer 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
Bayview Financial Revolving Mortgage Loan Trust, FLR, 2.937% (U.S. LIBOR-1mo. + 1.6%), 12/28/2040	3/01/06	\$196,118	\$171,223
Canadian Oil Sands Co., 7.75% 5/15/2019	9/29/17	134,625	134,054
Canadian Oil Sands Co., 4.5% 4/01/2022	10/26/17	123,117	120,860
Cent CLO LP, 2012-16AR, "A1AR", FLR, 4.576% (U.S. LIBOR-3mo. + 3.2%), 8/01/2024	5/04/16	315,000	314,692
Falcon Franchise Loan LLC, 7.482% 1/05/2023	1/18/02	387	387
GMF Floorplan Owner Revolving Trust, 2017-2, "C", 2.63% 7/15/2022	8/15/17	259,943	257,446
Morgan Stanley Capital I, Inc., 1.493% 4/28/2039	7/20/04	2,471	2,006
Total Restricted Securities			\$1,000,668
% of Net assets			2.0%

The following abbreviations are used in this report and are defined:

CDO Collateralized Debt Obligation

CLO Collateralized Loan Obligation

FLR Floating rate. Interest rate resets periodically based on the parenthetically disclosed reference rate plus a spread (if any). The period-end rate reported may not be the current rate.

Issuer	Shares/Par	Value (\$)
COMMON STOCKS – continued		
Printing & Publishing – 0.0%		
Quad/Graphics, Inc.	8	\$ 181
Total Common Stocks (Identified Cost, \$107,167)		<u>\$ 18,894</u>
INVESTMENT COMPANIES (h) – 24.5%		
Money Market Funds – 3.0%		
MFS Institutional Money Market Portfolio, 1.25% (v)	1,509,122	\$ 1,508,971
Bond Funds – 21.5%		
MFS High Yield Pooled Portfolio (v)	1,144,373	\$ 10,665,553
Total Investment Companies (Identified Cost, \$13,156,897)		<u>\$12,174,524</u>
OTHER ASSETS, LESS		
LIABILITIES – 0.5%		<u>260,449</u>
NET ASSETS – 100.0%		<u>\$49,696,687</u>

MFS Strategic Income Portfolio

Portfolio of Investments – continued

JSC Joint Stock Company
 PLC Public Limited Company
 REIT Real Estate Investment Trust

Insurers

AGM Assured Guaranty Municipal

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:

MXN Mexican Peso
 MYR Malaysian Ringgit
 RUB Russian Ruble
 TRY Turkish Lira

Derivative Contracts at 12/31/17

Forward Foreign Currency Exchange Contracts

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
Asset Derivatives						
RUB	3,106,000	USD	52,365	JPMorgan Chase Bank N.A.	2/06/2018	\$1,370
TRY	285,000	USD	73,438	Morgan Stanley Capital Services, Inc.	1/12/2018	1,523
						<u>\$2,893</u>
Liability Derivatives						
MXN	319,119	USD	16,718	Brown Brothers Harriman	1/12/2018	\$(515)
MXN	658,902	USD	34,678	JPMorgan Chase Bank N.A.	1/12/2018	(1,223)
USD	52,010	RUB	3,105,000	JPMorgan Chase Bank N.A.	2/06/2018	(1,708)
						<u>\$(3,446)</u>

Futures Contracts

Description	Long/ Short	Currency	Contracts	Notional Amount	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
Asset Derivatives						
Interest Rate Futures						
U.S. Treasury Note 10 yr Ultra	Short	USD	12	\$1,602,750	March - 2018	<u>\$9,028</u>
Liability Derivatives						
Interest Rate Futures						
U.S. Treasury Note 2 yr	Long	USD	12	\$2,569,313	March - 2018	\$(6,043)
U.S. Treasury Note 10 yr	Long	USD	2	248,094	March - 2018	(1,848)
						<u>\$(7,891)</u>

At December 31, 2017, the fund had liquid securities with an aggregate value of \$13,332 to cover any collateral or margin obligations for certain derivative contracts.

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/17

Assets	
Investments in unaffiliated issuers, at value (identified cost, \$37,034,011)	\$37,261,714
Investments in affiliated issuers, at value (identified cost, \$13,156,897)	12,174,524
Cash	1,951
Receivables for	
Forward foreign currency exchange contracts	2,893
Investments sold	3,011
Fund shares sold	5,007
Interest	324,753
Receivable from investment adviser	8,579
Other assets	664
Total assets	\$49,783,096

Liabilities	
Payables for	
Forward foreign currency exchange contracts	\$3,446
Daily variation margin on open futures contracts	2,212
Investments purchased	183
Fund shares reacquired	18,692
Payable to affiliates	
Shareholder servicing costs	124
Distribution and/or service fees	200
Payable for independent Trustees' compensation	44
Accrued expenses and other liabilities	61,508
Total liabilities	\$86,409
Net assets	\$49,696,687

Net assets consist of	
Paid-in capital	\$48,940,105
Unrealized appreciation (depreciation)	(754,053)
Accumulated net realized gain (loss)	(284,502)
Undistributed net investment income	1,795,137
Net assets	\$49,696,687
Shares of beneficial interest outstanding	5,059,051

	Net assets	Shares outstanding	Net asset value per share
Initial Class	\$42,409,355	4,311,907	\$9.84
Service Class	7,287,332	747,144	9.75

Net asset value per share is calculated using actual net assets and shares outstanding rather than amounts that have been rounded for presentation purposes.

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Year ended 12/31/17

Net investment income (loss)

Income	
Interest	\$1,279,522
Dividends from affiliated issuers	885,989
Income on securities loaned	2
Foreign taxes withheld	(897)
Total investment income	\$2,164,616
Expenses	
Management fee	\$361,397
Distribution and/or service fees	20,449
Shareholder servicing costs	13,129
Administrative services fee	17,772
Independent Trustees' compensation	2,617
Custodian fee	10,651
Shareholder communications	23,727
Audit and tax fees	75,368
Legal fees	4,809
Miscellaneous	18,065
Total expenses	\$547,984
Reduction of expenses by investment adviser	(114,010)
Net expenses	\$433,974
Net investment income (loss)	\$1,730,642

Realized and unrealized gain (loss)

Realized gain (loss) (identified cost basis)	
Unaffiliated issuers	\$818,175
Affiliated issuers	(271,676)
Futures contracts	74,875
Forward foreign currency exchange contracts	(1,813)
Foreign currency	640
Net realized gain (loss)	\$620,201
Change in unrealized appreciation (depreciation)	
Unaffiliated issuers	\$225,569
Affiliated issuers	527,843
Futures contracts	(6,915)
Forward foreign currency exchange contracts	92
Translation of assets and liabilities in foreign currencies	33
Net unrealized gain (loss)	\$746,622
Net realized and unrealized gain (loss)	\$1,366,823
Change in net assets from operations	\$3,097,465

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.

	Year ended	
	12/31/17	12/31/16
Change in net assets		
From operations		
Net investment income (loss)	\$1,730,642	\$2,237,878
Net realized gain (loss)	620,201	517,813
Net unrealized gain (loss)	746,622	1,637,414
Change in net assets from operations	\$3,097,465	\$4,393,105
Distributions declared to shareholders		
From net investment income	\$(2,356,097)	\$(1,657,951)
Change in net assets from fund share transactions	\$(4,011,928)	\$(6,737,895)
Total change in net assets	\$(3,270,560)	\$(4,002,741)
Net assets		
At beginning of period	52,967,247	56,969,988
At end of period (including undistributed net investment income of \$1,795,137 and \$2,347,898, respectively)	\$49,696,687	\$52,967,247

See Notes to Financial Statements

FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate that 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	Year ended				
	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Net asset value, beginning of period	\$9.71	\$9.25	\$10.01	\$10.01	\$10.19
Income (loss) from investment operations					
Net investment income (loss) (d)	\$0.34	\$0.40(c)	\$0.37	\$0.41	\$0.42
Net realized and unrealized gain (loss)	0.26	0.37	(0.55)	(0.08)	(0.28)
Total from investment operations	\$0.60	\$0.77	\$(0.18)	\$0.33	\$0.14
Less distributions declared to shareholders					
From net investment income	\$(0.47)	\$(0.31)	\$(0.58)	\$(0.33)	\$(0.32)
Net asset value, end of period (x)	\$9.84	\$9.71	\$9.25	\$10.01	\$10.01
Total return (%) (k)(r)(s)(x)	6.24	8.24(c)	(1.85)	3.27	1.46
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)(h)	1.02	0.89(c)	0.96	0.94	1.00
Expenses after expense reductions (f)(h)	0.80	0.71(c)	0.80	0.80	0.85
Net investment income (loss)	3.39	4.09(c)	3.74	4.05	4.18
Portfolio turnover	72	21	31	21	28
Net assets at end of period (000 omitted)	\$42,409	\$44,191	\$47,422	\$59,824	\$63,319
Service Class	Year ended				
	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Net asset value, beginning of period	\$9.63	\$9.17	\$9.92	\$9.93	\$10.12
Income (loss) from investment operations					
Net investment income (loss) (d)	\$0.31	\$0.37(c)	\$0.34	\$0.39	\$0.39
Net realized and unrealized gain (loss)	0.25	0.37	(0.54)	(0.09)	(0.28)
Total from investment operations	\$0.56	\$0.74	\$(0.20)	\$0.30	\$0.11
Less distributions declared to shareholders					
From net investment income	\$(0.44)	\$(0.28)	\$(0.55)	\$(0.31)	\$(0.30)
Net asset value, end of period (x)	\$9.75	\$9.63	\$9.17	\$9.92	\$9.93
Total return (%) (k)(r)(s)(x)	5.88	8.00(c)	(2.06)	2.99	1.18
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)(h)	1.27	1.14(c)	1.21	1.19	1.25
Expenses after expense reductions (f)(h)	1.05	0.97(c)	1.05	1.05	1.10
Net investment income (loss)	3.16	3.83(c)	3.49	3.80	3.93
Portfolio turnover	72	21	31	21	28
Net assets at end of period (000 omitted)	\$7,287	\$8,776	\$9,548	\$10,719	\$11,829

See Notes to Financial Statements

Financial Highlights – continued

- (c) Amount reflects a one-time reimbursement of expenses by the custodian (or former custodian) without which net investment income and performance would be lower and expenses would be higher.
- (d) Per share data is based on average shares outstanding.
- (f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
- (h) In addition to the fees and expenses which the fund bears directly, the fund indirectly bears a pro rata share of the fees and expenses of the underlying affiliated funds in which the fund invests. Accordingly, the expense ratio for the fund reflects only those fees and expenses borne directly by the fund. Because the underlying affiliated funds have varied expense and fee levels and the fund may own different proportions of the underlying affiliated funds at different times, the amount of fees and expenses incurred indirectly by the fund will vary.
- (k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
- (r) Certain expenses have been reduced without which performance would have been lower.
- (s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
- (x) The net asset values and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS Strategic Income Portfolio (the fund) is a diversified series of MFS Variable Insurance Trust II (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests in the MFS High Yield Pooled Portfolio ("High Yield Pooled Portfolio"). MFS does not receive a management fee from the High Yield Pooled Portfolio. The High Yield Pooled Portfolio's investment objective is to seek total return with an emphasis on high current income, but also considering capital appreciation. The accounting policies of the High Yield Pooled Portfolio are outlined in its shareholder report, which is available without charge by calling 1-800-225-2606 and on the Securities and Exchange Commission (SEC) web site at <http://www.sec.gov> or at the SEC's public reference room in Washington, D.C. The accounting policies detailed in the Significant Accounting Policies note cover both the fund and the High Yield Pooled Portfolio. For purposes of this policy disclosure, "fund" refers to both the fund and the High Yield Pooled Portfolio in which the fund invests. The High Yield Pooled Portfolio's shareholder report is not covered by this report. The fund and the High Yield Pooled Portfolio invest in high-yield securities rated below investment grade. Investments in below investment grade quality securities can involve a substantially greater risk of default or can already be in default, and their values can decline significantly. Below investment grade quality securities tend to be more sensitive to adverse news about the issuer, or the market or economy in general, than higher quality debt instruments. The fund and the High Yield Pooled Portfolio invest 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 market, economic, industry, political, regulatory, geopolitical, and other conditions.

In October 2016, the Securities and Exchange Commission (SEC) released its final rule on Investment Company Reporting Modernization (the "Rule"). The Rule, which introduced two new regulatory reporting forms for investment companies – Form N-PORT and Form N-CEN – also contained amendments to Regulation S-X which impact financial statement presentation, particularly the presentation of derivative investments, for all reporting periods ending after August 1, 2017. The fund has adopted the Rule's Regulation S-X amendments and believes that the fund's financial statements are in compliance with those amendments.

In March 2017, the FASB issued Accounting Standards Update 2017-08, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20) – Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08"). For entities that hold callable debt securities at a premium, ASU 2017-08 requires that the premium be amortized to the earliest call date. ASU 2017-08 will be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Management is still evaluating the potential impacts of ASU 2017-08 but believes that adoption of ASU 2017-08 will not have a material effect on the fund's overall financial position or its overall results of operations.

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, or similar 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 – The investments of the fund and the High Yield Pooled Portfolio are valued as described below.

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. Exchange-traded options are generally valued at the last sale or official closing price on their primary exchange as provided by a third-party pricing service. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation on their primary exchange as provided by a third-party pricing service. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Futures contracts are generally valued at last posted settlement price 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. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments.

MFS Strategic Income Portfolio

Notes to Financial Statements – continued

Other financial instruments are derivative instruments, such as futures contracts and forward foreign currency exchange contracts. The following is a summary of the levels used as of December 31, 2017 in valuing the fund's assets or liabilities:

Financial Instruments	Level 1	Level 2	Level 3	Total
Equity Securities	\$181	\$18,713	\$—	\$18,894
U.S. Treasury Bonds & U.S. Government Agency & Equivalents	—	8,757,470	—	8,757,470
Non-U.S. Sovereign Debt	—	2,012,492	—	2,012,492
Municipal Bonds	—	292,810	—	292,810
U.S. Corporate Bonds	—	11,695,818	—	11,695,818
Residential Mortgage-Backed Securities	—	297,620	—	297,620
Commercial Mortgage-Backed Securities	—	2,756,918	—	2,756,918
Asset-Backed Securities (including CDOs)	—	6,501,522	—	6,501,522
Foreign Bonds	—	4,928,170	—	4,928,170
Mutual Funds	12,174,524	—	—	12,174,524
Total	\$12,174,705	\$37,261,533	\$—	\$49,436,238
Other Financial Instruments				
Futures Contracts – Assets	\$9,028	\$—	\$—	\$9,028
Futures Contracts – Liabilities	(7,891)	—	—	(7,891)
Forward Foreign Currency Exchange Contracts – Assets	—	2,893	—	2,893
Forward Foreign Currency Exchange Contracts – Liabilities	—	(3,446)	—	(3,446)

For further information regarding security characteristics, see the Portfolio of Investments. Please refer to the High Yield Pooled Portfolio's shareholder report for further information regarding the levels used in valuing its assets or liabilities.

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 during the period were purchased options, futures contracts, and forward foreign currency exchange contracts. Depending on the type of derivative, the fund may exit a derivative position by entering into an offsetting transaction with a counterparty or exchange, negotiating an agreement with the derivative counterparty, or novating the position to a third party. The fund may be unable to promptly close out a futures position in instances where the daily fluctuation in the price for that type of future exceeds the daily limit set by the exchange. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract tables, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at December 31, 2017 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Fair Value (a)	
		Asset Derivatives	Liability Derivatives
Interest Rate	Interest Rate Futures	\$9,028	\$(7,891)
Foreign Exchange	Forward Foreign Currency Exchange	2,893	(3,446)
Total		\$11,921	\$(11,337)

(a) Values presented in this table for futures contracts correspond to the values 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.

Notes to Financial Statements – continued

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended December 31, 2017 as reported in the Statement of Operations:

Risk	Futures Contracts	Forward Foreign Currency Exchange Contracts	Unaffiliated Issuers (Purchased Options)
Interest Rate	\$74,875	\$—	\$—
Foreign Exchange	—	(1,813)	—
Equity	—	—	(10,764)
Total	\$74,875	\$(1,813)	\$(10,764)

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended December 31, 2017 as reported in the Statement of Operations:

Risk	Futures Contracts	Forward Foreign Currency Exchange Contracts
Interest Rate	\$(6,915)	\$—
Foreign Exchange	—	92
Total	\$(6,915)	\$92

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 specified 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 agreement 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. For cleared derivatives (e.g., futures contracts, cleared swaps, and exchange-traded options), margin requirements are set by the clearing broker and the clearing house and collateral, in the form of cash or securities, is posted by the fund directly with the clearing broker. Collateral terms are counterparty agreement specific for uncleared derivatives (e.g., forward foreign currency exchange contracts, uncleared swap agreements, and uncleared options) and collateral, in the form of cash and securities, is held in segregated accounts with the fund's custodian in connection with these agreements. 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 counterparty-specific agreement and one amount is posted from one party to the other to collateralize such obligations. Cash that has been segregated or delivered 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 for uncleared derivatives and/or deposits with brokers for cleared derivatives. Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments. The fund may be required to make payments of interest on uncovered collateral or margin obligations with the broker. Any such payments are included in "Miscellaneous" expense in the Statement of Operations.

Purchased Options – The fund purchased put options for a premium. Purchased put options entitle the holder to sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing put options may hedge against an anticipated decline in the value of portfolio securities or currency or decrease the fund's exposure to an underlying instrument.

The premium paid is initially recorded as an investment in the Statement of Assets and Liabilities. That investment is subsequently marked-to-market daily with the difference between the premium paid and the market value of the purchased option being recorded as unrealized appreciation or depreciation. Premiums paid for purchased put options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased put option, the premium paid is offset against the proceeds on the sale of the underlying security or financial instrument in order to determine the realized gain or loss on investments.

Whether or not the option is exercised, the fund's maximum risk of loss from purchasing an option is the amount of premium paid. All option contracts involve credit risk if the counterparty to the option contract fails to perform. For uncleared options, this risk is

mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and, 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.

Futures Contracts – The fund entered into futures contracts which may be used to hedge against or obtain broad market exposure, interest rate exposure, currency exposure, or to manage duration. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the fund is required to deposit with the broker, either in cash or securities, an initial margin in an amount equal to a certain percentage of the notional amount of the contract. Subsequent payments (variation margin) are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gain or loss by the fund until the contract is closed or expires at which point the gain or loss on futures contracts is realized.

The fund bears the risk of interest rates, exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. While futures contracts may present less counterparty risk to the fund since the contracts are exchange traded and the exchange's clearinghouse guarantees payments to the broker, there is still counterparty credit risk due to the insolvency of the broker. The fund's maximum risk of loss due to counterparty credit risk is equal to the margin posted by the fund to the broker plus any gains or minus any losses on the outstanding futures contracts.

Forward Foreign Currency Exchange Contracts – The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

Forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any unrealized gains or losses are recorded as a receivable or payable for forward foreign currency exchange contracts until the contract settlement date. On contract settlement date, any gain or loss on the contract is recorded as realized gains or losses on forward foreign currency exchange contracts.

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, a multicurrency cash settlement 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. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is separately reported in the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income. At December 31, 2017, there were no securities on loan or collateral outstanding.

Notes to Financial Statements – continued

Loans and Other Direct Debt Instruments – The fund invests in loans and loan participations or other receivables. These investments may include standby financing commitments, including revolving credit facilities, which contractually obligate the fund to supply additional cash to the borrower on demand. The fund generally provides this financial support in order to preserve its existing investment or to obtain a more senior secured interest in the assets of the borrower. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary.

Indemnifications – Under the fund’s organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund’s maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. 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.

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 defaulted bonds, amortization and accretion of debt securities, and expiration of capital loss carryforwards.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	Year ended 12/31/17	Year ended 12/31/16
Ordinary income (including any short-term capital gains)	\$2,356,097	\$1,657,951

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/17	
Cost of investments	\$50,507,960
Gross appreciation	753,037
Gross depreciation	(1,824,175)
Net unrealized appreciation (depreciation)	\$(1,071,138)
Undistributed ordinary income	1,827,687
Other temporary differences	33

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/17	Year ended 12/31/16
Initial Class	\$1,994,249	\$1,402,576
Service Class	361,848	255,375
Total	\$2,356,097	\$1,657,951

(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 based on the fund's average daily net assets:

Up to \$1 billion	0.70%
In excess of \$1 billion	0.65%

MFS has agreed in writing to reduce its management fee by a specified amount if certain MFS mutual fund assets exceed thresholds agreed to by MFS and the fund's Board of Trustees. For the year ended December 31, 2017, this management fee reduction amounted to \$4,125, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2017 was equivalent to an annual effective rate of 0.69% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, excluding interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses (such as fees and expenses associated with investments in investment companies and other similar investment vehicles), such that total annual operating expenses do not exceed 0.80% of average daily net assets for the Initial Class shares and 1.05% 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, 2019. For the year ended December 31, 2017, this reduction amounted to \$109,885, which is included in the reduction of total expenses in the Statement of Operations.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the year ended December 31, 2017, the fee was \$12,128, which equated to 0.0235% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended December 31, 2017, these costs amounted to \$1,001.

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 year ended December 31, 2017 was equivalent to an annual effective rate of 0.0344% 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.

Notes to Financial Statements – continued

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 year ended December 31, 2017, the fee paid by the fund under this agreement was \$92 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. This money market fund does not pay a management fee to MFS.

The fund invests in the High Yield Pooled Portfolio, which is a mutual fund advised by MFS that does not pay management fees to MFS but does incur investment and operating costs. The fund invests in the High Yield Pooled Portfolio to gain exposure to high income debt instruments, rather than investing in high income debt instruments directly. The High Yield Pooled Portfolio does not pay a management fee to MFS or distribution and/or service fee to MFD.

(4) Portfolio Securities

For the year ended December 31, 2017, purchases and sales of investments, other than purchased option transactions and short-term obligations, were as follows:

	Purchases	Sales
U.S. Government securities	\$8,300,633	\$2,276,418
Non-U.S. Government securities	\$27,583,532	\$39,827,721

(5) Shares of Beneficial Interest

The fund’s Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Year ended 12/31/17		Year ended 12/31/16	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	288,818	\$2,862,544	332,652	\$3,239,753
Service Class	92,548	906,325	89,017	845,820
	381,366	\$3,768,869	421,669	\$4,085,573
Shares issued to shareholders in reinvestment of distributions				
Initial Class	204,329	\$1,994,249	142,829	\$1,402,576
Service Class	37,342	361,848	26,192	255,375
	241,671	\$2,356,097	169,021	\$1,657,951
Shares reacquired				
Initial Class	(730,440)	\$(7,253,077)	(1,051,969)	\$(10,163,349)
Service Class	(293,752)	(2,883,817)	(244,957)	(2,318,070)
	(1,024,192)	\$(10,136,894)	(1,296,926)	\$(12,481,419)
Net change				
Initial Class	(237,293)	\$(2,396,284)	(576,488)	\$(5,521,020)
Service Class	(163,862)	(1,615,644)	(129,748)	(1,216,875)
	(401,155)	\$(4,011,928)	(706,236)	\$(6,737,895)

(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 year ended December 31, 2017, the fund’s commitment fee and interest expense were \$349 and \$0, respectively, and are included in “Miscellaneous” expense in the Statement of Operations.

(7) Investments in 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 affiliated issuers:

Affiliated Issuers	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS High Yield Pooled Portfolio	2,028,247	169,757	(1,053,631)	1,144,373
MFS Institutional Money Market Portfolio	859,396	29,298,372	(28,648,646)	1,509,122

Affiliated Issuers	Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Capital Gain Distributions	Dividend Income	Ending Value
MFS High Yield Pooled Portfolio	\$(271,608)	\$527,983	\$—	\$867,171	\$10,665,553
MFS Institutional Money Market Portfolio	(68)	(140)	—	18,818	1,508,971
	<u>\$(271,676)</u>	<u>\$527,843</u>	<u>\$—</u>	<u>\$885,989</u>	<u>\$12,174,524</u>

(8) Legal Proceedings

In May 2015, the Motors Liquidation Company Avoidance Action Trust (hereafter, “AAT”) served upon the fund a complaint in an adversary proceeding in the U.S. Bankruptcy Court for the Southern District of New York, captioned *Motors Liquidation Company Avoidance Action Trust v. JPMorgan Chase Bank, N.A., et al.* (No. 09-00504 (REG)). The complaint, which was originally filed in 2009 but not served on the fund until 2015, names as defendants over 500 entities (including the fund) that held an interest in a \$1.5 billion General Motors (GM) term loan in 2009, when GM filed for bankruptcy. The AAT alleges that the fund and the other term loan lenders were improperly treated as secured lenders with respect to the term loan shortly before and immediately after GM’s bankruptcy, receiving full principal and interest payments under the loan. The AAT alleges that the fund and other term loan lenders should have been treated as unsecured (or partially unsecured) creditors because the main lien securing the collateral was allegedly not perfected at the time of GM’s bankruptcy due to an erroneous filing in October 2008 that terminated the financing statement perfecting the lien. The AAT seeks to claw back payments made to the fund and the other term loan lenders after, and during the 90 days before, GM’s June 2009 bankruptcy petition. During that time period, the fund received term loan payments of approximately \$190,000. The fund cannot predict the outcome of this proceeding. Among other things, it is unclear whether the AAT’s claims will succeed; what the fund would be entitled to as an unsecured (or partially unsecured) creditor, given the existence of other collateral not impacted by the erroneous October 2008 filing; whether third parties responsible for the erroneous October 2008 filing would bear some or all of any liability; and the degree to which the fund may be entitled to indemnification from a third party for any amount required to be disgorged. The fund has and will continue to incur legal expenses associated with the defense of this action and in related claims against third parties.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust II and the Shareholders of
MFS Strategic Income Portfolio:

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying statement of assets and liabilities of MFS Strategic Income Portfolio (one of the series of MFS Variable Insurance Trust II) (the "Fund"), including the portfolio of investments, as of December 31, 2017, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, and the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2017, by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 15, 2018

We have served as the auditor of one or more of the MFS investment companies since 1924.

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2018, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Name, Age	Position(s) Held with Fund	Trustee/Officer Since ^(h)	Number of MFS Funds overseen by the Trustee	Principal Occupations During the Past Five Years	Other Directorships During the Past Five Years ⁽ⁱ⁾
INTERESTED TRUSTEES					
Robert J. Manning ^(k) (age 54)	Trustee	February 2004	137	Massachusetts Financial Services Company, Executive Chairman (since January 2017); Director; Chairman of the Board; Chief Executive Officer (until 2015); Co-Chief Executive Officer (2015-2016)	N/A
Robin A. Stelmach ^(k) (age 56)	Trustee	January 2014	137	Massachusetts Financial Services Company, Vice Chair (since January 2017); Chief Operating Officer and Executive Vice President (until January 2017)	N/A
INDEPENDENT TRUSTEES					
John P. Kavanaugh (age 63)	Trustee and Chair of Trustees	January 2009	137	Private investor	N/A
Steven E. Buller (age 66)	Trustee	February 2014	137	Financial Accounting Standards Advisory Council, Chairman (2014-2015); Public Company Accounting Oversight Board, Standing Advisory Group, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014)	N/A
John A. Caroselli (age 63)	Trustee	March 2017	137	JC Global Advisors, LLC (management consulting), President (since 2015); First Capital Corporation (commercial finance), Executive Vice President (until 2015)	N/A
Maureen R. Goldfarb (age 62)	Trustee	January 2009	137	Private investor	N/A
Michael Hegarty (age 73)	Trustee	December 2004	137	Private investor	Rouse Properties Inc., Director (until 2016); Capmark Financial Group Inc., Director (until 2015)
Clarence Otis, Jr. (age 61)	Trustee	March 2017	137	Darden Restaurants, Inc., Chief Executive Officer (until 2014)	VF Corporation, Director; Verizon Communications, Inc., Director; The Travelers Companies, Director; Federal Reserve Bank of Atlanta, Director (until 2015)
Maryanne L. Roepke (age 61)	Trustee	May 2014	137	American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014)	N/A
Laurie J. Thomsen (age 60)	Trustee	March 2005	137	Private investor	The Travelers Companies, Director; Dycom Industries, Inc., Director (since 2015)

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/Officer Since ^(h)	Number of MFS Funds for which the Person is an Officer	Principal Occupations During the Past Five Years
OFFICERS				
Christopher R. Bohane ^(k) (age 44)	Assistant Secretary and Assistant Clerk	July 2005	137	Massachusetts Financial Services Company, Vice President and Assistant General Counsel
Kino Clark ^(k) (age 49)	Assistant Treasurer	January 2012	137	Massachusetts Financial Services Company, Vice President
John W. Clark, Jr. ^(k) (age 50)	Assistant Treasurer	April 2017	137	Massachusetts Financial Services Company, Vice President (since March 2017); Deutsche Bank (financial services), Department Head – Treasurer's Office (until February 2017)
Thomas H. Connors ^(k) (age 58)	Assistant Secretary and Assistant Clerk	September 2012	137	Massachusetts Financial Services Company, Vice President and Senior Counsel
Ethan D. Corey ^(k) (age 54)	Assistant Secretary and Assistant Clerk	July 2005	137	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel
David L. DiLorenzo ^(k) (age 49)	President	July 2005	137	Massachusetts Financial Services Company, Senior Vice President
Heidi W. Hardin ^(k) (age 50)	Secretary and Clerk	April 2017	137	Massachusetts Financial Services Company, Executive Vice President and General Counsel (since March 2017); Harris Associates (investment management), General Counsel (from September 2015 to January 2017); Janus Capital Management LLC (investment management), Senior Vice President and General Counsel (until September 2015)
Brian E. Langenfeld ^(k) (age 44)	Assistant Secretary and Assistant Clerk	June 2006	137	Massachusetts Financial Services Company, Vice President and Senior Counsel
Susan A. Pereira ^(k) (age 47)	Assistant Secretary and Assistant Clerk	July 2005	137	Massachusetts Financial Services Company, Vice President and Senior Counsel
Kasey L. Phillips ^(k) (age 47)	Assistant Treasurer	September 2012	137	Massachusetts Financial Services Company, Vice President
Matthew A. Stowe ^(k) (age 43)	Assistant Secretary and Assistant Clerk	October 2014	137	Massachusetts Financial Services Company, Vice President and Assistant General Counsel
Frank L. Tarantino (age 73)	Independent Senior Officer	June 2004	137	Tarantino LLC (provider of compliance services), Principal
Richard S. Weitzel ^(k) (age 47)	Assistant Secretary and Assistant Clerk	October 2007	137	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel
Martin J. Wolin ^(k) (age 50)	Chief Compliance Officer	July 2015	137	Massachusetts Financial Services Company, Senior Vice President and Chief Compliance Officer (since July 2015); Mercer (financial service provider), Chief Risk and Compliance Officer, North America and Latin America (until June 2015)
James O. Yost ^(k) (age 57)	Treasurer	September 1990	137	Massachusetts Financial Services Company, Senior Vice President

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. From January 2012 through December 2016, Messrs. DiLorenzo and Yost served as Treasurer and Deputy Treasurer of the Funds, respectively.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of a position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

MFS Strategic Income Portfolio

Trustees and Officers – continued

Each Trustee has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Under the terms of the Board's retirement policy, an Independent Trustee shall retire at the end of the calendar year in which he or she reaches the earlier of 75 years of age or 15 years of service on the Board (or, in the case of any Independent Trustee who joined the Board prior to 2015, 20 years of service on the Board).

Messrs. Buller and Otis and Ms. Roepke are members of the Trust's Audit Committee.

Each of the Interested Trustees and certain Officers hold comparable officer positions with certain affiliates of MFS.

The Statement of Additional Information for a Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser

Massachusetts Financial Services Company
111 Huntington Avenue
Boston, MA 02199-7618

Distributor

MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Manager(s)

William Adams
Ward Brown
Philipp Burgener
David Cole
Alexander Mackey
Joshua Marston
Robert Persons
Matt Ryan

Custodian

State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111-2900

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested (“independent”) Trustees, voting separately, annually approve the continuation of the Fund’s investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2017 (“contract review meetings”) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the “MFS Funds”). The independent Trustees were assisted in their evaluation of the Fund’s investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds’ Independent Senior Officer, a senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Broadridge Financial Solutions, Inc. (“Broadridge”), an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2016 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the “Lipper performance universe”), (ii) information provided by Broadridge on the Fund’s advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Broadridge (the “Broadridge expense group”), (iii) information provided by MFS on the advisory fees of portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee “breakpoints” are observed for the Fund, (v) information regarding MFS’ financial results and financial condition, including MFS’ and certain of its affiliates’ estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS’ institutional business, (vi) MFS’ views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS’ senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Broadridge was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees’ conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees’ deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees’ conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Broadridge and MFS, the Trustees reviewed the Fund’s total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund’s Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2016, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund’s Initial Class shares was in the 3rd quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund’s Initial Class shares was in the 2nd quintile for the one-year period and the 3rd quintile for the five-year period ended December 31, 2016 relative to the Lipper performance universe. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund’s performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS’ responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Broadridge. The Trustees considered that MFS currently observes an expense limitation for the Fund, which may not be changed without the Trustees' approval. The Trustees also considered that, according to the data provided by Broadridge (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each approximately at the Broadridge expense group median.

The Trustees also considered the advisory fees charged by MFS to any institutional separate accounts advised by MFS ("separate accounts") and unaffiliated investment companies for which MFS serves as subadviser ("subadvised funds") that have comparable investment strategies to the Fund, if any. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund, as well as the more extensive regulatory burdens imposed on MFS in managing the Fund, in comparison to separate accounts and subadvised funds. The Trustees also considered the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund in comparison to separate accounts.

The Trustees also considered whether the Fund may benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund and/or growth in assets of the MFS Funds as a whole. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over \$1 billion. The Trustees also noted that MFS has agreed in writing to waive a portion of the management fees of certain MFS Funds, including the Fund, if the total combined assets of certain funds within the MFS Funds' complex increase above agreed upon thresholds (the "group fee waiver"), enabling the Fund's shareholders to share in the benefits from any economies of scale at the complex level. The group fee waiver is reviewed and renewed annually between the Board and MFS. The Trustees concluded that the breakpoint and the group fee waiver were sufficient to allow the Fund to benefit from economies of scale as its assets and overall complex assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability. After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2017.

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/proxyvoting, 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/proxyvoting, 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 at <https://www.mfs.com/en-us/what-we-do/announcements.html> or at mfs.com/vit2 by choosing 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.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?



Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- Account transactions and transaction history
- Checking account information and wire transfer instructions

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?

Call 800-225-2606 or go to mfs.com.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., and MFS Heritage Trust Company.
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What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> • 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 <p>State laws and individual companies may give you additional rights to limit sharing.</p>

Definitions

Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> • <i>MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.</i>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> • <i>MFS does not share with nonaffiliates so they can market to you.</i>
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> • <i>MFS doesn't jointly market.</i>

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.





OppenheimerFunds®

The Right Way
to Invest

December 31, 2017

Oppenheimer

Global Strategic Income Fund/VA

A Series of Oppenheimer Variable Account Funds

Annual Report

ANNUAL REPORT

Listing of Top Holdings

Fund Performance Discussion

Financial Statements

PORTFOLIO MANAGERS¹: Michael Mata, Krishna Memani, Ruta Ziverte, and Chris Kelly, CFA

AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED 12/31/17

	Inception Date	1-Year	5-Year	10-Year
Non-Service Shares	5/3/93	6.27%	2.59%	4.31%
Service Shares	3/19/01	6.04	2.33	4.03
Bloomberg Barclays U.S. Aggregate Bond Index		3.54	2.10	4.01

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. Returns for periods of less than one year are cumulative and not annualized. See Fund prospectuses and summary prospectuses for more information on share classes and sales charges.*

TOP HOLDINGS AND ALLOCATIONS

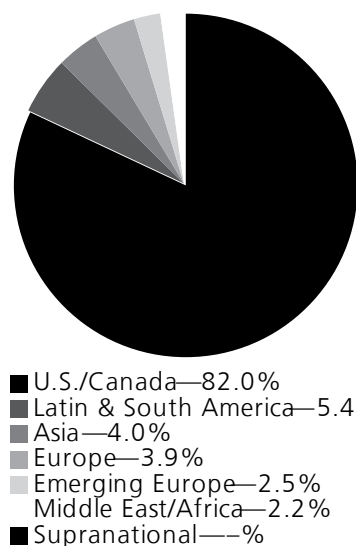
PORTFOLIO ALLOCATION

Corporate Bonds and Notes	40.4%
Investment Companies	
Oppenheimer Institutional Government Money Market Fund	2.3
Oppenheimer Master Event-Linked Bond Fund, LLC	2.1
Oppenheimer Master Loan Fund, LLC	13.2
Oppenheimer Ultra-Short Duration Fund	7.4
Mortgage-Backed Obligations	
Government Agency	12.1
Non-Agency	9.6
Foreign Government Obligations	7.6
Asset-Backed Securities	3.5
Preferred Stocks	0.7
Short-Term Notes	0.5
Structured Securities	0.3
Common Stocks	0.2
Corporate Loans	0.1
Over-the-Counter Interest Rate Swaptions Purchased	—*
Exchange-Traded Options Purchased	—*
Rights, Warrants and Certificates	—*
Over-the-Counter Options Purchased	—*

* Represents a value of less than 0.05%.

Portfolio holdings and allocations are subject to change. Percentages are as of December 31, 2017, and are based on total market value of investments. For more current Fund holdings, please visit oppenheimerfunds.com.

REGIONAL ALLOCATION



Portfolio holdings and allocations are subject to change. Percentages are as of December 31, 2017, and are based on the total market value of investments.

1. Effective January 24, 2018, the Fund's Portfolio is managed by Hemant Bajjal, the lead portfolio manager, Krishna Memani, Ruta Ziverte and Chris Kelly, CFA, who are primarily responsible for the day-to-day management of the Fund's investments.

Fund Performance Discussion

The Fund's Non-Service shares produced a return of 6.27% during the reporting period, versus the 3.54% return provided by the Bloomberg Barclays U.S. Aggregate Bond Index.

MARKET OVERVIEW

Global economic data continued to improve during the reporting period. The cyclical uptick is encouraging with improvements in global investment, trade, and industrial production. Business and consumer confidence are at cyclical highs in many countries. Growth expectations remain upbeat with certain countries, like Canada, exceeding expectations. Latin America (LatAm) is a different story with growth being more challenged overall with the exception of Brazil. LatAm also faces a number of political challenges over the course of the year with elections in several countries and NAFTA negotiations.

In the U.S., the expansion continues as the economy is nearing the Fed's dual mandate of full employment and price stability. While inflation surprised to the downside for a few months in a row, the Fed sees it as temporary and is moving forward its balance sheet normalization program. In the Fed's December meeting, the committee continued to signal the expectation for three hikes in 2018 and three to four hikes in 2019. The Treasury curve sold off dramatically as the markets finally began taking the Fed's message to heart and anticipated a rising interest rate environment. Despite that, credit and equity markets continue to be well-behaved, focusing on improving issuer fundamentals and the prospective benefits from tax reform.

FUND REVIEW

For the one-year reporting period, the Fund's strongest absolute results stemmed from its exposure to high yield and emerging market credits.

In high yield, the Fund benefited most from its exposure to the healthcare sector. Being overweight the sector along with good security selection added to outperformance. Credit selection was positive during the period and benefited from our exposure to higher beta hospital operators, which outperformed primarily due to event-driven catalysts. Pharmaceutical credits remained topical and were volatile in the period given frequent headlines on potential drug pricing actions from Washington D.C. One of our pharmaceutical holdings in which we have an overweight position benefited from a turn in sentiment as its new management team delivered on asset sales and actions to mitigate the impact of loss of exclusivity (LOE) and encroachment from generics.

Emerging market credit outperformed U.S. and European markets in 2017. The Fund maintained an overall neutral position, but with a greater tilt toward higher-yielding credits, in particular state-owned oil & gas companies that have been repairing their credit profiles, but offered a significant yield advantage over their government bonds. The main contributors to performance included Brazil and Ukraine.

The largest detractors from performance were driven by a small allocation to catastrophe bonds which were affected by the multiple events that struck North America and the Caribbean.

STRATEGY & OUTLOOK

The outlook for the global economy continues to be positive with synchronized global growth close to 3.5%. Credit fundamentals, outside of some distressed sectors like retail and fixed line telecommunications, continue to improve modestly due to earnings growth and a lack of capital expenditures. Higher commodity prices, driven by rising demand, even in oil, have had a positive effect especially on high yield and emerging market credits. Given our expectation that growth will stabilize around current levels, our outlook remains positive. The passage of a tax deal that reduces corporate taxes to 21% will also be positive for most issuers in our view.

There are some potential headwinds to prospective returns. Valuations are rich relative to historical levels, leaving little cushion for potential negative shocks. That valuations appear somewhat rich at this point in the cycle is not unusual in our view, especially when growth is positive and fundamentals are improving. The new Fed Chairman, Jerome Powell, is expected to continue Chair Yellen's gradual approach to normalization and has been well received by market participants.

Solid economic fundamentals and positive earnings growth lead us to continue to like spread sectors such as corporate credit and securitized credit, though we have reduced our exposure recently based on valuations and have rotated away from some of the higher beta sectors. We like senior floating rate loans for similar reasons. In addition, we believe loans should outperform other credit sectors if the Fed hikes rates at a more aggressive pace than the market expects. In addition, we continue to look for opportunities to add to our positions in mortgage-backed securities (MBS) and commercial mortgage-backed securities (CMBS) on any widening of spreads. Internationally, we expect strong performance from emerging market local bonds over the next few months as we believe

the growth differential continues to favor emerging market assets. From a valuation perspective, we believe real yields remain at high enough levels to absorb further modest monetary tightening in developed markets.

Investors should consider the Fund's investment objective, risks, charges and expenses carefully before investing. The Fund's prospectus and summary prospectus contain this and other information about the Fund, 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.

Total returns include changes in share price and reinvestment of dividends and capital gains distributions in a hypothetical investment for the periods shown, but do not include the charges associated with the separate account products that offer this Fund.

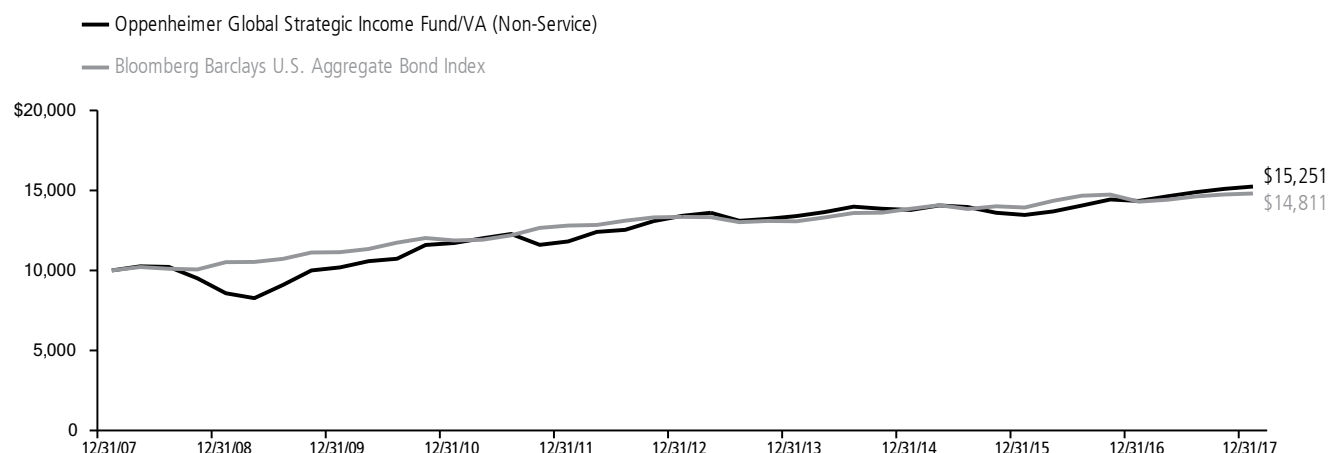
The Fund's investment strategy and focus can change over time. The mention of specific fund holdings does not constitute a recommendation by OppenheimerFunds, Inc. or its affiliates.

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.

Comparing the Fund's Performance to the Market. The graphs that follow show the performance of a hypothetical \$10,000 investment in each share class of the Fund held until December 31, 2017. Performance is measured over a ten-fiscal-year period for both Classes. Performance information does not reflect charges that apply to separate accounts investing in the Fund. If these charges were taken into account, performance would be lower. The graphs assume that all dividends and capital gains distributions were reinvested in additional shares.

The Fund's performance is compared to the performance of the Bloomberg Barclays U.S. Aggregate Bond Index, an index of U.S. Government and corporate bonds. 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.

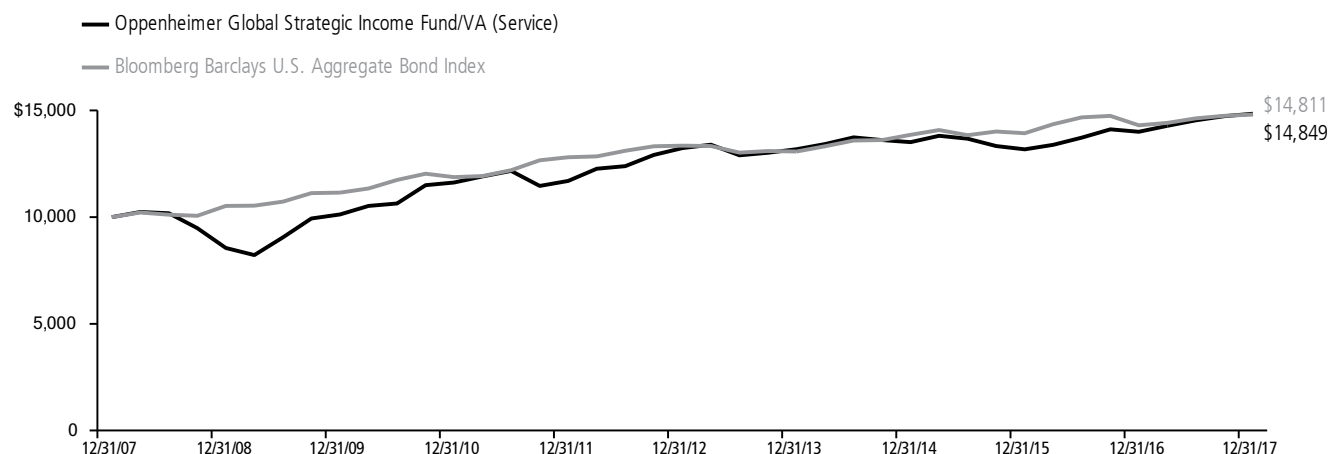
COMPARISON OF CHANGE IN VALUE OF \$10,000 HYPOTHETICAL INVESTMENTS IN:



Average Annual Total Returns of Non-Service Shares of the Fund at 12/31/17

1-Year **6.27%** 5-Year **2.59%** 10-Year **4.31%**

COMPARISON OF CHANGE IN VALUE OF \$10,000 HYPOTHETICAL INVESTMENTS IN:



Average Annual Total Returns of Service Shares of the Fund at 12/31/17

1-Year **6.04%** 5-Year **2.33%** 10-Year **4.03%**

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.

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 December 31, 2017.

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 December 31, 2017” 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.

	Beginning Account Value July 1, 2017	Ending Account Value December 31, 2017	Expenses Paid During 6 Months Ended December 31, 2017
Actual			
Non-Service shares	\$ 1,000.00	\$ 1,024.00	\$ 3.83
Service shares	1,000.00	1,021.30	5.11
Hypothetical (5% return before expenses)			
Non-Service shares	1,000.00	1,021.42	3.83
Service shares	1,000.00	1,020.16	5.10

Expenses are equal to the Fund’s annualized expense ratio for that class, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period). Those annualized expense ratios, excluding indirect expenses from affiliated funds, based on the 6-month period ended December 31, 2017 are as follows:

Class	Expense Ratios
Non-Service shares	0.75%
Service shares	1.00

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.

CONSOLIDATED STATEMENT OF INVESTMENTS December 31, 2017

	Principal Amount	Value
Asset-Backed Securities—3.9%		
American Credit Acceptance Receivables Trust:		
Series 2014-4, Cl. D, 5.24%, 2/10/22 ¹	\$ 160,000	\$ 160,890
Series 2015-1, Cl. B, 2.85%, 2/12/21 ¹	30,142	30,152
Series 2015-3, Cl. B, 3.56%, 10/12/21 ¹	135,270	135,664
Series 2015-3, Cl. C, 4.84%, 10/12/21 ¹	580,000	591,448
Series 2015-3, Cl. D, 5.86%, 7/12/22 ¹	275,000	280,874
Series 2016-4, Cl. B, 2.11%, 2/12/21 ¹	510,000	509,669
Series 2017-3, Cl. B, 2.25%, 1/11/21 ¹	135,000	134,550
Series 2017-4, Cl. B, 2.61%, 5/10/21 ¹	180,000	179,919
Series 2017-4, Cl. C, 2.94%, 1/10/24 ¹	510,000	509,622
Series 2017-4, Cl. D, 3.57%, 1/10/24 ¹	438,000	437,475
AmeriCredit Automobile Receivables Trust:		
Series 2013-3, Cl. D, 3.00%, 7/8/19	410,684	411,104
Series 2013-4, Cl. D, 3.31%, 10/8/19	520,000	521,775
Series 2015-2, Cl. D, 3.00%, 6/8/21	505,000	510,169
Series 2017-2, Cl. D, 3.42%, 4/18/23	830,000	839,005
Series 2017-4, Cl. D, 3.08%, 12/18/23	640,000	638,077
Cabela's Credit Card Master Note Trust:		
Series 2013-2A, Cl. A2, 2.127%		
[LIBOR01M+65], 8/16/21 ^{1,2}	280,000	280,972
Series 2016-1, Cl. A1, 1.78%, 6/15/22	870,000	865,187
Series 2016-1, Cl. A2, 2.327%		
[LIBOR01M+85], 6/15/22 ²	1,690,000	1,706,296
Capital Auto Receivables Asset Trust:		
Series 2014-1, Cl. D, 3.39%, 7/22/19	185,000	185,522
Series 2017-1, Cl. D, 3.15%, 2/20/25 ¹	110,000	109,477
Capital One Multi-Asset Execution Trust:		
Series 2016-A1, Cl. A1, 1.927%		
[LIBOR01M+45], 2/15/22 ²	1,075,000	1,080,288
Series 2016-A3, Cl. A3, 1.34%, 4/15/22	805,000	796,971
CarFinance Capital Auto Trust:		
Series 2014-1A, Cl. D, 4.90%, 4/15/20 ¹	390,000	395,755
Series 2015-1A, Cl. A, 1.75%, 6/15/21 ¹	54,267	54,203
CarMax Auto Owner Trust:		
Series 2014-2, Cl. D, 2.58%, 11/16/20	450,000	450,980
Series 2015-2, Cl. D, 3.04%, 11/15/21	175,000	175,894
Series 2015-3, Cl. D, 3.27%, 3/15/22	610,000	612,135
Series 2016-1, Cl. D, 3.11%, 8/15/22	465,000	468,503
Series 2016-3, Cl. D, 2.94%, 1/17/23	315,000	311,680
Series 2016-4, Cl. D, 2.91%, 4/17/23	710,000	701,080
Series 2017-1, Cl. D, 3.43%, 7/17/23	630,000	630,359
Series 2017-4, Cl. D, 3.30%, 5/15/24	280,000	278,135
CCG Receivables Trust, Series 2017-1, Cl. B, 2.75%, 11/14/23 ¹		
	635,000	628,840
Chase Issuance Trust, Series 2014-A5, Cl. A5, 1.847% [LIBOR01M+37], 4/15/21 ²		
	675,000	677,664
CIG Auto Receivables Trust, Series 2017-1A, Cl. A, 2.71%, 5/15/23 ¹		
	342,904	342,436
Citibank Credit Card Issuance Trust, Series 2014-A6, Cl. A6, 2.15%, 7/15/21		
	575,000	575,726
CNH Equipment Trust, Series 2017-C, Cl. B, 2.54%, 5/15/25		
	185,000	184,141
CPS Auto Receivables Trust:		
Series 2013-C, Cl. D, 6.59%, 8/15/19 ¹	255,000	259,305
Series 2017-C, Cl. A, 1.78%, 9/15/20 ¹	192,001	191,719
Series 2017-C, Cl. B, 2.30%, 7/15/21 ¹	275,000	273,952
CPS Auto Trust:		
Series 2017-A, Cl. B, 2.68%, 5/17/21 ¹	60,000	60,092
Series 2017-D, Cl. B, 2.43%, 1/18/22 ¹	470,000	468,453
Credit Acceptance Auto Loan Trust, Series 2017-3A, Cl. C, 3.48%, 10/15/26 ³		
	565,000	561,245
CWABS Asset-Backed Certificates Trust, Series 2005-14, Cl. 1A1, 1.782% [US0001M+23], 4/25/36 ²		
	274,210	274,811
Dell Equipment Finance Trust, Series 2017-2, Cl. B, 2.47%, 10/24/22 ¹		
	190,000	188,985

	Principal Amount	Value
Asset-Backed Securities (Continued)		
Discover Card Execution Note Trust:		
Series 2012-A6, Cl. A6, 1.67%, 1/18/22	\$ 805,000	\$ 800,590
Series 2016-A1, Cl. A1, 1.64%, 7/15/21	1,860,000	1,854,311
Series 2016-A4, Cl. A4, 1.39%, 3/15/22	1,675,000	1,654,913
Drive Auto Receivables Trust:		
Series 2015-BA, Cl. D, 3.84%, 7/15/21 ¹	1,030,000	1,046,630
Series 2015-CA, Cl. D, 4.20%, 9/15/21 ¹	1,850,000	1,890,132
Series 2015-DA, Cl. C, 3.38%, 11/15/21 ¹	1,049,334	1,056,140
Series 2016-CA, Cl. C, 3.02%, 11/15/21 ¹	395,000	398,077
Series 2016-CA, Cl. D, 4.18%, 3/15/24 ¹	430,000	441,763
Series 2017-1, Cl. B, 2.36%, 3/15/21	425,000	425,462
Series 2017-2, Cl. B, 2.25%, 6/15/21	275,000	275,173
Series 2017-2, Cl. C, 2.75%, 9/15/23	305,000	305,559
Series 2017-3, Cl. C, 2.80%, 7/15/22	315,000	315,279
Series 2017-AA, Cl. C, 2.98%, 1/18/22 ¹	355,000	357,500
Series 2017-AA, Cl. D, 4.16%, 5/15/24 ¹	565,000	579,500
Series 2017-BA, Cl. D, 3.72%, 10/17/22 ¹	610,000	618,398
DT Auto Owner Trust:		
Series 2014-2A, Cl. D, 3.68%, 4/15/21 ¹	1,492,185	1,497,054
Series 2014-3A, Cl. D, 4.47%, 11/15/21 ¹	2,135,000	2,161,273
Series 2015-1A, Cl. D, 4.26%, 2/15/22 ¹	3,020,000	3,059,351
Series 2015-2A, Cl. D, 4.25%, 2/15/22 ¹	915,000	930,584
Series 2015-3A, Cl. D, 4.53%, 10/17/22 ¹	2,530,000	2,586,712
Series 2016-1A, Cl. B, 2.79%, 5/15/20 ¹	17,160	17,165
Series 2016-4A, Cl. E, 6.49%, 9/15/23 ¹	200,000	205,749
Series 2017-1A, Cl. C, 2.70%, 11/15/22 ¹	180,000	179,599
Series 2017-1A, Cl. D, 3.55%, 11/15/22 ¹	440,000	440,022
Series 2017-1A, Cl. E, 5.79%, 2/15/24 ¹	415,000	421,767
Series 2017-2A, Cl. B, 2.44%, 2/15/21 ¹	280,000	280,520
Series 2017-2A, Cl. D, 3.89%, 1/15/23 ¹	495,000	498,660
Series 2017-3A, Cl. B, 2.40%, 5/17/21 ¹	460,000	458,759
Series 2017-3A, Cl. E, 5.60%, 8/15/24 ¹	380,000	385,718
Series 2017-4A, Cl. D, 3.47%, 7/17/23 ¹	560,000	558,862
Series 2017-4A, Cl. E, 5.15%, 11/15/24 ¹	390,000	390,318
Element Rail Leasing I LLC, Series 2014-1A, Cl. A1, 2.299%, 4/19/44 ¹		
	192,645	192,250
Evergreen Credit Card Trust, Series 2016-3, Cl. A, 1.977% [LIBOR01M+50], 11/16/20 ^{1,2}		
	1,210,000	1,214,102
Exeter Automobile Receivables Trust:		
Series 2013-2A, Cl. D, 6.81%, 8/17/20 ¹	740,704	747,212
Series 2014-2A, Cl. C, 3.26%, 12/16/19 ¹	115,518	115,952
Series 2017-3A, Cl. A, 2.05%, 12/15/21 ¹	382,497	381,980
First Investors Auto Owner Trust, Series 2013-3A, Cl. D, 3.67%, 5/15/20 ¹		
	890,000	891,644
Flagship Credit Auto Trust:		
Series 2013-2, Cl. D, 6.26%, 2/16/21 ¹	165,000	166,248
Series 2014-1, Cl. D, 4.83%, 6/15/20 ¹	70,000	71,364
Series 2016-1, Cl. C, 6.22%, 6/15/22 ¹	980,000	1,036,205
GM Financial Automobile Leasing Trust, Series 2017-3, Cl. C, 2.73%, 9/20/21		
	320,000	316,990
Navistar Financial Dealer Note Master Owner Trust II:		
Series 2016-1, Cl. D, 4.852%		
[LIBOR01M+330], 9/27/21 ^{1,2}	205,000	205,344
Series 2017-1, Cl. C, 3.102%		
[LIBOR01M+155], 6/27/22 ^{1,2}	160,000	160,980
Series 2017-1, Cl. D, 3.852%		
[LIBOR01M+230], 6/27/22 ^{1,2}	185,000	185,099
Nissan Auto Lease Trust, Series 2017-A, Cl. A3, 1.91%, 4/15/20		
	630,000	627,919
Santander Drive Auto Receivables Trust:		
Series 2013-4, Cl. E, 4.67%, 1/15/20 ¹	520,000	521,128
Series 2013-A, Cl. E, 4.71%, 1/15/21 ¹	405,000	407,859
Series 2014-1, Cl. E, 3.92%, 5/17/21	285,000	287,746
Series 2015-5, Cl. D, 3.65%, 12/15/21	915,000	929,222
Series 2016-2, Cl. D, 3.39%, 4/15/22	300,000	304,591
Series 2017-1, Cl. D, 3.17%, 4/17/23	440,000	442,503
Series 2017-1, Cl. E, 5.05%, 7/15/24 ¹	1,110,000	1,141,511

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Asset-Backed Securities (Continued)		
Santander Drive Auto Receivables Trust: (Continued)		
Series 2017-2, Cl. D, 3.49%, 7/17/23	\$ 190,000	\$ 192,038
Series 2017-3, Cl. D, 3.20%, 11/15/23	1,080,000	1,082,000
Santander Retail Auto Lease Trust, Series 2017-A, Cl. C, 2.96%, 11/21/22 ¹	505,000	504,914
TCF Auto Receivables Owner Trust, Series 2015-1A, Cl. D, 3.53%, 3/15/22 ¹	285,000	284,261
Verizon Owner Trust, Series 2017-3A, Cl. A1A, 2.06%, 4/20/22 ¹	500,000	498,056
Veros Automobile Receivables Trust, Series 2017-1, Cl. A, 2.84%, 4/17/23 ¹	384,022	383,371
Westlake Automobile Receivables Trust: Series 2016-1A, Cl. E, 6.52%, 6/15/22 ¹	520,000	534,157
Series 2017-2A, Cl. E, 4.63%, 7/15/24 ¹	685,000	686,645
World Financial Network Credit Card Master Trust: Series 2012-D, Cl. A, 2.15%, 4/17/23	420,000	419,733
Series 2016-B, Cl. A, 1.44%, 6/15/22	1,010,000	1,007,131
Series 2017-A, Cl. A, 2.12%, 3/15/24	1,125,000	1,120,889
Series 2017-B, Cl. A, 1.98%, 6/15/23	845,000	842,740
Series 2017-C, Cl. A, 2.31%, 8/15/24	1,130,000	1,125,824
Total Asset-Backed Securities (Cost \$64,561,552)		64,802,347

Mortgage-Backed Obligations—23.8%

Government Agency—13.3%

FHLMC/FNMA/FHLB/Sponsored—11.2%

Federal Home Loan Mortgage Corp. Gold Pool:

5.00%, 9/1/33	247,800	268,251
5.50%, 9/1/39	323,832	355,187
6.00%, 5/1/18-11/1/21	42,385	47,383
6.50%, 3/1/18-8/1/32	226,464	250,892
7.00%, 10/1/31-10/1/37	49,901	55,335
7.50%, 1/1/32	243,724	289,375

Federal Home Loan Mortgage Corp., Interest-Only Stripped Mtg.-Backed Security:

Series 192, Cl. IO, 96.966%, 2/1/28 ⁴	5,526	1,034
Series 205, Cl. IO, 46.898%, 9/1/29 ⁴	30,787	6,574
Series 243, Cl. 6, 1.584%, 12/15/32 ⁴	69,033	11,840

Federal Home Loan Mortgage Corp., Real Estate Mtg. Investment Conduit Multiclass

Pass-Through Certificates:

Series 1360, Cl. PZ, 7.50%, 9/15/22	217,645	234,771
Series 151, Cl. F, 9.00%, 5/15/21	2,123	2,224
Series 1674, Cl. Z, 6.75%, 2/15/24	107,208	115,509
Series 1897, Cl. K, 7.00%, 9/15/26	409,122	452,801
Series 2043, Cl. ZP, 6.50%, 4/15/28	162,740	182,090
Series 2106, Cl. FG, 1.927% [LIBOR01M+45], 12/15/28 ²	280,397	281,168
Series 2122, Cl. F, 1.927% [LIBOR01M+45], 2/15/29 ²	7,197	7,232
Series 2148, Cl. ZA, 6.00%, 4/15/29	157,281	173,172
Series 2195, Cl. LH, 6.50%, 10/15/29	115,193	128,022
Series 2326, Cl. ZP, 6.50%, 6/15/31	15,264	16,754
Series 2344, Cl. FP, 2.427% [LIBOR01M+95], 8/15/31 ²	73,203	75,230
Series 2368, Cl. PR, 6.50%, 10/15/31	51,150	57,484
Series 2412, Cl. GF, 2.427% [LIBOR01M+95], 2/15/32 ²	93,352	95,981
Series 2449, Cl. FL, 2.027% [LIBOR01M+55], 1/15/32 ²	79,483	80,633
Series 2451, Cl. FD, 2.477% [LIBOR01M+100], 3/15/32 ²	39,551	40,726
Series 2461, Cl. PZ, 6.50%, 6/15/32	188,429	208,330
Series 2464, Cl. FI, 2.477% [LIBOR01M+100], 2/15/32 ²	35,413	36,264
Series 2470, Cl. AF, 2.477% [LIBOR01M+100], 3/15/32 ²	67,860	69,875
Series 2470, Cl. LF, 2.477% [LIBOR01M+100], 2/15/32 ²	36,240	37,111
Series 2477, Cl. FZ, 2.027% [LIBOR01M+55], 6/15/31 ²	149,492	150,431

	Principal Amount	Value
FHLMC/FNMA/FHLB/Sponsored (Continued)		
Federal Home Loan Mortgage Corp., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates: (Continued)		
Series 2517, Cl. GF, 2.477% [LIBOR01M+100], 2/15/32 ²	\$ 31,509	\$ 32,266
Series 2635, Cl. AG, 3.50%, 5/15/32	48,856	49,668
Series 2668, Cl. AZ, 4.00%, 9/15/18	3,537	3,545
Series 2676, Cl. KY, 5.00%, 9/15/23	499,213	525,041
Series 2707, Cl. QE, 4.50%, 11/15/18	19,325	19,433
Series 2770, Cl. TW, 4.50%, 3/15/19	3,254	3,287
Series 3025, Cl. SJ, 19.334% [(3.667) x LIBOR01M+2.475], 8/15/35 ²	88,000	128,085
Series 3741, Cl. PA, 2.15%, 2/15/35	138,357	138,337
Series 3815, Cl. BD, 3.00%, 10/15/20	2,234	2,240
Series 3840, Cl. CA, 2.00%, 9/15/18	1,736	1,733
Series 3848, Cl. WL, 4.00%, 4/15/40	134,322	137,145
Series 3857, Cl. GL, 3.00%, 5/15/40	6,028	6,091
Series 3917, Cl. BA, 4.00%, 6/15/38	68,723	69,820
Series 4221, Cl. HJ, 1.50%, 7/15/23	184,210	181,531
Federal Home Loan Mortgage Corp., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates, Interest-Only Stripped Mtg.-Backed Security:		
Series 2074, Cl. S, 99.999%, 7/17/28 ⁴	8,055	1,063
Series 2079, Cl. S, 99.999%, 7/17/28 ⁴	14,214	1,895
Series 2136, Cl. SG, 36.282%, 3/15/29 ⁴	406,159	62,064
Series 2399, Cl. SG, 99.999%, 12/15/26 ⁴	221,321	31,552
Series 2437, Cl. SB, 45.696%, 4/15/32 ⁴	701,656	117,935
Series 2526, Cl. SE, 54.82%, 6/15/29 ⁴	14,507	2,536
Series 2682, Cl. TQ, 99.999%, 10/15/33 ⁴	145,821	25,038
Series 2795, Cl. SH, 87.378%, 3/15/24 ⁴	279,917	23,807
Series 2920, Cl. S, 43.922%, 1/15/35 ⁴	155,291	24,127
Series 2922, Cl. SE, 12.635%, 2/15/35 ⁴	27,194	4,492
Series 2981, Cl. AS, 7.464%, 5/15/35 ⁴	256,795	34,406
Series 2981, Cl. BS, 99.999%, 5/15/35 ⁴	310,686	46,259
Series 3397, Cl. GS, 0.00%, 12/15/37 ^{4,5}	100,536	16,242
Series 3424, Cl. EI, 0.00%, 4/15/38 ^{4,5}	36,898	3,358
Series 3450, Cl. BI, 16.463%, 5/15/38 ⁴	172,268	25,598
Series 3606, Cl. SN, 15.88%, 12/15/39 ⁴	53,242	8,086
Series 3659, Cl. IE, 0.00%, 3/15/19 ^{4,5}	49,932	891
Series 3685, Cl. EI, 0.00%, 3/15/19 ^{4,5}	7,697	73
Federal National Mortgage Assn.:		
2.50%, 1/1/33 ⁶	5,925,000	5,918,945
3.00%, 1/1/33 ⁶	20,785,000	21,177,382
3.50%, 1/1/48 ⁶	31,205,000	32,059,334
4.00%, 1/1/48 ⁶	21,250,000	22,235,535
4.50%, 1/1/48 ⁶	83,560,000	88,912,540
5.00%, 1/1/48 ⁶	3,320,000	3,569,519
Federal National Mortgage Assn. Pool:		
5.00%, 2/1/18-7/1/33	312,599	336,448
5.50%, 4/1/21-5/1/36	165,494	180,965
6.00%, 1/1/19	4	4
6.50%, 12/1/29-1/1/34	467,071	527,909
7.00%, 1/1/30-6/1/34	586,242	675,212
7.50%, 2/1/27-3/1/33	779,065	909,867
8.50%, 7/1/32	1,363	1,459
Federal National Mortgage Assn., Interest-Only Stripped Mtg.-Backed Security:		
Series 214, Cl. 2, 99.999%, 3/25/23 ⁴	78,270	10,150
Series 221, Cl. 2, 99.999%, 5/25/23 ⁴	9,297	1,331
Series 254, Cl. 2, 99.999%, 1/25/24 ⁴	161,637	24,447
Series 301, Cl. 2, 11.612%, 4/25/29 ⁴	31,790	6,932
Series 313, Cl. 2, 99.999%, 6/25/31 ⁴	315,833	68,561
Series 319, Cl. 2, 0.519%, 2/25/32 ⁴	152,980	34,605
Series 321, Cl. 2, 15.295%, 4/25/32 ⁴	45,186	10,725
Series 324, Cl. 2, 0.00%, 7/25/32 ^{4,5}	47,199	10,775
Series 328, Cl. 2, 0.00%, 12/25/32 ^{4,5}	91,217	20,908
Series 331, Cl. 5, 2.642%, 2/25/33 ⁴	177,148	32,959
Series 332, Cl. 2, 0.00%, 3/25/33 ^{4,5}	736,986	170,611
Series 334, Cl. 12, 0.00%, 3/25/33 ^{4,5}	141,808	30,881
Series 339, Cl. 15, 2.544%, 10/25/33 ⁴	421,437	96,769
Series 345, Cl. 9, 0.00%, 1/25/34 ^{4,5}	131,512	27,328

	Principal Amount	Value
FHLMC/FNMA/FHLB/Sponsored (Continued)		
Federal National Mortgage Assn., Interest-Only Stripped Mtg.-Backed Security: (Continued)		
Series 351, Cl. 10, 0.00%, 4/25/34 ^{4,5}	\$ 80,070	\$ 17,353
Series 351, Cl. 8, 0.00%, 4/25/34 ^{4,5}	144,978	28,867
Series 356, Cl. 10, 0.00%, 6/25/35 ^{4,5}	102,859	21,225
Series 356, Cl. 12, 0.00%, 2/25/35 ^{4,5}	50,628	11,070
Series 362, Cl. 13, 0.00%, 8/25/35 ^{4,5}	67,925	15,064
Federal National Mortgage Assn., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates:		
Series 1999-54, Cl. LH, 6.50%, 11/25/29	99,135	109,689
Series 2001-80, Cl. ZB, 6.00%, 1/25/32	84,872	94,370
Series 2002-29, Cl. F, 2.552% [LIBOR01M+100], 4/25/32 ²	40,083	41,078
Series 2002-64, Cl. FJ, 2.552% [LIBOR01M+100], 4/25/32 ²	12,343	12,649
Series 2002-68, Cl. FH, 1.991% [LIBOR01M+50], 10/18/32 ²	27,852	27,984
Series 2002-84, Cl. FB, 2.552% [LIBOR01M+100], 12/25/32 ²	174,250	178,377
Series 2002-90, Cl. FH, 2.052% [LIBOR01M+50], 9/25/32 ²	97,493	97,896
Series 2003-100, Cl. PA, 5.00%, 10/25/18	18,476	18,556
Series 2003-11, Cl. FA, 2.552% [LIBOR01M+100], 9/25/32 ²	174,254	178,381
Series 2003-112, Cl. AN, 4.00%, 11/25/18	7,846	7,884
Series 2003-116, Cl. FA, 1.952% [LIBOR01M+40], 11/25/33 ²	18,458	18,479
Series 2003-84, Cl. GE, 4.50%, 9/25/18	2,876	2,890
Series 2004-25, Cl. PC, 5.50%, 1/25/34	15,297	15,496
Series 2005-109, Cl. AH, 5.50%, 12/25/25	670,552	707,576
Series 2005-31, Cl. PB, 5.50%, 4/25/35	560,000	619,756
Series 2005-71, Cl. DB, 4.50%, 8/25/25	98,399	101,723
Series 2006-11, Cl. PS, 18.876% [(3.667) x LIBOR01M+2,456.67], 3/25/36 ²	84,757	132,352
Series 2006-46, Cl. SW, 18.508% [(3.667) x LIBOR01M+2,419.92], 6/25/36 ²	126,953	189,151
Series 2008-75, Cl. DB, 4.50%, 9/25/23	12,841	12,909
Series 2009-113, Cl. DB, 3.00%, 12/25/20	38,593	38,724
Series 2009-36, Cl. FA, 2.492% [LIBOR01M+94], 6/25/37 ²	25,017	25,576
Series 2009-70, Cl. TL, 4.00%, 8/25/19	29,559	29,623
Series 2010-43, Cl. KG, 3.00%, 1/25/21	29,055	29,188
Series 2011-122, Cl. EC, 1.50%, 1/25/20	25,953	25,816
Series 2011-15, Cl. DA, 4.00%, 3/25/41	65,625	66,832
Series 2011-3, Cl. EL, 3.00%, 5/25/20	65,736	65,879
Series 2011-3, Cl. KA, 5.00%, 4/25/40	155,373	164,442
Series 2011-38, Cl. AH, 2.75%, 5/25/20	1,707	1,707
Series 2011-6, Cl. BA, 2.75%, 6/25/20	29,995	30,172
Series 2011-82, Cl. AD, 4.00%, 8/25/26	64,917	65,469
Series 2012-20, Cl. FD, 1.952% [LIBOR01M+40], 3/25/42 ²	211,918	212,107
Federal National Mortgage Assn., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates, Interest-Only Stripped Mtg.-Backed Security:		
Series 2001-61, Cl. SH, 35.823%, 11/18/31 ⁴	45,412	8,751
Series 2001-63, Cl. SD, 58.797%, 12/18/31 ⁴	11,763	2,086
Series 2001-68, Cl. SC, 41.415%, 11/25/31 ⁴	8,307	1,468
Series 2001-81, Cl. S, 46.829%, 1/25/32 ⁴	9,382	1,754
Series 2002-28, Cl. SA, 26.322%, 4/25/32 ⁴	6,871	1,280
Series 2002-38, Cl. SO, 57.135%, 4/25/32 ⁴	47,035	8,281

	Principal Amount	Value
FHLMC/FNMA/FHLB/Sponsored (Continued)		
Federal National Mortgage Assn., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates, Interest-Only Stripped Mtg.-Backed Security: (Continued)		
Series 2002-48, Cl. S, 45.949%, 7/25/32 ⁴	\$ 10,710	\$ 2,097
Series 2002-52, Cl. SL, 35.38%, 9/25/32 ⁴	6,904	1,332
Series 2002-56, Cl. SN, 46.964%, 7/25/32 ⁴	14,716	2,882
Series 2002-77, Cl. IS, 55.311%, 12/18/32 ⁴	80,134	16,962
Series 2002-77, Cl. SH, 41.331%, 12/18/32 ⁴	14,032	2,685
Series 2002-9, Cl. MS, 35.608%, 3/25/32 ⁴	12,786	2,359
Series 2003-13, Cl. IO, 39.96%, 3/25/33 ⁴	141,439	34,094
Series 2003-26, Cl. DI, 36.238%, 4/25/33 ⁴	107,068	24,740
Series 2003-33, Cl. SP, 31.148%, 5/25/33 ⁴	77,735	17,223
Series 2003-4, Cl. S, 20.378%, 2/25/33 ⁴	21,920	4,757
Series 2004-56, Cl. SE, 2.324%, 10/25/33 ⁴	364,722	71,974
Series 2005-12, Cl. SC, 33.82%, 3/25/35 ⁴	12,777	1,807
Series 2005-14, Cl. SE, 52.435%, 3/25/35 ⁴	451,576	62,708
Series 2005-40, Cl. SA, 54.139%, 5/25/35 ⁴	398,521	54,878
Series 2005-40, Cl. SB, 99.999%, 5/25/35 ⁴	637,485	77,827
Series 2005-52, Cl. JH, 35.919%, 5/25/35 ⁴	239,270	34,235
Series 2005-63, Cl. SA, 34.807%, 10/25/31 ⁴	21,639	3,434
Series 2006-90, Cl. SX, 99.999%, 9/25/36 ⁴	434,354	68,021
Series 2007-88, Cl. XI, 0.00%, 6/25/37 ^{4,5}	423,314	67,988
Series 2008-55, Cl. SA, 0.00%, 7/25/38 ^{4,5}	28,301	2,701
Series 2009-8, Cl. BS, 0.00%, 2/25/24 ^{4,5}	2,384	97
Series 2010-95, Cl. DI, 16.084%, 11/25/20 ⁴	99,508	2,721
Series 2011-96, Cl. SA, 5.451%, 10/25/41 ⁴	183,851	27,815
Series 2012-134, Cl. SA, 5.157%, 12/25/42 ⁴	559,799	110,864
Series 2012-40, Cl. PI, 6.568%, 4/25/41 ⁴	935,712	139,627
		186,787,182

GNMA/Guaranteed—2.1%

Government National Mortgage Assn. I Pool:		
7.00%, 4/15/28-7/15/28	51,075	55,566
8.00%, 5/15/26	8,594	8,639
Government National Mortgage Assn. II Pool:		
2.25% [H15T1Y+150], 11/20/25 ²	2,345	2,420
3.50%, 1/1/48 ⁶	11,310,000	11,701,079
4.00%, 1/1/48 ⁶	23,015,000	24,006,443

Government National Mortgage Assn., Interest-Only Stripped Mtg.-Backed Security:

Series 2007-17, Cl. AI, 44.476%, 4/16/37 ⁴	221,957	37,423
Series 2011-52, Cl. HS, 23.213%, 4/16/41 ⁴	372,220	51,988
		35,863,558

Non-Agency—10.5%

Commercial—3.9%

BCAP LLC Trust:		
Series 2011-R11, Cl. 18A5, 3.41% [H15T1Y+210], 9/26/35 ^{1,2}	68,674	68,997
Series 2012-RR6, Cl. RR6, 2.054%, 11/26/36 ¹	98,148	97,595

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Commercial (Continued)		
CD Commercial Mortgage Trust: Series 2016-CD2, Cl. AM, 3.668%, 11/10/49 ⁷	\$ 365,000	\$ 374,085
Series 2017-CD3, Cl. AS, 3.833%, 2/10/50	530,000	547,932
CD Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2017- CD6, Cl. XA, 12.227%, 11/13/50 ⁴	2,328,401	155,694
Chase Mortgage Finance Trust, Series 2005- A2, Cl. 1A3, 3.448%, 1/25/36 ⁷	14,124	13,798
Citigroup Commercial Mortgage Trust: Series 2012-GC8, Cl. AAB, 2.608%, 9/10/45	309,169	310,955
Series 2014-GC21, Cl. AAB, 3.477%, 5/10/47	270,000	278,565
Citigroup Commercial Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2017-C4, Cl. XA, 0.00%, 10/12/50 ^{4,5}	6,159,919	487,693
COMM Mortgage Trust: Series 2012-CR3, Cl. ASB, 2.372%, 10/15/45	59,056	58,934
Series 2012-LC4, Cl. A3, 3.069%, 12/10/44	123,296	124,061
Series 2013-CR13, Cl. ASB, 3.706%, 11/12/46	510,000	529,109
Series 2013-CR6, Cl. AM, 3.147%, 3/10/46 ¹	960,000	965,976
Series 2013-CR7, Cl. D, 4.28%, 3/10/46 ^{1,7}	3,270,000	2,609,265
Series 2014-CR20, Cl. ASB, 3.305%, 11/10/47	180,000	184,919
Series 2014-CR21, Cl. AM, 3.987%, 12/10/47	25,000	26,168
Series 2014-LC15, Cl. AM, 4.198%, 4/10/47	455,000	480,304
Series 2014-UBS6, Cl. AM, 4.048%, 12/10/47	1,600,000	1,672,193
Series 2015-CR22, Cl. A2, 2.856%, 3/10/48	305,000	308,126
Series 2015-CR23, Cl. AM, 3.801%, 5/10/48	1,100,000	1,134,043
COMM Mortgage Trust, Interest-Only Stripped Mtg.-Backed Security, Series 2012-CR5, Cl. XA, 0.00%, 12/10/45 ^{4,5}	2,663,620	164,718
Deutsche Alt-B Securities, Inc. Mortgage Loan Trust, Series 2006-AB2, Cl. A1, 5.513%, 6/25/36 ⁷	53,509	49,029
Deutsche Bank Commercial Mortgage Trust, Series 2016-C1, Cl. AM, 3.539%, 5/10/49	600,000	605,833
Deutsche Mortgage Securities, Inc., Series 2013-RS1, Cl. 1A2, 1.721% [US0001M+22], 7/22/36 ^{1,2}	5,060,144	4,810,852
Federal National Mortgage Assn., Stripped Mtg.-Backed Security, Series 302, Cl. 2, 6.00%, 5/1/29	3	1
FREMF Mortgage Trust: Series 2011-K702, Cl. B, 4.774%, 4/25/44 ^{1,7}	145,000	145,042
Series 2012-K20, Cl. C, 3.87%, 5/25/45 ^{1,7}	4,165,000	4,170,815
Series 2013-K25, Cl. C, 3.619%, 11/25/45 ^{1,7}	135,000	133,113
Series 2013-K26, Cl. C, 3.598%, 12/25/45 ^{1,7}	95,000	93,753
Series 2013-K27, Cl. C, 3.495%, 1/25/46 ^{1,7}	1,460,000	1,433,198
Series 2013-K28, Cl. C, 3.49%, 6/25/46 ^{1,7}	2,330,000	2,285,514

	Principal Amount	Value
Commercial (Continued)		
FREMF Mortgage Trust: (Continued) Series 2013-K29, Cl. C, 3.481%, 5/25/46 ^{1,7}	\$ 2,300,000	\$ 2,254,834
Series 2013-K712, Cl. C, 3.362%, 5/25/45 ^{1,7}	265,000	265,496
Series 2013-K713, Cl. C, 3.165%, 4/25/46 ^{1,7}	535,000	533,318
Series 2014-K41, Cl. B, 3.832%, 11/25/47 ^{1,7}	2,365,000	2,421,946
Series 2014-K714, Cl. C, 3.849%, 1/25/47 ^{1,7}	400,000	401,212
Series 2015-K44, Cl. B, 3.684%, 1/25/48 ^{1,7}	2,310,000	2,344,019
Series 2015-K45, Cl. B, 3.591%, 4/25/48 ^{1,7}	4,646,000	4,650,453
Series 2015-K721, Cl. B, 3.565%, 11/25/47 ^{1,7}	1,380,000	1,397,180
Series 2017-K62, Cl. B, 3.875%, 1/25/50 ^{1,7}	2,050,000	2,073,227
Series 2017-K724, Cl. B, 3.487%, 11/25/23 ^{1,7}	1,535,000	1,533,905
GS Mortgage Securities Corp. Trust, Series 2012-SHOP, Cl. A, 2.933%, 6/5/31 ¹	395,000	398,478
GS Mortgage Securities Trust: Series 2013-GC12, Cl. AAB, 2.678%, 6/10/46	95,000	95,310
Series 2013-GC16, Cl. AS, 4.649%, 11/10/46	160,000	171,889
Series 2014-GC18, Cl. AAB, 3.648%, 1/10/47	235,000	243,322
JP Morgan Chase Commercial Mortgage Securities Trust: Series 2012-LC9, Cl. A4, 2.611%, 12/15/47	60,000	59,863
Series 2013-C10, Cl. AS, 3.372%, 12/15/47	855,000	863,336
Series 2013-C16, Cl. AS, 4.517%, 12/15/46	820,000	877,006
Series 2013-LC11, Cl. AS, 3.216%, 4/15/46	110,000	110,787
Series 2013-LC11, Cl. ASB, 2.554%, 4/15/46	140,000	140,197
Series 2014-C20, Cl. AS, 4.043%, 7/15/47	630,000	657,773
Series 2016-JP3, Cl. A2, 2.435%, 8/15/49	600,000	596,043
JP Morgan Mortgage Trust, Series 2007-A1, Cl. 5A1, 3.629%, 7/25/35 ⁷	62,096	63,784
JP Morgan Resecuritization Trust, Series 2009- 5, Cl. 1A2, 3.387%, 7/26/36 ^{1,7}	2,959,943	2,838,868
JPMBB Commercial Mortgage Securities Trust: Series 2013-C17, Cl. ASB, 3.705%, 1/15/47	200,000	207,455
Series 2014-C18, Cl. A3, 3.578%, 2/15/47	295,000	301,461
Series 2014-C19, Cl. ASB, 3.584%, 4/15/47	110,000	113,559
Series 2014-C24, Cl. B, 4.116%, 11/15/47 ⁷	680,000	697,203
Series 2014-C25, Cl. AS, 4.065%, 11/15/47	1,720,000	1,801,074
Series 2014-C26, Cl. AS, 3.80%, 1/15/48	1,515,000	1,561,797
JPMDB Commercial Mortgage Securities Trust, Series 2016-C4, Cl. AS, 3.385%, 12/15/49	610,000	608,566
Morgan Stanley Bank of America Merrill Lynch Trust: Series 2013-C7, Cl. AAB, 2.469%, 2/15/46	285,000	285,484
Series 2013-C9, Cl. AS, 3.456%, 5/15/46	570,000	576,830
Series 2014-C14, Cl. B, 4.633%, 2/15/47 ⁷	240,000	254,556

	Principal Amount	Value
Commercial (Continued)		
Morgan Stanley Bank of America Merrill Lynch Trust: (Continued)		
Series 2016-C30, Cl. A5, 3.175%, 9/15/49	\$ 1,020,000	\$ 995,923
Morgan Stanley Capital I, Inc., Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2017-HR2, Cl. XA, 10.107%, 12/15/50 ⁴	2,025,000	125,058
Morgan Stanley Re-Remic Trust, Series 2012- R3, Cl. 1A, 2.968%, 11/26/36 ^{1,7}	10,444	10,429
Morgan Stanley Resecuritization Trust, Series 2013-R9, Cl. 3A, 3.149%, 6/26/46 ^{1,7}	102,480	102,635
Structured Adjustable Rate Mortgage Loan Trust, Series 2004-10, Cl. 2A, 3.399%, 8/25/34 ⁷	2,623,703	2,639,570
UBS Commercial Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2017-C5, Cl. XA, 11.683%, 11/15/50 ⁴	3,837,922	277,607
UBS-Barclays Commercial Mortgage Trust, Series 2012-C2, Cl. E, 4.894%, 5/10/63 ^{1,7}	930,000	784,065
Wells Fargo Commercial Mortgage Trust: Series 2015-C29, Cl. A5, 4.013%, 6/15/48 ⁷	780,000	812,780
Series 2016-C37, Cl. A5, 4.018%, 12/15/49	910,000	956,486
Wells Fargo Commercial Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2017-C42, Cl. XA, 0.00%, 12/15/50 ^{4,5}	2,810,000	202,563
WF-RBS Commercial Mortgage Trust: Series 2012-C7, Cl. E, 4.825%, 6/15/45 ^{1,7}	180,000	147,193
Series 2013-C14, Cl. A5, 3.488%, 6/15/46	640,000	651,869
Series 2014-C20, Cl. A5, 4.176%, 5/15/47	490,000	511,046
Series 2014-C22, Cl. A3, 3.528%, 9/15/57	120,000	123,382
Series 2014-LC14, Cl. A5, 4.351%, 3/15/47 ⁷	395,000	416,981
WF-RBS Commercial Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2011-C3, Cl. XA, 32.923%, 3/15/44 ^{1,4}	3,747,677	115,837
		64,593,935
Residential—6.6%		
Banc of America Funding Trust, Series 2014- R7, Cl. 3A1, 3.544%, 3/26/36 ^{1,7,9}	51,600	51,559
Bear Stearns ARM Trust:		
Series 2005-2, Cl. A1, 3.26% [H15T1Y+245], 3/25/35 ²	91,067	92,267
Series 2006-1, Cl. A1, 3.67% [H15T1Y+225], 2/25/36 ²	51,946	52,176
CHL Mortgage Pass-Through Trust:		
Series 2005-17, Cl. 1A8, 5.50%, 9/25/35	604,291	603,006
Series 2005-J4, Cl. A7, 5.50%, 11/25/35	557,859	560,043
Citigroup Mortgage Loan Trust, Inc.:		
Series 2005-2, Cl. 1A3, 3.489%, 5/25/35 ⁷	741,022	745,907
Series 2006-AR1, Cl. 1A1, 3.21% [H15T1Y+240], 10/25/35 ²	217,594	219,170
Series 2009-8, Cl. 7A2, 3.544%, 3/25/36 ^{1,7}	9,549,770	9,538,684
Series 2012-8, Cl. 1A1, 3.51%, 10/25/35 ^{1,7}	106,200	106,738
Series 2014-8, Cl. 1A2, 1.791% [US0001M+29], 7/20/36 ^{1,2}	3,400,000	3,173,031
Connecticut Avenue Securities:		
Series 2014-C02, Cl. 1M1, 2.502% [US0001M+95], 5/25/24 ²	341,296	342,523

	Principal Amount	Value
Residential (Continued)		
Connecticut Avenue Securities: (Continued)		
Series 2014-C03, Cl. 1M2, 4.552% [US0001M+300], 7/25/24 ²	\$ 937,242	\$ 1,002,357
Series 2015-C03, Cl. 1M2, 6.552% [US0001M+500], 7/25/25 ²	1,254,857	1,416,947
Series 2016-C03, Cl. 1M1, 3.552% [US0001M+200], 10/25/28 ²	69,890	71,015
Series 2016-C06, Cl. 1M2, 5.802% [US0001M+425], 4/25/29 ²	4,295,000	4,890,820
Series 2016-C07, Cl. 2M1, 2.852% [US0001M+130], 5/25/29 ²	512,845	516,122
Series 2016-C07, Cl. 2M2, 5.902% [US0001M+435], 5/25/29 ²	4,705,000	5,221,424
Series 2017-C01, Cl. 1M2, 5.102% [US0001M+355], 7/25/29 ²	4,140,000	4,503,698
Series 2017-C02, Cl. 2M1, 2.702% [US0001M+115], 9/25/29 ²	873,234	881,293
Series 2017-C02, Cl. 2M2, 5.202% [US0001M+365], 9/25/29 ²	2,280,000	2,469,593
Series 2017-C03, Cl. 1M1, 2.502% [US0001M+95], 10/25/29 ²	837,685	844,485
Series 2017-C04, Cl. 2M2, 4.402% [US0001M+285], 11/25/29 ²	4,190,000	4,360,641
Series 2017-C06, Cl. 1M1, 2.302% [US0001M+75], 2/25/30 ²	333,950	335,150
Series 2017-C07, Cl. 1M1, 2.202% [US0001M+65], 5/25/30 ²	596,454	597,495
Series 2017-C07, Cl. 1M2, 3.952% [US0001M+240], 5/25/30 ²	580,000	595,882
CWHEQ Revolving Home Equity Loan Trust:		
Series 2005-G, Cl. 2A, 1.707% [US0001M+23], 12/15/35 ²	32,174	29,147
Series 2006-H, Cl. 2A1A, 1.627% [US0001M+15], 11/15/36 ²	23,132	17,468
GSR Mortgage Loan Trust, Series 2005-AR4, Cl. 6A1, 3.522%, 7/25/35 ⁷	15,060	15,171
Home Equity Mortgage Trust, Series 2005-1, Cl. M6, 5.863%, 6/25/35 ⁷	105,749	106,953
HomeBanc Mortgage Trust, Series 2005-3, Cl. A2, 1.862% [US0001M+31], 7/25/35 ²	21,654	21,647
MASTR Asset Backed Securities Trust, Series		
2006-WMC3, Cl. A3, 1.652% [US0001M+10], 8/25/36 ²	886,635	479,646
RALI Trust:		
Series 2005-QA4, Cl. A32, 3.874%, 4/25/35 ⁷	2,289	19
Series 2006-QS13, Cl. 1A8, 6.00%, 9/25/36	14,187	12,669
Residential Asset Securitization Trust, Series		
2005-A6CB, Cl. A7, 6.00%, 6/25/35	1,980,504	1,869,471
Structured Agency Credit Risk Debt Nts.:		
Series 2013-DN2, Cl. M2, 5.802% [US0001M+425], 11/25/23 ²	990,000	1,102,201
Series 2014-DN1, Cl. M3, 6.052% [US0001M+450], 2/25/24 ²	815,000	952,795
Series 2014-DN2, Cl. M3, 5.152% [US0001M+360], 4/25/24 ²	840,000	937,810
Series 2014-DN4, Cl. M3, 6.102% [US0001M+455], 10/25/24 ²	4,406,992	4,866,973
Series 2014-HQ2, Cl. M2, 3.752% [US0001M+220], 9/25/24 ²	238,498	246,138
Series 2014-HQ2, Cl. M3, 5.302% [US0001M+375], 9/25/24 ²	6,345,000	7,258,189
Series 2015-HQA2, Cl. M2, 4.352% [US0001M+280], 5/25/28 ²	407,156	421,089
Series 2016-DNA1, Cl. M2, 4.452% [US0001M+290], 7/25/28 ²	405,000	417,435
Series 2016-DNA2, Cl. M3, 6.202% [US0001M+465], 10/25/28 ²	3,674,000	4,222,988

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Residential (Continued)		
Structured Agency Credit Risk Debt Nts.: (Continued)		
Series 2016-DNA3, Cl. M1, 2.652% [US0001M+110], 12/25/28 ²	\$ 253,560	\$ 253,948
Series 2016-DNA3, Cl. M3, 6.552% [US0001M+500], 12/25/28 ²	3,845,000	4,483,262
Series 2016-DNA4, Cl. M1, 2.352% [US0001M+80], 3/25/29 ²	260,232	260,762
Series 2016-DNA4, Cl. M3, 5.352% [US0001M+380], 3/25/29 ²	5,570,000	6,224,024
Series 2016-HQA2, Cl. M1, 2.752% [US0001M+120], 11/25/28 ²	103,269	103,387
Series 2016-HQA3, Cl. M1, 2.352% [US0001M+80], 3/25/29 ²	1,094,349	1,096,378
Series 2016-HQA3, Cl. M3, 5.402% [US0001M+385], 3/25/29 ²	5,500,000	6,132,497
Series 2016-HQA4, Cl. M1, 2.352% [US0001M+80], 4/25/29 ²	722,810	724,278
Series 2016-HQA4, Cl. M3, 5.452% [US0001M+390], 4/25/29 ²	4,580,000	5,100,546
Series 2017-DNA1, Cl. M2, 4.802% [US0001M+325], 7/25/29 ²	4,400,000	4,720,917
Series 2017-DNA2, Cl. M2, 5.002% [US0001M+345], 10/25/29 ²	410,000	446,552
Series 2017-DNA3, Cl. M2, 4.052% [US0001M+250], 3/25/30 ²	420,000	435,521
Series 2017-HQA1, Cl. M1, 2.752% [US0001M+120], 8/25/29 ²	899,160	908,926
Series 2017-HQA1, Cl. M2, 5.102% [US0001M+355], 8/25/29 ²	4,870,000	5,262,155
Series 2017-HQA3, Cl. M1, 2.102% [US0001M+55], 4/25/30 ²	589,995	590,087
Series 2017-HQA3, Cl. M2, 3.902% [US0001M+235], 4/25/30 ²	995,000	1,019,749
WaMu Mortgage Pass-Through Certificates Trust:		
Series 2003-AR10, Cl. A7, 3.453%, 10/25/33 ⁷	70,144	71,065
Series 2005-AR16, Cl. 1A1, 3.363%, 12/25/35 ⁷	9,643	9,437
Wells Fargo Mortgage-Backed Securities Trust:		
Series 2005-AR1, Cl. 1A1, 3.252%, 2/25/35 ⁷	1,029,281	1,052,258
Series 2005-AR15, Cl. 1A2, 3.561%, 9/25/35 ⁷	159,718	155,211
Series 2005-AR15, Cl. 1A6, 3.561%, 9/25/35 ⁷	1,933,503	1,865,377
Series 2005-AR4, Cl. 2A2, 3.422%, 4/25/35 ⁷	9,165	9,224
Series 2006-AR10, Cl. 1A1, 3.354%, 7/25/36 ⁷	183,079	178,835
Series 2006-AR10, Cl. 5A5, 3.387%, 7/25/36 ⁷	335,107	338,824
Series 2006-AR2, Cl. 2A3, 3.544%, 3/25/36 ⁷	1,619,982	1,637,185
Series 2006-AR7, Cl. 2A4, 3.336%, 5/25/36 ⁷	870,724	864,477
Series 2006-AR8, Cl. 2A1, 3.568%, 4/25/36 ⁷	647,205	655,904
		110,770,621
Total Mortgage-Backed Obligations (Cost \$388,066,469)		398,015,296

Foreign Government Obligations—8.4%

Angola—0.0%

Republic of Angola, 9.50% Sr. Unsec. Nts., 11/12/25 ¹	755,000	872,962
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Argentina—0.4%

Argentine Republic:		
5.375% Sr. Unsec. Nts., 1/20/23 ¹	EUR 450,000	574,278
6.50% Sr. Unsec. Nts., 2/15/23 ¹	595,000	640,696

	Principal Amount	Value
Argentina (Continued)		
Argentine Republic: (Continued)		
6.875% Sr. Unsec. Nts., 1/26/27	\$ 1,650,000	\$ 1,805,100
7.50% Sr. Unsec. Nts., 4/22/26	645,000	731,204
7.875% Sr. Unsec. Nts., 6/15/27 ¹	915,000	1,017,773
9.125% Sr. Unsec. Nts., 3/16/24 ¹	485,000	568,662
16.00% Bonds, 10/17/23	ARS 9,285,000	499,133
18.20% Unsec. Nts., 10/3/21	ARS 9,285,000	510,737
		6,347,583

Bahamas—0.0%

Commonwealth of the Bahamas, 6.00% Sr. Unsec. Nts., 11/21/28 ¹	505,000	527,725
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Belarus—0.0%

Republic of Belarus, 6.875% Sr. Unsec. Nts., 2/28/23 ¹	540,000	582,925
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Brazil—0.7%

Federative Republic of Brazil:		
4.625% Sr. Unsec. Nts., 1/13/28	1,335,000	1,342,676
10.00% Unsec. Nts., 1/1/19	BRL 26,900,000	8,345,330
17.546% Unsec. Nts., 5/15/55 ¹³	BRL 1,735,000	1,731,761
		11,419,767

Chile—0.3%

Republic of Chile, 4.50% Bonds, 3/1/21	CLP 2,568,500,000	4,276,604
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Colombia—0.3%

Republic of Colombia:		
4.00% Sr. Unsec. Nts., 2/26/24	485,000	503,551
6.125% Sr. Unsec. Nts., 1/18/41	1,915,000	2,317,150
Series B, 10.00% Bonds, 7/24/24	COP 5,146,000,000	2,083,228
		4,903,929

Croatia—0.1%

Republic of Croatia, 3.875% Sr. Unsec. Nts., 5/30/22	EUR 1,430,000	1,922,730
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Dominican Republic—0.2%

Dominican Republic:		
5.95% Sr. Unsec. Nts., 1/25/27 ¹	2,130,000	2,305,725
6.85% Sr. Unsec. Nts., 1/27/45 ¹	1,055,000	1,189,523
		3,495,248

Ecuador—0.1%

Republic of Ecuador:		
9.65% Sr. Unsec. Nts., 12/13/26 ¹	325,000	374,156
10.75% Sr. Unsec. Nts., 3/28/22 ¹	744,000	871,410
		1,245,566

Egypt—0.2%

Arab Republic of Egypt:		
6.125% Sr. Unsec. Nts., 1/31/22 ¹	1,065,000	1,116,306
8.50% Sr. Unsec. Nts., 1/31/47 ¹	1,600,000	1,841,136
		2,957,442

Gabon—0.1%

Gabonese Republic, 6.375% Bonds, 12/12/24 ¹	965,000	982,414
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Honduras—0.1%

Republic of Honduras:		
6.25% Sr. Unsec. Nts., 1/19/27 ¹	540,000	578,934
8.75% Sr. Unsec. Nts., 12/16/20 ¹	455,000	511,511
		1,090,445

Hungary—0.2%

Hungary:		
5.75% Sr. Unsec. Nts., 11/22/23	1,150,000	1,317,409
Series 25/B, 5.50% Bonds, 6/24/25	HUF 439,000,000	2,144,419
		3,461,828

India—0.3%

Republic of India, 8.20% Sr. Unsec. Nts., 9/24/25	INR 270,600,000	4,408,926
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	Principal Amount		Value
Indonesia—0.9%			
Perusahaan Penerbit SBSN Indonesia III:			
4.35% Sr. Unsec. Nts., 9/10/24 ¹	\$	575,000	\$ 608,724
4.55% Sr. Unsec. Nts., 3/29/26 ¹		965,000	1,021,491
Republic of Indonesia:			
3.375% Sr. Unsec. Nts., 7/30/25 ¹	EUR	440,000	597,538
3.75% Sr. Unsec. Nts., 6/14/28 ¹	EUR	485,000	672,245
3.85% Sr. Unsec. Nts., 7/18/27 ¹		1,075,000	1,104,611
4.125% Sr. Unsec. Nts., 1/15/25 ¹		540,000	561,962
Series FR53, 8.25% Sr. Unsec. Nts., 7/15/21	IDR	33,505,000,000	2,661,402
Series FR56, 8.375% Sr. Unsec. Nts., 9/15/26	IDR	69,095,000,000	5,770,770
Series FR74, 7.50% Sr. Unsec. Nts., 8/15/32	IDR	20,480,000,000	1,600,488
			14,599,231
Iraq—0.1%			
Republic of Iraq:			
5.80% Unsec. Nts., 1/15/28 ¹		540,000	522,481
6.752% Sr. Unsec. Nts., 3/9/23 ¹		1,075,000	1,101,918
			1,624,399
Ivory Coast—0.2%			
Republic of Cote d'Ivoire:			
5.125% Sr. Unsec. Nts., 6/15/25 ¹	EUR	1,105,000	1,450,564
5.75% Sr. Unsec. Nts., 12/31/32 ²		727,610	725,419
6.125% Sr. Unsec. Nts., 6/15/33 ¹		1,290,000	1,319,622
			3,495,605
Jamaica—0.1%			
Commonwealth of Jamaica:			
7.875% Sr. Unsec. Nts., 7/28/45		1,075,000	1,311,500
8.00% Sr. Unsec. Nts., 3/15/39		430,000	528,668
			1,840,168
Kazakhstan—0.1%			
Republic of Kazakhstan, 4.875% Sr. Unsec. Nts., 10/14/44 ¹			
		1,035,000	1,116,103
Malaysia—0.2%			
Malaysia, 5.734% Sr. Unsec. Nts., 7/30/19	MYR	13,203,000	3,397,879
Mexico—0.1%			
United Mexican States, Series M, 5.75% Bonds, 3/5/26			
	MXN	54,445,000	2,450,433
Mongolia—0.1%			
Mongolia, 5.625% Sr. Unsec. Nts., 5/1/23 ¹			
		1,480,000	1,496,924
Nigeria—0.1%			
Federal Republic of Nigeria, 7.625% Sr. Unsec. Nts., 11/28/47 ¹			
		1,075,000	1,156,414
Peru—0.2%			
Republic of Peru:			
5.70% Unsec. Nts., 8/12/24 ¹	PEN	5,345,000	1,780,314
6.15% Sr. Unsec. Nts., 8/12/32 ¹	PEN	4,370,000	1,440,383
			3,220,697
Poland—0.3%			
Republic of Poland:			
Series 0422, 2.25% Bonds, 4/25/22	PLN	13,800,000	3,932,953
Series 0727, 2.50% Bonds, 7/25/27	PLN	6,650,000	1,788,933
			5,721,886
Romania—0.3%			
Romania:			
2.375% Sr. Unsec. Nts., 4/19/27 ¹	EUR	1,075,000	1,328,858
3.875% Sr. Unsec. Nts., 10/29/35 ¹	EUR	345,000	456,621
Series 10YR, 5.95% Bonds, 6/11/21	RON	9,460,000	2,623,151
			4,408,630

	Principal Amount			Value
Russia—0.5%				
Russian Federation:				
Series 6209, 7.60% Bonds, 7/20/22	RUB	169,585,000	\$	3,028,251
Series 6211, 7.00% Bonds, 1/25/23	RUB	96,250,000		1,670,950
Series 6217, 7.50% Bonds, 8/18/21	RUB	225,230,000		3,980,816
				8,680,017
Senegal—0.1%				
Republic of Senegal:				
6.25% Sr. Unsec. Nts., 7/30/24 ¹		540,000		584,747
6.25% Unsec. Nts., 5/23/33 ¹		535,000		566,274
				1,151,021
Serbia—0.1%				
Republic of Serbia, 5.875% Unsec. Nts., 12/3/18 ¹		2,215,000		2,279,696
South Africa—0.5%				
Republic of South Africa:				
Series 2023, 7.75% Bonds, 2/28/23	ZAR	22,500,000		1,807,862
Series R186, 10.50% Bonds, 12/21/26	ZAR	65,975,000		5,959,223
				7,767,085
Sri Lanka—0.2%				
Democratic Socialist Republic of Sri Lanka:				
5.875% Sr. Unsec. Nts., 7/25/22 ¹		1,105,000		1,167,068
6.00% Sr. Unsec. Nts., 1/14/19 ¹		1,515,000		1,554,245
6.20% Sr. Unsec. Nts., 5/11/27 ¹		430,000		454,819
6.25% Sr. Unsec. Nts., 10/4/20 ¹		495,000		522,571
6.85% Sr. Unsec. Nts., 11/3/25 ¹		205,000		226,677
				3,925,380
Thailand—0.1%				
Kingdom of Thailand, 1.875% Sr. Unsec. Nts., 6/17/22	THB	65,400,000		2,017,081
Turkey—0.3%				
Republic of Turkey:				
8.80% Bonds, 11/14/18	TRY	10,570,000		2,690,951
10.60% Bonds, 2/11/26	TRY	5,000,000		1,210,141
11.00% Bonds, 2/24/27	TRY	4,000,000		1,011,750
				4,912,842
Ukraine—0.7%				
Ukraine:				
7.375% Sr. Unsec. Nts., 9/25/32 ¹		2,985,000		2,940,356
7.75% Sr. Unsec. Nts., 9/1/20		1,060,000		1,125,571
7.75% Sr. Unsec. Nts., 9/1/22		1,070,000		1,140,426
7.75% Sr. Unsec. Nts., 9/1/23		2,425,000		2,580,321
7.75% Sr. Unsec. Nts., 9/1/24		1,620,000		1,708,938
7.75% Sr. Unsec. Nts., 9/1/25		1,075,000		1,124,028
7.75% Sr. Unsec. Nts., 9/1/27		1,610,000		1,666,588
				12,286,228
Uruguay—0.2%				
Oriental Republic of Uruguay:				
5.10% Sr. Unsec. Nts., 6/18/50		3,135,000		3,487,688
9.875% Sr. Unsec. Nts., 6/20/22 ¹	UYU	13,555,000		500,050
				3,987,738
Total Foreign Government Obligations (Cost \$133,480,637)				140,031,551
Corporate Loans—0.1%				
Clear Channel Communications, Inc., Extended Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche D, 8.083% [LIBOR4+675], 1/30/19 ²				
		800,000		602,332
Murray Energy Corp., Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche B2, 7.50% [LIBOR4+725], 4/16/20 ²				
		264,292		233,568
Neiman Marcus Group Ltd. LLC, Sr. Sec. Credit Facilities 1st Lien Term Loan, 4.492% [LIBOR12+325], 10/25/20 ²				
		1,054,948		864,403

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Corporate Loans (Continued)		
Windstream Services LLC, Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche B6, 5.50% [LIBOR12+400], 3/29/21 ²	\$ 309,217	\$ 291,374
Total Corporate Loans (Cost \$2,068,589)		1,991,677
Corporate Bonds and Notes—44.4%		
Consumer Discretionary—7.9%		
Auto Components—0.3%		
American Axle & Manufacturing, Inc., 6.25% Sr. Unsec. Nts., 4/1/25 ¹	1,325,000	1,397,875
Cooper-Standard Automotive, Inc., 5.625% Sr. Unsec. Nts., 11/15/26 ¹	250,000	258,750
Dana Financing Luxembourg Sarl, 6.50% Sr. Unsec. Nts., 6/1/26 ¹	1,245,000	1,352,381
Goodyear Tire & Rubber Co. (The), 5.00% Sr. Unsec. Nts., 5/31/26	665,000	688,175
Grinding Media, Inc./Moly-Cop AltaSteel Ltd., 7.375% Sr. Sec. Nts., 12/15/23 ¹	570,000	613,434
Lear Corp., 3.80% Sr. Unsec. Nts., 9/15/27	553,000	554,427
Tenneco, Inc., 5.00% Sr. Unsec. Nts., 7/15/26	495,000	508,613
		5,373,655
Automobiles—0.5%		
Daimler Finance North America LLC: 2.20% Sr. Unsec. Nts., 5/5/20 ¹	785,000	780,760
8.50% Sr. Unsec. Unsub. Nts., 1/18/31	485,000	733,416
Ford Motor Credit Co. LLC: 2.425% Sr. Unsec. Nts., 6/12/20	608,000	604,714
3.664% Sr. Unsec. Nts., 9/8/24	606,000	614,583
General Motors Co., 6.25% Sr. Unsec. Nts., 10/2/43	235,000	279,097
General Motors Financial Co., Inc., 3.15% Sr. Unsec. Nts., 6/30/22	823,000	823,110
Harley-Davidson, Inc., 4.625% Sr. Unsec. Nts., 7/28/45	258,000	281,134
Hyundai Capital America, 1.75% Sr. Unsec. Nts., 9/27/19 ¹	944,000	926,390
Jaguar Land Rover Automotive plc, 4.50% Sr. Unsec. Nts., 10/1/27 ¹	1,600,000	1,584,000
Nissan Motor Acceptance Corp., 2.15% Sr. Unsec. Nts., 9/28/20 ¹	586,000	581,345
Volkswagen Group of America Finance LLC, 2.45% Sr. Unsec. Nts., 11/20/19 ¹	913,000	912,756
ZF North America Capital, Inc., 4.75% Sr. Unsec. Nts., 4/29/25 ¹	381,000	404,812
		8,526,117
Distributors—0.1%		
LKQ Corp., 4.75% Sr. Unsec. Nts., 5/15/23	1,442,000	1,481,655
Diversified Consumer Services—0.2%		
Monitronics International, Inc., 9.125% Sr. Unsec. Nts., 4/1/20	735,000	613,725
Service Corp. International, 4.625% Sr. Unsec. Nts., 12/15/27	2,866,000	2,915,066
		3,528,791
Hotels, Restaurants & Leisure—1.8%		
1011778 B.C. ULC/New Red Finance, Inc.:		
4.25% Sr. Sec. Nts., 5/15/24 ¹	785,000	785,000
5.00% Sec. Nts., 10/15/25 ¹	1,335,000	1,351,688
Aramark Services, Inc.:		
4.75% Sr. Unsec. Nts., 6/1/26	745,000	758,037
5.00% Sr. Unsec. Nts., 4/1/25 ¹	463,000	490,224
Boyd Gaming Corp., 6.375% Sr. Unsec. Nts., 4/1/26	235,000	253,800

	Principal Amount	Value
Hotels, Restaurants & Leisure (Continued)		
CEC Entertainment, Inc., 8.00% Sr. Unsec. Nts., 2/15/22	\$ 945,000	\$ 893,025
CRC Escrow Issuer LLC/CRC Finco, Inc., 5.25% Sr. Unsec. Nts., 10/15/25 ¹	1,065,000	1,078,632
Eldorado Resorts, Inc., 6.00% Sr. Unsec. Nts., 4/1/25	650,000	682,500
Gateway Casinos & Entertainment Ltd., 8.25% Sec. Nts., 3/1/24 ¹	390,000	418,275
Golden Nugget, Inc.:		
6.75% Sr. Unsec. Nts., 10/15/24 ¹	2,045,000	2,085,900
8.75% Sr. Sub. Nts., 10/1/25 ¹	1,465,000	1,541,912
Hilton Domestic Operating Co., Inc., 4.25% Sr. Unsec. Nts., 9/1/24	500,000	506,250
Hilton Grand Vacations Borrower LLC/Hilton Grand Vacations Borrower, Inc., 6.125% Sr. Unsec. Nts., 12/1/24 ¹	1,260,000	1,381,275
International Game Technology plc, 6.25% Sr. Sec. Nts., 2/15/22 ¹	1,700,000	1,840,250
KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC:		
4.75% Sr. Unsec. Nts., 6/1/27 ¹	915,000	937,875
5.25% Sr. Unsec. Nts., 6/1/26 ¹	995,000	1,049,725
Marriott International, Inc., 3.25% Sr. Unsec. Nts., 9/15/22	388,000	395,481
Melco Resorts Finance Ltd., 4.875% Sr. Unsec. Nts., 6/6/25 ¹	1,380,000	1,398,335
MGM Growth Properties Operating Partnership LP/MGP Finance Co.-Issuer, Inc., 5.625% Sr. Unsec. Nts., 5/1/24	1,380,000	1,476,600
MGM Resorts International:		
6.00% Sr. Unsec. Nts., 3/15/23	1,370,000	1,483,025
6.625% Sr. Unsec. Nts., 12/15/21	405,000	445,379
Mohegan Gaming & Entertainment, 7.875% Sr. Unsec. Nts., 10/15/24 ¹	780,000	802,425
Penn National Gaming, Inc., 5.625% Sr. Unsec. Nts., 1/15/27 ¹	1,295,000	1,346,800
PF Chang's China Bistro, Inc., 10.25% Sr. Unsec. Nts., 6/30/20 ¹	550,000	503,250
Premier Cruises Ltd., 11.00% Sr. Unsec. Nts., 3/15/08 ^{1,8,9}	250,000	—
Royal Caribbean Cruises Ltd., 2.65% Sr. Unsec. Nts., 11/28/20	798,000	797,903
Scientific Games International, Inc.:		
5.00% Sr. Sec. Nts., 10/15/25 ¹	665,000	668,325
10.00% Sr. Unsec. Nts., 12/1/22	1,727,000	1,901,859
Silversea Cruise Finance Ltd., 7.25% Sr. Sec. Nts., 2/1/25 ¹	510,000	552,075
Six Flags Entertainment Corp., 4.875% Sr. Unsec. Nts., 7/31/24 ¹	500,000	508,750
Sugarhouse HSP Gaming Prop Mezz LP/Sugarhouse HSP Gaming Finance Corp., 5.875% Sr. Sec. Nts., 5/15/25 ¹	1,310,000	1,247,775
Viking Cruises Ltd., 5.875% Sr. Unsec. Nts., 9/15/27 ¹	535,000	545,700
Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 5.25% Sr. Unsec. Nts., 5/15/27 ¹	390,000	395,850
Wynn Macau Ltd.:		
4.875% Sr. Unsec. Nts., 10/1/24 ¹	135,000	136,013
5.50% Sr. Unsec. Nts., 10/1/27 ¹	135,000	136,856
		30,796,769
Household Durables—1.3%		
American Greetings Corp., 7.875% Sr. Unsec. Nts., 2/15/25 ³	1,020,000	1,106,700
AV Homes, Inc., 6.625% Sr. Unsec. Nts., 5/15/22	1,310,000	1,378,775
Beazer Homes USA, Inc.:		
5.875% Sr. Unsec. Nts., 10/15/27 ¹	935,000	944,350
6.75% Sr. Unsec. Nts., 3/15/25	1,335,000	1,413,431

	Principal Amount	Value
Household Durables (Continued)		
Beazer Homes USA, Inc.: (Continued)		
7.25% Sr. Unsec. Nts., 2/1/23	\$ 43,000	\$ 44,935
DR Horton, Inc., 2.55% Sr. Unsec. Nts., 12/1/20	821,000	820,283
K Hovnanian Enterprises, Inc., 10.00% Sec. Nts., 7/15/22 ¹	530,000	585,650
KB Home, 7.625% Sr. Unsec. Nts., 5/15/23	1,075,000	1,236,250
Leggett & Platt, Inc., 3.50% Sr. Unsec. Nts., 11/15/27	449,000	445,426
Lennar Corp.:		
4.50% Sr. Unsec. Nts., 4/30/24	95,000	97,641
4.75% Sr. Unsec. Nts., 11/29/27 ¹	535,000	553,618
4.75% Sr. Unsec. Nts., 5/30/25	2,838,000	2,958,615
M/I Homes, Inc., 5.625% Sr. Unsec. Nts., 8/1/25	795,000	810,836
Mattamy Group Corp., 6.50% Sr. Unsec. Nts., 10/1/25 ¹	265,000	281,563
MDC Holdings, Inc., 6.00% Sr. Unsec. Nts., 1/15/43	800,000	786,000
Newell Brands, Inc.:		
2.15% Sr. Unsec. Nts., 10/15/18	386,000	386,410
5.00% Sr. Unsec. Nts., 11/15/23	628,000	662,927
5.50% Sr. Unsec. Nts., 4/1/46	269,000	321,186
PulteGroup, Inc.:		
5.00% Sr. Unsec. Nts., 1/15/27	1,355,000	1,421,056
5.50% Sr. Unsec. Nts., 3/1/26	740,000	807,525
6.00% Sr. Unsec. Nts., 2/15/35	80,000	86,400
Standard Industries, Inc., 4.75% Sr. Unsec. Nts., 1/15/28 ¹	805,000	810,885
Taylor Morrison Communities, Inc./Taylor Morrison Holdings II, Inc., 5.875% Sr. Unsec. Nts., 4/15/23 ³	1,160,000	1,231,050
Toll Brothers Finance Corp.:		
4.375% Sr. Unsec. Nts., 4/15/23	824,000	857,990
4.875% Sr. Unsec. Nts., 3/15/27	375,000	390,000
William Lyon Homes, Inc., 5.875% Sr. Unsec. Nts., 1/31/25	1,020,000	1,044,225
		21,483,727
Internet & Catalog Retail—0.1%		
Amazon.com, Inc., 4.95% Sr. Unsec. Nts., 12/5/44	271,000	330,433
QVC, Inc., 4.45% Sr. Sec. Nts., 2/15/25	1,545,000	1,577,986
		1,908,419
Leisure Equipment & Products—0.1%		
Mattel, Inc., 6.75% Sr. Unsec. Nts., 12/31/25 ¹	270,000	274,306
Proven Honour Capital Ltd., 4.125% Sr. Unsec. Nts., 5/6/26	1,400,000	1,431,632
		1,705,938
Media—2.4%		
21st Century Fox America, Inc., 4.75% Sr. Unsec. Nts., 11/15/46	357,000	414,576
Altice Finco SA, 8.125% Sec. Nts., 1/15/24 ¹	695,000	729,750
AMC Entertainment Holdings, Inc.:		
5.75% Sr. Sub. Nts., 6/15/25	745,000	740,344
5.875% Sr. Sub. Nts., 11/15/26	760,000	752,400
6.125% Sr. Sub. Nts., 5/15/27	520,000	518,700
AMC Networks, Inc., 4.75% Sr. Unsec. Nts., 8/1/25	530,000	526,687
Belo Corp., 7.75% Sr. Unsec. Nts., 6/1/27	1,362,000	1,539,060
Block Communications, Inc., 6.875% Sr. Unsec. Nts., 2/15/25 ¹	255,000	268,387
CCO Holdings LLC/CCO Holdings Capital Corp.:		
4.00% Sr. Unsec. Nts., 3/1/23 ¹	265,000	263,012

	Principal Amount	Value
Media (Continued)		
CCO Holdings LLC/CCO Holdings Capital Corp.: (Continued)		
5.00% Sr. Unsec. Nts., 2/1/28 ¹	\$ 1,330,000	\$ 1,300,075
5.125% Sr. Unsec. Nts., 5/1/27 ¹	1,040,000	1,027,000
5.75% Sr. Unsec. Nts., 2/15/26 ¹	1,315,000	1,369,244
Cequel Communications Holdings I LLC/Cequel Capital Corp., 6.375% Sr. Unsec. Nts., 9/15/20 ¹	532,000	541,310
Charter Communications Operating LLC/Charter Communications Operating Capital, 5.375% Sr. Sec. Nts., 5/1/47	386,000	396,922
Cinemark USA, Inc., 4.875% Sr. Unsec. Nts., 6/1/23	495,000	503,662
Clear Channel International BV, 8.75% Sr. Unsec. Nts., 12/15/20 ¹	265,000	274,937
Clear Channel Worldwide Holdings, Inc.:		
6.50% Sr. Unsec. Nts., Series B, 11/15/22	1,465,000	1,496,131
7.625% Sr. Sub. Nts., Series B, 3/15/20	1,505,000	1,480,544
Comcast Cable Communications Holdings, Inc., 9.455% Sr. Unsec. Nts., 11/15/22	838,000	1,095,446
CSC Holdings LLC:		
5.25% Sr. Unsec. Nts., 6/1/24	715,000	702,487
5.50% Sr. Unsec. Nts., 4/15/27 ¹	750,000	766,875
10.875% Sr. Unsec. Nts., 10/15/25 ¹	722,000	859,180
DISH DBS Corp.:		
5.875% Sr. Unsec. Nts., 11/15/24	2,280,000	2,225,850
7.75% Sr. Unsec. Nts., 7/1/26	250,000	263,750
Gray Television, Inc.:		
5.125% Sr. Unsec. Nts., 10/15/24 ¹	760,000	760,000
5.875% Sr. Unsec. Nts., 7/15/26 ¹	1,770,000	1,818,675
iHeartCommunications, Inc., 9.00% Sr. Sec. Nts., 12/15/19	1,455,000	1,087,612
Interpublic Group of Cos., Inc. (The), 4.20% Sr. Unsec. Nts., 4/15/24	866,000	909,380
Lions Gate Entertainment Corp., 5.875% Sr. Unsec. Nts., 11/1/24 ¹	1,355,000	1,437,994
MDC Partners, Inc., 6.50% Sr. Unsec. Nts., 5/1/24 ¹	255,000	257,550
Nexstar Broadcasting, Inc., 5.625% Sr. Unsec. Nts., 8/1/24 ¹	1,095,000	1,133,325
Salem Media Group, Inc., 6.75% Sr. Sec. Nts., 6/1/24 ¹	775,000	775,000
SFR Group SA, 6.00% Sr. Sec. Nts., 5/15/22 ¹	390,000	395,362
Sinclair Television Group, Inc., 5.625% Sr. Unsec. Nts., 8/1/24 ¹	995,000	1,028,581
Sirius XM Radio, Inc., 5.375% Sr. Unsec. Nts., 7/15/26 ¹	665,000	690,769
Sky plc:		
3.75% Sr. Unsec. Nts., 9/16/24 ¹	422,000	440,684
6.10% Sr. Unsec. Nts., 2/15/18 ¹	317,000	318,487
TEGNA, Inc., 5.50% Sr. Unsec. Nts., 9/15/24 ¹	650,000	684,125
Time Warner Cable LLC, 4.50% Sr. Unsec. Unsub. Nts., 9/15/42	648,000	609,677
Time, Inc., 7.50% Sr. Unsec. Nts., 10/15/25 ¹	265,000	313,363
Townsquare Media, Inc., 6.50% Sr. Unsec. Nts., 4/1/23 ¹	265,000	260,031
Tribune Media Co., 5.875% Sr. Unsec. Nts., 7/15/22	725,000	748,563
Univision Communications, Inc.:		
5.125% Sr. Sec. Nts., 5/15/23 ¹	245,000	245,000
5.125% Sr. Sec. Nts., 2/15/25 ¹	2,175,000	2,126,063
Virgin Media Secured Finance plc:		
5.25% Sr. Sec. Nts., 1/15/26 ¹	876,000	888,045
5.50% Sr. Sec. Nts., 8/15/26 ¹	705,000	724,388

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Media (Continued)		
Ziggo Secured Finance BV, 5.50% Sr. Sec. Nts., 1/15/27 ¹	\$ 1,930,000	\$ 1,932,413
		39,641,416
Multiline Retail—0.2%		
Dollar Tree, Inc., 5.75% Sr. Sec. Nts., 3/1/23	1,746,000	1,832,209
JC Penney Corp., Inc., 5.875% Sr. Sec. Nts., 7/1/23 ¹	665,000	630,087
		2,462,296
Specialty Retail—0.7%		
AutoZone, Inc., 1.625% Sr. Unsec. Nts., 4/21/19	174,000	172,593
Best Buy Co., Inc., 5.50% Sr. Unsec. Nts., 3/15/21	791,000	852,609
Eurotorg LLC Via Bonitron DAC, 8.75% Sr. Unsec. Nts., 10/30/22 ¹	745,000	755,095
Freedom Mortgage Corp., 8.125% Sr. Unsec. Nts., 11/15/24 ¹	400,000	408,500
GameStop Corp.:		
5.50% Sr. Unsec. Nts., 10/1/19 ¹	685,000	698,700
6.75% Sr. Unsec. Nts., 3/15/21 ¹	1,425,000	1,496,250
Guitar Center, Inc., 6.50% Sr. Sec. Nts., 4/15/19 ¹	365,000	339,450
L Brands, Inc.:		
5.625% Sr. Unsec. Nts., 2/15/22	867,000	928,774
6.875% Sr. Unsec. Nts., 11/1/35	2,335,000	2,370,025
Lithia Motors, Inc., 5.25% Sr. Unsec. Nts., 8/1/25 ¹	530,000	553,850
Murphy Oil USA, Inc., 5.625% Sr. Unsec. Nts., 5/1/27	260,000	274,027
Ross Stores, Inc., 3.375% Sr. Unsec. Nts., 9/15/24	813,000	824,856
Sally Holdings LLC/Sally Capital, Inc., 5.625% Sr. Unsec. Nts., 12/1/25	475,000	475,000
Signet UK Finance plc, 4.70% Sr. Unsec. Nts., 6/15/24	927,000	913,811
Sonic Automotive, Inc., 6.125% Sr. Sub. Nts., 3/15/27	650,000	648,375
		11,711,915
Textiles, Apparel & Luxury Goods—0.2%		
Hanesbrands, Inc.:		
4.625% Sr. Unsec. Nts., 5/15/24 ¹	425,000	435,625
4.875% Sr. Unsec. Nts., 5/15/26 ¹	1,370,000	1,411,100
Levi Strauss & Co., 5.00% Sr. Unsec. Nts., 5/1/25	654,000	685,065
PVH Corp., 4.50% Sr. Unsec. Unsub. Nts., 12/15/22	412,000	421,229
Springs Industries, Inc., 6.25% Sr. Sec. Nts., 6/1/21	655,000	669,737
		3,622,756
Consumer Staples—2.5%		
Beverages—0.4%		
Anheuser-Busch InBev Finance, Inc.:		
1.90% Sr. Unsec. Nts., 2/1/19	970,000	968,180
3.65% Sr. Unsec. Nts., 2/1/26	533,000	550,841
4.90% Sr. Unsec. Nts., 2/1/46	343,000	398,770
Anheuser-Busch InBev Worldwide, Inc., 8.20% Sr. Unsec. Unsub. Nts., 1/15/39	390,000	621,728
Coca-Cola Icecek AS, 4.215% Sr. Unsec. Nts., 9/19/24 ¹	555,000	564,824
Constellation Brands, Inc., 2.25% Sr. Unsec. Nts., 11/6/20	922,000	914,097
Molson Coors Brewing Co.:		
1.45% Sr. Unsec. Nts., 7/15/19	348,000	343,748
2.10% Sr. Unsec. Nts., 7/15/21	833,000	817,055
4.20% Sr. Unsec. Nts., 7/15/46	130,000	132,899

	Principal Amount	Value
Beverages (Continued)		
Pernod Ricard SA, 4.25% Sr. Unsec. Nts., 7/15/22 ¹	\$ 853,000	\$ 904,131
		6,216,273
Food & Staples Retailing—0.8%		
Albertsons Cos LLC/Safeway, Inc./New Albertson's, Inc./Albertson's LLC, 6.625% Sr. Unsec. Nts., 6/15/24	745,000	715,200
Alimentation Couche-Tard, Inc., 2.35% Sr. Unsec. Nts., 12/13/19 ¹	953,000	953,277
CVS Health Corp.:		
2.125% Sr. Unsec. Nts., 6/1/21	929,000	907,268
5.125% Sr. Unsec. Nts., 7/20/45	208,000	239,103
Fresh Market, Inc. (The), 9.75% Sr. Sec. Nts., 5/1/23 ¹	705,000	440,625
Ingles Markets, Inc., 5.75% Sr. Unsec. Nts., 6/15/23	1,353,000	1,376,677
Kroger Co. (The):		
2.00% Sr. Unsec. Nts., 1/15/19	40,000	39,936
6.80% Sr. Unsec. Nts., 12/15/18	287,000	299,581
6.90% Sr. Unsec. Nts., 4/15/38	221,000	286,364
New Albertson's, Inc., 7.45% Sr. Unsec. Nts., 8/1/29	740,000	649,350
Omnicare, Inc., 4.75% Sr. Unsec. Nts., 12/1/22	1,765,000	1,858,914
Performance Food Group, Inc., 5.50% Sr. Unsec. Nts., 6/1/24 ¹	495,000	512,325
Rite Aid Corp., 6.125% Sr. Unsec. Nts., 4/1/23 ¹	2,050,000	1,857,813
Simmons Foods, Inc., 5.75% Sec. Nts., 11/1/24 ¹	1,870,000	1,855,975
SUPERVALU, Inc.:		
6.75% Sr. Unsec. Nts., 6/1/21	500,000	500,625
7.75% Sr. Unsec. Nts., 11/15/22	630,000	618,975
US Foods, Inc., 5.875% Sr. Unsec. Nts., 6/15/24 ¹	125,000	131,875
		13,243,883
Food Products—0.8%		
Adecoagro SA, 6.00% Sr. Unsec. Nts., 9/21/27 ¹	575,000	572,987
B&G Foods, Inc., 5.25% Sr. Unsec. Nts., 4/1/25	260,000	265,109
Bunge Ltd. Finance Corp.:		
3.25% Sr. Unsec. Nts., 8/15/26	590,000	564,737
8.50% Sr. Unsec. Nts., 6/15/19	823,000	891,764
Dean Foods Co., 6.50% Sr. Unsec. Nts., 3/15/23 ¹	1,780,000	1,775,550
JBS USA LUX SA/JBS USA Finance, Inc., 5.75% Sr. Unsec. Nts., 6/15/25 ¹	1,315,000	1,272,263
Kraft Heinz Foods Co.:		
3.95% Sr. Unsec. Nts., 7/15/25	493,000	509,891
4.375% Sr. Unsec. Nts., 6/1/46	325,000	322,939
Lamb Weston Holdings, Inc., 4.875% Sr. Unsec. Nts., 11/1/26 ¹	498,000	521,655
Minerva Luxembourg SA, 5.875% Sr. Unsec. Nts., 1/19/28 ¹	535,000	521,224
Mondelez International Holdings Netherlands BV, 1.625% Sr. Unsec. Nts., 10/28/19 ¹	966,000	952,374
Pilgrim's Pride Corp.:		
5.75% Sr. Unsec. Nts., 3/15/25 ¹	910,000	939,575
5.875% Sr. Unsec. Nts., 9/30/27 ¹	265,000	273,613
Post Holdings, Inc., 5.75% Sr. Unsec. Nts., 3/1/27 ¹	795,000	810,900
Smithfield Foods, Inc., 2.70% Sr. Unsec. Nts., 1/31/20 ¹	932,000	926,795
TreeHouse Foods, Inc., 6.00% Sr. Unsec. Nts., 2/15/24 ¹	1,005,000	1,050,225

	Principal Amount	Value
Food Products (Continued)		
Tyson Foods, Inc., 3.55% Sr. Unsec. Nts., 6/2/27	\$ 454,000	\$ 465,651
		12,637,252
Household Products—0.1%		
Kronos Acquisition Holdings, Inc., 9.00% Sr. Unsec. Nts., 8/15/23 ¹	645,000	604,687
Spectrum Brands, Inc., 6.125% Sr. Unsec. Nts., 12/15/24	360,000	382,950
		987,637
Personal Products—0.2%		
Avon International Operations, Inc., 7.875% Sr. Sec. Nts., 8/15/22 ¹	2,280,000	2,331,300
Edgewell Personal Care Co., 4.70% Sr. Unsec. Nts., 5/24/22	85,000	87,550
Revlon Consumer Products Corp., 5.75% Sr. Unsec. Nts., 2/15/21	1,865,000	1,417,400
		3,836,250
Tobacco—0.2%		
Altria Group, Inc., 4.00% Sr. Unsec. Nts., 1/31/24	619,000	657,087
BAT Capital Corp.: 2.297% Sr. Unsec. Nts., 8/14/20 ¹ 3.557% Sr. Unsec. Nts., 8/15/27 ¹	918,000 458,000	913,464 459,386
Imperial Brands Finance plc, 2.05% Sr. Unsec. Nts., 7/20/18 ¹	947,000	946,271
Philip Morris International, Inc., 2.50% Sr. Unsec. Nts., 11/2/22	814,000	807,192
Reynolds American, Inc., 5.85% Sr. Unsec. Nts., 8/15/45	312,000	390,751
		4,174,151
Energy—7.6%		
Energy Equipment & Services—0.9%		
Calfrac Holdings LP, 7.50% Sr. Unsec. Nts., 12/1/20 ¹	925,000	915,750
Enesco plc, 5.20% Sr. Unsec. Nts., 3/15/25	685,000	585,675
Exterran Energy Solutions LP/EES Finance Corp., 8.125% Sr. Unsec. Nts., 5/1/25 ¹	260,000	280,150
Halliburton Co., 5.00% Sr. Unsec. Nts., 11/15/45	203,000	233,830
Helmerich & Payne International Drilling Co., 4.65% Sr. Unsec. Nts., 3/15/25	522,000	550,179
McDermott International, Inc., 8.00% Sec. Nts., 5/1/21 ¹	1,115,000	1,151,628
Noble Holding International Ltd., 7.75% Sr. Unsec. Nts., 1/15/24	760,000	657,400
Parker Drilling Co., 6.75% Sr. Unsec. Nts., 7/15/22	1,225,000	1,010,625
Pertamina Persero PT, 6.45% Sr. Unsec. Nts., 5/30/44 ¹	1,235,000	1,482,693
Pioneer Energy Services Corp., 6.125% Sr. Unsec. Nts., 3/15/22	1,515,000	1,249,420
Rowan Cos., Inc., 7.375% Sr. Unsec. Nts., 6/15/25	1,330,000	1,364,912
Schlumberger Holdings Corp., 4.00% Sr. Unsec. Nts., 12/21/25 ¹	514,000	540,897
SESI LLC, 7.75% Sr. Unsec. Nts., 9/15/24 ¹	795,000	846,675
Transocean, Inc.: 7.50% Sr. Unsec. Nts., 1/15/26 ¹ 9.00% Sr. Unsec. Nts., 7/15/23 ¹	265,000 1,105,000	272,036 1,198,925
Trinidad Drilling Ltd., 6.625% Sr. Unsec. Nts., 2/15/25 ¹	385,000	367,675
Weatherford International Ltd., 9.875% Sr. Unsec. Nts., 2/15/24	1,462,000	1,560,685
		14,269,155

	Principal Amount	Value
Oil, Gas & Consumable Fuels—6.7%		
Alta Mesa Holdings LP/Alta Mesa Finance Services Corp., 7.875% Sr. Unsec. Nts., 12/15/24	\$ 265,000	\$ 291,831
Anadarko Petroleum Corp.: 4.50% Sr. Unsec. Nts., 7/15/44 6.20% Sr. Unsec. Nts., 3/15/40	213,000 175,000	212,893 212,733
Andeavor, 5.125% Sr. Unsec. Nts., 12/15/26 ¹	835,000	918,987
Andeavor Logistics LP/Tesoro Logistics Finance Corp.: 4.25% Sr. Unsec. Nts., 12/1/27 5.25% Sr. Unsec. Nts., 1/15/25	462,000 324,000	466,748 341,156
Apache Corp., 4.75% Sr. Unsec. Nts., 4/15/43	263,000	271,065
Ardagh Packaging Finance plc/Ardagh Holdings USA, Inc., 6.00% Sr. Unsec. Nts., 2/15/25 ¹	1,150,000	1,213,250
Ascent Resources Utica Holdings LLC/ARU Finance Corp., 10.00% Sr. Unsec. Nts., 4/1/22 ¹	425,000	457,937
Baytex Energy Corp., 5.625% Sr. Unsec. Nts., 6/1/24 ¹	1,075,000	1,006,469
Bharat Petroleum Corp. Ltd., 4.00% Sr. Unsec. Nts., 5/8/25	1,105,000	1,128,808
Bill Barrett Corp., 8.75% Sr. Unsec. Nts., 6/15/25	795,000	882,450
Boardwalk Pipelines LP, 4.95% Sr. Unsec. Nts., 12/15/24	422,000	452,633
BP Capital Markets plc, 1.676% Sr. Unsec. Nts., 5/3/19	967,000	962,019
Buckeye Partners LP, 3.95% Sr. Unsec. Nts., 12/1/26	230,000	226,428
California Resources Corp., 8.00% Sec. Nts., 12/15/22 ¹	658,000	545,317
Calumet Specialty Products Partners LP/Calumet Finance Corp.: 6.50% Sr. Unsec. Nts., 4/15/21 7.625% Sr. Unsec. Nts., 1/15/22	630,000 1,075,000	630,000 1,081,719
Centennial Resource Production LLC, 5.375% Sr. Unsec. Nts., 1/15/26 ¹	670,000	684,237
Cheniere Corpus Christi Holdings LLC: 5.125% Sr. Sec. Nts., 6/30/27 7.00% Sr. Sec. Nts., 6/30/24	525,000 1,430,000	544,372 1,630,200
Chesapeake Energy Corp.: 6.125% Sr. Unsec. Nts., 2/15/21 8.00% Sec. Nts., 12/15/22 ¹ 8.00% Sr. Unsec. Nts., 1/15/25 ¹ 8.00% Sr. Unsec. Nts., 6/15/27 ¹	493,000 249,000 265,000 270,000	501,627 269,543 267,981 259,875
Chevron Corp., 1.561% Sr. Unsec. Nts., 5/16/19	972,000	966,557
Citadel LP, 5.375% Sr. Unsec. Nts., 1/17/23 ¹	805,000	831,246
CITGO Petroleum Corp., 6.25% Sr. Sec. Nts., 8/15/22 ¹	70,000	70,875
Cloud Peak Energy Resources LLC/Cloud Peak Energy Finance Corp., 12.00% Sec. Nts., 11/1/21	990,000	1,071,675
CNX Resources Corp.: 5.875% Sr. Unsec. Nts., 4/15/22 8.00% Sr. Unsec. Nts., 4/1/23	445,000 625,000	456,681 671,562
Columbia Pipeline Group, Inc.: 3.30% Sr. Unsec. Nts., 6/1/20 4.50% Sr. Unsec. Nts., 6/1/25	833,000 438,000	845,318 466,966
ConocoPhillips Co.: 4.95% Sr. Unsec. Nts., 3/15/26 5.95% Sr. Unsec. Nts., 3/15/46	108,000 195,000	122,763 263,459
Continental Resources, Inc.: 4.375% Sr. Unsec. Nts., 1/15/28 ¹ 5.00% Sr. Unsec. Nts., 9/15/22	1,610,000 520,000	1,591,404 529,750

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Oil, Gas & Consumable Fuels (Continued)		
CrownRock LP/CrownRock Finance, Inc., 5.625% Sr. Unsec. Nts., 10/15/25 ¹	\$ 530,000	\$ 533,975
CVR Refining LLC/Coffeyville Finance, Inc., 6.50% Sr. Unsec. Nts., 11/1/22	1,400,000	1,449,000
Denbury Resources, Inc.:		
4.625% Sr. Sub. Nts., 7/15/23	805,000	519,225
5.50% Sr. Sub. Nts., 5/1/22	662,000	455,952
6.375% Sr. Sub. Nts., 8/15/21	805,000	611,800
9.00% Sec. Nts., 5/15/21 ¹	1,140,000	1,169,925
Devon Energy Corp., 4.75% Sr. Unsec. Nts., 5/15/42	207,000	219,810
Endeavor Energy Resources LP/EER Finance, Inc.:		
5.50% Sr. Unsec. Nts., 1/30/26 ¹	540,000	550,800
5.75% Sr. Unsec. Nts., 1/30/28 ¹	540,000	556,605
Energy Transfer LP, 5.30% Sr. Unsec. Nts., 4/15/47	255,000	254,129
Energy Transfer Partners LP, 6.625% [US0003M+415.5] Jr. Sub. Perpetual Bonds ^{2,10}	341,000	331,836
EnLink Midstream Partners LP, 4.85% Sr. Unsec. Nts., 7/15/26	206,000	216,175
Enterprise Products Operating LLC:		
4.85% Sr. Unsec. Nts., 8/15/42	144,000	158,580
4.90% Sr. Unsec. Nts., 5/15/46	151,000	166,881
Enviva Partners LP/Enviva Partners Finance Corp., 8.50% Sr. Unsec. Nts., 11/1/21	1,235,000	1,319,906
EP Energy LLC/Everest Acquisition Finance, Inc.:		
7.75% Sr. Unsec. Nts., 9/1/22	645,000	362,812
8.00% Sr. Sec. Nts., 11/29/24 ¹	1,260,000	1,307,250
8.00% Sec. Nts., 2/15/25 ¹	1,022,000	751,170
9.375% Sr. Unsec. Nts., 5/1/20	635,000	539,750
EQT Corp., 2.50% Sr. Unsec. Nts., 10/1/20	918,000	912,136
Extraction Oil & Gas, Inc., 7.375% Sr. Unsec. Nts., 5/15/24 ¹	265,000	284,212
Foresight Energy LLC/Foresight Energy Finance Corp., 11.50% Sec. Nts., 4/1/23 ¹	1,300,000	1,069,250
Gazprom OAO Via Gaz Capital SA, 4.95% Sr. Unsec. Nts., 7/19/22 ¹	1,265,000	1,326,321
Genesis Energy LP/Genesis Energy Finance Corp.:		
6.00% Sr. Unsec. Nts., 5/15/23	725,000	737,687
6.25% Sr. Unsec. Nts., 5/15/26	1,070,000	1,068,662
6.50% Sr. Unsec. Nts., 10/1/25	795,000	810,900
Geopark Ltd., 6.50% Sr. Sec. Nts., 9/21/24 ¹	460,000	472,986
Halcon Resources Corp., 6.75% Sr. Unsec. Nts., 2/15/25 ¹	530,000	553,850
Hess Infrastructure Partners LP/Hess Infrastructure Partners Finance Corp., 5.625% Sr. Unsec. Nts., 2/15/26 ¹	805,000	835,187
Holly Energy Partners LP/Holly Energy Finance Corp., 6.00% Sr. Unsec. Nts., 8/1/24 ¹	265,000	277,587
Indian Oil Corp. Ltd., 5.75% Sr. Unsec. Nts., 8/1/23	1,505,000	1,679,454
Jones Energy Holdings LLC/Jones Energy Finance Corp., 6.75% Sr. Unsec. Nts., 4/1/22	2,533,000	1,912,415
KazMunayGas National Co. JSC:		
4.40% Sr. Unsec. Nts., 4/30/23 ¹	480,000	498,271
5.75% Sr. Unsec. Nts., 4/19/47 ¹	2,060,000	2,201,625
6.375% Sr. Unsec. Nts., 4/9/21 ¹	1,685,000	1,842,295
7.00% Sr. Unsec. Nts., 5/5/20 ¹	1,580,000	1,714,458
Kinder Morgan, Inc., 5.55% Sr. Unsec. Nts., 6/1/45	703,000	771,528

	Principal Amount	Value
Oil, Gas & Consumable Fuels (Continued)		
LBC Tank Terminals Holding Netherlands BV, 6.875% Sr. Unsec. Nts., 5/15/23 ³	\$ 475,000	\$ 496,969
Marathon Oil Corp., 4.40% Sr. Unsec. Nts., 7/15/27	470,000	491,979
MEG Energy Corp.:		
6.50% Sec. Nts., 1/15/25 ¹	520,000	515,450
7.00% Sr. Unsec. Nts., 3/31/24 ¹	1,355,000	1,150,056
Murphy Oil Corp., 6.875% Sr. Unsec. Nts., 8/15/24	720,000	770,400
Murray Energy Corp., 11.25% Sec. Nts., 4/15/21 ¹	3,240,000	1,668,600
Newfield Exploration Co., 5.625% Sr. Unsec. Nts., 7/1/24	515,000	556,200
NGL Energy Partners LP/NGL Energy Finance Corp.:		
6.125% Sr. Unsec. Nts., 3/1/25	1,295,000	1,269,100
6.875% Sr. Unsec. Nts., 10/15/21	385,000	394,625
7.50% Sr. Unsec. Nts., 11/1/23	1,045,000	1,086,800
Noble Energy, Inc., 5.05% Sr. Unsec. Nts., 11/15/44	240,000	257,822
Novatek OAO Via Novatek Finance DAC, 4.422% Sr. Unsec. Nts., 12/13/22 ¹	605,000	624,148
NuStar Logistics LP, 5.625% Sr. Unsec. Nts., 4/28/27	785,000	800,700
Oasis Petroleum, Inc., 6.875% Sr. Unsec. Nts., 1/15/23	830,000	851,788
ONEOK Partners LP:		
4.90% Sr. Unsec. Nts., 3/15/25	364,000	390,781
8.625% Sr. Unsec. Nts., 3/1/19	396,000	422,765
Parsley Energy LLC/Parsley Finance Corp., 5.625% Sr. Unsec. Nts., 10/15/27 ¹	400,000	410,000
PBF Holding Co. LLC/PBF Finance Corp.:		
7.00% Sr. Sec. Nts., 11/15/23	635,000	665,956
7.25% Sr. Unsec. Nts., 6/15/25	800,000	843,000
PBF Logistics LP/PBF Logistics Finance Corp., 6.875% Sr. Unsec. Nts., 5/15/23 ¹	265,000	274,275
PDC Energy, Inc., 5.75% Sr. Unsec. Nts., 5/15/26 ¹	535,000	549,044
Peabody Energy Corp.:		
6.00% Sr. Sec. Nts., 11/15/18 ^{8,9,11}	1,110,000	1
6.375% Sr. Sec. Nts., 3/31/25 ¹	515,000	537,531
10.00% Sr. Sec. Nts., 3/15/22 ^{8,9,11}	2,075,000	2
Petrobras Global Finance BV:		
4.375% Sr. Unsec. Nts., 5/20/23	2,765,000	2,741,415
5.299% Sr. Unsec. Nts., 1/27/25 ¹	1,850,000	1,857,863
5.999% Sr. Unsec. Nts., 1/27/28 ¹	4,007,000	4,022,026
6.125% Sr. Unsec. Nts., 1/17/22	920,000	978,650
6.85% Sr. Unsec. Nts., 6/5/15	2,130,000	2,058,113
7.375% Sr. Unsec. Nts., 1/17/27	1,615,000	1,781,345
Petroleos Mexicanos:		
3.75% Sr. Unsec. Nts., 2/21/24 ¹²	EUR 205,000	267,290
3.75% Sr. Unsec. Nts., 4/16/26	EUR 1,445,000	1,816,459
4.625% Sr. Unsec. Nts., 9/21/23	2,680,000	2,763,750
6.50% Sr. Unsec. Nts., 3/13/27 ¹	805,000	880,871
6.75% Sr. Unsec. Nts., 9/21/47 ¹	1,950,000	2,040,383
6.875% Sr. Unsec. Nts., 8/4/26	795,000	903,319
Phillips 66 Partners LP, 3.605% Sr. Unsec. Nts., 2/15/25	444,000	447,907
Proven Glory Capital Ltd., 4.00% Sr. Unsec. Nts., 2/21/27 ¹²	290,000	293,555
Puma International Financing SA, 5.125% Sr. Unsec. Nts., 10/6/24 ¹	445,000	454,345
QEP Resources, Inc., 5.625% Sr. Unsec. Nts., 3/1/26	665,000	676,638
Resolute Energy Corp., 8.50% Sr. Unsec. Nts., 5/1/20	2,435,000	2,489,788
Sabine Pass Liquefaction LLC, 4.20% Sr. Sec. Nts., 3/15/28	465,000	471,273

	Principal Amount	Value
Oil, Gas & Consumable Fuels (Continued)		
Saka Energi Indonesia PT, 4.45% Sr. Unsec. Nts., 5/5/24 ¹	\$ 700,000	\$ 712,006
Sanchez Energy Corp.: 6.125% Sr. Unsec. Nts., 1/15/23	1,600,000	1,364,000
7.75% Sr. Unsec. Nts., 6/15/21	405,000	382,725
SemGroup Corp./Rose Rock Finance Corp., 5.625% Sr. Unsec. Nts., 11/15/23	545,000	534,100
Shell International Finance BV, 4.00% Sr. Unsec. Nts., 5/10/46	320,000	341,372
Southwestern Energy Co., 7.50% Sr. Unsec. Nts., 4/1/26	265,000	281,894
SRC Energy, Inc., 6.25% Sr. Unsec. Nts., 12/1/25 ¹	885,000	909,338
Summit Midstream Holdings LLC/Summit Midstream Finance Corp., 5.75% Sr. Unsec. Nts., 4/15/25	515,000	521,896
Sunoco Logistics Partners Operations LP, 4.00% Sr. Unsec. Nts., 10/1/27	516,000	506,826
Sunoco LP/Sunoco Finance Corp., 6.375% Sr. Unsec. Nts., 4/1/23	755,000	797,469
SURA Asset Management SA, 4.375% Sr. Unsec. Nts., 4/11/27 ¹	735,000	744,188
Tallgrass Energy Partners LP/Tallgrass Energy Finance Corp.: 5.50% Sr. Unsec. Nts., 9/15/24 ¹	690,000	711,562
5.50% Sr. Unsec. Nts., 1/15/28 ¹	1,075,000	1,089,459
Targa Resources Partners LP/Targa Resources Partners Finance Corp., 5.00% Sr. Unsec. Nts., 1/15/28 ¹	800,000	801,000
Topaz Marine SA, 9.125% Sr. Unsec. Nts., 7/26/22 ¹	365,000	379,008
Ultra Resources, Inc.: 6.875% Sr. Unsec. Nts., 4/15/22 ¹	390,000	392,438
7.125% Sr. Unsec. Nts., 4/15/25 ¹	520,000	520,650
Ultrapar International SA, 5.25% Sr. Unsec. Nts., 10/6/26 ¹	495,000	506,494
Whiting Petroleum Corp., 6.625% Sr. Unsec. Nts., 1/15/26 ¹	535,000	546,369
Williams Partners LP: 3.75% Sr. Unsec. Nts., 6/15/27	364,000	365,358
5.25% Sr. Unsec. Nts., 3/15/20	398,000	420,612
Woodside Finance Ltd., 8.75% Sr. Unsec. Nts., 3/1/19 ¹	8,000	8,566
WPX Energy, Inc., 8.25% Sr. Unsec. Nts., 8/1/23	1,140,000	1,299,600
YPF SA, 6.95% Sr. Unsec. Nts., 7/21/27 ¹	2,130,000	2,265,359
		112,168,210

Financials—7.8%

Capital Markets—1.6%

Apollo Management Holdings LP, 4.00% Sr. Unsec. Nts., 5/30/24 ¹	541,000	554,207
Blackstone Holdings Finance Co. LLC, 3.15% Sr. Unsec. Nts., 10/2/27 ¹	383,000	376,970
Brookfield Asset Management, Inc., 4.00% Sr. Unsec. Nts., 1/15/25	923,000	948,429
Charles Schwab Corp. (The), 5.00% [US0003M+257.5] Jr. Sub. Perpetual Bonds ^{2,10}	668,000	671,373
Credit Suisse AG (New York), 3.625% Sr. Unsec. Nts., 9/9/24	512,000	530,143
Credit Suisse Group AG, 7.125% [US\$W5+510.8] Jr. Sub. Perpetual Bonds ^{2,10}	620,000	679,365
Credit Suisse Group Funding Guernsey Ltd., 4.55% Sr. Unsec. Nts., 4/17/26	360,000	386,016
Diamond Resorts International, Inc.: 7.75% Sr. Sec. Nts., 9/1/23 ¹	1,085,000	1,182,542
10.75% Sr. Unsec. Nts., 9/1/24 ¹	665,000	715,706

	Principal Amount	Value
Capital Markets (Continued)		
E*TRADE Financial Corp., 5.875% [US0003M+443.5] Jr. Sub. Perpetual Bonds ^{2,10}	\$ 1,596,000	\$ 1,695,750
Flex Acquisition Co., Inc., 6.875% Sr. Unsec. Nts., 1/15/25 ¹	1,530,000	1,587,337
Goldman Sachs Group, Inc. (The): 3.50% Sr. Unsec. Nts., 11/16/26	543,000	546,602
3.75% Sr. Unsec. Nts., 2/25/26	522,000	536,397
4.017% [US0003M+137.3] Sr. Unsec. Nts., 10/31/38 ²	375,000	386,145
5.00% [US0003M+287.4] Jr. Sub. Perpetual Bonds ^{2,10}	340,000	335,410
5.70% [US0003M+388.4] Jr. Sub. Perpetual Bonds, Series L ^{2,10}	496,000	512,046
Icahn Enterprises LP/Icahn Enterprises Finance Corp., 6.375% Sr. Unsec. Nts., 12/15/25 ¹	1,075,000	1,077,795
Koks OAO Via Koks Finance DAC, 7.50% Sr. Unsec. Nts., 5/4/22 ¹	730,000	776,169
Macquarie Bank Ltd. (London), 6.125% [US\$W5+370.3] Jr. Sub. Perpetual Bonds ^{1,2,10}	631,000	657,029
Marble II Pte Ltd., 5.30% Sr. Sec. Nts., 6/20/22 ¹	340,000	345,692
Morgan Stanley: 4.375% Sr. Unsec. Nts., 1/22/47	667,000	732,325
5.00% Sub. Nts., 11/24/25	839,000	919,355
MSCI, Inc., 4.75% Sr. Unsec. Nts., 8/1/26 ¹	881,000	927,253
Northern Trust Corp., 3.375% [US0003M+113.1] Sub. Nts., 5/8/32 ²	400,000	398,876
Prime Security Services Borrower LLC/Prime Finance, Inc., 9.25% Sec. Nts., 5/15/23 ¹	1,070,000	1,190,375
Raymond James Financial, Inc., 3.625% Sr. Unsec. Nts., 9/15/26	543,000	546,411
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., 6.125% Sr. Sec. Nts., 8/15/21 ¹	375,000	373,125
S&P Global, Inc., 2.50% Sr. Unsec. Nts., 8/15/18	941,000	943,859
Staples, Inc., 8.50% Sr. Unsec. Nts., 9/15/25 ¹	1,860,000	1,725,150
TD Ameritrade Holding Corp., 3.30% Sr. Unsec. Nts., 4/1/27	562,000	567,605
Tempo Acquisition LLC/Tempo Acquisition Finance Corp., 6.75% Sr. Unsec. Nts., 6/1/25 ¹	805,000	821,100
Trident Merger Sub, Inc., 6.625% Sr. Unsec. Nts., 11/1/25 ¹	805,000	805,000
UBS Group AG, 7.125% [US\$W5+588.3] Jr. Sub. Perpetual Bonds ^{2,10}	700,000	763,540
UBS Group Funding Switzerland AG: 4.125% Sr. Unsec. Nts., 4/15/26 ¹	347,000	364,391
4.253% Sr. Unsec. Nts., 3/23/28 ¹	377,000	397,888
VFH Parent LLC/Orchestra Co.-Issuer, Inc., 6.75% Sec. Nts., 6/15/22 ¹	260,000	274,300
		26,251,676

Commercial Banks—2.9%

ABN AMRO Bank NV, 4.40% [US\$W5+219.7] Sub. Nts., 3/27/28 ²	1,061,000	1,093,759
ACE Cash Express, Inc., 12.00% Sr. Sec. Nts., 12/15/22 ¹	135,000	140,062
Astana Finance JSC, 9.16% Sr. Unsec. Nts., 3/14/12 ^{8,9}	315,159	—
Australia & New Zealand Banking Group Ltd. (New York), 2.625% Sr. Unsec. Nts., 5/19/22	929,000	926,428

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Commercial Banks (Continued)		
Australia & New Zealand Banking Group Ltd. (United Kingdom), 6.75% [USISDA05+516.8] Jr. Sub. Perpetual Bonds ^{1,2,10}	\$ 735,000	\$ 837,900
Banco Bilbao Vizcaya Argentaria SA: 6.125% [USSW5+387] Jr. Sub. Perpetual Bonds ^{2,10}	495,000	511,706
9.00% [USSW5+826.2] Jr. Sub. Perpetual Bonds ^{2,10}	495,000	507,276
Banco do Brasil SA (Cayman), 6.25% [H15T10Y+439.8] Jr. Sub. Perpetual Bonds ^{1,2,10}	820,000	756,450
Banco Mercantil del Norte SA (Grand Cayman): 6.875% [H15T5Y+503.5] Jr. Sub. Perpetual Bonds ^{1,2,10}	429,000	453,131
7.625% [H15T10Y+535.3] Jr. Sub. Perpetual Bonds ^{1,2,10}	395,000	434,006
Banco Santander SA, 6.375% [USSW5+478.8] Jr. Sub. Perpetual Bonds ^{2,10}	650,000	666,278
Bank of America Corp.: 3.248% Sr. Unsec. Nts., 10/21/27	723,000	718,124
3.824% [US0003M+157.5] Sr. Unsec. Nts., 1/20/28 ²	497,000	514,527
6.30% [US0003M+455.3] Jr. Sub. Perpetual Bonds ^{2,10}	613,000	694,222
7.75% Jr. Sub. Nts., 5/14/38	623,000	935,692
Bank of Nova Scotia (The), 4.65% [US0003M+264.8] Jr. Sub. Perpetual Bonds ^{2,10}	680,000	676,379
Barclays plc: 4.375% Sr. Unsec. Nts., 1/12/26	880,000	917,397
7.875% [USSW5+677.2] Jr. Sub. Perpetual Bonds ^{2,10}	750,000	824,063
BB&T Corp., 2.85% Sr. Unsec. Nts., 10/26/24	764,000	758,953
BNP Paribas SA: 4.625% Sub. Nts., 3/13/27 ¹	635,000	678,493
7.625% [USSW5+631.4] Jr. Sub. Perpetual Bonds ^{1,2,10}	755,000	832,387
BPCE SA, 4.50% Sub. Nts., 3/15/25 ¹	630,000	659,339
CIT Group, Inc., 5.80% [US0003M+397.2] Jr. Sub. Perpetual Bonds ^{2,10}	688,000	710,360
Citigroup, Inc.: 4.281% [US0003M+183.9] Sr. Unsec. Nts., 4/24/48 ²	916,000	997,828
4.75% Sub. Nts., 5/18/46	440,000	486,559
6.125% [US0003M+447.8] Jr. Sub. Perpetual Bonds ^{2,10}	485,000	516,525
Citizens Bank NA (Providence RI): 2.55% Sr. Unsec. Nts., 5/13/21	529,000	527,412
2.65% Sr. Unsec. Nts., 5/26/22	224,000	222,152
Commonwealth Bank of Australia, 3.15% Sr. Unsec. Nts., 9/19/27 ¹	750,000	740,139
Compass Bank, 2.875% Sr. Unsec. Nts., 6/29/22	945,000	935,977
Credit Agricole SA, 4.375% Sub. Nts., 3/17/25 ¹	1,066,000	1,115,407
Fifth Third Bancorp, 5.10% [US0003M+303.33] Jr. Sub. Perpetual Bonds ^{2,10}	250,000	254,375
Fifth Third Bank (Cincinnati OH), 3.85% Sub. Nts., 3/15/26	551,000	569,273
First Republic Bank, 4.375% Sub. Nts., 8/1/46	380,000	389,721
Glencore Funding LLC, 4.00% Sr. Unsec. Nts., 4/16/25 ¹	523,000	529,082

	Principal Amount	Value
Commercial Banks (Continued)		
Global Bank Corp., 4.50% Sr. Unsec. Nts., 10/20/21 ¹	\$ 605,000	\$ 617,826
Globo Comunicacao e Participacoes SA, 5.125% Sr. Sec. Nts., 3/31/27 ¹	1,110,000	1,132,200
HSBC Holdings plc: 4.041% [US0003M+154.6] Sr. Unsec. Nts., 3/13/28 ²	440,000	458,940
6.375% [USISDA05+370.5] Jr. Sub. Perpetual Bonds ^{2,10}	615,000	656,512
Huntington Bancshares, Inc., 3.15% Sr. Unsec. Nts., 3/14/21	528,000	536,653
IDBI Bank Ltd. (DIFC Dubai), 5.00% Sr. Unsec. Nts., 9/25/19	430,000	441,606
Intesa Sanpaolo SpA, 3.875% Sr. Unsec. Nts., 7/14/27 ¹	749,000	749,913
JPMorgan Chase & Co.: 3.54% [US0003M+138] Sr. Unsec. Nts., 5/1/28 ²	735,000	748,420
3.782% [US0003M+133.7] Sr. Unsec. Nts., 2/1/28 ²	1,458,000	1,512,166
6.125% [US0003M+333] Jr. Sub. Perpetual Bonds ^{2,10}	640,000	701,600
7.90% [US0003M+347] Jr. Sub. Perpetual Bonds, Series 1 ^{2,10}	492,000	498,765
Kenan Advantage Group, Inc. (The), 7.875% Sr. Unsec. Nts., 7/31/23 ¹	1,125,000	1,170,000
Krung Thai Bank PCL (Cayman Islands), 5.20% [H15T5Y+353.5] Sub. Nts., 12/26/24 ²	540,000	556,844
Lloyds Banking Group plc, 6.413% [US0003M+149.5] Jr. Sub. Perpetual Bonds ^{1,2,10}	566,000	655,145
PNC Financial Services Group, Inc. (The), 3.15% Sr. Unsec. Nts., 5/19/27	835,000	838,619
Regions Bank (Birmingham AL), 2.25% Sr. Unsec. Nts., 9/14/18	477,000	477,591
Regions Financial Corp., 2.75% Sr. Unsec. Nts., 8/14/22	618,000	616,638
Royal Bank of Scotland Group plc, 3.498% [US0003M+148] Sr. Unsec. Nts., 5/15/23 ²	660,000	662,023
Sberbank of Russia Via SB Capital SA, 5.50% [H15T5Y+402.3] Sub. Nts., 2/26/24 ^{1,2}	1,580,000	1,608,677
Societe Generale SA, 7.375% [USSW5+623.8] Jr. Sub. Perpetual Bonds ^{1,2,10}	795,000	863,609
Standard Chartered plc, 7.50% [USSW5+630.1] Jr. Sub. Perpetual Bonds ^{1,2,10}	805,000	873,425
SunTrust Bank (Atlanta GA), 3.30% Sub. Nts., 5/15/26	417,000	413,632
SunTrust Banks, Inc.: 5.05% [US0003M+310.2] Jr. Sub. Perpetual Bonds ^{2,10}	697,000	707,455
5.125% [US0003M+278.6] Jr. Sub. Perpetual Bonds ^{2,10}	104,000	102,128
Synovus Financial Corp., 3.125% Sr. Unsec. Nts., 11/1/22	557,000	553,073
Türkiye Garanti Bankasi AS, 6.125% [USSW5+422] Sub. Nts., 5/24/27 ^{1,2}	300,000	300,171
Türkiye İş Bankası, 6.00% Sub. Nts., 10/24/22 ¹	540,000	543,328
Türkiye Vakıflar Bankası TAO: 5.625% Sr. Unsec. Nts., 5/30/22 ¹	970,000	969,446
6.875% [USSW5+543.9] Sub. Nts., 2/3/25 ^{1,2}	525,000	531,576
UniCredit SpA, 8.00% [USSW5+518] Jr. Sub. Perpetual Bonds ^{2,10}	630,000	691,406

	Principal Amount	Value
Commercial Banks (Continued)		
US Bancorp:		
3.10% Sub. Nts., 4/27/26	\$ 548,000	\$ 544,588
3.15% Sr. Unsec. Nts., 4/27/27	225,000	225,617
Wachovia Capital Trust III, 5.57% [US0003M+93] Jr. Sub. Perpetual Bonds ^{2,10}	992,000	1,000,680
Wells Fargo & Co.:		
3.584% [US0003M+131] Sr. Unsec. Nts., 5/22/28 ²	754,000	769,362
4.75% Sub. Nts., 12/7/46	532,000	595,504
Westpac Banking Corp. (New Zealand), 5.00% [USISDA05+288.8] Jr. Sub. Perpetual Bonds ^{2,10}	680,000	678,748
Yapi ve Kredi Bankasi AS, 5.85% Sr. Unsec. Nts., 6/21/24 ¹	770,000	771,456
Zenith Bank plc, 7.375% Sr. Unsec. Nts., 5/30/22 ¹	675,000	704,160
		49,010,884
Consumer Finance—0.9%		
Ahern Rentals, Inc., 7.375% Sec. Nts., 5/15/23 ¹	910,000	859,950
Ally Financial, Inc.:		
4.625% Sr. Unsec. Nts., 5/19/22	440,000	458,700
5.75% Sub. Nts., 11/20/25	1,325,000	1,449,219
8.00% Sr. Unsec. Nts., 11/1/31	415,000	541,575
American Express Co.:		
2.50% Sr. Unsec. Nts., 8/1/22	371,000	366,867
4.90% [US0003M+328.5] Jr. Sub. Perpetual Bonds ^{2,10}	758,000	774,107
American Express Credit Corp., 3.30% Sr. Unsec. Nts., 5/3/27	562,000	570,815
Capital One Financial Corp., 3.75% Sr. Unsec. Nts., 3/9/27	371,000	375,572
Discover Financial Services:		
3.75% Sr. Unsec. Nts., 3/4/25	371,000	373,931
4.10% Sr. Unsec. Nts., 2/9/27	374,000	383,704
5.50% [US0003M+307.6] Jr. Sub. Perpetual Bonds ^{2,10}	335,000	345,469
Electricite de France SA, 6.50% Sr. Unsec. Nts., 1/26/19 ¹	665,000	695,668
Financiera Independencia SAB de CV SOFOM ENR, 8.00% Sr. Unsec. Nts., 7/19/24 ¹	365,000	373,212
Minejesa Capital BV, 4.625% Sr. Sec. Nts., 8/10/30 ¹	2,635,000	2,699,702
Navient Corp.:		
6.50% Sr. Unsec. Nts., 6/15/22	535,000	561,884
6.625% Sr. Unsec. Nts., 7/26/21	505,000	534,038
6.75% Sr. Unsec. Nts., 6/25/25	685,000	705,550
Springleaf Finance Corp.:		
5.625% Sr. Unsec. Nts., 3/15/23	805,000	807,777
6.125% Sr. Unsec. Nts., 5/15/22	785,000	818,363
8.25% Sr. Unsec. Nts., 12/15/20	490,000	540,225
		14,236,328
Diversified Financial Services—0.3%		
Berkshire Hathaway Energy Co., 2.00% Sr. Unsec. Nts., 11/15/18	267,000	267,259
Charming Light Investments Ltd., 4.375% Sr. Unsec. Nts., 12/21/27 ¹²	390,000	393,064
JPMorgan Hipotecaria su Casita, 6.47% Sec. Nts., 8/26/35 ^{3,9,13} MXN	5,808,600	28,803
National Savings Bank, 8.875% Sr. Unsec. Nts., 9/18/18 ¹	1,000,000	1,034,500
Park Aerospace Holdings Ltd., 5.50% Sr. Unsec. Nts., 2/15/24 ¹	1,020,000	1,014,900
Peachtree Corners Funding Trust, 3.976% Sr. Unsec. Nts., 2/15/25 ¹	363,000	374,255

	Principal Amount	Value
Diversified Financial Services (Continued)		
Precision Castparts Corp., 2.50% Sr. Unsec. Nts., 1/15/23	\$ 549,000	\$ 545,831
Voya Financial, Inc., 5.65% [US0003M+358] Jr. Sub. Nts., 5/15/53 ²	875,000	934,063
		4,592,675
Insurance—0.3%		
AXIS Specialty Finance plc, 5.15% Sr. Unsec. Nts., 4/1/45	464,000	499,319
Brighthouse Financial, Inc., 3.70% Sr. Unsec. Nts., 6/22/27 ¹	239,000	235,445
CNA Financial Corp., 3.45% Sr. Unsec. Nts., 8/15/27	663,000	654,489
Credivalores-Crediservicios SAS, 9.75% Sr. Unsec. Nts., 7/27/22 ¹	370,000	385,725
Genworth Holdings, Inc., 7.70% Sr. Unsec. Nts., 6/15/20	535,000	541,019
Manulife Financial Corp., 4.061% [USISDA05+164.7] Sub. Nts., 2/24/32 ²	565,000	570,184
Marsh & McLennan Cos., Inc., 4.35% Sr. Unsec. Nts., 1/30/47	294,000	326,731
MetLife, Inc., 5.25% [US0003M+357.5] Jr. Sub. Perpetual Bonds ^{2,10}	936,000	975,537
Nuveen Finance LLC, 4.125% Sr. Unsec. Nts., 11/1/24 ¹	695,000	734,405
Prudential Financial, Inc.:		
5.20% [US0003M+304] Jr. Sub. Nts., 3/15/44 ²	712,000	759,170
5.375% [US0003M+303.1] Jr. Sub. Nts., 5/15/45 ²	172,000	184,728
		5,866,752
Real Estate Investment Trusts (REITs)—1.3%		
American Tower Corp.:		
2.80% Sr. Unsec. Nts., 6/1/20	817,000	822,501
3.00% Sr. Unsec. Nts., 6/15/23	782,000	780,807
Banco Inxev SA/Hipotecaria Credito y Casa SA de CV, 6.45% Sec. Nts., 3/13/34 ^{8,9,13} MXN	4,830,531	—
Crown Castle International Corp., 3.65% Sr. Unsec. Nts., 9/1/27	455,000	454,669
Digital Realty Trust LP:		
3.40% Sr. Unsec. Nts., 10/1/20	79,000	80,606
5.875% Sr. Unsec. Nts., 2/1/20	327,000	346,958
Equinix, Inc.:		
5.375% Sr. Unsec. Nts., 5/15/27	780,000	836,550
5.875% Sr. Unsec. Nts., 1/15/26	945,000	1,017,056
FelCor Lodging LP, 6.00% Sr. Unsec. Nts., 6/1/25	635,000	673,100
GLP Capital LP/GLP Financing II, Inc., 5.375% Sr. Unsec. Nts., 11/1/23	810,000	867,712
HCP, Inc., 2.625% Sr. Unsec. Nts., 2/1/20	907,000	910,613
Iron Mountain US Holdings, Inc., 5.375% Sr. Unsec. Nts., 6/1/26 ¹	995,000	1,027,338
Iron Mountain, Inc.:		
4.875% Sr. Unsec. Nts., 9/15/27 ¹	795,000	798,975
5.25% Sr. Unsec. Nts., 3/15/28 ¹	535,000	535,000
iStar, Inc.:		
5.00% Sr. Unsec. Nts., 7/1/19	405,000	407,278
5.25% Sr. Unsec. Nts., 9/15/22	800,000	807,000
6.00% Sr. Unsec. Nts., 4/1/22	1,325,000	1,374,687
Lamar Media Corp., 5.75% Sr. Unsec. Nts., 2/1/26	1,465,000	1,569,381
MPT Operating Partnership LP/MPT Finance Corp.:		
5.00% Sr. Unsec. Nts., 10/15/27	795,000	811,894
6.375% Sr. Unsec. Nts., 3/1/24	740,000	786,250
Outfront Media Capital LLC/Outfront Media Capital Corp., 5.875% Sr. Unsec. Nts., 3/15/25	1,090,000	1,156,762

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Real Estate Investment Trusts (REITs) (Continued)		
SBA Communications Corp., 4.00% Sr. Unsec. Nts., 10/1/22 ¹	\$ 800,000	\$ 805,000
Starwood Property Trust, Inc.: 4.75% Sr. Unsec. Nts., 3/15/25 ¹	805,000	800,975
5.00% Sr. Unsec. Nts., 12/15/21	760,000	790,400
Trust F/1401, 5.25% Sr. Unsec. Nts., 1/30/26 ¹	1,245,000	1,316,588
Uniti Group LP/Uniti Fiber Holdings, Inc./ CSL Capital LLC, 7.125% Sr. Unsec. Nts., 12/15/24 ¹	530,000	484,950
Uniti Group LP/Uniti Group Finance, Inc./ CSL Capital LLC, 8.25% Sr. Unsec. Nts., 10/15/23	1,055,000	1,020,712
Ventas Realty LP/Ventas Capital Corp., 2.00% Sr. Unsec. Nts., 2/15/18	269,000	268,993
VEREIT Operating Partnership LP, 3.00% Sr. Unsec. Nts., 2/6/19	346,000	347,732
Welltower, Inc., 2.25% Sr. Unsec. Nts., 3/15/18	130,000	130,057
		22,030,544
Real Estate Management & Development—0.3%		
Cleaver-Brooks, Inc., 7.875% Sr. Sec. Nts., 3/1/23 ¹	400,000	411,000
Greystar Real Estate Partners LLC, 5.75% Sr. Sec. Nts., 12/1/25 ¹	1,075,000	1,109,937
Mattamy Group Corp., 6.875% Sr. Unsec. Nts., 12/15/23 ¹	505,000	536,563
Realogy Group LLC/Realogy Co.-Issuer Corp., 4.875% Sr. Unsec. Nts., 6/1/23 ¹	1,240,000	1,230,700
Shea Homes LP/Shea Homes Funding Corp., 6.125% Sr. Unsec. Nts., 4/1/25 ¹	1,065,000	1,112,925
		4,401,125
Thriffs & Mortgage Finance—0.2%		
Nationwide Building Society, 4.125% [USISDA05+184.9] Sub. Nts., 10/18/32 ²	557,000	558,139
Provident Funding Associates LP/PFG Finance Corp., 6.375% Sr. Unsec. Nts., 6/15/25 ¹	395,000	415,737
Quicken Loans, Inc.: 5.25% Sr. Unsec. Nts., 1/15/28 ¹	1,075,000	1,063,928
5.75% Sr. Unsec. Nts., 5/1/25 ¹	1,420,000	1,476,814
Radian Group, Inc., 4.50% Sr. Unsec. Nts., 10/1/24	665,000	682,955
		4,197,573
Health Care—3.5%		
Biotechnology—0.2%		
AbbVie, Inc.: 3.60% Sr. Unsec. Nts., 5/14/25	546,000	562,078
4.70% Sr. Unsec. Nts., 5/14/45	168,000	187,943
Biogen, Inc., 5.20% Sr. Unsec. Nts., 9/15/45	212,000	252,423
Celgene Corp.: 3.875% Sr. Unsec. Nts., 8/15/25	527,000	546,235
5.00% Sr. Unsec. Nts., 8/15/45	104,000	118,355
Gilead Sciences, Inc., 4.75% Sr. Unsec. Nts., 3/1/46	343,000	397,370
Shire Acquisitions Investments Ireland DAC: 1.90% Sr. Unsec. Nts., 9/23/19	964,000	955,571
3.20% Sr. Unsec. Nts., 9/23/26	748,000	732,535
		3,752,510
Health Care Equipment & Supplies—0.4%		
Abbott Laboratories: 2.35% Sr. Unsec. Nts., 11/22/19	927,000	927,522
3.75% Sr. Unsec. Nts., 11/30/26	785,000	807,357
Becton Dickinson & Co.: 2.404% Sr. Unsec. Nts., 6/5/20	585,000	582,130

	Principal Amount	Value
Health Care Equipment & Supplies (Continued)		
Becton Dickinson & Co.: (Continued) 3.70% Sr. Unsec. Nts., 6/6/27	\$ 692,000	\$ 698,486
Boston Scientific Corp., 3.85% Sr. Unsec. Nts., 5/15/25	720,000	741,225
DJO Finco, Inc./DJO Finance LLC/ DJO Finance Corp., 8.125% Sec. Nts., 6/15/21 ¹	480,000	451,200
Hill-Rom Holdings, Inc., 5.75% Sr. Unsec. Nts., 9/1/23 ¹	680,000	714,850
Hologic, Inc., 4.375% Sr. Unsec. Nts., 10/15/25 ¹	180,000	183,150
Medtronic, Inc., 4.625% Sr. Unsec. Nts., 3/15/45	377,000	439,902
Teleflex, Inc., 4.625% Sr. Unsec. Nts., 11/15/27	535,000	541,580
		6,087,402
Health Care Providers & Services—1.7%		
Acadia Healthcare Co., Inc.: 5.625% Sr. Unsec. Nts., 2/15/23	830,000	846,600
6.50% Sr. Unsec. Nts., 3/1/24	250,000	261,250
Anthem, Inc., 2.50% Sr. Unsec. Nts., 11/21/20	917,000	915,649
Centene Corp.: 4.75% Sr. Unsec. Nts., 5/15/22	2,110,000	2,199,675
6.125% Sr. Unsec. Nts., 2/15/24	245,000	259,700
CHS/Community Health Systems, Inc.: 6.25% Sr. Sec. Nts., 3/31/23	2,265,000	2,049,825
6.875% Sr. Unsec. Nts., 2/1/22	765,000	443,700
7.125% Sr. Unsec. Nts., 7/15/20	345,000	259,612
8.00% Sr. Unsec. Nts., 11/15/19	1,000,000	852,500
Cigna Corp., 5.125% Sr. Unsec. Nts., 6/15/20	794,000	842,795
DaVita, Inc.: 5.00% Sr. Unsec. Nts., 5/1/25	275,000	275,605
5.125% Sr. Unsec. Nts., 7/15/24	1,435,000	1,452,041
Fresenius Medical Care US Finance II, Inc., 5.875% Sr. Unsec. Nts., 1/31/22 ¹	1,163,000	1,281,445
HCA, Inc.: 5.375% Sr. Unsec. Nts., 2/1/25	700,000	726,250
5.50% Sr. Sec. Nts., 6/15/47	1,315,000	1,315,000
7.50% Sr. Unsec. Nts., 2/15/22	2,405,000	2,711,638
HealthSouth Corp., 5.75% Sr. Unsec. Nts., 11/1/24	1,700,000	1,746,750
Humana, Inc., 2.50% Sr. Unsec. Nts., 12/15/20	238,000	237,967
Kindred Healthcare, Inc., 6.375% Sr. Unsec. Nts., 4/15/22	540,000	550,800
Laboratory Corp. of America Holdings: 2.625% Sr. Unsec. Nts., 2/1/20	908,000	910,799
3.60% Sr. Unsec. Nts., 2/1/25	557,000	566,491
LifePoint Health, Inc., 5.375% Sr. Unsec. Nts., 5/1/24	260,000	259,025
OCP SA, 4.50% Sr. Unsec. Nts., 10/22/25 ¹	1,160,000	1,163,821
Select Medical Corp., 6.375% Sr. Unsec. Nts., 6/1/21	900,000	927,000
Tenet Healthcare Corp.: 4.375% Sr. Sec. Nts., 10/1/21	520,000	521,300
6.75% Sr. Unsec. Nts., 6/15/23	1,685,000	1,640,769
7.50% Sec. Nts., 1/1/22 ¹	505,000	532,144
8.125% Sr. Unsec. Nts., 4/1/22	1,040,000	1,062,100
UnitedHealth Group, Inc., 2.75% Sr. Unsec. Nts., 2/15/23	735,000	736,854
Universal Hospital Services, Inc., 7.625% Sec. Nts., 8/15/20	755,000	758,775
		28,307,880

	Principal Amount	Value
Health Care Technology—0.0%		
Telenet Finance Luxembourg Notes Sarl, 1st Lien Nts., 5.50% Sr. Sec. Nts., 3/1/28 ¹	\$ 805,000	\$ 801,855
Life Sciences Tools & Services—0.2%		
Life Technologies Corp., 6.00% Sr. Unsec. Nts., 3/1/20	673,000	720,628
Quintiles IMS, Inc.:		
4.875% Sr. Unsec. Nts., 5/15/23 ¹	732,000	757,620
5.00% Sr. Unsec. Nts., 10/15/26 ¹	861,000	885,754
Thermo Fisher Scientific, Inc.:		
3.20% Sr. Unsec. Nts., 8/15/27	455,000	451,762
4.15% Sr. Unsec. Nts., 2/1/24	328,000	348,312
West Street Merger Sub, Inc., 6.375% Sr. Unsec. Nts., 9/1/25 ¹	415,000	418,112
		3,582,188
Pharmaceuticals—1.0%		
Allergan Funding SCS:		
3.00% Sr. Unsec. Nts., 3/12/20	907,000	915,575
3.80% Sr. Unsec. Nts., 3/15/25	643,000	655,453
Concordia International Corp., 7.00% Sr. Unsec. Nts., 4/15/23 ¹	585,000	55,575
Endo Dac/Endo Finance LLC/Endo Finco, Inc.:		
6.00% Sr. Unsec. Nts., 7/15/23 ¹	1,255,000	991,450
6.00% Sr. Unsec. Nts., 2/1/25 ¹	210,000	163,800
Endo Finance LLC/Endo Finco, Inc., 5.375% Sr. Unsec. Nts., 1/15/23 ¹	1,555,000	1,220,675
Mallinckrodt International Finance SA/ Mallinckrodt CB LLC:		
4.875% Sr. Unsec. Nts., 4/15/20 ¹	520,000	501,800
5.50% Sr. Unsec. Nts., 4/15/25 ¹	1,320,000	1,082,400
5.75% Sr. Unsec. Nts., 8/1/22 ¹	930,000	848,625
Prestige Brands, Inc., 6.375% Sr. Unsec. Nts., 3/1/24 ¹	370,000	385,262
Valeant Pharmaceuticals International, Inc.:		
5.375% Sr. Unsec. Nts., 3/15/20 ¹	149,000	149,931
5.50% Sr. Unsec. Nts., 3/1/23 ¹	355,000	326,600
5.50% Sr. Sec. Nts., 11/1/25 ¹	935,000	956,037
5.875% Sr. Unsec. Nts., 5/15/23 ¹	1,845,000	1,713,544
6.125% Sr. Unsec. Nts., 4/15/25 ¹	1,535,000	1,410,281
6.75% Sr. Unsec. Nts., 8/15/21 ¹	1,115,000	1,127,544
7.00% Sr. Sec. Nts., 3/15/24 ¹	780,000	836,550
7.25% Sr. Unsec. Nts., 7/15/22 ¹	1,150,000	1,167,250
7.50% Sr. Unsec. Nts., 7/15/21 ¹	935,000	954,869
9.00% Sr. Unsec. Nts., 12/15/25 ¹	670,000	699,949
Zoetis, Inc., 3.00% Sr. Unsec. Nts., 9/12/27	224,000	219,200
		16,382,370
Industrials—4.5%		
Aerospace & Defense—0.8%		
Arconic, Inc., 5.125% Sr. Unsec. Nts., 10/1/24	535,000	572,695
BAE Systems Holdings, Inc., 3.85% Sr. Unsec. Nts., 12/15/25 ¹	705,000	732,162
Bombardier, Inc.:		
7.50% Sr. Unsec. Nts., 12/1/24 ¹	805,000	819,088
7.50% Sr. Unsec. Nts., 3/15/25 ¹	805,000	815,062
8.75% Sr. Unsec. Nts., 12/1/21 ¹	1,750,000	1,933,750
DAE Funding LLC:		
4.50% Sr. Unsec. Nts., 8/1/22 ¹	265,000	261,025
5.00% Sr. Unsec. Nts., 8/1/24 ¹	265,000	262,350
Embraer Netherlands Finance BV, 5.40% Sr. Unsec. Nts., 2/1/27	1,065,000	1,151,531
Hexcel Corp., 3.95% Sr. Unsec. Nts., 2/15/27	350,000	357,376

	Principal Amount	Value
Aerospace & Defense (Continued)		
Huntington Ingalls Industries, Inc., 3.483% Sr. Unsec. Nts., 12/1/27 ¹	\$ 350,000	\$ 349,562
Kratos Defense & Security Solutions, Inc., 6.50% Sr. Sec. Nts., 11/30/25 ¹	400,000	416,500
Northrop Grumman Corp., 4.75% Sr. Unsec. Nts., 6/1/43	495,000	573,420
Rolls-Royce plc, 2.375% Sr. Unsec. Nts., 10/14/20 ¹	242,000	240,554
Textron, Inc.:		
3.65% Sr. Unsec. Nts., 3/15/27	233,000	237,181
4.30% Sr. Unsec. Nts., 3/1/24	293,000	310,194
TransDigm, Inc.:		
6.375% Sr. Sub. Nts., 6/15/26	1,345,000	1,366,856
6.50% Sr. Sub. Nts., 7/15/24	535,000	549,713
Triumph Group, Inc.:		
5.25% Sr. Unsec. Nts., 6/1/22	1,355,000	1,334,675
7.75% Sr. Unsec. Nts., 8/15/25 ¹	1,330,000	1,414,788
United Technologies Corp., 1.778% Jr. Sub. Nts., 5/4/18 ¹	170,000	169,754
		13,868,236
Air Freight & Couriers—0.1%		
CEVA Group plc, 7.00% Sr. Sec. Nts., 3/1/21 ¹	775,000	755,625
FedEx Corp., 4.40% Sr. Unsec. Nts., 1/15/47	175,000	187,333
XPO Logistics, Inc., 6.125% Sr. Unsec. Nts., 9/1/23 ¹	370,000	392,662
		1,335,620
Airlines—0.2%		
American Airlines Group, Inc., 4.625% Sr. Unsec. Nts., 3/1/20 ¹	830,000	843,487
Azul Investments LLP, 5.875% Sr. Unsec. Nts., 10/26/24 ¹	575,000	572,844
Latam Finance Ltd., 6.875% Sr. Unsec. Nts., 4/11/24 ¹	370,000	386,650
United Continental Holdings, Inc., 4.25% Sr. Unsec. Nts., 10/1/22	800,000	803,000
		2,605,981
Building Products—0.2%		
Allegion US Holding Co., Inc., 3.55% Sec. Nts., 10/1/27	664,000	658,230
Jeld-Wen, Inc.:		
4.625% Sr. Unsec. Nts., 12/15/25 ¹	120,000	121,200
4.875% Sr. Unsec. Nts., 12/15/27 ¹	120,000	121,500
Owens Corning, 3.40% Sr. Unsec. Nts., 8/15/26	631,000	620,327
Standard Industries, Inc., 5.375% Sr. Unsec. Nts., 11/15/24 ¹	1,535,000	1,612,210
USG Corp., 4.875% Sr. Unsec. Nts., 6/1/27 ¹	450,000	467,573
		3,601,040
Commercial Services & Supplies—0.8%		
ACCO Brands Corp., 5.25% Sr. Unsec. Nts., 12/15/24 ¹	490,000	504,700
Affinion Group, Inc., 12.50% Sr. Unsec. Nts., 11/10/22 ^{3,14}	2,312,752	2,081,477
ARD Finance SA, 7.875% Sr. Sec. Nts., 9/15/23 ¹⁴	920,000	963,700
Brink's Co. (The), 4.625% Sr. Unsec. Nts., 10/15/27 ¹	1,065,000	1,046,362
Cenveo Corp., 6.00% Sr. Sec. Nts., 8/1/19 ¹	345,000	246,675
Clean Harbors, Inc., 5.125% Sr. Unsec. Nts., 6/1/21	1,230,000	1,245,375
Covanta Holding Corp.:		
5.875% Sr. Unsec. Nts., 3/1/24	1,565,000	1,592,387
5.875% Sr. Unsec. Nts., 7/1/25	530,000	533,975

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Commercial Services & Supplies (Continued)		
GFL Environmental, Inc., 5.625% Sr. Unsec. Nts., 5/1/22 ¹	\$ 720,000	\$ 750,600
Matthews International Corp., 5.25% Sr. Unsec. Nts., 12/1/25 ¹	730,000	739,125
Republic Services, Inc., 3.80% Sr. Unsec. Nts., 5/15/18	786,000	791,505
RR Donnelley & Sons Co., 7.875% Sr. Unsec. Nts., 3/15/21	1,200,000	1,254,000
TMS International Corp., 7.25% Sr. Unsec. Nts., 8/15/25 ³	265,000	277,588
West Corp.:		
5.375% Sr. Unsec. Nts., 7/15/22 ³	685,000	698,769
8.50% Sr. Unsec. Nts., 10/15/25 ¹	665,000	660,012
		13,386,250
Construction & Engineering—0.1%		
AECOM, 5.125% Sr. Unsec. Nts., 3/15/27	535,000	546,315
Fideicomiso PA Pacifico Tres, 8.25% Sr. Sec. Nts., 1/15/35 ¹	535,000	620,600
Tutor Perini Corp., 6.875% Sr. Unsec. Nts., 5/1/25 ¹	780,000	840,450
		2,007,365
Electrical Equipment—0.2%		
Sensata Technologies BV:		
4.875% Sr. Unsec. Nts., 10/15/23 ¹	898,000	941,778
5.625% Sr. Unsec. Nts., 11/1/24 ¹	1,190,000	1,311,975
Vertiv Group Corp., 9.25% Sr. Unsec. Nts., 10/15/24 ¹	270,000	289,575
		2,543,328
Industrial Conglomerates—0.2%		
Carlisle Cos., Inc., 3.75% Sr. Unsec. Nts., 12/1/27	492,000	497,965
Citgo Holding, Inc., 10.75% Sr. Sec. Nts., 2/15/20 ¹	570,000	614,175
Icahn Enterprises LP/Icahn Enterprises Finance Corp., 5.875% Sr. Unsec. Nts., 2/1/22	490,000	497,962
Roper Technologies, Inc.:		
3.00% Sr. Unsec. Nts., 12/15/20	754,000	763,438
3.80% Sr. Unsec. Nts., 12/15/26	695,000	717,851
Tupras Turkiye Petrol Rafinerileri AS, 4.50% Sr. Unsec. Nts., 10/18/24 ¹	535,000	529,750
		3,621,141
Machinery—0.6%		
Allison Transmission, Inc.:		
4.75% Sr. Unsec. Nts., 10/1/27 ¹	265,000	267,319
5.00% Sr. Unsec. Nts., 10/1/24 ¹	500,000	516,875
Amsted Industries, Inc., 5.00% Sr. Unsec. Nts., 3/15/22 ³	1,120,000	1,149,400
BlueLine Rental Finance Corp./BlueLine Rental LLC, 9.25% Sec. Nts., 3/15/24 ¹	1,305,000	1,396,350
CNH Industrial NV, 3.85% Sr. Unsec. Nts., 11/15/27	491,000	490,478
Fortive Corp., 1.80% Sr. Unsec. Nts., 6/15/19	985,000	978,148
Icahn Enterprises LP/Icahn Enterprises Finance Corp., 6.75% Sr. Unsec. Nts., 2/1/24	1,320,000	1,361,250
Navistar International Corp., 6.625% Sr. Unsec. Nts., 11/1/25 ¹	665,000	695,510
Park-Ohio Industries, Inc., 6.625% Sr. Unsec. Nts., 4/15/27	260,000	281,450
Stanley Black & Decker, Inc., 2.451% Sub. Nts., 11/17/18	222,000	222,717
Terex Corp., 5.625% Sr. Unsec. Nts., 2/1/25 ¹	255,000	266,794

	Principal Amount	Value
Machinery (Continued)		
Titan International, Inc., 6.50% Sr. Sec. Nts., 11/30/23	\$ 1,075,000	\$ 1,096,500
Wabash National Corp., 5.50% Sr. Unsec. Nts., 10/1/25 ¹	270,000	272,700
Wabtec Corp., 3.45% Sr. Unsec. Nts., 11/15/26	374,000	366,346
		9,361,837
Marine—0.0%		
Global Ship Lease, Inc., 9.875% Sr. Sec. Nts., 11/15/22 ¹	270,000	279,788
Professional Services—0.2%		
Atento Luxco 1 SA, 6.125% Sr. Sec. Nts., 8/10/22 ¹	655,000	687,750
Brand Industrial Services, Inc., 8.50% Sr. Unsec. Nts., 7/15/25 ¹	795,000	836,737
FTI Consulting, Inc., 6.00% Sr. Unsec. Nts., 11/15/22	1,720,000	1,778,996
IHS Markit Ltd., 4.00% Sr. Unsec. Nts., 3/1/26 ¹	270,000	271,013
		3,574,496
Road & Rail—0.2%		
Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 5.25% Sr. Unsec. Nts., 3/15/25 ¹	765,000	760,219
Canadian Pacific Railway Co., 4.80% Sr. Unsec. Nts., 9/15/35	111,000	129,613
DAE Funding LLC, 4.00% Sr. Unsec. Nts., 8/1/20 ¹	265,000	268,312
Hertz Corp. (The), 7.375% Sr. Unsec. Nts., 1/15/21	265,000	268,975
Kazakhstan Temir Zholy National Co. JSC, 4.85% Sr. Unsec. Nts., 11/17/27 ¹	215,000	224,593
Penske Truck Leasing Co. LP/PTL Finance Corp., 3.40% Sr. Unsec. Nts., 11/15/26 ¹	743,000	734,809
		2,386,521
Trading Companies & Distributors—0.6%		
Air Lease Corp.:		
3.00% Sr. Unsec. Nts., 9/15/23	403,000	400,335
3.625% Sr. Unsec. Nts., 4/1/27	403,000	403,351
Aircastle Ltd., 5.00% Sr. Unsec. Nts., 4/1/23	245,000	258,781
American Builders & Contractors Supply Co., Inc., 5.75% Sr. Unsec. Nts., 12/15/23 ¹	340,000	358,700
American Tire Distributors, Inc., 10.25% Sr. Sub. Nts., 3/1/22 ¹	405,000	419,173
Fly Leasing Ltd., 5.25% Sr. Unsec. Nts., 10/15/24	530,000	531,325
GATX Corp., 3.50% Sr. Unsec. Nts., 3/15/28	738,000	729,604
H&E Equipment Services, Inc., 5.625% Sr. Unsec. Nts., 9/1/25 ¹	800,000	838,000
Herc Rentals, Inc.:		
7.50% Sec. Nts., 6/1/22 ¹	596,000	645,170
7.75% Sec. Nts., 6/1/24 ¹	400,000	441,000
ILFC E-Capital Trust I, 4.37% [30YR CMT+155] Jr. Sub. Nts., 12/21/65 ^{1,2}	690,000	674,475
Standard Industries, Inc., 6.00% Sr. Unsec. Nts., 10/15/25 ¹	1,435,000	1,539,038
United Rentals North America, Inc.:		
4.625% Sr. Unsec. Nts., 10/15/25	732,000	739,320
4.875% Sr. Unsec. Nts., 1/15/28	1,330,000	1,339,975
5.875% Sr. Unsec. Nts., 9/15/26	1,235,000	1,326,081
		10,644,328
Transportation Infrastructure—0.3%		
Adani Abbot Point Terminal Pty Ltd., 4.45% Sr. Sec. Nts., 12/15/22 ¹	1,075,000	1,046,559

	Principal Amount	Value
Transportation Infrastructure (Continued)		
DP World Ltd., 6.85% Sr. Unsec. Nts., 7/2/37 ¹	\$ 835,000	\$ 1,030,000
GMR Hyderabad International Airport Ltd., 4.25% Sr. Sec. Nts., 10/27/27 ¹	1,065,000	1,048,308
Indika Energy Capital III Pte Ltd., 5.875% Sr. Unsec. Nts., 11/9/24 ¹	1,075,000	1,079,002
Mexico City Airport Trust, 5.50% Sr. Sec. Nts., 7/31/47 ¹	710,000	704,675
PT Jasa Margo (Persero) Tbk, 7.50% Sr. Unsec. Nts., 12/11/20 ¹	IDR 9,160,000,000	683,888
		5,592,432
Information Technology—2.4%		
Communications Equipment—0.2%		
CommScope Technologies LLC, 6.00% Sr. Unsec. Nts., 6/15/25 ¹	570,000	608,475
HTA Group Ltd., 9.125% Sr. Unsec. Nts., 3/8/22 ¹	430,000	462,250
Infor US, Inc., 6.50% Sr. Unsec. Nts., 5/15/22	920,000	956,800
Plantronics, Inc., 5.50% Sr. Unsec. Nts., 5/31/23 ¹	730,000	760,112
Riverbed Technology, Inc., 8.875% Sr. Unsec. Nts., 3/1/23 ¹	295,000	279,513
ViaSat, Inc., 5.625% Sr. Unsec. Nts., 9/15/25 ¹	265,000	268,313
		3,335,463
Electronic Equipment, Instruments, & Components—0.2%		
Arrow Electronics, Inc., 3.875% Sr. Unsec. Nts., 1/12/28	644,000	643,198
CDW LLC/CDW Finance Corp.: 5.00% Sr. Unsec. Nts., 9/1/23	485,000	502,581
5.50% Sr. Unsec. Nts., 12/1/24	147,000	160,598
Itron, Inc., 5.00% Sr. Unsec. Nts., 1/15/26 ¹	200,000	201,250
Tech Data Corp., 4.95% Sr. Unsec. Nts., 2/15/27	702,000	741,637
TTM Technologies, Inc., 5.625% Sr. Unsec. Nts., 10/1/25 ¹	800,000	822,000
		3,071,264
Internet Software & Services—0.2%		
j2 Cloud Services LLC/j2 Global Co.-Obligor, Inc., 6.00% Sr. Unsec. Nts., 7/15/25 ¹	790,000	835,425
Match Group, Inc., 5.00% Sr. Unsec. Nts., 12/15/27 ¹	535,000	544,362
Rackspace Hosting, Inc., 8.625% Sr. Unsec. Nts., 11/15/24 ¹	1,395,000	1,492,650
VeriSign, Inc.: 4.75% Sr. Unsec. Nts., 7/15/27	1,083,000	1,112,783
5.25% Sr. Unsec. Nts., 4/1/25	268,000	293,125
		4,278,345
IT Services—0.8%		
Booz Allen Hamilton, Inc., 5.125% Sr. Unsec. Nts., 5/1/25 ¹	530,000	532,650
Broadridge Financial Solutions, Inc., 3.40% Sr. Unsec. Nts., 6/27/26	425,000	422,179
Conduent Finance, Inc./Conduent Business Services LLC, 10.50% Sr. Unsec. Nts., 12/15/24 ¹	1,280,000	1,505,600
DXC Technology Co.: 2.875% Sr. Unsec. Nts., 3/27/20	672,000	675,593
4.75% Sr. Unsec. Nts., 4/15/27	695,000	740,233
Everi Payments, Inc., 7.50% Sr. Unsec. Nts., 12/15/25 ¹	1,075,000	1,068,281
Exela Intermediate LLC/Exela Finance, Inc., 10.00% Sr. Sec. Nts., 7/15/23 ¹	795,000	777,112

	Principal Amount	Value
IT Services (Continued)		
Fidelity National Information Services, Inc., 2.85% Sr. Unsec. Nts., 10/15/18	\$ 626,000	\$ 629,918
First Data Corp.: 5.00% Sr. Sec. Nts., 1/15/24 ¹	455,000	469,787
5.75% Sec. Nts., 1/15/24 ¹	910,000	948,448
7.00% Sr. Unsec. Nts., 12/1/23 ¹	1,465,000	1,552,900
Gartner, Inc., 5.125% Sr. Unsec. Nts., 4/1/25 ¹	780,000	817,050
Harland Clarke Holdings Corp., 6.875% Sr. Sec. Nts., 3/1/20 ³	905,000	925,363
Sabre GBLB, Inc., 5.25% Sr. Sec. Nts., 11/15/23 ¹	1,430,000	1,469,754
Total System Services, Inc., 2.375% Sr. Unsec. Nts., 6/1/18	506,000	506,202
		13,041,070
Semiconductors & Semiconductor Equipment—0.1%		
Intel Corp., 3.734% Sr. Unsec. Nts., 12/8/47 ¹	254,000	264,212
NXP BV/NXP Funding LLC, 4.625% Sr. Unsec. Nts., 6/1/23 ¹	1,350,000	1,415,475
Versum Materials, Inc., 5.50% Sr. Unsec. Nts., 9/30/24 ¹	250,000	268,125
		1,947,812
Software—0.6%		
Autodesk, Inc., 4.375% Sr. Unsec. Nts., 6/15/25	275,000	288,953
BMC Software Finance, Inc., 8.125% Sr. Unsec. Nts., 7/15/21 ¹	1,355,000	1,370,244
Dell International LLC/EMC Corp.: 3.48% Sr. Sec. Nts., 6/1/19 ¹	971,000	983,415
5.875% Sr. Unsec. Nts., 6/15/21 ¹	215,000	223,600
6.02% Sr. Sec. Nts., 6/15/26 ¹	553,000	610,598
7.125% Sr. Unsec. Nts., 6/15/24 ¹	745,000	815,955
Informatica LLC, 7.125% Sr. Unsec. Nts., 7/15/23 ¹	595,000	611,362
Open Text Corp., 5.625% Sr. Unsec. Nts., 1/15/23 ¹	401,000	419,546
Oracle Corp.: 2.40% Sr. Unsec. Nts., 9/15/23	555,000	548,405
2.95% Sr. Unsec. Nts., 5/15/25	547,000	549,765
Symantec Corp., 5.00% Sr. Unsec. Nts., 4/15/25 ¹	495,000	516,038
TIBCO Software, Inc., 11.375% Sr. Unsec. Nts., 12/1/21 ¹	625,000	682,425
Veritas US, Inc./Veritas Bermuda Ltd., 7.50% Sr. Sec. Nts., 2/1/23 ¹	1,155,000	1,212,750
VMware, Inc.: 2.30% Sr. Unsec. Nts., 8/21/20	281,000	279,565
3.90% Sr. Unsec. Nts., 8/21/27	462,000	467,158
		9,579,779
Technology Hardware, Storage & Peripherals—0.3%		
Apple, Inc., 4.375% Sr. Unsec. Nts., 5/13/45	535,000	603,658
Harland Clarke Holdings Corp., 8.375% Sr. Sec. Nts., 8/15/22 ¹	920,000	957,674
Hewlett Packard Enterprise Co., 3.60% Sr. Unsec. Nts., 10/15/20	889,000	908,186
NCR Corp., 6.375% Sr. Unsec. Nts., 12/15/23	520,000	546,000
NetApp, Inc., 2.00% Sr. Unsec. Nts., 9/27/19	418,000	414,892
Western Digital Corp., 10.50% Sr. Unsec. Nts., 4/1/24	875,000	1,016,094
		4,446,504

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Materials—3.9%		
Chemicals—1.2%		
Agrium, Inc.:		
3.375% Sr. Unsec. Nts., 3/15/25	\$ 378,000	\$ 380,248
4.125% Sr. Unsec. Nts., 3/15/35	154,000	159,470
Ashland LLC, 6.875% Sr. Unsec. Nts., 5/15/43	295,000	328,925
CF Industries, Inc.:		
4.50% Sr. Sec. Nts., 12/1/26 ¹	687,000	717,258
4.95% Sr. Unsec. Nts., 6/1/43	535,000	508,250
5.15% Sr. Unsec. Nts., 3/15/34	335,000	342,956
Chemours Co. (The):		
5.375% Sr. Unsec. Nts., 5/15/27	395,000	409,812
6.625% Sr. Unsec. Nts., 5/15/23	450,000	478,125
CVR Partners LP/CVR Nitrogen Finance Corp., 9.25% Sec. Nts., 6/15/23 ¹	185,000	199,800
Ecolab, Inc., 2.00% Sr. Unsec. Nts., 1/14/19	803,000	801,818
Hexion, Inc.:		
6.625% Sr. Sec. Nts., 4/15/20	1,850,000	1,669,625
10.375% Sr. Sec. Nts., 2/1/22 ¹	1,050,000	982,406
Inkia Energy Ltd., 5.875% Sr. Unsec. Nts., 11/9/27 ¹	965,000	972,971
Kallpa Generacion SA, 4.875% Sr. Unsec. Nts., 5/24/26 ¹	370,000	386,187
Koppers, Inc., 6.00% Sr. Unsec. Nts., 2/15/25 ¹	510,000	541,875
Kraton Polymers LLC/Kraton Polymers Capital Corp.:		
7.00% Sr. Unsec. Nts., 4/15/25 ¹	260,000	279,500
10.50% Sr. Unsec. Nts., 4/15/23 ¹	190,000	215,650
LyondellBasell Industries NV, 5.00% Sr. Unsec. Nts., 4/15/19	594,000	609,990
NOVA Chemicals Corp.:		
4.875% Sr. Unsec. Nts., 6/1/24 ¹	260,000	260,000
5.25% Sr. Unsec. Nts., 8/1/23 ¹	495,000	511,087
Olin Corp., 5.125% Sr. Unsec. Nts., 9/15/27	300,000	316,500
ONGC Videsh Ltd., 2.75% Sr. Unsec. Nts., 7/15/21	EUR 1,265,000	1,622,287
Platform Specialty Products Corp.:		
5.875% Sr. Unsec. Nts., 12/1/25 ¹	690,000	685,688
6.50% Sr. Unsec. Nts., 2/1/22 ¹	730,000	755,550
PolyOne Corp., 5.25% Sr. Unsec. Nts., 3/15/23	806,000	852,345
PQ Corp., 5.75% Sr. Unsec. Nts., 12/15/25 ¹	270,000	275,400
Rain CII Carbon LLC/CII Carbon Corp., 7.25% Sec. Nts., 4/1/25 ¹	980,000	1,069,425
RPM International, Inc.:		
3.45% Sr. Unsec. Unsub. Nts., 11/15/22	692,000	709,803
3.75% Sr. Unsec. Nts., 3/15/27	234,000	237,163
4.25% Sr. Unsec. Nts., 1/15/48	223,000	222,427
Sherwin-Williams Co. (The):		
3.45% Sr. Unsec. Nts., 6/1/27	110,000	111,946
3.95% Sr. Unsec. Nts., 1/15/26	418,000	436,526
Tronox Finance plc, 5.75% Sr. Unsec. Nts., 10/1/25 ¹	535,000	551,050
Valvoline, Inc., 4.375% Sr. Unsec. Nts., 8/15/25	530,000	535,963
Venator Finance Sarl/Venator Materials LLC, 5.75% Sr. Unsec. Nts., 7/15/25 ¹	790,000	837,400
Yara International ASA, 3.80% Sr. Unsec. Nts., 6/6/26 ¹	585,000	581,236
		20,556,662
Construction Materials—0.2%		
CIMPOR Financial Operations BV, 5.75% Sr. Unsec. Nts., 7/17/24 ¹	535,000	520,956

	Principal Amount	Value
Construction Materials (Continued)		
James Hardie International Finance DAC:		
4.75% Sr. Unsec. Nts., 1/15/25 ¹	\$ 270,000	\$ 273,375
5.00% Sr. Unsec. Nts., 1/15/28 ¹	265,000	268,312
LafargeHolcim Finance US LLC, 3.50% Sr. Unsec. Nts., 9/22/26 ¹	209,000	206,393
Martin Marietta Materials, Inc., 3.50% Sr. Unsec. Nts., 12/15/27	447,000	444,453
St. Marys Cement, Inc., 5.75% Sr. Unsec. Nts., 1/28/27 ¹	500,000	529,375
Summit Materials LLC/Summit Materials Finance Corp., 5.125% Sr. Unsec. Nts., 6/1/25 ¹	260,000	265,850
US Concrete, Inc., 6.375% Sr. Unsec. Nts., 6/1/24	745,000	802,738
Vulcan Materials Co., 3.90% Sr. Unsec. Nts., 4/1/27	687,000	703,371
		4,014,823
Containers & Packaging—0.7%		
BWAY Holding Co., 7.25% Sr. Unsec. Nts., 4/15/25 ¹	270,000	279,450
Coveris Holdings SA, 7.875% Sr. Unsec. Nts., 11/1/19 ¹	1,140,000	1,137,150
Crown Americas LLC/Crown Americas Capital Corp. IV, 4.50% Sr. Unsec. Nts., 1/15/23	1,000,000	1,017,500
Graphic Packaging International, Inc., 4.125% Sr. Unsec. Nts., 8/15/24	765,000	795,600
International Paper Co.:		
3.00% Sr. Unsec. Nts., 2/15/27	390,000	378,761
4.80% Sr. Unsec. Nts., 6/15/44	366,000	401,837
Klabin Finance SA, 4.875% Sr. Unsec. Nts., 9/19/27 ¹	1,050,000	1,038,975
Ol European Group BV, 4.00% Sr. Unsec. Nts., 3/15/23 ¹	535,000	537,060
Owens-Brockway Glass Container, Inc., 5.00% Sr. Unsec. Nts., 1/15/22 ¹	500,000	519,375
Packaging Corp. of America, 4.50% Sr. Unsec. Nts., 11/1/23	690,000	743,092
Plastipak Holdings, Inc., 6.25% Sr. Unsec. Nts., 10/15/25 ¹	800,000	826,000
Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA:		
5.125% Sr. Sec. Nts., 7/15/23 ¹	745,000	772,006
7.00% Sr. Unsec. Nts., 7/15/24 ¹	1,415,000	1,518,118
Sealed Air Corp.:		
4.875% Sr. Unsec. Nts., 12/1/22 ¹	585,000	620,100
5.125% Sr. Unsec. Nts., 12/1/24 ¹	785,000	843,875
6.875% Sr. Unsec. Nts., 7/15/33 ¹	270,000	315,225
Silgan Holdings, Inc., 4.75% Sr. Unsec. Nts., 3/15/25 ¹	755,000	777,650
		12,521,774
Metals & Mining—1.5%		
ABJA Investment Co. Pte Ltd., 5.95% Sr. Unsec. Nts., 7/31/24	1,070,000	1,131,525
AK Steel Corp.:		
6.375% Sr. Unsec. Nts., 10/15/25	1,325,000	1,318,375
7.00% Sr. Unsec. Nts., 3/15/27	630,000	644,175
Alcoa Nederland Holding BV:		
6.75% Sr. Unsec. Nts., 9/30/24 ¹	245,000	268,275
7.00% Sr. Unsec. Nts., 9/30/26 ¹	240,000	270,600
Aleris International, Inc.:		
7.875% Sr. Unsec. Nts., 11/1/20	947,000	942,265
9.50% Sr. Sec. Nts., 4/1/21 ¹	515,000	545,900
Allegheny Technologies, Inc., 7.875% Sr. Unsec. Nts., 8/15/23	530,000	573,391
Anglo American Capital plc:		
3.625% Sr. Unsec. Nts., 9/11/24 ¹	224,000	223,140

	Principal Amount	Value
Metals & Mining (Continued)		
Anglo American Capital plc: (Continued)		
4.00% Sr. Unsec. Nts., 9/11/27 ¹	\$ 365,000	\$ 363,033
ArcelorMittal:		
7.25% Sr. Unsec. Nts., 3/1/41	295,000	374,650
7.50% Sr. Unsec. Nts., 10/15/39	475,000	610,375
Coeur Mining, Inc., 5.875% Sr. Unsec. Nts., 6/1/24	785,000	778,131
Constellium NV, 6.625% Sr. Unsec. Nts., 3/1/25 ¹	510,000	538,687
First Quantum Minerals Ltd.:		
7.25% Sr. Unsec. Nts., 5/15/22 ¹	435,000	458,185
7.25% Sr. Unsec. Nts., 4/1/23 ¹	780,000	842,400
Freeport-McMoRan, Inc.:		
4.55% Sr. Unsec. Nts., 11/14/24	530,000	541,501
5.40% Sr. Unsec. Nts., 11/14/34	915,000	935,587
5.45% Sr. Unsec. Nts., 3/15/43	540,000	542,025
Gerdau Trade, Inc., 4.875% Sr. Unsec. Nts., 10/24/27 ¹	1,395,000	1,389,769
Goldcorp, Inc., 5.45% Sr. Unsec. Nts., 6/9/44	250,000	291,849
Hudbay Minerals, Inc., 7.625% Sr. Unsec. Nts., 1/15/25 ¹	505,000	555,500
JSW Steel Ltd., 4.75% Sr. Unsec. Nts., 11/12/19	1,075,000	1,092,340
Kinross Gold Corp., 4.50% Sr. Unsec. Nts., 7/15/27 ¹	790,000	796,912
Metalloinvest Finance DAC, 5.625% Unsec. Nts., 4/17/20 ¹	255,000	268,519
Metinvest BV, 9.373% Sr. Sec. Nts., 12/31/21 ¹⁴	535,441	561,276
Mountain Province Diamonds, Inc., 8.00% Sec. Nts., 12/15/22 ¹	535,000	530,987
Northwest Acquisitions ULC/Dominion Finco, Inc., 7.125% Sec. Nts., 11/1/22 ¹	400,000	414,000
Petropavlovsk 2016 Ltd., 8.125% Sr. Unsec. Nts., 11/14/22 ¹	540,000	531,900
Polyus Finance plc, 5.25% Sr. Unsec. Nts., 2/7/23 ¹	1,065,000	1,119,246
Southern Copper Corp., 7.50% Sr. Unsec. Nts., 7/27/35	975,000	1,329,314
SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., 7.50% Sr. Unsec. Nts., 6/15/25 ¹	330,000	346,500
Teck Resources Ltd.:		
5.20% Sr. Unsec. Nts., 3/1/42	1,225,000	1,218,875
6.125% Sr. Unsec. Nts., 10/1/35	550,000	618,750
United States Steel Corp., 6.875% Sr. Unsec. Nts., 8/15/25	530,000	555,864
Vedanta Resources plc, 6.375% Sr. Unsec. Nts., 7/30/22 ¹	535,000	559,771
Zekelman Industries, Inc., 9.875% Sr. Sec. Nts., 6/15/23 ³	535,000	603,213
		24,686,805
Paper & Forest Products—0.3%		
Clearwater Paper Corp., 5.375% Sr. Unsec. Nts., 2/1/25 ¹	780,000	787,800
Louisiana-Pacific Corp., 4.875% Sr. Unsec. Nts., 9/15/24	788,000	815,580
Mercer International, Inc.:		
5.50% Sr. Unsec. Nts., 1/15/26 ¹	250,000	254,375
6.50% Sr. Unsec. Nts., 2/1/24	510,000	543,150
7.75% Sr. Unsec. Nts., 12/1/22	500,000	530,000
Suzano Austria GmbH, 5.75% Sr. Unsec. Nts., 7/14/26 ¹	1,150,000	1,251,315
		4,182,220

	Principal Amount	Value
Telecommunication Services—2.3%		
Diversified Telecommunication Services—1.4%		
AT&T, Inc.:		
3.40% Sr. Unsec. Nts., 8/14/24	\$ 380,000	\$ 382,417
4.30% Sr. Unsec. Nts., 2/15/30 ¹	744,000	744,874
4.35% Sr. Unsec. Nts., 6/15/45	763,000	706,059
5.15% Sr. Unsec. Nts., 2/14/50	283,000	285,522
Axtel SAB de CV, 6.375% Sr. Unsec. Nts., 11/14/24 ¹	755,000	781,425
British Telecommunications plc, 9.125% Sr. Unsec. Nts., 12/15/30	748,000	1,119,626
CB Escrow Corp., 8.00% Sr. Unsec. Nts., 10/15/25 ¹	265,000	270,300
CenturyLink, Inc.:		
5.625% Sr. Unsec. Nts., 4/1/25	785,000	717,294
6.45% Sr. Unsec. Nts., Series S, 6/15/21	1,200,000	1,218,000
7.50% Sr. Unsec. Nts., Series Y, 4/1/24	1,375,000	1,375,000
Cincinnati Bell Telephone Co. LLC, 6.30% Sr. Unsec. Nts., 12/1/28	520,000	520,000
Deutsche Telekom International Finance BV, 2.225% Sr. Unsec. Nts., 1/17/20 ¹	923,000	919,016
Frontier Communications Corp.:		
8.75% Sr. Unsec. Nts., 4/15/22	590,000	426,092
10.50% Sr. Unsec. Nts., 9/15/22	2,290,000	1,737,537
Level 3 Financing, Inc.:		
5.25% Sr. Unsec. Nts., 3/15/26	1,195,000	1,175,940
5.625% Sr. Unsec. Nts., 2/1/23	490,000	494,900
Qwest Capital Funding, Inc., 7.75% Sr. Unsec. Nts., 2/15/31	260,000	230,100
Qwest Corp., 6.875% Sr. Unsec. Nts., 9/15/33	785,000	754,122
Telefonica Emisiones SAU:		
3.192% Sr. Unsec. Nts., 4/27/18	577,000	579,095
4.103% Sr. Unsec. Nts., 3/8/27	252,000	260,815
5.213% Sr. Unsec. Nts., 3/8/47	351,000	399,558
7.045% Sr. Unsec. Unsub. Nts., 6/20/36	289,000	388,593
T-Mobile USA, Inc.:		
4.00% Sr. Unsec. Nts., 4/15/22	780,000	801,937
5.125% Sr. Unsec. Nts., 4/15/25	780,000	812,175
5.375% Sr. Unsec. Nts., 4/15/27	390,000	416,812
6.00% Sr. Unsec. Nts., 4/15/24	985,000	1,046,562
6.50% Sr. Unsec. Nts., 1/15/26	825,000	902,344
Verizon Communications, Inc.:		
1.75% Sr. Unsec. Nts., 8/15/21	342,000	333,069
4.125% Sr. Unsec. Nts., 8/15/46	394,000	365,126
4.522% Sr. Unsec. Nts., 9/15/48	732,000	723,065
Windstream Services LLC/Windstream Finance Corp.:		
8.625% Sr. Sec. Nts., 10/31/25	1,062,000	1,027,485
8.75% Sr. Unsec. Nts., 12/15/24	454,000	319,502
Zayo Group LLC/Zayo Capital, Inc.:		
5.75% Sr. Unsec. Nts., 1/15/27 ¹	265,000	270,963
6.00% Sr. Unsec. Nts., 4/1/23	1,345,000	1,407,610
		23,912,935

Wireless Telecommunication Services—0.9%		
C&W Senior Financing Designated Activity Co., 6.875% Sr. Unsec. Nts., 9/15/27 ¹	650,000	682,500
Digicel Group Ltd.:		
7.125% Sr. Unsec. Nts., 4/1/22 ¹	535,000	497,427
8.25% Sr. Unsec. Nts., 9/30/20 ¹	325,000	320,547
Drawbridge Special Opportunities Fund LP/Drawbridge Special Opportunities Finance Corp., 5.00% Sr. Unsec. Nts., 8/1/21 ¹	1,595,000	1,647,166
Sprint Capital Corp., 6.875% Sr. Unsec. Nts., 11/15/28	267,158	269,496
Sprint Communications, Inc.:		
6.00% Sr. Unsec. Nts., 11/15/22	1,975,000	1,979,937

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

	Principal Amount	Value
Wireless Telecommunication Services (Continued)		
Sprint Communications, Inc.: (Continued)		
7.00% Sr. Unsec. Nts., 3/1/20 ¹	\$ 850,000	\$ 911,625
Sprint Corp.:		
7.125% Sr. Unsec. Nts., 6/15/24	2,505,000	2,555,100
7.875% Sr. Unsec. Nts., 9/15/23	2,075,000	2,215,063
Trilogy International Partners LLC/Trilogy International Finance, Inc., 8.875% Sr. Sec. Nts., 5/1/22 ³	1,040,000	1,068,600
VimpelCom Holdings BV, 4.95% Sr. Unsec. Nts., 6/16/24 ¹	1,075,000	1,092,738
Wind Tre SpA, 5.00% Sr. Sec. Nts., 1/20/26	805,000	769,580
		14,009,779
Utilities—2.0%		
Electric Utilities—0.6%		
AEP Texas, Inc., 3.85% Sr. Unsec. Nts., 10/1/25 ¹	395,000	413,059
Capex SA, 6.875% Sr. Unsec. Nts., 5/15/24 ¹	470,000	492,198
Cleco Corporate Holdings LLC, 3.743% Sr. Sec. Nts., 5/1/26	382,000	383,986
Duke Energy Corp.:		
3.15% Sr. Unsec. Nts., 8/15/27	456,000	453,499
3.75% Sr. Unsec. Nts., 9/1/46	183,000	181,584
Edison International, 2.95% Sr. Unsec. Nts., 3/15/23	539,000	540,390
EDP Finance BV, 3.625% Sr. Unsec. Nts., 7/15/24 ¹	608,000	612,811
Emera US Finance LP, 2.15% Sr. Unsec. Nts., 6/15/19	764,000	761,228
Enel Finance International NV, 3.625% Sr. Unsec. Nts., 5/25/27 ¹	462,000	459,795
Entergy Texas, Inc., 7.125% Sec. Nts., 2/1/19	263,000	276,347
Exelon Corp., 4.45% Sr. Unsec. Nts., 4/15/46	240,000	261,646
Indiana Michigan Power Co., Series K, 4.55% Sr. Unsec. Nts., 3/15/46	230,000	263,169
Intelsat Jackson Holdings SA, 9.75% Sr. Unsec. Nts., 7/15/25 ¹	790,000	762,350
ITC Holdings Corp., 5.30% Sr. Unsec. Nts., 7/1/43	210,000	254,088
NextEra Energy Capital Holdings, Inc., 4.80% [US0003M+240.9] Jr. Sub. Nts., 12/1/77 ²	340,000	342,604
NextEra Energy Operating Partners LP:		
4.25% Sr. Unsec. Nts., 9/15/24 ¹	342,000	348,840
4.50% Sr. Unsec. Nts., 9/15/27 ¹	265,000	264,338
PPL Capital Funding, Inc., 4.358% [US0003M+266.5] Jr. Sub. Nts., 3/30/67 ²	352,000	349,360
PPL WEM Ltd./Western Power Distribution Ltd., 5.375% Sr. Unsec. Unsub. Nts., 5/1/21 ¹	828,000	887,945
Public Service Co. of New Mexico, 7.95% Sr. Unsec. Nts., 5/15/18	523,000	533,938
Southern Co. Gas Capital Corp., 4.40% Sr. Unsec. Nts., 5/30/47	332,000	356,850
Southern Power Co., 1.95% Sr. Unsec. Nts., 12/15/19	829,000	822,477
Trans-Allegheny Interstate Line Co., 3.85% Sr. Unsec. Nts., 6/1/25 ¹	488,000	506,894
		10,529,396
Gas Utilities—0.1%		
Ferrellgas LP/Ferrellgas Finance Corp.:		
6.50% Sr. Unsec. Nts., 5/1/21	660,000	621,225
6.75% Sr. Unsec. Nts., 6/15/23	690,000	636,525

	Principal Amount	Value
Gas Utilities (Continued)		
Suburban Propane Partners LP/Suburban Energy Finance Corp., 5.875% Sr. Unsec. Nts., 3/1/27	\$ 645,000	\$ 633,713
		1,891,463
Independent Power and Renewable Electricity Producers—0.8%		
AES Andres BV/Dominican Power Partners/Empresa Generadora de Electricidad Itabo SA, 7.95% Sr. Unsec. Nts., 5/11/26 ¹	565,000	614,437
AES Corp., 6.00% Sr. Unsec. Nts., 5/15/26	980,000	1,063,300
Azure Power Energy Ltd., 5.50% Sr. Sec. Nts., 11/3/22 ¹	470,000	479,400
Calpine Corp.:		
5.25% Sr. Sec. Nts., 6/1/26 ¹	1,230,000	1,210,025
5.75% Sr. Unsec. Nts., 1/15/25	1,325,000	1,263,719
Dynegy, Inc.:		
8.00% Sr. Unsec. Nts., 1/15/25 ¹	1,465,000	1,593,187
8.125% Sr. Unsec. Nts., 1/30/26 ¹	1,325,000	1,452,531
GenOn Energy, Inc., 9.50% Sr. Unsec. Nts., 10/15/18 ⁸	610,000	488,000
Miran Mid-Atlantic Trust, 10.06% Sec. Pass-Through Certificates, Series C, 10.06%, 12/30/28	492,019	499,399
NRG Energy, Inc.:		
5.75% Sr. Unsec. Nts., 1/15/28 ¹	535,000	541,688
6.625% Sr. Unsec. Nts., 1/15/27	665,000	706,562
7.25% Sr. Unsec. Nts., 5/15/26	1,135,000	1,241,395
Talen Energy Supply LLC, 4.60% Sr. Unsec. Nts., 12/15/21	535,000	492,200
TerraForm Power Operating LLC:		
4.25% Sr. Unsec. Nts., 1/31/23 ¹	670,000	665,813
5.00% Sr. Unsec. Nts., 1/31/28 ¹	400,000	396,500
		12,708,156
Multi-Utilities—0.5%		
AssuredPartners, Inc., 7.00% Sr. Unsec. Nts., 8/15/25 ¹	330,000	329,175
Black Hills Corp., 2.50% Sr. Unsec. Nts., 1/11/19	468,000	469,390
Dominion Energy, Inc.:		
2.579% Jr. Sub. Nts., 7/1/20	746,000	746,711
4.90% Sr. Unsec. Nts., 8/1/41	322,000	373,153
InterGen NV, 7.00% Sr. Sec. Nts., 6/30/23 ¹	1,055,000	1,023,350
KazTransGas JSC, 4.375% Sr. Unsec. Nts., 9/26/27 ¹	1,280,000	1,288,032
NGPL PipeCo LLC:		
4.875% Sr. Unsec. Nts., 8/15/27 ¹	395,000	411,294
7.768% Sr. Unsec. Nts., 12/15/37 ¹	650,000	804,375
NiSource Finance Corp.:		
3.49% Sr. Unsec. Nts., 5/15/27	674,000	687,163
6.80% Sr. Unsec. Nts., 1/15/19	130,000	135,890
Public Service Enterprise Group, Inc., 1.60% Sr. Unsec. Nts., 11/15/19	784,000	771,346
Virginia Electric & Power Co., 2.95% Sr. Unsec. Nts., 1/15/22	626,000	634,207
		7,674,086
Water Utilities—0.0%		
Aegea Finance Sarl, 5.75% Sr. Unsec. Nts., 10/10/24 ¹	625,000	637,500
Total Corporate Bonds and Notes (Cost \$731,873,724)		741,112,226
	Shares	
Preferred Stocks—0.7%		
Allstate Corp. (The), 6.625% Non-Cum., Non-Vtg.	12,600	330,750
American Homes 4 Rent, 6.50% Cum. Cv., Series D, Non-Vtg.	13,000	355,940

	Shares	Value
Preferred Stocks (Continued)		
Arch Capital Group Ltd., 5.25% Non-Cum., Non-Vtg.	14,375	\$ 361,100
Carlyle Group LP (The), 5.875% Non-Cum., Series A, Non-Vtg.	13,650	346,300
Citigroup Capital XIII, 7.75% Cum., Non-Vtg. [US0003M+637] ²	31,125	855,315
Digital Realty Trust, Inc., 6.625% Cum., Series C, Non-Vtg.	3,900	107,601
Digital Realty Trust, Inc., 7.375% Cum., Non-Vtg.	9,350	249,364
Dominion Energy, Inc., 5.25% Cum.	13,900	355,423
eBay, Inc., 6.00% Cv.	12,700	342,138
Fifth Third Bancorp, 6.625% Non-Cum., Non-Vtg. [US0003M+371] ²	15,900	453,150
First Republic Bank, 7.00% Non-Cum.	9,200	240,396
GMAC Capital Trust I, 7.20% Jr. Sub., Non-Vtg. [US0003M+578.5] ²	20,025	519,649
Goldman Sachs Group, Inc. (The), 6.30% Non-Cum., Series N, Non-Vtg.	24,775	689,736
Hartford Financial Services Group, Inc. (The), 7.875% Jr. Sub., Non-Vtg. [US0003M+559.6] ²	21,750	636,405
Huntington Bancshares, Inc., 6.25% Non-Cum., Non-Vtg.	9,800	275,772
KeyCorp, 6.125% Non-Cum., Non-Vtg. [US0003M+389.2] ²	28,100	812,652
Morgan Stanley, 5.85% Non-Cum., Non-Vtg. [US0003M+349.1] ²	20,200	547,420
Morgan Stanley, 6.375% Non-Cum., Non-Vtg. [US0003M+370.8] ²	19,175	534,024
Northern Trust Corp., 5.85% Non-Cum., Non-Vtg.	9,775	256,691
Peabody Energy Corp., 8.50% Cv., Series A, Vtg.	2,255	179,002
PNC Financial Services Group, Inc. (The), 6.125% Non-Cum., Non-Vtg. [US0003M+406.7] ²	17,900	506,570
Prudential Financial, Inc., 5.75% Jr. Sub.	10,125	255,656
Qwest Corp., 7.00% Sr. Unsec.	19,525	482,463
Senior Housing Properties Trust, 5.625% Sr. Unsec.	13,925	351,885
State Street Corp., 6.00% Non-Cum., Non-Vtg.	18,275	483,557
US Bancorp, 6.50% Non-Cum., Non-Vtg. [US0003M+446.8] ²	19,100	539,002
Ventas Realty LP/Ventas Capital Corp., 5.45% Sr. Unsec.	15,300	384,872
Wells Fargo & Co., 5.625% Non-Cum., Non-Vtg.	5,000	129,700
Wells Fargo & Co., 6.625% Non-Cum., Non-Vtg. [US0003M+369] ²	11,800	337,716
Total Preferred Stocks (Cost \$11,700,174)		11,920,249

Common Stocks—0.2%

Arco Capital Corp. Ltd. ^{1,9,11,15}	690,638	—
Carrizo Oil & Gas, Inc. ¹⁵	11,001	234,101
Dynegy, Inc. ¹⁵	68,001	805,812

	Shares	Value
Common Stocks (Continued)		
JSC Astana Finance, GDR ^{3,9,15}	446,838	\$ —
Newfield Exploration Co. ¹⁵	7,383	232,786
Parsley Energy, Inc., Cl. A ¹⁵	8,264	243,292
Peabody Energy Corp. ¹⁵	3,450	135,827
Premier Holdings Ltd. ^{9,15}	18,514	—
Quicksilver Resources, Inc. ^{9,15}	4,151,000	78,263
Range Resources Corp.	15,901	271,271
RSP Permian, Inc. ¹⁵	6,836	278,088
Sabine Oil ¹⁵	822	39,045
Schlumberger Ltd.	3,595	242,267
SM Energy Co.	12,750	281,520
Valeant Pharmaceuticals International, Inc. ¹⁵	32,064	666,290
Total Common Stocks (Cost \$8,422,948)		3,508,562

Units

Rights, Warrants and Certificates—0.0%

Affinion Group Wts., Strike Price \$1, Exp. 11/10/22 ^{9,15}	8,584	102,922
Sabine Oil Tranche 1 Wts., Strike Price \$4.49, Exp. 8/11/26 ¹⁵	2,611	18,277
Sabine Oil Tranche 2 Wts., Strike Price \$2.72, Exp. 8/11/26 ¹⁵	465	2,790
Total Rights, Warrants and Certificates (Cost \$420,786)		123,989

Principal Amount

Structured Securities—0.3%

Deutsche Bank AG, Coriolanus Ltd. Sec. Credit Linked Bonds:			
3.003%, 4/30/25 ^{1,16}	\$	1,017,404	467,799
3.054%, 4/30/25 ^{1,16}		1,296,330	596,048
3.098%, 4/30/25 ^{1,16}		1,119,173	514,592
3.131%, 4/30/25 ^{1,16}		1,000,400	459,980
3.179%, 4/30/25 ^{1,16}		1,245,578	572,712
3.231%, 4/30/25 ^{1,16}		1,421,639	653,664
3.265%, 4/30/25 ^{1,16}		1,135,723	522,201
3.346%, 4/30/25 ^{1,16}		1,067,531	490,847
LB Peru Trust II Certificates, Series 1998-A, 3.796%, 2/28/16 ^{8,9,16}			
		2,994	—
Morgan Stanley, Russian Federation Total Return Linked Bonds, Series 007, Cl. VR, 5.00%, 8/22/34 ⁹			
	RUB	29,185,674	223,349
Total Structured Securities (Cost \$8,613,867)			4,501,192

Short-Term Notes—0.6%

Arab Republic of Egypt Treasury Bills:			
17.17%, 8/14/18 ¹⁶	EGP	80,500,000	4,065,354
18.696%, 2/27/18 ¹⁶	EGP	54,500,000	2,989,806
21.693%, 1/16/18 ¹⁶	EGP	48,800,000	2,734,540
Total Short-Term Notes (Cost \$9,812,961)			9,789,700

Shares

Investment Companies—27.4%

Oppenheimer Institutional Government Money Market Fund, Cl. E, 1.22% ^{17,18}	41,765,253	41,765,253
Oppenheimer Master Event-Linked Bond Fund, LLC ¹⁸	2,520,983	38,519,475
Oppenheimer Master Loan Fund, LLC ¹⁸	14,397,097	242,778,840
Oppenheimer Ultra-Short Duration Fund, Cl. Y ¹⁸	27,024,582	135,393,154
Total Investment Companies (Cost \$459,630,836)		458,456,722

	Exercise Price	Expiration Date	Contracts	Notional Amount (000's)
Exchange-Traded Option Purchased—0.0%				
S&P 500 Index Put ¹⁵ (Cost \$396,225)	USD	2/16/18	USD 1,904	USD 509,055 424,592
Counterparty	Exercise Price	Expiration Date	Contracts	Notional Amount (000's)
Over-the-Counter Options Purchased—0.0%				
AUD Currency Call ¹⁵	HSBC	NZD	1.105	3/15/18 AUD 20,800 159,874
BRL Currency Call ¹⁵	BAC	BRL	3.200	2/27/18 BRL 40,800,000 160,000 63,281

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

Counterparty	Exercise Price	Expiration Date	Contracts	Notional Amount (000's)	Value				
Over-the-Counter Options Purchased (Continued)									
EUR Currency Call ¹⁵	HSBC	PLN	4270	3/13/18	EUR	20,624,607	EUR 1,002	\$	79,150
S&P 500 Index Put ^{15,19}	DEU	USD	2521.300	3/16/18	USD	20,461	USD 5,470,473		79,991
SGD Currency Put ¹⁵	BNP	SGD	1.354	3/2/18	SGD	18,595,000	SGD 67,700		32,225
SX5E Index Put ¹⁵	JPM	EUR	3407.650	6/15/18	EUR	7,851	EUR 27,563		2,826
Total Over-the-Counter Options Purchased (Cost \$1,161,955)									417,347

	Counterparty	Pay / Receive Floating Rate	Floating Rate	Fixed Rate	Expiration Date	Notional Amount (000's)		
Over-the-Counter Interest Rate Swaptions Purchased—0.0%								
CAP Swap Maturing 1/24/18 Call ¹⁵	BAC	Receive	MAX [0; (FRO1–FRO2) – Strike Swap Rate]	62.500%	1/22/18	EUR	468,090	32,648
Interest Rate Swap Maturing 1/31/28 Call ¹⁵	BAC	Receive	Three-Month USD BBA LIBOR	2.576	1/25/18	USD	39,000	27,657
Interest Rate Swap Maturing 3/13/28 Call ¹⁵	BAC	Receive	Six-Month GBP BBA LIBOR	1.440	3/12/18	GBP	24,000	125,103
Interest Rate Swap Maturing 6/21/48 Call ¹⁵	UBS	Receive	Six-Month EUR EURIBOR	1.610	6/19/18	EUR	11,700	270,130
Total Over-the-Counter Interest Rate Swaptions Purchased (Cost \$1,063,619)								455,538

Total Investments, at Value (Cost \$1,821,274,342)	109.8%	1,835,550,988
Net Other Assets (Liabilities)	(9.8)	(164,524,920)
Net Assets	100.0%	\$ 1,671,026,068

Consolidated Footnotes to Statement of Investments

1. Represents securities sold under Rule 144A, which are exempt from registration under the Securities Act of 1933, as amended. These securities have been determined to be liquid under guidelines established by the Board of Trustees. These securities amount to \$477,173,775 or 28.56% of the Fund's net assets at period end.
2. Represents the current interest rate for a variable or increasing rate security, determined as [Referenced Rate + Basis-point spread].
3. Restricted security. The aggregate value of restricted securities at period end was \$10,229,177, which represents 0.61% of the Fund's net assets. See Note 4 of the accompanying Consolidated Notes. Information concerning restricted securities is as follows:

Security	Acquisition Dates	Cost	Value	Unrealized Appreciation/Depreciation
Affinion Group, Inc., 12.50% Sr. Unsec. Nts., 11/10/22	11/8/10 – 11/10/17	\$ 2,102,385	\$ 2,081,477	\$ (20,908)
American Greetings Corp., 7.875% Sr. Unsec. Nts., 2/15/25	2/2/17	1,021,899	1,106,700	84,801
Amsted Industries, Inc., 5.00% Sr. Unsec. Nts., 3/15/22	4/14/14 – 3/1/17	1,109,386	1,149,400	40,014
Credit Acceptance Auto Loan Trust, Series 2017-3A, Cl. C, 3.48%, 10/15/26	10/17/17	564,910	561,245	(3,665)
Harland Clarke Holdings Corp., 6.875% Sr. Sec. Nts., 3/1/20	1/27/14 – 3/2/17	911,064	925,363	14,299
JPMorgan Hipotecaria su Casita, 6.47% Sec. Nts., 8/26/35	3/21/07	528,848	28,803	(500,045)
JSC Astana Finance, GDR	6/5/15	—	—	—
LBC Tank Terminals Holding Netherlands BV, 6.875% Sr. Unsec. Nts., 5/15/23	4/17/14	491,883	496,969	5,086
Taylor Morrison Communities, Inc./Taylor Morrison Holdings II, Inc., 5.875% Sr. Unsec. Nts., 4/15/23	1/22/16 – 3/1/17	1,115,987	1,231,050	115,063
TMS International Corp., 7.25% Sr. Unsec. Nts., 8/15/25	8/9/17	265,000	277,588	12,588
Trilogy International Partners LLC/Trilogy International Finance, Inc., 8.875% Sr. Sec. Nts., 5/1/22	4/21/17	1,034,863	1,068,600	33,737
West Corp., 5.375% Sr. Unsec. Nts., 7/15/22	10/30/14 – 11/3/14	672,934	698,769	25,835
Zekelman Industries, Inc., 9.875% Sr. Sec. Nts., 6/15/23	12/8/16	580,876	603,213	22,337
		\$ 10,400,035	\$ 10,229,177	\$ (170,858)

4. Interest-Only Strips represent the right to receive the monthly interest payments on an underlying pool of mortgage loans. These securities typically decline in price as interest rates decline. Most other fixed income securities increase in price when interest rates decline. The principal amount of the underlying pool represents the notional amount on which current interest is calculated. The price of these securities is typically more sensitive to changes in prepayment rates than traditional mortgage-backed securities (for example, GNMA pass-throughs). Interest rates disclosed represent current yields based upon the current cost basis and estimated timing and amount of future cash flows. These securities amount to \$3,567,460 or 0.21% of the Fund's net assets at period end.

5. Interest rate is less than 0.0005%.

6. All or a portion of the security position is when-issued or delayed delivery to be delivered and settled after period end. See Note 4 of the accompanying Consolidated Notes.

7. This interest rate resets periodically. Interest rate shown reflects the rate in effect at period end. The rate on this variable rate security is not based on a published reference rate and spread but is determined by the issuer or agent based on current market conditions.

8. This security is not accruing income because the issuer has missed an interest payment on it and/or is not anticipated to make future interest and or principal payments. The rate shown is the contractual interest rate. See Note 4 of the accompanying Consolidated Notes.

9. The value of this security was determined using significant unobservable inputs. See Note 3 of the accompanying Consolidated Notes.

10. This bond has no contractual maturity date, is not redeemable and contractually pays an indefinite stream of interest.

11. Security received as the result of issuer reorganization.

12. All or a portion of this security is owned by the subsidiary. See Note 2 of the accompanying Consolidated Notes.

Consolidated Footnotes to Statement of Investments (Continued)

13. Denotes an inflation-indexed security; coupon or principal are indexed to a consumer price index.

14. Interest or dividend is paid-in-kind, when applicable.

15. Non-income producing security.

16. Zero coupon bond reflects effective yield on the original acquisition date.

17. Rate shown is the 7-day yield at period end.

18. 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, 2016	Gross Additions	Gross Reductions	Shares December 31, 2017
Oppenheimer Institutional Government Money Market Fund, Cl. E	38,454,698	589,225,400	585,914,845	41,765,253
Oppenheimer Master Event-Linked Bond Fund, LLC	2,520,983	—	—	2,520,983
Oppenheimer Master Loan Fund, LLC	12,870,585	1,526,512	—	14,397,097
Oppenheimer Ultra-Short Duration Fund, Cl. Y	4,042,818	27,692,343	4,710,579	27,024,582
	Value	Income	Realized Gain (Loss)	Change in Unrealized Gain (Loss)
Oppenheimer Institutional Government Money Market Fund, Cl. E	\$ 41,765,253	\$ 515,600	\$ —	\$ —
Oppenheimer Master Event-Linked Bond Fund, LLC	38,519,475	2,692,115 ^a	(877,906) ^a	(3,575,033) ^a
Oppenheimer Master Loan Fund, LLC	242,778,840	14,088,246 ^b	(98) ^b	(3,124,913) ^b
Oppenheimer Ultra-Short Duration Fund, Cl. Y	135,393,154	931,758	—	—
Total	\$ 458,456,722	\$ 18,227,719	\$ (878,004)	\$ (6,699,946)

a. Represents the amount allocated to the Fund from Oppenheimer Master Event-Linked Bond Fund, LLC.

b. Represents the amount allocated to the Fund from Oppenheimer Master Loan Fund, LLC.

19. Knock-out option becomes ineligible for exercise if at any time the price of the index is equal to or less than 2,255.90 USD.

Distribution of investments representing geographic holdings, as a percentage of total investments at value, is as follows:

Geographic Holdings (Unaudited)	Value	Percent
United States	\$ 1,485,374,148	80.7%
Brazil	35,164,379	1.9
Canada	25,414,770	1.3
Indonesia	21,256,522	1.2
United Kingdom	17,829,293	1.0
Russia	16,251,083	0.9
Mexico	15,214,345	0.8
India	13,938,117	0.8
Ukraine	12,847,504	0.7
Egypt	12,747,143	0.7
Argentina	9,678,128	0.5
Peru	9,214,041	0.5
Turkey	9,123,392	0.5
Kazakhstan	8,885,376	0.5
Netherlands	8,598,809	0.5
South Africa	7,767,085	0.4
Colombia	6,654,442	0.4
France	6,144,396	0.3
Poland	5,721,886	0.3
Ireland	5,671,769	0.3
Luxembourg	5,325,039	0.3
Chile	5,136,240	0.3
Australia	5,055,242	0.3
Germany	5,032,205	0.3
Sri Lanka	4,959,880	0.3
Romania	4,408,630	0.3
Dominican Republic	4,109,686	0.2
Spain	4,001,072	0.2
Uruguay	3,987,738	0.2
Belgium	3,838,342	0.2
Ivory Coast	3,495,605	0.2
Switzerland	3,470,803	0.2
Hungary	3,461,827	0.2
Malaysia	3,397,879	0.2
Bermuda	2,894,756	0.2
Italy	2,670,694	0.2
Jamaica	2,658,142	0.2
Thailand	2,573,926	0.1
Hong Kong	2,325,130	0.1
New Zealand	2,290,124	0.1
Serbia	2,279,696	0.1
United Arab Emirates	2,200,696	0.1
China	2,118,251	0.1

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

Geographic Holdings (Unaudited) (Continued)	Value	Percent
Croatia	\$ 1,922,730	0.1%
Nigeria	1,860,574	0.1
Iraq	1,624,399	0.1
Mongolia	1,496,924	0.1
Belarus	1,338,019	0.1
Ecuador	1,245,566	0.1
Morocco	1,163,821	0.1
Senegal	1,151,021	0.1
Honduras	1,090,445	0.1
Bahamas	1,079,800	0.1
Gabon	982,414	0.1
Angola	872,962	0.1
Israel	729,750	0.0
Panama	617,826	0.0
Portugal	612,811	0.0
Norway	581,236	0.0
Singapore	486,570	0.0
Mauritius	462,250	0.0
Guernsey	386,016	0.0
Eurozone	384,754	0.0
Macau	272,869	0.0
Total	\$ 1,835,550,988	100.0%

Forward Currency Exchange Contracts as of December 31, 2017

Counterparty	Settlement Month(s)	Currency Purchased (000's)	Currency Sold (000's)	Unrealized Appreciation	Unrealized Depreciation
BAC	03/2018	AUD 21,975	USD 16,628	\$ 515,486	\$ —
BAC	03/2018	CNH 9,830	USD 1,474	28,213	—
BAC	04/2018	IDR 122,856,000	USD 8,804	200,891	—
BAC	03/2018	MXN 78,300	USD 3,952	—	24,582
BAC	03/2018	NZD 12,110	USD 8,457	117,137	—
BAC	03/2018	RUB 486,900	USD 8,115	238,114	—
BAC	03/2018	USD 8,305	AUD 10,930	—	222,161
BAC	02/2018 - 04/2018	USD 21,602	IDR 300,470,000	—	442,707
BAC	03/2018	USD 25,103	ILS 88,100	—	295,830
BAC	03/2018	USD 8,821	INR 567,000	2,515	—
BAC	02/2018	USD 1,370	MYR 5,605	—	7,174
BAC	03/2018	USD 16,763	NZD 24,170	—	349,226
BNP	02/2018 - 06/2018	ARS 157,330	USD 8,251	—	289,897
BOA	03/2018	COP 11,250,000	USD 3,706	39,163	—
BOA	03/2018	CZK 79,800	USD 3,711	49,430	—
BOA	03/2018	INR 631,000	USD 9,678	135,715	—
BOA	03/2018	MXN 132,300	USD 6,849	—	212,875
BOA	03/2018	PHP 7,000	USD 138	1,914	—
BOA	03/2018	PLN 13,230	USD 3,691	110,739	—
BOA	03/2018	USD 8,516	EUR 7,040	37,400	—
BOA	03/2018	USD 4,448	INR 290,000	—	62,373
BOA	03/2018	USD 3,624	MXN 70,000	112,632	—
BOA	03/2018	USD 1,165	PEN 3,780	2,280	—
BOA	03/2018	USD 13,618	RUB 815,000	—	364,070
CITNA-B	01/2018	BRL 26,360	USD 7,955	9,519	18,018
CITNA-B	03/2018	EUR 7,040	USD 8,451	26,930	—
CITNA-B	02/2018	IDR 168,070,000	USD 12,359	23,582	—
CITNA-B	03/2018	SGD 6,560	USD 4,877	34,194	—
CITNA-B	01/2018	USD 7,969	BRL 26,360	21,861	—
CITNA-B	01/2018	USD 2,587	EGP 48,800	—	144,612
CITNA-B	02/2018	USD 690	IDR 9,378,500	—	1,316
CITNA-B	03/2018	ZAR 68,900	USD 5,423	81,386	—
GSCO-OT	02/2018	MYR 17,050	USD 4,173	17,232	—
GSCO-OT	03/2018	USD 268	RON 1,060	—	3,823
HSBC	03/2018	USD 3,946	MXN 78,100	28,464	—
JPM	01/2018	BRL 26,700	USD 8,071	—	22,143
JPM	03/2018	HUF 401,000	USD 1,504	50,028	—
JPM	04/2018	IDR 119,819,000	USD 8,666	115,815	—
JPM	03/2018	PHP 15,000	USD 297	2,711	—
JPM	03/2018	RUB 250,500	USD 4,209	88,340	—
JPM	03/2018	THB 147,200	USD 4,531	—	6,239
JPM	03/2018	TRY 37,380	USD 9,549	93,801	2,846
JPM	01/2018	USD 8,014	BRL 26,700	—	35,197

Counterparty	Settlement Month(s)	Currency Purchased (000's)	Currency Sold (000's)	Unrealized Appreciation	Unrealized Depreciation
JPM	03/2018	USD 814 CLP	519,000 \$	— \$	28,688
JPM	03/2018	USD 1,010 CZK	21,700	—	12,803
JPM	03/2018	USD 10,612 EUR	8,760	62,757	351
JPM	02/2018	USD 672 IDR	9,160,000	—	2,694
JPM	03/2018	USD 7,136 TRY	28,270	—	153,957
JPM	03/2018	USD 7,040 ZAR	97,430	—	743,920
TDB	01/2018 - 02/2018	BRL 24,390 USD	7,414	—	66,591
TDB	03/2018	EUR 765 USD	907	14,435	—
TDB	01/2018 - 02/2018	USD 10,330 BRL	33,855	139,911	—
TDB	03/2018	USD 1,140 CLP	747,000	—	73,422
Total Unrealized Appreciation and Depreciation				\$ 2,402,595	\$ 3,587,515

Futures Contracts as of December 31, 2017

Description	Buy/Sell	Expiration Date	Number of Contracts	Notional Amount (000's)	Value	Unrealized Appreciation/Depreciation
Euro-BOBL	Sell	3/08/18	546	EUR 86,906 \$	86,220,092 \$	685,631
Euro-BUND	Sell	3/08/18	254	EUR 49,663	49,273,903	389,114
United States Treasury Long Bonds	Buy	3/20/18	138	USD 21,114	21,114,000	(206)
United States Treasury Nts., 10 yr.	Buy	3/20/18	660	USD 82,117	81,870,938	(245,863)
United States Treasury Nts., 10 yr.	Sell	3/20/18	324	USD 40,343	40,191,188	152,084
United States Treasury Nts., 2 yr.	Sell	3/29/18	135	USD 28,951	28,904,766	46,202
United States Treasury Nts., 2 yr.	Buy	3/29/18	376	USD 80,647	80,505,126	(141,937)
United States Treasury Nts., 5 yr.	Sell	3/29/18	16	USD 1,861	1,858,625	2,833
United States Treasury Nts., 5 yr.	Buy	3/29/18	438	USD 51,001	50,879,860	(120,847)
United States Ultra Bonds	Buy	3/20/18	197	USD 32,839	33,028,281	188,997
						\$ 956,008

Over-the-Counter Options Written at December 31, 2017

Description	Counterparty	Exercise Price	Expiration Date	Number of Contracts	Notional Amount (000's)	Premiums Received	Value
AUD Currency Call	HSBC	NZD 1.128	3/15/18	AUD (20,800,000)	AUD 80,000 \$	62,988 \$	(58,713)
AUD Currency Put	HSBC	NZD 1.068	3/15/18	AUD (20,800,000)	AUD 80,000	50,630	(31,947)
BRL Currency Put	BAC	BRL 3.410	2/27/18	BRL (43,477,500)	BRL 170,500	118,575	(146,562)
BRL Currency Call	BAC	BRL 3.140	2/27/18	BRL (40,035,000)	BRL 157,000	123,037	(29,346)
EUR Currency Put	HSBC	PLN 4.170	3/13/18	EUR (20,624,607)	EUR 75,000	77,598	(138,357)
EUR Currency Call	HSBC	PLN 4.320	3/13/18	EUR (20,624,607)	EUR 75,000	100,635	(43,882)
RUB Currency Call	BAC	RUB 56.800	1/11/18	RUB (774,900,000)	RUB 3,075,000	125,376	(14,723)
RUB Currency Put	BAC	RUB 61.500	1/11/18	RUB (839,000,000)	RUB 2,840,000	94,677	(5,034)
SGD Currency Put	BNP	SGD 1.366	3/2/18	SGD (18,760,000)	SGD 68,300	38,701	(14,614)
SGD Currency Call	BNP	SGD 1.329	3/2/18	SGD (18,250,000)	SGD 6,645	37,901	(59,258)
Total Over-the-Counter Options Written						\$ 830,118	\$ (542,436)

Centrally Cleared Credit Default Swaps at December 31, 2017

Reference Asset	Buy/Sell Protection	Fixed Rate	Maturity Date	Notional Amount (000's)	Premiums Received/(Paid)	Value	Unrealized Appreciation/Depreciation
Federative Republic of Brazil	Sell	1.000%	6/20/22	USD 2,500 \$	154,768 \$	(44,795) \$	109,973
People's Republic of China	Buy	1.000	12/20/22	USD 4,400	70,082	(104,295)	(34,213)
Petrobras Global Finance BV	Sell	1.000	12/20/20	USD 1,000	10,092	(7,700)	2,392
Petrobras Global Finance BV	Sell	1.000	12/20/20	USD 1,000	10,178	(7,700)	2,478
Republic of Korea	Buy	1.000	12/20/22	USD 6,600	76,440	(147,108)	(70,668)
Republic of South Africa	Buy	1.000	12/20/22	USD 3,000	(133,441)	77,513	(55,928)
Republic of South Africa	Buy	1.000	12/20/22	USD 3,000	(133,650)	77,513	(56,137)
Republic of Turkey	Buy	1.000	12/20/22	USD 2,000	(73,364)	58,401	(14,963)
Total Cleared Credit Default Swaps						\$ (18,895)	\$ (98,171)

Over-the-Counter Credit Default Swaps at December 31, 2017

Reference Asset	Counterparty	Buy/Sell Protection	Fixed Rate	Maturity Date	Notional Amount (000's)	Premiums Received/(Paid)	Value	Unrealized Appreciation/Depreciation
Federative Republic of Brazil	BNP	Sell	1.000%	12/20/18	USD 1,190 \$	94,152 \$	6,687 \$	100,839
Idbi Bank Ltd./dific Dubai	BAC	Sell	1.000	12/20/22	USD 1,000	32,421	(26,675)	5,746
Idbi Bank Ltd./dific Dubai	BNP	Sell	1.000	12/20/22	USD 1,000	30,175	(26,675)	3,500
Oriental Republic of Uruguay	BOA	Sell	1.000	12/20/21	USD 2,697	48,743	23,545	72,288
State Bank of India	BNP	Sell	1.000	9/20/19	USD 1,740	71,791	21,565	93,356
Total Over-the-Counter Credit Default Swaps						\$ 277,282	\$ (1,553)	\$ 275,729

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

The table that follows shows the undiscounted maximum potential payment by the Fund related to selling credit protection in credit default swaps:

Type of Reference Asset on which the Fund Sold Protection	Total Maximum Potential Payments for Selling Credit Protection (Undiscounted)		Amount Recoverable*		Reference Asset Rating Range**(Unaudited)
Non-Investment Grade Corporate Debt	\$	4,000,000	\$	—	BB+ to BB
Investment Grade Single Name Corporate Debt		1,740,000		—	BBB-
Investment Grade Sovereign Debt		2,697,000		—	BBB
Non-Investment Grade Sovereign Debt		3,690,000		—	BB
Total USD	\$	12,127,000	\$	—	

*The Fund has no amounts recoverable from related purchased protection. In addition, the Fund has no recourse provisions under the credit derivatives and holds no collateral which can offset or reduce potential payments under a triggering event.

**The period end reference asset security ratings, as rated by any rating organization, are included in the equivalent Standard & Poor's rating category. The reference asset rating represents the likelihood of a potential credit event on the reference asset which would result in a related payment by the Fund.

Centrally Cleared Interest Rate Swaps at December 31, 2017

Counterparty	Pay/Receive Floating Rate	Floating Rate	Fixed Rate	Maturity Date	Notional Amount (000's)	Value	Unrealized Appreciation/ (Depreciation)
BAC	Receive	Three-Month USD BBA LIBOR	1.839%	8/24/22 USD	33,566	\$ 403,984	\$ 403,984
BAC	Receive	Six-Month JPY BBA LIBOR	0.296	11/29/27 JPY	4,654,000	145,880	145,880
BAC	Receive	Three-Month USD BBA LIBOR	2.203	5/31/22 USD	90,985	189,524	189,524
CITNA-B	Pay	Six-Month PLN WIBOR WIBO	2.990	11/17/27 PLN	5,770	10,181	10,181
CITNA-B	Pay	MXN TIIE BANXICO	6.600	6/21/22 MXN	284,240	(719,740)	(719,740)
CITNA-B	Pay	BZDI	11.710	1/4/21 BRL	16,750	366,685	366,685
CITNA-B	Pay	Six-Month HUF BUBOR	1.390	1/25/22 HUF	784,000	136,293	136,293
DEU	Receive	Three-Month ZAR JIBAR SAFEX	8.310	6/29/26 ZAR	28,050	(74,958)	(74,958)
DEU	Pay	Three-Month ZAR JIBAR SAFEX	7.675	2/21/22 ZAR	26,465	36,368	36,368
DEU	Pay	BZDI	10.570	1/4/21 BRL	15,500	185,385	185,385
DEU	Pay	MXN TIIE BANXICO	7.380	2/18/22 MXN	182,700	(163,336)	(163,336)
JPM	Pay	Three-Month ZAR JIBAR SAFEX	7.930	11/27/22 ZAR	55,000	117,120	117,120
Total of Centrally Cleared Interest Rate Swaps						\$ 633,386	\$ 633,386

Over-the-Counter Interest Rate Swaps at December 31, 2017

Counterparty	Pay/Receive Floating Rate	Floating Rate	Fixed Rate	Maturity Date	Notional Amount (000's)	Premiums Received / (Paid)	Value	Unrealized Appreciation/ (Depreciation)
BOA	Pay	Six-Month INR FBIL MIBOR OIS Compound	6.330%	1/31/22 INR	210,000	\$ —	\$ (12,441)	\$ (12,441)
BOA	Receive	Three-Month KRW CD KSDA	1.860	3/6/24 KRW	4,472,500	18	68,307	68,325
BOA	Pay	Six-Month THB THBFX	1.765	10/17/22 THB	477,530	—	(50,005)	(50,005)
BOA	Pay	Six-Month THB THBFX	2.200	3/20/22 THB	99,500	—	62,487	62,487
CITNA-B	Pay	Three-Month COP IBR OIS Compound	5.370	3/24/20 COP	13,032,090	—	84,963	84,963
CITNA-B	Receive	1 Time COP IBR OIS Compound	4.490	8/14/18 COP	53,300,000	—	(18,169)	(18,169)
CITNA-B	Receive	1 Time COP IBR OIS Compound	5.870	3/24/18 COP	40,160,110	—	(77,435)	(77,435)
CITNA-B	Pay	1 Time COP IBR OIS Compound	4.580	5/14/19 COP	27,560,000	—	38,166	38,166
DEU	Pay	Three-Month KRW CD KSDA	1.480	4/20/18 KRW	102,630,000	(189)	(22,342)	(22,531)
GSCOI	Pay	Three-Month COP IBR OIS Compound	5.530	1/17/19 COP	20,871,770	—	109,378	109,378
JPM	Pay	Six-Month THB THBFX	2.603	3/24/27 THB	53,200	—	57,296	57,296
JPM	Receive	Three-Month MYR KLIBOR BNM	4.005	2/21/22 MYR	13,230	—	(16,445)	(16,445)

Over-the-Counter Interest Rate Swaps (Continued)

Counterparty	Pay/Receive Floating Rate	Floating Rate	Fixed Rate	Maturity Date	Notional Amount (000's)	Premiums Received / (Paid)	Value	Unrealized Appreciation/ (Depreciation)
SCB	Pay	Three-Month MYR KLIBOR BNM	3.310%	8/19/21 MYR	45,000	\$ —	\$ (207,924)	\$ (207,924)
Total of Over-the-Counter Interest Rate Swaps						<u>\$ (171)</u>	<u>\$ 15,836</u>	<u>\$ 15,665</u>

Over-the-Counter Total Return Swaps at December 31, 2017

Reference Asset	Counterparty	Pay/Receive Total Return*	Floating Rate	Maturity Date	Notional Amount (000's)	Value	Unrealized Appreciation/ (Depreciation)
PowerShares Senior Loan Exchange Traded Fund	CITNA-B	Receive	One-Month USD BBA LIBOR plus 30 basis points	1/12/18 USD	16,694	\$ 28,394	\$ 28,394

* Fund will pay or receive the total return of the reference asset depending on whether the return is positive or negative. For contracts where the Fund has elected to receive the total return of the reference asset if positive, it will be responsible for paying the floating rate and the total return of the reference asset if negative. If the Fund has elected to pay the total return of the reference asset if positive, it will receive the floating rate and the total return of the reference asset if negative.

Over-the-Counter Interest Rate Swaptions Written at December 31, 2017

Description	Counterparty	Pay/Receive Floating Rate	Floating Rate	Fixed Rate	Expiration Date	Notional Amount (000's)	Premiums Received	Value
Interest Rate Swap Maturing 1/31/28 Call	BAC	Pay	Three-Month USD BBA LIBOR	2.776%	1/25/18 USD	78,000	\$ 250,900	\$ (6,919)
Interest Rate Swap Maturing 3/13/28 Call	BAC	Pay	Six-Month GBP BBA LIBOR	1.690	3/12/18 GBP	24,000	169,234	(20,998)
Total Over-the-Counter Interest Rate Swaptions Written						<u>\$</u>	<u>420,134</u>	<u>\$ (27,917)</u>

Glossary:
Counterparty Abbreviations

BAC	Barclays Bank plc
BNP	BNP Paribas
BOA	Bank of America NA
CITNA-B	Citibank NA
DEU	Deutsche Bank AG
GSCOI	Goldman Sachs International
GSCO-OT	Goldman Sachs Bank USA
HSBC	HSBC Bank USA NA
JPM	JPMorgan Chase Bank NA
SCB	Standard Chartered Bank
TDB	Toronto Dominion Bank
UBS	UBS AG

Currency abbreviations indicate amounts reporting in currencies

ARS	Argentine Peso
AUD	Australian Dollar
BRL	Brazilian Real
CLP	Chilean Peso
CNH	Offshore ChineseRenminbi
COP	Colombian Peso
CZK	Czech Koruna
EGP	Egyptian Pounds
EUR	Euro
GBP	British Pound Sterling
HUF	Hungarian Forint
IDR	Indonesian Rupiah
ILS	Israeli Shekel
INR	Indian Rupee
JPY	Japanese Yen
KRW	South Korean Won
MXN	Mexican Nuevo Peso
MYR	Malaysian Ringgit
NZD	New Zealand Dollar
PEN	Peruvian New Sol
PHP	Philippine Peso
PLN	Polish Zloty
RON	New Romanian Leu
RUB	Russian Ruble
SGD	Singapore Dollar

CONSOLIDATED STATEMENT OF INVESTMENTS Continued

Currency abbreviations indicate amounts reporting in currencies (Continued)

THB	Thailand Baht
TRY	New Turkish Lira
UYU	Uruguay Peso
ZAR	South African Rand

Definitions

30YR CMT	30 Year Constant Maturity Treasury
BAXICO	Banco de Mexico
BBA LIBOR	British Bankers' Association London - Interbank Offered Rate
BNM	Bank Negara Malaysia
BOBL	German Federal Obligation
BUBOR	Budapest Interbank Offered Rate
BUND	German Federal Obligation
BZDI	Brazil Interbank Deposit Rate
CD	Certificate of Deposit
EURIBOR	Euro Interbank Offered Rate
FBIL	Financial Benchmarks India Private Ltd.
FRO1	Floating Rate Option 30 yr. Rate
FRO2	Floating Rate Option 10 yr. Rate
H15T5Y	US Treasury Yield Curve Rate T Note Constant Maturity 5 Year
H15T10Y	US Treasury Yield Curve Rate T Note Constant Maturity 10 Year
H15T1Y	US Treasury Yield Curve Rate T Note Constant Maturity 1 Year
IBR	Indicador Bancario de Referencia
ICE LIBOR	Intercontinental Exchange London Interbank Offered Rate
KLIBOR	Kuala Lumpur Interbank Offered Rate
KSDA	Korean Securities Dealers Assn.
JIBAR SAFEX	South Africa Johannesburg Interbank Agreed Rate/Futures Exchange
LIBOR	London Interbank Offered Rate
LIBOR01M	ICE LIBOR USD 1 Month
LIBOR12	London Interbank Offered Rate-Monthly
LIBOR4	London Interbank Offered Rate-Quarterly
MIBOR	Mumbai Interbank Offered Rate
OIS	Overnight Index Swap
S&P	Standard & Poor's
SX5E	The EURO STOXX 50 Index
THBFIX	Thai Baht Interest Rate Fixing
TIIE	Interbank Equilibrium Interest Rate
US0001M	ICE LIBOR USD 1 Month
US0003M	ICE LIBOR USD 3 Month
USISDA05	USD ICE Swap Rate 11:00am NY 5 Year
USSW5	USD Swap Semi 30/360 5 Year
WIBOR WIBO	Poland Warsaw Interbank Offer Bid Rate

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES December 31, 2017

Assets	
Investments, at value—see accompanying consolidated statement of investments:	
Unaffiliated companies (cost \$1,361,643,506)	\$ 1,377,094,266
Affiliated companies (cost \$459,630,836)	458,456,722
	<u>1,835,550,988</u>
Cash	16,389,188
Cash—foreign currencies (cost \$2,264,813)	2,282,640
Cash used for collateral on futures	3,355,000
Cash used for collateral on OTC derivatives	2,034,000
Cash used for collateral on centrally cleared swaps	5,833,060
Unrealized appreciation on forward currency exchange contracts	2,402,595
Swaps, at value (premiums received \$214,704)	500,788
Centrally cleared swaps, at value (premiums paid \$340,455)	1,804,847
Receivables and other assets:	
Interest, dividends and principal paydowns	14,015,916
Investments sold (including \$5,653,450 sold on a when-issued or delayed delivery basis)	10,270,215
Shares of beneficial interest sold	389,843
Variation margin receivable	281,132
Other	161,882
Total assets	<u>1,895,272,094</u>
Liabilities	
Unrealized depreciation on forward currency exchange contracts	3,587,515
Options written, at value (premiums received \$830,118)	542,436
Swaps, at value (net premiums received \$62,407)	458,111
Centrally cleared swaps, at value (premiums received \$321,560)	1,269,632
Swaptions written, at value (premiums received \$420,134)	27,917
Payables and other liabilities:	
Investments purchased (including \$215,152,818 purchased on a when-issued or delayed delivery basis)	215,593,387
Shares of beneficial interest redeemed	625,106
Distribution and service plan fees	271,386
Trustees' compensation	123,615
Shareholder communications	90,139
Other	1,656,782
Total liabilities	<u>224,246,026</u>
Net Assets	<u>\$ 1,671,026,068</u>
Composition of Net Assets	
Par value of shares of beneficial interest	\$ 318,932
Additional paid-in capital	1,743,302,732
Accumulated net investment income	87,377,286
Accumulated net realized loss on investments and foreign currency transactions	(175,527,920)
Net unrealized appreciation on investments and translation of assets and liabilities denominated in foreign currencies	15,555,038
Net Assets	<u>\$ 1,671,026,068</u>
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 \$393,336,559 and 76,639,515 shares of beneficial interest outstanding)	\$5.13
Service Shares:	
Net asset value, redemption price per share and offering price per share (based on net assets of \$1,277,689,509 and 242,292,872 shares of beneficial interest outstanding)	\$5.27

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS For the Year Ended December 31, 2017

Allocation of Income and Expenses from Master Funds¹

Net investment income allocated from Oppenheimer Master Event-Linked Bond Fund, LLC:

Interest	\$	2,685,880
Dividends		6,235
Net expenses		(183,365)
Net investment income allocated from Oppenheimer Master Event-Linked Bond Fund, LLC		2,508,750

Net investment income allocated from Oppenheimer Master Loan Fund, LLC

Interest		13,735,291
Dividends		352,955
Net expenses		(821,464)
Net investment income allocated from Oppenheimer Master Loan Fund, LLC		13,266,782
Total allocation of net investment income from master funds		15,775,532

Investment Income

Interest:

Unaffiliated companies (net of foreign withholding taxes of \$704,146)	66,535,740
Fee income on when-issued securities	2,053,139

Dividends:

Unaffiliated companies	699,059
Affiliated companies	1,447,358
Total investment income	70,735,296

Expenses

Management fees	10,357,738
Distribution and service plan fees—Service shares	3,239,860
Transfer and shareholder servicing agent fees:	
Non-Service shares	400,923
Service shares	1,295,935
Shareholder communications:	
Non-Service shares	53,411
Service shares	172,590
Custodian fees and expenses	132,321
Trustees' compensation	65,665
Borrowing fees	46,107
Other	436,261
Total expenses	16,200,811
Less reduction to custodian expenses	(5,545)
Less waivers and reimbursements of expenses	(1,125,339)
Net expenses	15,069,927

Net Investment Income 71,440,901

Realized and Unrealized Gain (Loss)

Net realized gain (loss) on:	
Investment transactions in unaffiliated companies (net of foreign capital gains tax of \$90,753)	\$ (3,281,377)
Option contracts written	2,909,136
Futures contracts	2,890,384
Foreign currency transactions	(145,535)
Forward currency exchange contracts	3,878,041
Short Positions	8,408
Swap contracts	(1,700,384)
Swaption contracts written	2,568,884
Net realized loss allocated from:	
Oppenheimer Master Event-Linked Bond Fund, LLC	(877,906)
Oppenheimer Master Loan Fund, LLC	(98)
Net realized gain	6,249,553
Net change in unrealized appreciation/depreciation on:	
Investment transactions in unaffiliated companies	29,116,304
Translation of assets and liabilities denominated in foreign currencies	9,535
Forward currency exchange contracts	(2,088,758)
Futures contracts	1,389,721
Option contracts written	(347,704)
Swap contracts	859,510
Swaption contracts written	458,019
Net change in unrealized appreciation/depreciation allocated from:	
Oppenheimer Master Event-Linked Bond Fund, LLC	(3,575,033)
Oppenheimer Master Loan Fund, LLC	(3,124,913)
Net change in unrealized appreciation/depreciation	22,696,681
Net Increase in Net Assets Resulting from Operations	\$ 100,387,135

1. The Fund invests in certain affiliated mutual funds that expect to be treated as partnerships for tax purposes. See Note 4 of the accompanying Consolidated Notes.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31, 2017	Year Ended December 31, 2016
Operations		
Net investment income	\$ 71,440,901	\$ 66,559,264
Net realized gain (loss)	6,249,553	(87,282,592)
Net change in unrealized appreciation/depreciation	22,696,681	130,129,701
Net increase in net assets resulting from operations	100,387,135	109,406,373
Dividends and/or Distributions to Shareholders		
Dividends from net investment income:		
Non-Service shares	(9,178,475)	(20,719,866)
Service shares	(25,692,448)	(61,256,620)
	(34,870,923)	(81,976,486)
Beneficial Interest Transactions		
Net decrease in net assets resulting from beneficial interest transactions:		
Non-Service shares	(23,313,057)	(34,595,904)
Service shares	(56,507,178)	(112,356,578)
	(79,820,235)	(146,952,482)
Net Assets		
Total decrease	(14,304,023)	(119,522,595)
Beginning of period	1,685,330,091	1,804,852,686
End of period (including accumulated net investment income of \$87,377,286 and \$44,340,175, respectively)	\$ 1,671,026,068	\$ 1,685,330,091

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Non-Service Shares					
Per Share Operating Data					
Net asset value, beginning of period	\$4.94	\$4.88	\$5.30	\$5.38	\$5.67
Income (loss) from investment operations:					
Net investment income ¹	0.22	0.20	0.23	0.26	0.28
Net realized and unrealized gain (loss)	0.09	0.11	(0.34)	(0.11)	(0.29)
Total from investment operations	0.31	0.31	(0.11)	0.15	(0.01)
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(0.12)	(0.25)	(0.31)	(0.23)	(0.28)
Net asset value, end of period	\$5.13	\$4.94	\$4.88	\$5.30	\$5.38
Total Return, at Net Asset Value²	6.27%	6.53%	(2.26)%	2.84%	(0.13)%
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	\$393,337	\$401,308	\$429,710	\$586,951	\$738,741
Average net assets (in thousands)	\$400,945	\$416,054	\$510,765	\$707,673	\$734,707
Ratios to average net assets: ^{3,4}					
Net investment income	4.40%	4.00%	4.51%	4.73%	5.12%
Expenses excluding specific expenses listed below	0.82%	0.79%	0.76%	0.74%	0.74%
Interest and fees from borrowings	0.00% ⁵	0.00% ⁵	0.00% ⁵	0.00%	0.00%
Total expenses ⁶	0.82%	0.79%	0.76%	0.74%	0.74%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	0.76%	0.74%	0.73%	0.71%	0.72%
Portfolio turnover rate ⁷	74%	80%	79%	93%	107%

1. Per share amounts calculated based on the average shares outstanding during the period.

2. 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.

3. Annualized for periods less than one full year.

4. Includes the Fund's share of the allocated expenses and/or net investment income from the master funds.

5. Less than 0.005%.

6. Total expenses including indirect expenses from affiliated fund fees and expenses were as follows:

Year Ended December 31, 2017	0.83%
Year Ended December 31, 2016	0.80%
Year Ended December 31, 2015	0.77%
Year Ended December 31, 2014	0.75%
Year Ended December 31, 2013	0.74%

7. The portfolio turnover rate excludes purchase and sale transactions of To Be Announced (TBA) mortgage-related securities as follows:

	Purchase Transactions	Sale Transactions
Year Ended December 31, 2017	\$2,271,944,419	\$2,153,905,799
Year Ended December 31, 2016	\$1,798,210,272	\$1,766,445,159
Year Ended December 31, 2015	\$1,225,140,927	\$1,266,426,777
Year Ended December 31, 2014	\$1,348,552,640	\$1,337,346,996
Year Ended December 31, 2013	\$4,294,357,677	\$4,679,296,373

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED FINANCIAL HIGHLIGHTS Continued

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Service Shares					
Per Share Operating Data					
Net asset value, beginning of period	\$5.07	\$5.00	\$5.42	\$5.50	\$5.79
Income (loss) from investment operations:					
Net investment income ¹	0.22	0.19	0.23	0.25	0.27
Net realized and unrealized gain (loss)	0.08	0.12	(0.35)	(0.11)	(0.29)
Total from investment operations	0.30	0.31	(0.12)	0.14	(0.02)
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(0.10)	(0.24)	(0.30)	(0.22)	(0.27)
Net asset value, end of period	\$5.27	\$5.07	\$5.00	\$5.42	\$5.50
Total Return, at Net Asset Value²	6.04%	6.27%	(2.49)%	2.49%	(0.37)%
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	\$1,277,689	\$1,284,022	\$1,375,143	\$1,551,247	\$1,716,026
Average net assets (in thousands)	\$1,295,999	\$1,332,343	\$1,496,350	\$1,646,615	\$1,794,640
Ratios to average net assets: ^{3,4}					
Net investment income	4.15%	3.75%	4.26%	4.48%	4.88%
Expenses excluding specific expenses listed below	1.07%	1.04%	1.01%	0.99%	0.99%
Interest and fees from borrowings	0.00% ⁵	0.00% ⁵	0.00% ⁵	0.00%	0.00%
Total expenses ⁶	1.07%	1.04%	1.01%	0.99%	0.99%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.01%	0.99%	0.98%	0.96%	0.97%
Portfolio turnover rate ⁷	74%	80%	79%	93%	107%

1. Per share amounts calculated based on the average shares outstanding during the period.

2. 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.

3. Annualized for periods less than one full year.

4. Includes the Fund's share of the allocated expenses and/or net investment income from the master funds.

5. Less than 0.005%.

6. Total expenses including indirect expenses from affiliated fund fees and expenses were as follows:

Year Ended December 31, 2017	1.08%
Year Ended December 31, 2016	1.05%
Year Ended December 31, 2015	1.02%
Year Ended December 31, 2014	1.00%
Year Ended December 31, 2013	0.99%

7. The portfolio turnover rate excludes purchase and sale transactions of To Be Announced (TBA) mortgage-related securities as follows:

	Purchase Transactions	Sale Transactions
Year Ended December 31, 2017	\$2,271,944,419	\$2,153,905,799
Year Ended December 31, 2016	\$1,798,210,272	\$1,766,445,159
Year Ended December 31, 2015	\$1,225,140,927	\$1,266,426,777
Year Ended December 31, 2014	\$1,348,552,640	\$1,337,346,996
Year Ended December 31, 2013	\$4,294,357,677	\$4,679,296,373

See accompanying Notes to Consolidated Financial Statements.

1. Organization

Oppenheimer Global Strategic Income Fund/VA (the "Fund"), a separate series of Oppenheimer Variable Account Funds, is a diversified open-end management investment company registered under the Investment Company Act of 1940 ("1940 Act"), as amended. The Fund's main investment objective is to seek total return. 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.

Basis for Consolidation. The Fund has established a Cayman Islands exempted company, Oppenheimer Global Strategic Income Fund/VA (Cayman) Ltd., which is wholly-owned and controlled by the Fund (the "Subsidiary"). The Fund and Subsidiary are both managed by the Manager. The Fund may invest up to 25% of its total assets in the Subsidiary. The Subsidiary invests primarily in Regulation S securities. The Fund applies its investment restrictions and compliance policies and procedures, on a look-through basis, to the Subsidiary.

The financial statements have been consolidated and include accounts of the Fund and the Subsidiary. Accordingly, all inter-company transactions and balances have been eliminated. At period end, the Fund owned 51,485 shares with net assets of \$4,465,296 in the Subsidiary.

Other financial information at period end:

Total market value of investments	\$	953,909
Net assets	\$	4,465,296
Net income (loss)	\$	(42,520)
Net realized gain (loss)	\$	20,225
Net change in unrealized appreciation/depreciation	\$	42,830

Foreign Currency Translation. The books and records of the Fund are maintained in U.S. dollars. Any foreign currency amounts are translated into U.S. dollars on the following basis:

- (1) Value of investment securities, other assets and liabilities — at the exchange rates prevailing at Market Close as described in Note 3.
- (2) Purchases and sales of investment securities, income and expenses — at the rates of exchange prevailing on the respective dates of such transactions.

Although the net assets and the values are presented at the foreign exchange rates at Market Close, the Fund does not isolate the portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in prices of securities held. Such fluctuations are included with the net realized and unrealized gains or losses from investments shown in the Consolidated Statement of Operations.

For securities, which are subject to foreign withholding tax upon disposition, realized gains or losses on such securities are recorded net of foreign withholding tax.

Reported net 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, the difference between the amounts of dividends, interest, and foreign withholding tax reclaims 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 in securities, resulting from changes in the exchange rate.

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 determined necessary by the Manager.

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 value of the securities received. Withholding taxes on foreign dividends, if any, and capital gains taxes on foreign investments, if any, have been provided for in accordance with

2. Significant Accounting Policies (Continued)

the Fund's understanding of the applicable tax rules and regulations. Interest income, if any, is recognized on an accrual basis. Discount and premium, which are included in interest income on the Consolidated Statement of Operations, are amortized or accreted daily.

Return of Capital Estimates. Distributions received from the Fund's investments in Master Limited Partnerships (MLPs), generally are comprised of income and return of capital. The Fund records investment income and return of capital based on estimates. Such estimates are based on historical information available from each MLP and other industry sources. These estimates may subsequently be revised based on information received from MLPs after their tax reporting periods are concluded.

Custodian Fees. "Custodian fees and expenses" in the Consolidated 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 2.00%. 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.

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, including any net realized gain on investments not offset by capital loss carryforwards, if any, 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, 2017, including open tax years, and does not believe there are any uncertain tax positions requiring recognition in the Fund's financial statements.

Subchapter M requires, among other things, that at least 90% of the Fund's gross income be derived from securities or derived with respect to its business of investing in securities (typically referred to as "qualifying income"). Income from commodity-linked derivatives may not be treated as "qualifying income" for purposes of the 90% gross income requirement. The Internal Revenue Service (IRS) has previously issued a number of private letter rulings which conclude that income derived from commodity index-linked notes and investments in a wholly-owned subsidiary will be "qualifying income." As a result, the Fund will gain exposure to commodities through commodity-linked notes and its wholly-owned subsidiary.

The IRS has suspended the granting of private letter rulings pending further review. As a result, there can be no assurance that the IRS will not change its position with respect to commodity-linked notes and wholly-owned subsidiaries. In addition, future legislation and guidance from the Treasury and the IRS may adversely affect the Fund's ability to gain exposure to commodities through commodity-linked notes and its wholly-owned subsidiary.

The Fund is required to include in income for federal income tax purposes all of the subsidiary's net income and gains whether or not such income is distributed by the subsidiary. Net income and gains from the subsidiary are generally treated as ordinary income by the Fund, regardless of the character of the subsidiary's underlying income. Net losses from the subsidiary do not pass through to the Fund for federal income tax purposes.

The tax components of capital shown in the following table represent distribution requirements the Fund must satisfy under the income tax regulations, losses the Fund may be able to offset against income and gains realized in future years and unrealized appreciation or depreciation of securities and other investments for federal income tax purposes.

Undistributed Net Investment Income	Undistributed Long-Term Gain	Accumulated Loss Carryforward ^{1,2,3}	Net Unrealized Appreciation Based on cost of Securities and Other Investments for Federal Income Tax Purposes
\$72,639,573	\$—	\$162,638,535	\$18,160,866

1. At period end, the Fund had \$162,638,535 of net capital loss carryforward available to offset future realized capital gains, if any, and thereby reduce future taxable gain distributions. Details of the capital loss carryforwards are included in the table below. Capital loss carryovers with no expiration, if any, must be utilized prior to those with expiration dates.

Expiring	
No expiration	\$ 162,638,535

2. During the reporting period, the Fund utilized \$3,016,001 of capital loss carryforward to offset capital gains realized in that fiscal year.

3. During the previous reporting period, the Fund did not utilize any capital loss carryforward.

2. Significant Accounting Policies (Continued)

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.

Accordingly, the following amounts have been reclassified for the reporting period. Net assets of the Fund were unaffected by the reclassifications.

Increase to Paid-in Capital	Increase to Accumulated Net Investment Income	Increase to Accumulated Net Realized Loss on Investments
\$1,825	\$6,467,133	\$6,468,958

The tax character of distributions paid during the reporting periods:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Distributions paid from:		
Ordinary income	\$ 34,870,923	\$ 81,976,486

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	\$ 1,818,322,421
Federal tax cost of other investments	61,096,061
Total federal tax cost	<u>\$ 1,879,418,482</u>
Gross unrealized appreciation	\$ 52,713,199
Gross unrealized depreciation	(34,552,333)
Net unrealized appreciation	<u>\$ 18,160,866</u>

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 least quarterly or more frequently, if necessary.

Valuation Methods and Inputs

Securities are valued primarily using unadjusted quoted market prices, when available, as supplied by third party pricing services or broker-dealers.

The following methodologies are used to determine the market value or the fair value of the types of securities described below:

Equity securities traded on a securities exchange (including exchange-traded derivatives other than futures and futures options) are valued based on the official closing price on the principal exchange on which the security is traded, as identified by the Manager, prior to the time when the Fund's assets are valued. If the official closing price is unavailable, the security is valued at the last sale price on the principal exchange on which it is traded, or if no sales occurred, the security is valued at the mean between the quoted bid and asked prices. Over-the-counter equity securities are valued at the last published sale price, or if no sales occurred, at the mean between the quoted bid and asked prices. Events occurring after the close of trading on foreign exchanges may result in adjustments to the valuation of foreign securities to more accurately reflect their fair value as of the time when the Fund's assets are valued.

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, short-term notes, 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. Pricing services generally price debt securities assuming orderly transactions of an institutional "round lot" size, but some trades may occur in smaller, "odd lot" sizes,

3. Securities Valuation (Continued)

sometimes at lower prices than institutional round lot trades. Standard inputs generally considered by third-party pricing vendors include reported trade data, broker-dealer price quotations, benchmark yields, issuer spreads on comparable securities, the credit quality, yield, maturity, as well as other appropriate factors.

Loans are valued at the mean between the bid and asked prices utilizing evaluated prices obtained from third party pricing services or broker-dealers. Standard inputs generally considered by third-party pricing vendors include information obtained from market participants regarding broker-dealer price quotations.

Structured securities, swaps, swaptions, and other over-the-counter derivatives are valued utilizing evaluated prices obtained from third party pricing services or broker-dealers. Standard inputs generally considered by third-party pricing vendors include market information relevant to the underlying reference asset such as the price of financial instruments, stock market indices, foreign currencies, interest rate spreads, commodities, credit spreads, credit event probabilities, index values, individual security values, forward interest rates, variable interest rates, volatility measures, and forward currency rates, or the occurrence of other specific events.

Forward foreign currency exchange contracts are valued utilizing current and forward currency rates obtained from third party pricing services. When the settlement date of a contract is an interim date for which a quotation is not available, interpolated values are derived using the nearest dated forward currency rate.

Futures contracts and futures options traded on a commodities or futures exchange will be valued at the final settlement price or official closing price on the principal exchange as reported by such principal exchange at its trading session ending at, or most recently prior to, the time when the Fund's assets are valued.

Securities for which market quotations are not readily available, or when a significant event has occurred that would materially affect the value of the security, are 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. Those standardized fair valuation 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 regularly compares prior day prices 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 may be 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 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 investment companies which are publicly offered as Level 1. Investment companies that are not publicly offered, if any, are classified as Level 2 in the fair value hierarchy.

The table below categorizes amounts that are included in the Fund's Consolidated 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:					
Asset-Backed Securities	\$	—	\$ 64,802,347	\$ —	\$ 64,802,347
Mortgage-Backed Obligations		—	397,963,737	51,559	398,015,296
Foreign Government Obligations		—	140,031,551	—	140,031,551

3. Securities Valuation (Continued)

	Level 1— Unadjusted Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Value
Corporate Loans	\$ —	\$ 1,991,677	\$ —	1,991,677
Corporate Bonds and Notes	—	741,083,420	28,806	741,112,226
Preferred Stocks	11,920,249	—	—	11,920,249
Common Stocks	3,391,254	39,045	78,263	3,508,562
Rights, Warrants and Certificates	—	21,067	102,922	123,989
Structured Securities	—	4,277,843	223,349	4,501,192
Short-Term Notes	—	9,789,700	—	9,789,700
Investment Companies	177,158,407	281,298,315	—	458,456,722
Exchange-Traded Option Purchased	424,592	—	—	424,592
Over-the-Counter Options Purchased	—	417,347	—	417,347
Over-the-Counter Interest Rate Swaptions Purchased	—	455,538	—	455,538
Total Investments, at Value	192,894,502	1,642,171,587	484,899	1,835,550,988
Other Financial Instruments:				
Swaps, at value	—	500,788	—	500,788
Centrally cleared swaps, at value	—	1,804,847	—	1,804,847
Futures contracts	1,464,861	—	—	1,464,861
Forward currency exchange contracts	—	2,402,595	—	2,402,595
Total Assets	\$ 194,359,363	\$ 1,646,879,817	\$ 484,899	\$ 1,841,724,079
Liabilities Table				
Other Financial Instruments:				
Swaps, at value	\$ —	\$ (458,111)	\$ —	(458,111)
Centrally cleared swaps, at value	—	(1,269,632)	—	(1,269,632)
Futures contracts	(508,853)	—	—	(508,853)
Options written, at value	—	(542,436)	—	(542,436)
Forward currency exchange contracts	—	(3,587,515)	—	(3,587,515)
Swaptions written, at value	—	(27,917)	—	(27,917)
Total Liabilities	\$ (508,853)	\$ (5,885,611)	\$ —	(6,394,464)

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 Consolidated 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.

Investments in Money Market Instruments. The Fund is permitted to invest its free cash balances in money market instruments to provide liquidity or for defensive purposes. The Fund may invest in money market instruments by investing in Class E shares of Oppenheimer Institutional Government

4. Investments and Risks (Continued)

Money Market Fund ("IGMMF"), which is an Affiliated Fund. IGMMF is regulated as a money market fund under the 1940 Act, as amended. The Fund may also invest in money market instruments directly or in other affiliated or unaffiliated money market funds.

Investment in Oppenheimer Master Funds. The Fund is permitted to invest in entities sponsored and/or advised by the Manager or an affiliate. Certain of these entities in which the Fund invests are mutual funds registered under the 1940 Act, as amended, that expect to be treated as partnerships for tax purposes, specifically Oppenheimer Master Loan Fund, LLC ("Master Loan") and Oppenheimer Master Event-Linked Bond Fund, LLC ("Master Event-Linked Bond") (the "Master Funds"). Each Master Fund 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 Master Fund than in another, the Fund will have greater exposure to the risks of that Master Fund.

The investment objective of Master Loan is to seek income. The investment objective of Master Event-Linked Bond is to seek total return. The Fund's investments in the Master Funds are included in the Consolidated Statement of Investments. The Fund recognizes income and gain/(loss) on its investments in each Master Fund according to its allocated pro-rata share, based on its relative proportion of total outstanding Master Fund shares held, of the total net income earned and the net gain/(loss) realized on investments sold by the Master Funds. As a shareholder, the Fund is subject to its proportional share of the Master 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 Master Funds. The Fund owns 16.7% of Master Loan and 14.0% of Master Event-Linked Bond at period end.

Structured Securities. The Fund invests in structured securities whose market values, interest rates and/or redemption prices are linked to the performance of underlying foreign currencies, interest rate spreads, stock market indices, prices of individual securities, commodities or other financial instruments or the occurrence of other specific events. The structured securities are often leveraged, increasing the volatility of each note's market value relative to the change in the underlying linked financial element or event. Fluctuations in value of these securities are recorded as unrealized gains and losses in the accompanying Consolidated Statement of Operations. The Fund records a realized gain or loss when a structured security is sold or matures.

Loans. The Fund invests in loans made to U.S. and foreign borrowers that are corporations, partnerships or other business entities. The Fund will do so directly as an original lender or by assignment or indirectly through participation agreements or certain derivative instruments. While many of these loans will be collateralized, the Fund can also invest in uncollateralized loans. Loans are often issued in connection with recapitalizations, acquisitions, leveraged buyouts, and refinancing of borrowers. The loans often pay interest at rates that float above (or are adjusted periodically based on) a benchmark that reflects current interest rates although the Fund can also invest in loans with fixed interest rates.

When investing in loans, the Fund generally will have a contractual relationship only with the lender, not with the relevant borrower. As a result, the Fund generally will have 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 relevant borrower. The Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Fund will assume the credit risk of both the borrower and the institution selling the participation to the Fund.

Securities on a When-Issued or Delayed Delivery Basis. The Fund may purchase securities on a "when-issued" basis, and may purchase or sell securities on a "delayed delivery" basis. "When-issued" or "delayed delivery" refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. Delivery and payment for securities that have been purchased by the Fund on a when-issued basis normally takes place within six months and possibly as long as two years or more after the trade date. During this period, such securities do not earn interest, are subject to market fluctuation and may increase or decrease in value prior to their delivery. The purchase of securities on a when-issued basis may increase the volatility of the Fund's net asset value to the extent the Fund executes such transactions while remaining substantially fully invested. When the Fund engages in when-issued or delayed delivery transactions, it relies on the buyer or seller, as the case may be, to complete the transaction. Their failure to do so may cause the Fund to lose the opportunity to obtain or dispose of the security at a price and yield it considers advantageous. The Fund may also sell securities that it purchased on a when-issued basis or forward commitment prior to settlement of the original purchase.

At period end, the Fund had purchased securities issued on a when-issued or delayed delivery basis and sold securities issued on a delayed delivery basis as follows:

	When-Issued or Delayed Delivery Basis Transactions
Purchased securities	\$215,152,818
Sold securities	5,653,450

The Fund may enter into "forward roll" transactions with respect to mortgage-related securities. In this type of transaction, the Fund sells a mortgage-related security to a buyer and simultaneously agrees to repurchase a similar security (same type, coupon and maturity) at a later date at a set price. During the period between the sale and the repurchase, the Fund will not be entitled to receive interest and principal payments on the securities that have been sold. The Fund records the incremental difference between the forward purchase and sale of each forward roll as realized gain (loss) on investments or as fee income in the case of such transactions that have an associated fee in lieu of a difference in the forward purchase and sale price.

4. Investments and Risks (Continued)

Forward roll transactions may be deemed to entail embedded leverage since the Fund purchases mortgage-related securities with extended settlement dates rather than paying for the securities under a normal settlement cycle. This embedded leverage increases the Fund's market value of investments relative to its net assets which can incrementally increase the volatility of the Fund's performance. Forward roll transactions can be replicated over multiple settlement periods.

Risks of entering into forward roll transactions include the potential inability of the counterparty to meet the terms of the agreement; the potential of the Fund to receive inferior securities at redelivery as compared to the securities sold to the counterparty; and counterparty credit risk.

At period end, the counterparty pledged \$18,000 of collateral to the Fund for forward roll transactions.

Restricted Securities. At period end, investments in securities included issues that are restricted. A restricted security may have a contractual restriction on its resale and is valued under methods approved by the Board of Trustees as reflecting fair value. Securities that are restricted are marked with an applicable footnote on the Consolidated Statement of Investments. Restricted securities are reported on a schedule following the Consolidated Statement of Investments.

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.

Credit Risk. The Fund invests in high-yield, non-investment-grade bonds, which may be subject to a greater degree of credit risk. Credit risk relates to the ability of the issuer to meet interest or principal payments or both as they become due. The Fund may acquire securities that have missed an interest payment, and is not obligated to dispose of securities whose issuers or underlying obligors subsequently miss an interest and/or principal payment.

Information concerning securities not accruing interest at period end is as follows:

Cost	\$2,543,506
Market Value	\$488,003
Market Value as % of Net Assets	0.03%

Sovereign Debt Risk. The Fund invests in sovereign debt securities, which are subject to certain special risks. These risks include, but are not limited to, the risk that a governmental entity may delay or refuse, or otherwise be unable, to pay interest or repay the principal on its sovereign debt. There may also be no legal process for collecting sovereign debt that a government does not pay or bankruptcy proceedings through which all or part of such sovereign debt may be collected. In addition, a restructuring or default of sovereign debt may also cause additional impacts to the financial markets, such as downgrades to credit ratings, reduced liquidity and increased volatility, among others.

Shareholder Concentration. At period end, three shareholders each owned 20% or more of the Fund's total outstanding shares.

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. Related parties owned 21% of the Fund's total outstanding shares at period end.

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,

5. Market Risk Factors (Continued)

while small increases or decreases in its price typically indicate lower volatility risk.

6. Use of Derivatives

The Fund's investment objective not only permits the Fund to purchase investment securities, it also allows the Fund to enter into various types of derivatives contracts, including, but not limited to, futures contracts, forward currency exchange contracts, credit default swaps, interest rate swaps, total return swaps, variance swaps and purchased and written options. In doing so, the Fund will employ strategies in differing combinations to permit it to increase, decrease, or change the level or types of exposure to market risk factors. These instruments may allow the Fund to pursue its objectives more quickly and efficiently than if it were to make direct purchases or sales of securities capable of effecting a similar response to market factors. Such contracts may be entered into through a bilateral over-the-counter ("OTC") transaction, or through a securities or futures exchange and cleared through a clearinghouse.

Derivatives may have little or no initial cash investment relative to their market value exposure and therefore can produce significant gains or losses in excess of their cost due to changes in the market risk factors and the overall market. This use of embedded leverage allows the Fund to increase its market value exposure relative to its net assets and can substantially increase the volatility of the Fund's performance. In instances where the Fund is using derivatives to decrease, or hedge, exposures to market risk factors for securities held by the Fund, there are also risks that those derivatives may not perform as expected resulting in losses for the combined or hedged positions. Some derivatives have the potential for unlimited loss, regardless of the size of the Fund's initial investment.

Additional associated risks from investing in derivatives also exist and potentially could have significant effects on the valuation of the derivative and the Fund. Typically, the associated risks are not the risks that the Fund is attempting to increase or decrease exposure to, per its investment objectives, but are the additional risks from investing in derivatives. Examples of these associated risks are liquidity risk, which is the risk that the Fund will not be able to sell the derivative in the open market in a timely manner, and counterparty credit risk, which is the risk that the counterparty will not fulfill its obligation to the Fund.

The Fund's actual exposures to these market risk factors and associated risks during the period are discussed in further detail, by derivative type, below.

Forward Currency Exchange Contracts

The Fund may enter into forward currency exchange contracts ("forward contracts") for the purchase or sale of a foreign currency at a negotiated rate at a future date. Such contracts are traded in the OTC inter-bank currency dealer market.

Forward contracts are reported on a schedule following the Consolidated Statement of Investments. The unrealized appreciation (depreciation) is reported in the Consolidated Statement of Assets and Liabilities as a receivable (or payable) and in the Consolidated Statement of Operations within the change in unrealized appreciation (depreciation). At contract close, the difference between the original cost of the contract and the value at the close date is recorded as a realized gain (loss) in the Consolidated Statement of Operations.

The Fund may enter into forward foreign currency exchange contracts in order to decrease exposure to foreign exchange rate risk associated with either specific transactions or portfolio instruments or to increase exposure to foreign exchange rate risk.

During the reporting period, the Fund had daily average contract amounts on forward contracts to buy and sell of \$352,585,839 and \$341,315,541, respectively.

Additional associated risk to the Fund includes counterparty credit risk. Counterparty credit risk arises from the possibility that the counterparty to a forward contract will default and fail to perform its obligations to the Fund.

Futures Contracts

A futures contract is a commitment to buy or sell a specific amount of a commodity, financial instrument or currency at a negotiated price on a stipulated future date. The Fund may buy and sell futures contracts and may also buy or write put or call options on these futures contracts. Futures contracts and options thereon are generally entered into on a regulated futures exchange and cleared through a clearinghouse associated with the exchange.

Upon entering into a futures contract, the Fund is required to deposit either cash or securities (initial margin) in an amount equal to a certain percentage of the contract value in an account registered in the futures commission merchant's name. Subsequent payments (variation margin) are paid to or from the futures commission merchant each day equal to the daily changes in the contract value. Such payments are recorded as unrealized gains and losses. Should the Fund fail to make requested variation margin payments, the futures commission merchant can gain access to the initial margin to satisfy the Fund's payment obligations.

Futures contracts are reported on a schedule following the Consolidated Statement of Investments. Securities held by a futures commission merchant to cover initial margin requirements on open futures contracts are noted in the Consolidated Statement of Investments. Cash held by a futures commission merchant to cover initial margin requirements on open futures contracts and the receivable and/or payable for the daily mark to market for the variation margin are noted in the Consolidated Statement of Assets and Liabilities. The net change in unrealized appreciation and depreciation is reported in the Consolidated Statement of Operations. Realized gains (losses) are reported in the Consolidated Statement of Operations at the closing or expiration of futures contracts.

The Fund may purchase and/or sell financial futures contracts and options on futures contracts to gain exposure to, or decrease exposure to interest rate risk, equity risk, foreign exchange rate risk, volatility risk, or commodity risk.

During the reporting period, the Fund had an ending monthly average market value of \$241,628,401 and \$91,902,278 on futures contracts purchased and sold, respectively.

6. Use of Derivatives (Continued)

Additional associated risks of entering into futures contracts (and related options) include the possibility that there may be an illiquid market where the Fund is unable to liquidate the contract or enter into an offsetting position and, if used for hedging purposes, the risk that the price of the contract will correlate imperfectly with the prices of the Fund's securities.

Option Activity

The Fund may buy and sell put and call options, or write put and call options. When an option is written, the Fund receives a premium and becomes obligated to sell or purchase the underlying security, currency or other underlying financial instrument at a fixed price, upon exercise of the option.

Options can be traded through an exchange or through a privately negotiated arrangement with a dealer in an OTC transaction. Options traded through an exchange are generally cleared through a clearinghouse (such as The Options Clearing Corporation). The difference between the premium received or paid, and market value of the option, is recorded as unrealized appreciation or depreciation. The net change in unrealized appreciation or depreciation is reported in the Consolidated Statement of Operations. When an option is exercised, the cost of the security purchased or the proceeds of the security sale are adjusted by the amount of premium received or paid. Upon the expiration or closing of the option transaction, a gain or loss is reported in the Consolidated Statement of Operations.

Foreign Currency Options. The Fund may purchase or write call and put options on currencies to increase or decrease exposure to foreign exchange rate risk. A purchased call, or written put option becomes more valuable as the price of the underlying financial instrument appreciates relative to the strike price. A purchased put, or written call option becomes more valuable as the price of the underlying financial instrument depreciates relative to the strike price.

Interest Rate Options. The Fund may purchase or write call and put options on treasury and/or euro futures to increase or decrease exposure to interest rate risk. A purchased call or written put option becomes more valuable as the price of the underlying financial instrument appreciates relative to the strike price. A purchased put or written call option becomes more valuable as the price of the underlying financial instrument depreciates relative to the strike price.

Index/Security Options. The Fund may purchase or write call and put options on individual equity securities and/or equity indexes to increase or decrease exposure to equity risk. A purchased call or written put option becomes more valuable as the price of the underlying financial instrument appreciates relative to the strike price. A purchased put or written call option becomes more valuable as the price of the underlying financial instrument depreciates relative to the strike price.

During the reporting period, the Fund had an ending monthly average market value of \$499,557 and \$676,045 on purchased call options and purchased put options, respectively.

Options written, if any, are reported in a schedule following the Consolidated Statement of Investments and as a liability in the Consolidated Statement of Assets and Liabilities. Securities held in collateral accounts to cover potential obligations with respect to outstanding written options are noted in the Consolidated Statement of Investments.

The risk in writing a call option is the market price of the underlying security increasing above the strike price and the option being exercised. The Fund must then purchase the underlying security at the higher market price and deliver it for the strike price or, if it owns the underlying security, deliver it at the strike price and forego any benefit from the increase in the price of the underlying security above the strike price. The risk in writing a put option is the market price of the underlying security decreasing below the strike price and the option being exercised. The Fund must then purchase the underlying security at the strike price when the market price of the underlying security is below the strike price. Alternatively, the Fund could also close out a written option position, in which case the risk is that the closing transaction will require a premium to be paid by the Fund that is greater than the premium the Fund received. When writing options, the Fund has the additional risk that there may be an illiquid market where the Fund is unable to close the contract. The risk in buying an option is that the Fund pays a premium for the option, and the option may be worth less than the premium paid or expire worthless.

During the reporting period, the Fund had an ending monthly average market value of \$746,313 and \$501,392 on written call options and written put options, respectively.

Additional associated risks to the Fund include counterparty credit risk and liquidity risk.

Swap Contracts

The Fund may enter into swap contract agreements with a counterparty to exchange a series of cash flows based on either specified reference rates, the price or volatility of asset or non-asset references, or the occurrence of a credit event, over a specified period. Swaps can be executed in a bi-lateral privately negotiated arrangement with a dealer in an OTC transaction ("OTC swaps") or executed on a regulated market. Certain swaps, regardless of the venue of their execution, are required to be cleared through a clearinghouse ("centrally cleared swaps"). Swap contracts may include interest rate, equity, debt, index, total return, credit default, currency, and volatility swaps.

Swap contracts are reported on a schedule following the Consolidated Statement of Investments. The values of centrally cleared swap and OTC swap contracts are aggregated by positive and negative values and disclosed separately on the Consolidated Statement of Assets and Liabilities. The unrealized appreciation (depreciation) related to the change in the valuation of the notional amount of the swap is combined with the accrued interest due to (owed by) the Fund, if any, at termination or settlement. The net change in this amount during the period is included on the Consolidated Statement of Operations. The Fund also records any periodic payments received from (paid to) the counterparty, including at termination, under such contracts as realized gain (loss) on the Consolidated Statement of Operations.

Swap contract agreements are exposed to the market risk factor of the specific underlying reference rate or asset. Swap contracts are typically more attractively priced compared to similar investments in related cash securities because they isolate the risk to one market risk factor and eliminate the

6. Use of Derivatives (Continued)

other market risk factors. Investments in cash securities (for instance bonds) have exposure to multiple risk factors (credit and interest rate risk). Because swaps have embedded leverage, they can expose the Fund to substantial risk in the isolated market risk factor.

Credit Default Swap Contracts. A credit default swap is a contract that enables an investor to buy or sell protection against a defined-issuer credit event, such as the issuer's failure to make timely payments of interest or principal on a debt security, bankruptcy or restructuring. The Fund may enter into credit default swaps either by buying or selling protection on a corporate issuer, sovereign issuer, or a basket or index of issuers (the "reference asset").

The buyer of protection pays a periodic fee to the seller of protection based on the notional amount of the swap contract. The seller of protection agrees to compensate the buyer of protection for future potential losses as a result of a credit event on the reference asset. The contract effectively transfers the credit event risk of the reference asset from the buyer of protection to the seller of protection.

The ongoing value of the contract will fluctuate throughout the term of the contract based primarily on the credit risk of the reference asset. If the credit quality of the reference asset improves relative to the credit quality at contract initiation, the buyer of protection may have an unrealized loss greater than the anticipated periodic fee owed. This unrealized loss would be the result of current credit protection being cheaper than the cost of credit protection at contract initiation. If the buyer elects to terminate the contract prior to its maturity, and there has been no credit event, this unrealized loss will become realized. If the contract is held to maturity, and there has been no credit event, the realized loss will be equal to the periodic fee paid over the life of the contract.

If there is a credit event, the buyer of protection can exercise its rights under the contract and receive a payment from the seller of protection equal to the notional amount of the swap less the market value of specified debt securities issued by the reference asset. Upon exercise of the contract the difference between such value and the notional amount is recorded as realized gain (loss) and is included on the Consolidated Statement of Operations.

The Fund may purchase or sell credit protection through credit default swaps to increase or decrease exposure to the credit risk of individual issuers and/or indexes of issuers that are either unavailable or considered to be less attractive in the bond market.

The Fund has engaged in spread curve trades by simultaneously purchasing and selling protection through credit default swaps referenced to the same reference asset but with different maturities. Spread curve trades attempt to gain exposure to credit risk on a forward basis by realizing gains on the expected differences in spreads.

For the reporting period, the Fund had ending monthly average notional amounts of \$40,375,769 and \$36,750,369 on credit default swaps to buy protection and credit default swaps to sell protection, respectively.

Additional associated risks to the Fund include counterparty credit risk and liquidity risk.

Interest Rate Swap Contracts. An interest rate swap is an agreement between counterparties to exchange periodic payments based on interest rates. One cash flow stream will typically be a floating rate payment based upon a specified floating interest rate while the other is typically a fixed interest rate.

The Fund may enter into interest rate swaps in which it pays the fixed or floating interest rate in order to increase or decrease exposure to interest rate risk. Typically, if relative interest rates rise, floating payments under a swap agreement will be greater than the fixed payments.

For the reporting period, the Fund had ending monthly average notional amounts of \$144,712,111 and \$273,921,394 on interest rate swaps which pay a fixed rate and interest rate swaps which receive a fixed rate, respectively.

Additional associated risks to the Fund include counterparty credit risk and liquidity risk.

Total Return Swap Contracts. A total return swap is an agreement between counterparties to exchange periodic payments based on the value of asset or non-asset references. One cash flow is typically based on a non-asset reference (such as an interest rate) and the other on the total return of a reference asset (such as a security or a basket of securities or securities index). The total return of the reference asset typically includes appreciation or depreciation on the reference asset, plus any interest or dividend payments.

Total return swap contracts are exposed to the market risk factor of the specific underlying financial instrument or index. Total return swaps are less standard in structure than other types of swaps and can isolate and/or include multiple types of market risk factors including equity risk, credit risk, and interest rate risk.

The Fund may enter into total return swaps to increase or decrease exposure to the credit risk of various indexes or basket of securities. These credit risk related total return swaps require the Fund to pay to, or receive payments from, the counterparty based on the movement of credit spreads of the related indexes or securities.

For the reporting period, the Fund had ending monthly average notional amounts of \$15,528,099 on total return swaps which are long the reference asset.

Additional associated risks to the Fund include counterparty credit risk and liquidity risk.

Swaption Transactions

The Fund may enter into a swaption contract which grants the purchaser the right, but not the obligation, to enter into a swap transaction at preset terms detailed in the underlying agreement within a specified period of time. The purchaser pays a premium to the swaption writer who bears the risk of unfavorable changes in the preset terms on the underlying swap.

Purchased swaptions are reported as a component of investments in the Consolidated Statement of Investments and the Consolidated Statement of Assets and Liabilities. Written swaptions are reported on a schedule following the Consolidated Statement of Investments and their value is reported as a separate asset or liability line item in the Consolidated Statement of Assets and Liabilities. The net change in unrealized appreciation or depreciation on written swaptions is separately reported in the Consolidated Statement of Operations. When a swaption is exercised, the cost of the swap is adjusted

6. Use of Derivatives (Continued)

by the amount of premium paid or received. Upon the expiration or closing of an unexercised swaption contract, a gain or loss is reported in the Consolidated Statement of Operations for the amount of the premium paid or received.

The Fund generally will incur a greater risk when it writes a swaption than when it purchases a swaption. When the Fund writes a swaption it will become obligated, upon exercise of the swaption, according to the terms of the underlying agreement. Swaption contracts written by the Fund do not give rise to counterparty credit risk prior to exercise as they obligate the Fund, not its counterparty, to perform. When the Fund purchases a swaption it only risks losing the amount of the premium it paid if the swaption expires unexercised. However, when the Fund exercises a purchased swaption there is a risk that the counterparty will fail to perform or otherwise default on its obligations under the swaption contract.

The Fund may purchase swaptions which give it the option to enter into an interest rate swap in which it pays a floating or fixed interest rate and receives a fixed or floating interest rate in order to increase or decrease exposure to interest rate risk. Purchasing the fixed portion of this swaption becomes more valuable as the reference interest rate decreases relative to the preset interest rate. Purchasing the floating portion of this swaption becomes more valuable as the reference interest rate increases relative to the preset interest rate.

The Fund may write swaptions which give it the obligation, if exercised by the purchaser, to enter into an interest rate swap in which it pays a fixed or floating interest rate and receives a floating or fixed interest rate in order to increase or decrease exposure to interest rate risk. A written swaption paying a fixed rate becomes more valuable as the reference interest rate increases relative to the preset interest rate. A written swaption paying a floating rate becomes more valuable as the reference interest rate decreases relative to the preset interest rate.

During the reporting period, the Fund had an ending monthly average market value of \$1,369,686 and \$1,100,582 on purchased and written swaptions, respectively.

Counterparty Credit Risk. Derivative positions are subject to the risk that the counterparty will not fulfill its obligation to the Fund. The Fund intends to enter into derivative transactions with counterparties that the Manager believes to be creditworthy at the time of the transaction.

The Fund's risk of loss from counterparty credit risk on OTC derivatives is generally limited to the aggregate unrealized gain netted against 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 the 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.

To reduce counterparty risk with respect to OTC transactions, the Fund has entered into master netting arrangements, established within the Fund's International Swap and Derivatives Association, Inc. ("ISDA") master agreements, which allow the Fund to make (or to have an entitlement to receive) a single net payment in the event of default (close-out netting) for outstanding payables and receivables with respect to certain OTC positions in swaps, options, swaptions, and forward currency exchange contracts for each individual counterparty. In addition, the Fund may require that certain counterparties post cash and/or securities in collateral accounts to cover their net payment obligations for those derivative contracts subject to ISDA master agreements. If the counterparty fails to perform under these contracts and agreements, the cash and/or securities will be made available to the Fund.

At period end, the Fund has required certain counterparties to post collateral of \$536,155.

ISDA master agreements include credit related contingent features which allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event that, for example, the Fund's net assets decline by a stated percentage or the Fund fails to meet the terms of its ISDA master agreements, which would cause the Fund to accelerate payment of any net liability owed to the counterparty.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Consolidated Statement of Assets and Liabilities. Bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

The Fund's risk of loss from counterparty credit risk on exchange-traded derivatives cleared through a clearinghouse and for centrally cleared swaps is generally considered lower than as compared to OTC derivatives. However, counterparty credit risk exists with respect to initial and variation margin deposited/paid by the Fund that is held in futures commission merchant, broker and/or clearinghouse accounts for such exchange-traded derivatives and for centrally cleared swaps.

With respect to centrally cleared swaps, such transactions will be submitted for clearing, and if cleared, will be held in accounts at futures commission merchants or brokers that are members of clearinghouses. While brokers, futures commission merchants and clearinghouses are required to segregate customer margin from their own assets, in the event that a broker, futures commission merchant or clearinghouse becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the broker, futures commission merchant or clearinghouse for all its customers, U.S. bankruptcy laws will typically allocate that shortfall on a pro-rata basis across all the broker's, futures commission merchant's or clearinghouse's customers, potentially resulting in losses to the Fund.

There is the risk that a broker, futures commission merchant or clearinghouse will decline to clear a transaction on the Fund's behalf, and the Fund may be required to pay a termination fee to the executing broker with whom the Fund initially enters into the transaction. Clearinghouses may also be permitted to terminate centrally cleared swaps at any time. The Fund is also subject to the risk that the broker or futures commission merchant will improperly use the Fund's assets deposited/paid as initial or variation margin to satisfy payment obligations of another customer. In the event of a default by another customer of the broker or futures commission merchant, the Fund might not receive its variation margin payments from the clearinghouse, due to the manner in which variation margin payments are aggregated for all customers of the broker/futures commission merchant.

Collateral and margin requirements differ by type of derivative. Margin requirements are established by the broker, futures commission merchant or clearinghouse for exchange-traded and cleared derivatives, including centrally cleared swaps. Brokers, futures commission merchants and clearinghouses can ask for margin in excess of the regulatory minimum, or increase the margin amount, in certain circumstances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued

6. Use of Derivatives (Continued)

Collateral terms are contract specific for OTC derivatives. 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 or the counterparty.

For financial reporting purposes, cash collateral that has been pledged to cover obligations of the Fund, if any, is reported separately on the Consolidated Statement of Assets and Liabilities as cash pledged as collateral. Non-cash collateral pledged by the Fund, if any, is noted in the Consolidated Statement of Investments. Generally, the amount of collateral due from or to a party must exceed a minimum transfer amount threshold (e.g. \$250,000) 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 following table presents by counterparty the Fund's OTC derivative assets net of the related collateral pledged by the Fund at period end:

Gross Amounts Not Offset in the Consolidated Statement of Assets & Liabilities

Counterparty	Gross Amounts Not Offset in the Consolidated Statement of Assets & Liabilities*	Financial Instruments Available for Offset	Financial Instruments Collateral Received**	Cash Collateral Received**	Net Amount
Bank of America NA	\$ 643,612	\$ (643,612)	\$ —	\$ —	\$ —
Barclays Bank plc	1,351,045	(1,351,045)	—	—	—
BNP Paribas	60,477	(60,477)	—	—	—
Citibank NA	348,995	(259,550)	—	—	89,445
Deutsche Bank AG	79,991	(22,342)	—	—	57,649
Goldman Sachs Bank USA	17,232	(3,823)	—	—	13,409
Goldman Sachs International	109,378	—	—	—	109,378
HSBC Bank USA, NA	267,488	(267,488)	—	—	—
JPMorgan Chase Bank NA	473,574	(473,574)	—	—	—
Toronto Dominion Bank	154,346	(140,013)	—	—	14,333
UBS AG	270,130	—	(270,130)	—	—
\$	3,776,268	\$ (3,221,924)	\$ (270,130)	\$ —	\$ 284,214

*OTC derivatives are reported gross on the Consolidated Statement of Assets and Liabilities. Exchange traded options and margin related to centrally cleared swaps and futures are excluded from these reported amounts.

**Reported collateral posted for the benefit of the Fund within this table is limited to the net outstanding amount due from an individual counterparty. The collateral posted for the benefit of the Fund may exceed these amounts.

The following table presents by counterparty the Fund's OTC derivative liabilities net of the related collateral pledged by the Fund at period end:

Gross Amounts Not Offset in the Consolidated Statement of Assets & Liabilities

Counterparty	Gross Amounts Not Offset in the Consolidated Statement of Assets & Liabilities*	Financial Instruments Available for Offset	Financial Instruments Collateral Pledged**	Cash Collateral Pledged**	Net Amount
Bank of America NA	\$ (701,764)	\$ 643,612	\$ —	\$ —	\$ (58,152)
Barclays Bank plc	(1,591,937)	1,351,045	—	240,892	—
BNP Paribas	(390,444)	60,477	—	329,967	—
Citibank NA	(259,550)	259,550	—	—	—
Deutsche Bank AG	(22,342)	22,342	—	—	—
Goldman Sachs Bank USA	(3,823)	3,823	—	—	—
HSBC Bank USA, NA	(272,899)	267,488	—	—	(5,411)
JPMorgan Chase Bank NA	(1,025,283)	473,574	—	390,000	(161,709)
Standard Chartered Bank	(207,924)	—	—	207,924	—
Toronto Dominion Bank	(140,013)	140,013	—	—	—
\$	(4,615,979)	\$ 3,221,924	\$ —	\$ 1,168,783	\$ (225,272)

*OTC derivatives are reported gross on the Consolidated Statement of Assets and Liabilities. Exchange traded options and margin related to centrally cleared swaps and futures are excluded from these reported amounts.

**Reported collateral pledged within this table is limited to the net outstanding amount due from the Fund. The securities pledged as collateral by the Fund as reported on the Consolidated Statements of Investments may exceed these amounts.

The following table presents the valuations of derivative instruments by risk exposure as reported within the Consolidated Statement of Assets and Liabilities at period end:

Derivatives Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Consolidated Statement of Assets and Liabilities Location	Value	Consolidated Statement of Assets and Liabilities Location	Value
Credit contracts	Swaps, at value	\$ 80,191	Swaps, at value	\$ 53,350

6. Use of Derivatives (Continued)

Derivatives Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Consolidated Statement of Assets and Liabilities Location	Value	Consolidated Statement of Assets and Liabilities Location	Value
Interest rate contracts	Swaps, at value	\$ 420,597	Swaps, at value	\$ 404,761
Credit contracts	Centrally cleared swaps, at value	213,427	Centrally cleared swaps, at value	311,598
Interest rate contracts	Centrally cleared swaps, at value	1,591,420	Centrally cleared swaps, at value	958,034
Interest rate contracts	Variation margin receivable	281,132*		
Forward currency exchange contracts	Unrealized appreciation on forward currency exchange contracts	2,402,595	Unrealized depreciation on forward currency exchange contracts	3,587,515
Forward currency exchange contracts			Options written, at value	542,436
Interest rate contracts			Swaptions written, at value	27,917
Equity contracts	Investments, at value	507,409**		
Forward currency exchange contracts	Investments, at value	334,530**		
Interest rate contracts	Investments, at value	455,538**		
Total		<u>\$ 6,286,839</u>		<u>\$ 5,885,611</u>

*Includes only the current day's variation margin. Prior variation margin movements have been reflected in cash on the Consolidated Statement of Assets and Liabilities upon receipt or payment.

**Amounts relate to purchased option contracts and purchased swaption contracts, if any.

The effect of derivative instruments on the Consolidated Statement of Operations is as follows:

Derivatives Not Accounted for as Hedging Instruments	Amount of Realized Gain or (Loss) Recognized on Derivatives						Total
	Investment transactions in unaffiliated companies*	Swaption contracts written	Option contracts written	Futures contracts	Forward currency exchange contracts	Swap contracts	
Credit contracts	\$ —	\$ —	\$ —	\$ —	\$ —	(1,414,654)	(1,414,654)
Equity contracts	(608,745)	—	441,241	—	—	(39,257)	(206,761)
Forward currency exchange contracts	(1,343,313)	—	2,623,403	—	3,878,041	—	5,158,131
Interest rate contracts	(3,254,486)	2,568,884	(155,508)	2,890,384	—	(246,473)	1,802,801
Total	<u>\$ (5,206,544)</u>	<u>\$ 2,568,884</u>	<u>\$ 2,909,136</u>	<u>\$ 2,890,384</u>	<u>\$ 3,878,041</u>	<u>\$ (1,700,384)</u>	<u>\$ 5,339,517</u>

*Includes purchased option contracts and purchased swaption contracts, if any.

Derivatives Not Accounted for as Hedging Instruments	Amount of Change in Unrealized Gain or (Loss) Recognized on Derivatives						Total
	Investment transactions in unaffiliated companies*	Option contracts written	Swaption contracts written	Futures contracts	Forward currency exchange contracts	Swap contracts	
Credit contracts	\$ —	\$ —	\$ —	\$ —	\$ —	120,447	120,447
Equity contracts	(412,524)	—	—	—	—	—	(412,524)
Forward currency exchange contracts	(39,370)	(347,704)	—	—	(2,088,758)	—	(2,475,832)
Interest rate contracts	(810,250)	—	458,019	1,389,721	—	739,063	1,776,553
Total	<u>\$ (1,262,144)</u>	<u>\$ (347,704)</u>	<u>\$ 458,019</u>	<u>\$ 1,389,721</u>	<u>\$ (2,088,758)</u>	<u>\$ 859,510</u>	<u>\$ (991,356)</u>

*Includes purchased option contracts and purchased swaption contracts, if any.

7. 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:

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
Non-Service Shares				
Sold	4,936,516	\$ 24,907,153	2,809,997	\$ 13,876,130
Dividends and/or distributions reinvested	1,828,381	9,178,475	4,307,664	20,719,866
Redeemed	(11,338,330)	(57,398,685)	(14,033,568)	(69,191,900)
Net decrease	<u>(4,573,433)</u>	<u>\$ (23,313,057)</u>	<u>(6,915,907)</u>	<u>\$ (34,595,904)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Continued

7. Shares of Beneficial Interest (Continued)

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
Service Shares				
Sold	12,450,513	\$ 64,464,791	9,843,598	\$ 49,602,452
Dividends and/or distributions reinvested	4,979,157	25,692,448	12,375,075	61,256,620
Redeemed	(28,206,027)	(146,664,417)	(44,290,987)	(223,215,650)
Net decrease	(10,776,357)	\$ (56,507,178)	(22,072,314)	\$ (112,356,578)

8. Purchases and Sales of Securities

The aggregate cost of purchases and proceeds from sales of securities, other than short-term obligations and investments in IGMMF, for the reporting period were as follows:

	Purchases	Sales
Investment securities	\$1,181,187,746	\$1,096,521,618
U.S. government and government agency obligations	22,412,221	54,934,450
To Be Announced (TBA) mortgage-related securities	2,271,944,419	2,153,905,799

9. 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:

Fee Schedule	
Up to \$200 million	0.75%
Next \$200 million	0.72
Next \$200 million	0.69
Next \$200 million	0.66
Next \$200 million	0.60
Next \$4 billion	0.50
Over \$5 billion	0.48

The Manager also provides investment management related services to the Subsidiary. The Subsidiary pays the Manager a monthly management fee at an annual rate according to the above schedule. The Subsidiary also pays certain other expenses including custody and directors' fees.

The Fund's effective management fee for the reporting period was 0.61% of average annual net assets before any Subsidiary management fees or any applicable waivers.

Sub-Adviser Fees. The Manager has retained the Sub-Adviser to provide the day-to-day portfolio management of the Fund and the Subsidiary. 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 and the Subsidiary, 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 Consolidated Statement of Operations and Consolidated 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 Consolidated 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

9. Fees and Other Transactions with Affiliates (Continued)

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 Consolidated Statement of Operations.

Waivers and Reimbursements of Expenses. Prior to May 1, 2017, the Fund was subject to an expense limitation wherein the Fund's expenses after payments, waivers and/or reimbursements and reduction to custodian expenses, excluding any applicable dividend expense, taxes, interest and fees from borrowing, any subsidiary expenses, Acquired Fund Fees and Expenses, brokerage commissions, unusual and infrequent expenses and certain other Fund expenses; as percentages of daily net assets, would not exceed the annual rate of 0.75% for Non-Service shares and 1.00% for Service shares. Effective May 1, 2017, this expense limitation has been removed.

During the reporting period, the Manager waived fees and/or reimbursed the Fund as follows:

Non-Service shares	\$2,160
Service shares	6,665

The Manager has contractually agreed to waive the management fee it receives from the Fund in an amount equal to the management fee it receives from the Subsidiary. During the reporting period, the Manager waived \$33,447. This fee waiver and/or expense reimbursement may not be amended or withdrawn for one year from the date of the Fund's prospectus, unless approved by the Board.

The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investments in Affiliated Funds. During the reporting period, the Manager waived fees and/or reimbursed the Fund \$1,083,067 for these management fees. This fee waiver and/or expense reimbursement may not be amended or withdrawn for one year from the date of the Fund's prospectus, unless approved by the Board.

10. Borrowings and Other Financing

Joint Credit Facility. A number of mutual funds managed by the Manager participate in a \$1.875 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 Consolidated Statement of Operations. The Fund did not utilize the Facility during the reporting period.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees
Oppenheimer Variable Account Funds:

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities of Oppenheimer Global Strategic Income Fund/VA, a separate series of Oppenheimer Variable Account Funds, (the "Fund") and subsidiary, including the consolidated statement of investments, as of December 31, 2017, the related consolidated statement of operations for the year then ended, the consolidated statements of changes in net assets for each of the years in the two year period then ended, and the related consolidated notes (collectively, the "consolidated financial statements") and the consolidated financial highlights for each of the years in the five year period then ended. In our opinion, the consolidated financial statements and consolidated financial highlights present fairly, in all material respects, the financial position of the Fund and subsidiary as of December 31, 2017, the results of their consolidated operations for the year then ended, the changes in their consolidated net assets for each of the years in the two year period then ended, and the consolidated financial highlights for each of the years in the five year period then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements and consolidated financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund and subsidiary in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and consolidated financial highlights are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements and consolidated financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements and consolidated financial highlights. Such procedures also included confirmation of securities owned as of December 31, 2017, by correspondence with the custodian, brokers and the transfer agent, or by other appropriate auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and consolidated financial highlights. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP

We have not been able to determine the specific year that we began serving as the auditor of one or more Oppenheimer Funds investment companies, however we are aware that we have served as the auditor of one or more Oppenheimer Funds investment companies since at least 1969.

Denver, Colorado
February 16, 2018

FEDERAL INCOME TAX INFORMATION Unaudited

In early 2018, if applicable, shareholders of record received information regarding all dividends and distributions paid to them by the Fund during calendar year 2017.

Dividends, if any, paid by the Fund during the reporting period which are not designated as capital gain distributions should be multiplied by the maximum amount allowable but not less than 0.70% to arrive at the amount eligible for the corporate dividend-received deduction.

The foregoing information is presented to assist shareholders in reporting distributions received from the Fund to the Internal Revenue Service. Because of the complexity of the federal regulations which may affect your individual tax return and the many variations in state and local tax regulations, we recommend that you consult your tax advisor for specific guidance.

The Fund has entered into an investment advisory agreement with OFI Global Asset Management, Inc. ("OFI Global" or the "Adviser"), a wholly-owned subsidiary of OppenheimerFunds, Inc. ("OFI" or the "Sub-Adviser") ("OFI Global" and "OFI" together, the "Managers") and OFI Global has entered into a sub-advisory agreement with OFI whereby OFI provides investment sub-advisory services to the Fund (collectively, the "Agreements"). Each year, the Board of Trustees (the "Board"), including a majority of the independent Trustees, is required to determine whether to approve the terms of the Agreements and the renewal thereof. The Investment Company Act of 1940, as amended, requires that the Board request and evaluate, and that the Managers provide, such information as may be reasonably necessary to evaluate the terms of the Agreements. The Board employs an independent consultant to prepare a report that provides information, including comparative information that the Board requests for that purpose. In addition to in-person meetings focused on this evaluation, the Board receives information throughout the year regarding Fund services, fees, expenses and performance.

The Managers and the independent consultant provided information to the Board on the following factors: (i) the nature, quality and extent of the Managers' services, (ii) the comparative investment performance of the Fund and the Managers, (iii) the fees and expenses of the Fund, including comparative fee and expense information, (iv) the profitability of the Managers and their affiliates, including an analysis of the cost of providing services, (v) whether economies of scale are realized as the Fund grows and whether fee levels reflect these economies of scale for Fund investors and (vi) other benefits to the Managers from their relationship with the Fund. The Board was aware that there are alternatives to retaining the Managers.

Outlined below is a summary of the principal information considered by the Board as well as the Board's conclusions.

Nature, Quality and Extent of Services. The Board considered information about the nature, quality and extent of the services provided to the Fund and information regarding the Managers' key personnel who provide such services. The Managers' duties include providing the Fund with the services of the portfolio managers and the Sub-Adviser's investment team, who provide research, analysis and other advisory services in regard to the Fund's investments; and securities trading services. OFI Global is responsible for oversight of third-party service providers; monitoring compliance with applicable Fund policies and procedures and adherence to the Fund's investment restrictions; risk management; and oversight of the Sub-Adviser. OFI Global is also responsible for providing certain administrative services to the Fund. Those services include providing and supervising all administrative and clerical personnel who are necessary in order to provide effective corporate administration for the Fund; compiling and maintaining records with respect to the Fund's operations; preparing and filing reports required by the U.S. Securities and Exchange Commission; preparing periodic reports regarding the operations of the Fund for its shareholders; preparing proxy materials for shareholder meetings; and preparing the registration statements required by federal and state securities laws for the sale of the Fund's shares. OFI Global also provides the Fund with office space, facilities and equipment.

The Board also considered the quality of the services provided and the quality of the Managers' resources that are available to the Fund. The Board took account of the fact that the Sub-Adviser has over fifty years of experience as an investment adviser and that its assets under management rank it among the top mutual fund managers in the United States. The Board evaluated the Managers' advisory, administrative, accounting, legal, compliance and risk management services, among other services, and information the Board has received regarding the experience and professional qualifications of the Managers' key personnel and the size and functions of their staff. In its evaluation of the quality of the portfolio management services provided, the Board considered the experience of Michael Mata, Krishna Memani, Ruta Ziverte and Chris Kelly, the portfolio managers for the Fund, and the Sub-Adviser's investment team and analysts. The Board members also considered the totality of their experiences with the Managers as directors or trustees of the Fund and other funds advised by the Managers. The Board considered information regarding the quality of services provided by affiliates of the Managers, which the Board members have become knowledgeable about through their experiences with the Managers and in connection with the review or renewal of the Fund's service agreements or service providers. The Board concluded, in light of the Managers' experience, reputation, personnel, operations and resources that the Fund benefits from the services provided under the Agreements.

Investment Performance of the Managers and the Fund. Throughout the year, the Managers provided information on the investment performance of the Fund, the Adviser and the Sub-Adviser, including comparative performance information. The Board also reviewed information, prepared by the Managers and by the independent consultant, comparing the Fund's historical performance to relevant market indices and to the performance of other multisector bond category funds underlying variable insurance products. The Board considered that the Fund underperformed its category median during the one-, three-, five- and ten-year periods. The Board considered several factors that contributed to the Fund's underperformance, noting that, as a result of conversations with the Board and in an effort to address performance, two portfolio managers were recently added to the Fund's investment team in January 2017. The Board further considered that the Adviser recently has made changes to the Fund's outcome objectives and, corresponding to that, also changed the Fund's benchmark. The Board also noted that the Fund's performance improved in 2017 and that the Fund outperformed its benchmark index in the year-to-date period ended June 30, 2017. The Board concluded it was appropriate to permit the Fund's performance to reflect these changes and additional investments on the part of the Adviser.

Fees and Expenses of the Fund. The Board reviewed the fees paid to the Adviser and the other expenses borne by the Fund. The Board noted that the Adviser, not the Fund, pays the Sub-Adviser's fee under the sub-advisory agreement. The independent consultant provided comparative data in regard to the fees and expenses of the Fund and other underlying variable insurance products. In reviewing the fees and expenses charged to the VA funds, the Board considered the Adviser's assertion that, because there is much greater disparity in the fees and services that may be provided by a manager to a VA fund as opposed to a retail fund, when comparing the expenses of the various VA funds to those of retail funds, it is most appropriate to focus on total expenses (rather than on the management fees). Accordingly, while the Board reviewed and considered all expenses, it focused on total expenses. The Board considered that the Fund's total expenses, net of waivers, were higher than its category median and its peer group median. The Board also considered that the Fund's contractual management fee was lower than its peer group median and category median. The Board noted that Adviser has voluntarily agreed to waive fees and/or reimburse Fund expenses in an amount equal to the management fees incurred indirectly through the Fund's investment in funds managed by the Adviser or its affiliates, which may not be amended or withdrawn until April 28, 2018, unless approved by the Board.

Economies of Scale and Profits Realized by the Managers. The Board considered information regarding the Managers' costs in serving as

the Fund's investment adviser and sub-adviser, including the costs associated with the personnel and systems necessary to manage the Fund, and information regarding the Managers' profitability from their relationship with the Fund. The Board also considered that the Managers must be able to pay and retain experienced professional personnel at competitive rates to provide quality services to the Fund. The Board reviewed whether the Managers may realize economies of scale in managing and supporting the Fund. The Board noted that the Fund currently has management fee breakpoints, which are intended to share with Fund shareholders economies of scale that may exist as the Fund's assets grow.

Other Benefits to the Managers. In addition to considering the profits realized by the Managers, the Board considered information that was provided regarding the direct and indirect benefits the Managers receive as a result of their relationship with the Fund, including compensation paid to the Managers' affiliates.

Conclusions. These factors were also considered by the independent Trustees meeting separately from the full Board, assisted by experienced counsel to the Fund and to the independent Trustees. Fund counsel and the independent Trustees' counsel are independent of the Managers within the meaning and intent of the Securities and Exchange Commission rules.

Based on its review of the information it received and its evaluations described above, the Board, including a majority of the independent Trustees, decided to continue the Agreements through August 31, 2018. In arriving at its decision, the Board did not identify any factor or factors as being more important than others, but considered all of the above information, and considered the terms and conditions of the Agreements, including the management fees, in light of all the surrounding circumstances.

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.CALL OPP (225.5677), (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.CALL OPP (225.5677), 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.

Name, Position(s) Held with the Fund, Length of Service, Year of Birth

INDEPENDENT TRUSTEES

Robert J. Malone,

Chairman of the Board of Trustees (since 2016),
Trustee (since 2002)
Year of Birth: 1944

Principal Occupation(s) During the Past 5 Years; Other Trusteeships/Directorships Held; Number of Portfolios in the Fund Complex Currently Overseen

The address of each Trustee in the chart below is 6803 S. Tucson Way, Centennial, Colorado 80112-3924. Each Trustee serves for an indefinite term, or until his or her resignation, retirement, death or removal.

Chairman - Colorado Market of MidFirst Bank (since January 2015); Chairman of the Board (2012-2016) and Director (August 2005-January 2016) of Jones International University (educational organization); Trustee of the Gallagher Family Foundation (non-profit organization) (2000-2016); Chairman, Chief Executive Officer and Director of Steele Street Bank Trust (commercial banking) (August 2003-January 2015); Director of Opera Colorado Foundation (non-profit organization) (2008-2012); Director of Colorado UpLIFT (charitable organization) (1986-2010); Director of Jones Knowledge, Inc. (2006-2010); Former Chairman of U.S. Bank-Colorado (subsidiary of U.S. Bancorp and formerly Colorado National Bank) (July 1996-April 1999); Director of Commercial Assets, Inc. (real estate investment trust) (1993-2000); Director of U.S. Exploration, Inc. (oil and gas exploration) (1997-February 2004); Chairman of the Board (1991-1994) and Trustee (1985-1994) of Regis University; and Chairman of the Board (1990-1991) and Member (1984-1999) of Young Presidents Organization. Oversees 54 portfolios in the OppenheimerFunds complex. Mr. Malone has served on the Boards of certain Oppenheimer funds since 2002, during which time he has become familiar with the Fund's (and other Oppenheimer funds') financial, accounting, regulatory and investment matters and has contributed to the Boards' deliberations.

Andrew J. Donohue,

Trustee (since 2017)
Year of Birth: 1950

Of Counsel, Shearman & Sterling LLP (since September 2017); Chief of Staff of the U.S. Securities and Exchange Commission (regulator) (June 2015-February 2017); Managing Director and Investment Company General Counsel of Goldman Sachs (investment bank) (November 2012-May 2015); Partner at Morgan Lewis & Bockius, LLP (law firm) (March 2011-October 2012); Director of the Division of Investment Management of U.S. Securities and Exchange Commission (regulator) (May 2006-November 2010); Global General Counsel of Merrill Lynch Investment Managers (investment firm) (May 2003-May 2006); General Counsel (October 1991-November 2001) and Executive Vice President (January 1993-November 2001) of OppenheimerFunds, Inc. (investment firm) (June 1991-November 2001). Oversees 54 portfolios in the OppenheimerFunds complex. Mr. Donohue has served on the Boards of certain Oppenheimer funds since 2017, during which time he has become familiar with the Fund's (and other Oppenheimer funds') financial, accounting, regulatory and investment matters and has contributed to the Boards' deliberations.

Jon S. Fossel,

Trustee (since 1990)
Year of Birth: 1942

Chairman of the Board of Jack Creek Preserve Foundation (non-profit organization) (2005-2015); Director of Jack Creek Preserve Foundation (non-profit organization) (since March 2005); Chairman of the Board (2006-December 2011) and Director (June 2002-December 2011) of UNUMProvident (insurance company); Director of Northwestern Energy Corp. (public utility corporation) (November 2004-December 2009); Director of P.R. Pharmaceuticals (October 1999-October 2003); Director of Rocky Mountain Elk Foundation (non-profit organization) (February 1998-February 2003 and February 2005-February 2007); Chairman and Director (until October 1996) and President and Chief Executive Officer (until October 1995) of the Sub-Adviser; President, Chief Executive Officer and Director of the following: Oppenheimer Acquisition Corp. ("OAC") (parent holding company of the Sub-Adviser), Shareholders Services, Inc. and Shareholder Financial Services, Inc. (until October 1995). Oversees 54 portfolios in the OppenheimerFunds complex. Mr. Fossel has served on the Boards of certain Oppenheimer funds since 1990, during which time he has become familiar with the Fund's (and other Oppenheimer funds') financial, accounting, regulatory and investment matters and has contributed to the Boards' deliberations.

Richard F. Grabish,

Trustee (since 2012)
Year of Birth: 1948

Formerly Senior Vice President and Assistant Director of Sales and Marketing (March 1997-December 2007), Director (March 1987-December 2007) and Manager of Private Client Services (June 1985-June 2005) of A.G. Edwards & Sons, Inc. (broker/dealer and investment firm); Chairman and Chief Executive Officer of A.G. Edwards Trust Company, FSB (March 2001-December 2007); President and Vice Chairman of A.G. Edwards Trust Company, FSB (investment adviser) (April 1987-March 2001); President of A.G. Edwards Trust Company, FSB (investment adviser) (June 2005-December 2007). Oversees 54 portfolios in the OppenheimerFunds complex. Mr. Grabish has served on the Boards of certain Oppenheimer funds since 2001, during which time he has become familiar with the Fund's (and other Oppenheimer funds') financial, accounting, regulatory and investment matters and has contributed to the Boards' deliberations.

Beverly L. Hamilton,

Trustee (since 2002)
Year of Birth: 1946

Trustee of Monterey Institute for International Studies (educational organization) (2000-2014); Board Member of Middlebury College (educational organization) (December 2005-June 2011); Director (1991-2016), Vice Chairman of the Board (2006-2009) and Chairman of the Board (2010-2013) of American Funds' Emerging Markets Growth Fund, Inc. (mutual fund); Director of The California Endowment (philanthropic organization) (April 2002-April 2008); Director (February 2002-2005) and Chairman of Trustees (2006-2007) of the Community Hospital of Monterey Peninsula; President of ARCO Investment Management Company (February 1991-April 2000); Member of the investment committees of The Rockefeller Foundation (2001-2006) and The University of Michigan (since 2000); Advisor at Credit Suisse First Boston's Sprout venture capital unit (venture capital fund) (1994-January 2005); Trustee of MassMutual Institutional Funds (investment company) (1996-June 2004); Trustee of MML Series Investment Fund (investment company) (April 1989-June 2004); Member of the investment committee of Hartford Hospital (2000-2003); and Advisor to Unilever (Holland) pension fund (2000-2003). Oversees 54 portfolios in the OppenheimerFunds complex. Ms. Hamilton has served on the Boards of certain Oppenheimer funds since 2002, during which time she has become familiar with the Fund's (and other Oppenheimer funds') financial, accounting, regulatory and investment matters and has contributed to the Boards' deliberations.

Victoria J. Herget,

Trustee (since 2012)
Year of Birth: 1951

Board Chair (2008-2015) and Director (2004-Present), United Educators (insurance company); Trustee (since 2000) and Chair (since 2010), Newberry Library (independent research library); Trustee, Mather LifeWays (senior living organization) (since 2001); Independent Director of the First American Funds (mutual fund family) (2003-2011); former Managing Director (1993-2001), Principal (1985-1993), Vice President (1978-1985) and Assistant Vice President (1973-1978) of Zurich Scudder Investments (investment adviser) (and its predecessor firms); Trustee (1992-2007), Chair of the Board of Trustees (1999-2007), Investment Committee Chair (1994-1999) and Investment Committee member (2007-2010) of Wellesley College; Trustee, BoardSource (non-profit organization) (2006-2009) and Chicago City Day School (K-8 School) (1994-2005). Oversees 54 portfolios in the OppenheimerFunds complex. Ms. Herget has served on the Boards of certain Oppenheimer funds since 2012, during which time she has become familiar with the Fund's (and other Oppenheimer funds') financial, accounting, regulatory and investment matters and has contributed to the Boards' deliberations.

TRUSTEES AND OFFICERS Unaudited / Continued

F. William Marshall, Jr.,

Trustee (since 2000)
Year of Birth: 1942

Trustee Emeritus of Worcester Polytech Institute (WPI) (private university) (since 2009); Trustee of MassMutual Select Funds (formerly MassMutual Institutional Funds) (investment company) (1996-2015), MML Series Investment Fund (investment company) (1996-2015) and Mass Mutual Premier Funds (investment company) (January 2012-December 2015); President and Treasurer of the SIS Charitable Fund (private charitable fund) (January 1999-March 2011); Former Trustee of WPI (1985-2008); Former Chairman of the Board (2004-2006) and Former Chairman of the Investment Committee of WPI (1994-2008); Chairman of SIS Family Bank, F.S.B. (formerly SIS Bank) (commercial bank) (January 1999-July 1999); Executive Vice President of Peoples Heritage Financial Group, Inc. (commercial bank) (January 1999-July 1999); and Former President and Chief Executive Officer of SIS Bancorp. (1993-1999). Oversees 54 portfolios in the OppenheimerFunds complex. Mr. Marshall has served on the Boards of certain Oppenheimer funds since 2000, during which time he has become familiar with the Fund's (and other Oppenheimer funds') financial, accounting, regulatory and investment matters and has contributed to the Boards' deliberations.

Karen L. Stuckey,

Trustee (since 2012)
Year of Birth: 1953

Member (since May 2015) of Desert Mountain Community Foundation Advisory Board (non-profit organization); Partner (1990-2012) of PricewaterhouseCoopers LLP (professional services firm) (held various positions 1975-1990); Trustee (1992-2006); member of Executive, Nominating and Audit Committees and Chair of Finance Committee (1992-2006), and Emeritus Trustee (since 2006) of Lehigh University; and member, Women's Investment Management Forum (professional organization) since inception. Oversees 54 portfolios in the OppenheimerFunds complex. Ms. Stuckey has served on the Boards of certain Oppenheimer funds since 2012, during which time she has become familiar with the Fund's (and other Oppenheimer funds') financial, accounting, regulatory and investment matters and has contributed to the Boards' deliberations.

James D. Vaughn,

Trustee (since 2012)
Year of Birth: 1958

Retired; former managing partner (1994-2001) of Denver office of Deloitte & Touche LLP, (held various positions 1969-1993); Trustee and Chairman of the Audit Committee of Schroder Funds (2003-2012); Board member and Chairman of Audit Committee of AMG National Trust Bank (since 2005); Trustee and Investment Committee member, University of South Dakota Foundation (since 1996); Board member, Audit Committee Member and past Board Chair, Junior Achievement (since 1993); former Board member, Mile High United Way, Boys and Girls Clubs, Boy Scouts, Colorado Business Committee for the Arts, Economic Club of Colorado and Metro Denver Network. Oversees 54 portfolios in the OppenheimerFunds complex. Mr. Vaughn has served on the Boards of certain Oppenheimer funds since 2012, during which time he has become familiar with the Fund's (and other Oppenheimer funds') financial, accounting, regulatory and investment matters and has contributed to the Boards' deliberations.

INTERESTED TRUSTEE AND OFFICER

Mr. Steinmetz is an "Interested Trustee" because he is affiliated with the Manager and the Sub-Adviser by virtue of his positions as Chairman and director of the Sub-Adviser and officer and director of the Manager. Both as a Trustee and as an officer, Mr. Steinmetz serves for an indefinite term, or until his resignation, retirement, death or removal. Mr. Steinmetz's address is 225 Liberty Street, New York, New York 10281-1008.

Arthur P. Steinmetz,

Trustee (since 2015), President and
Principal Executive Officer (since 2014)
Year of Birth: 1958

Chairman of the Sub-Adviser (since January 2015); CEO and Chairman of the Manager (since July 2014), President of the Manager (since May 2013), a Director of the Manager (since January 2013), Director of the Sub-Adviser (since July 2014), President, Management Director and CEO of Oppenheimer Acquisition Corp. (the Sub-Adviser's parent holding company) (since July 2014), and President and Director of OFI SteelPath, Inc. (since January 2013). Chief Investment Officer of the OppenheimerFunds advisory entities from (January 2013-December 2013); Executive Vice President of the Manager (January 2013-May 2013); Chief Investment Officer of the Sub-Adviser (October 2010-December 2012); Chief Investment Officer, Fixed Income, of the Sub-Adviser (April 2009-October 2010); Executive Vice President of the Sub-Adviser (October 2009-December 2012); Director of Fixed Income of the Sub-Adviser (January 2009-April 2009); and a Senior Vice President of the Sub-Adviser (March 1993-September 2009). An officer of 111 portfolios in the OppenheimerFunds complex.

OTHER OFFICERS OF THE FUND

The addresses of the Officers in the chart below are as follows: for Messrs. Mata, Memani, Kelly, Mss. Ziverte, Lo Bessette, Foxson and Picciotto, 225 Liberty Street, New York, New York 10281-1008, for Mr. Petersen 6803 S. Tucson Way, Centennial, Colorado 80112-3924. Each Officer serves for an indefinite term or until his or her resignation, retirement, death or removal.

Michael Mata¹,

Vice President (since 2014)
Year of Birth: 1963

Senior Vice President of the Sub-Adviser and the Head of Multi-Sector Fixed Income (since July 2014). Portfolio manager with ING Investment Management and Head of Multi-Sector Fixed-Income (August 2004-December 2013), managing the Global Bond and Core Plus strategies and the macro and quantitative research teams, along with the emerging markets sovereign team. Senior Vice President and Senior Risk Manager at Putnam Investments (March 2000-August 2004) and a Vice President and Risk Manager for Fixed Income Trading at Lehman Brothers (September 1994-March 2000). A portfolio manager and an officer of other portfolios in the OppenheimerFunds complex.

Krishna Memani,

Vice President (since 2009)
Year of Birth: 1960

President of the Sub-Adviser (since January 2013); Executive Vice President of the Manager (since January 2014) and Chief Investment Officer of the OppenheimerFunds advisory entities (since January 2014). Chief Investment Officer, Fixed Income of the Sub-Adviser (January 2013-December 2013); Head of the Investment Grade Fixed Income Team of the Sub-Adviser (March 2009-January 2014); Director of Fixed Income of the Sub-Adviser (October 2010-December 2012); Senior Vice President of the Sub-Adviser (March 2009-December 2012) and Senior Vice President of OFI Global Institutional, Inc. (April 2009-December 2012). Managing Director and Head of the U.S. and European Credit Analyst Team at Deutsche Bank Securities (June 2006-January 2009). Chief Credit Strategist at Credit Suisse Securities (August 2002-March 2006). Managing Director and Senior Portfolio Manager at Putnam Investments (September 1998-June 2002). A portfolio manager and an officer of other portfolios in the OppenheimerFunds complex.

Chris Kelly,

Vice President (since 2017)
Year of Birth: 1967

Senior Vice President of the Sub-Adviser (since January 2016); Portfolio Manager of the Sub-Adviser (since March 2015); Co-Head of the Global Debt Team (since March 2015); Vice President of the Sub-Adviser (March 2015-January 2016). Deputy Head of Emerging Markets Fixed Income at BlackRock, Inc. (June 2012 - January 2015); Portfolio Manager and Deputy Chief Investment Officer of Emerging Markets at Fisher Francis Trees and Watts, a BNP Paribas Investment Partner (February 2008 - April 2012). A portfolio manager and an officer of other portfolios in the OppenheimerFunds complex.

1. Effective January 24, 2018, Michael Mata is no longer an officer of the Fund.

Ruta Ziverte,

Vice President (since 2017)
Year of Birth: 1973

Cynthia Lo Bessette,

Secretary and Chief Legal Officer (since 2016)
Year of Birth: 1969

Jennifer Foxson,

Vice President and Chief Business
Officer (since 2014)
Year of Birth: 1969

Mary Ann Picciotto,

Chief Compliance Officer and Chief
Anti-Money Laundering Officer (since 2014)
Year of Birth: 1973

Brian S. Petersen,

Treasurer and Principal Financial &
Accounting Officer (since 2016)
Year of Birth: 1970

Vice President and Senior Portfolio Manager of the Sub-Adviser (July 2015). Prior to joining the Sub-Adviser, she was Senior Vice President and Portfolio Manager at GE Asset Management (June 2009 to June 2015). A portfolio manager and an officer of other portfolios in the OppenheimerFunds complex.

Executive Vice President, General Counsel and Secretary of the Manager (since February 2016); Senior Vice President and Deputy General Counsel of the Manager (March 2015-February 2016); Chief Legal Officer of the Sub-Adviser and the Distributor (since February 2016); Vice President, General Counsel and Secretary of Oppenheimer Acquisition Corp. (since February 2016); General Counsel of OFI SteelPath, Inc., OFI Advisors, LLC and Index Management Solutions, LLC (since February 2016); Chief Legal Officer of OFI Global Institutional, Inc., HarbourView Asset Management Corporation, OFI Global Trust Company, Oppenheimer Real Asset Management, Inc., OFI Private Investments Inc., Shareholder Services, Inc. and Trinity Investment Management Corporation (since February 2016); Corporate Counsel (February 2012-March 2015) and Deputy Chief Legal Officer (April 2013-March 2015) of Jennison Associates LLC; Assistant General Counsel (April 2008-September 2009) and Deputy General Counsel (October 2009-February 2012) of Lord Abbett & Co. LLC. An officer of 111 portfolios in the OppenheimerFunds complex.

Senior Vice President of OppenheimerFunds Distributor, Inc. (since June 2014); Vice President of OppenheimerFunds Distributor, Inc. (April 2006-June 2014); Vice President of the Sub-Adviser (January 1998-March 2006); Assistant Vice President of the Sub-Adviser (October 1991-December 1998). An officer of 111 portfolios in the OppenheimerFunds complex.

Senior Vice President and Chief Compliance Officer of the Manager (since March 2014); Chief Compliance Officer of the Sub-Adviser, OFI SteelPath, Inc., OFI Global Trust Company, OFI Global Institutional, Inc., Oppenheimer Real Asset Management, Inc., OFI Private Investments, Inc., Harborview Asset Management Corporation, Trinity Investment Management Corporation, and Shareholder Services, Inc. (since March 2014); Managing Director of Morgan Stanley Investment Management Inc. and certain of its various affiliated entities; Chief Compliance Officer of various Morgan Stanley Funds (May 2010-January 2014); Chief Compliance Officer of Morgan Stanley Investment Management Inc. (April 2007-January 2014). An officer of 111 portfolios in the OppenheimerFunds complex.

Senior Vice President of the Manager (since January 2017); Vice President of the Manager (January 2013-January 2017); Vice President of the Sub-Adviser (February 2007-December 2012); Assistant Vice President of the Sub-Adviser (August 2002-2007). An officer of 111 portfolios in the OppenheimerFunds complex.

The Fund's Statement of Additional Information contains additional information about the Fund's Trustees and Officers and is available without charge, upon request, by calling 1.800.988.8287.

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OPPENHEIMER GLOBAL STRATEGIC INCOME FUND/VA

A Series of Oppenheimer Variable Account Funds

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, visiting oppenheimerfunds.com or calling us at 1.800.988.8287. Read prospectuses and summary prospectuses carefully before investing.

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OppenheimerFunds®
The Right Way
to Invest



FRANKLIN TEMPLETON
INVESTMENTS

Annual Report

December 31, 2017

Franklin Templeton Variable Insurance Products Trust



Franklin Templeton Variable Insurance Products Trust Annual Report

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Shareholder Information	SI-1

Not FDIC Insured | May Lose Value | No Bank Guarantee

Important Notes to Performance Information

Performance data is historical and cannot predict or guarantee future results. Principal value and investment return will fluctuate with market conditions, and you may have a gain or loss when you withdraw your money. Inception dates of the funds may have preceded the effective dates of the subaccounts, contracts or their availability in all states.

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not

have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

Templeton Developing Markets VIP Fund

We are pleased to bring you Templeton Developing Markets VIP Fund's annual report for the fiscal year ended December 31, 2017.

Class 2 Performance Summary as of December 31, 2017

Average annual total return of Class 2 shares* represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/17	1-Year	5-Year	10-Year
Average Annual Total Return	+40.41%	+3.77%	+0.95%

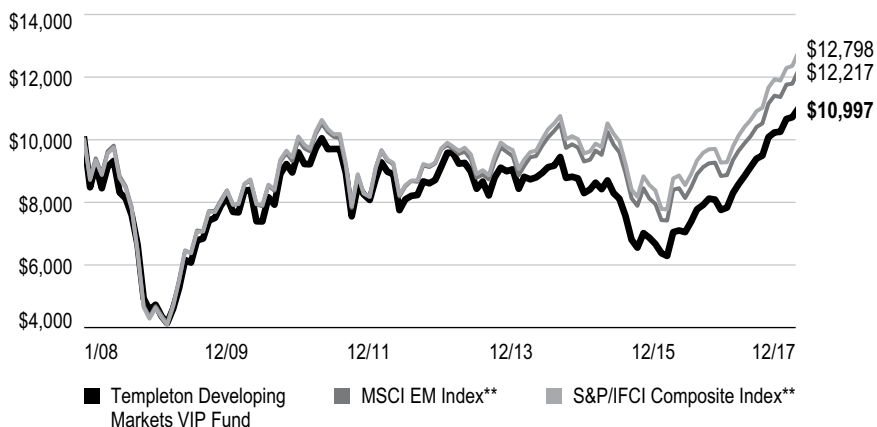
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/18. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

*Performance reflects the Fund's Class 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/08–12/31/17)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of MSCI Emerging Markets (EM) Index and the Standard & Poor's®/International Finance Corporation Investable (S&P®/IFCI) Composite Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



**Source: Morningstar. Please see Index Descriptions following the Fund Summaries.

Fund Goal and Main Investments

The Fund seeks long-term capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in emerging market investments.

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 developing markets, of which frontier markets are a subset, involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with developing markets are magnified in frontier markets. The Fund is designed for the aggressive portion of a well-diversified portfolio. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

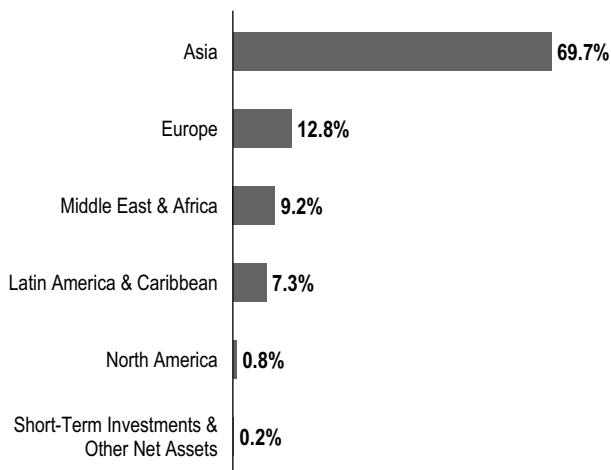
You can find the Fund's one-year total return in the Performance Summary. In comparison, the MSCI EM Index generated a +37.75% total return, and the S&P/IFCI Composite Index produced a +37.89% total return for the same period.¹ Please note, index performance numbers are for reference and we do not attempt to track an index but rather undertake investments on the basis of fundamental research.

Economic and Market Overview

Emerging market economies in general continued to grow faster than developed market economies during the 12 months under review. China's economy grew faster in 2017 compared to the previous year, driven by solid growth in industrial production, services, fixed-asset investment, retail sales, and imports and exports. After moderating for two quarters, India's economy grew faster in 2017's third quarter compared to the

Geographic Composition

Based on Total Net Assets as of 12/31/17



prior-year period, as investment and inventory growth offset private and public spending slowdowns. Russia's economy grew at the fastest annualized rate in nearly five years in 2017's second quarter, but it grew slower in the third quarter as industrial production declined. Brazil's economy grew in 2017's third quarter compared to the prior-year period, supported by growth in household spending and exports. South Africa's economic growth moderated in 2017's third quarter compared to the prior-year period amid faster mining growth and manufacturing decline. South Korea's economy grew in 2017's fourth quarter compared to the prior-year period; however, it contracted compared to the third quarter due to declines in manufacturing and construction.

Several central banks, including those of South Korea and Mexico, raised their benchmark interest rates during the 12-month period, while some, including those of South Africa and Chile, lowered their benchmark interest rates. Russia's central bank reduced its key rate several times as the inflation rate continued to miss its target. Brazil's central bank cut its benchmark interest rate several times during the period to support economic growth. India's central bank reduced its benchmark interest rate in August due to slower inflation growth. China's central bank left its benchmark interest rate unchanged during the period.

Emerging market stocks rose significantly during the 12 months under review, as improving corporate earnings growth and encouraging economic data from China and other emerging

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.

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).

market countries helped offset investor concerns about the US Federal Reserve's interest rate increases and geopolitical tensions in the Korean peninsula and other regions. Further supporting emerging market stocks were generally higher commodity prices, subsiding concerns about the potential for a protectionist US trade policy, emerging market currencies' overall strength against the US dollar, and robust investment inflows. In this environment, emerging market stocks, as measured by the MSCI EM Index, generated a +37.75% total return for the 12 months ended December 31, 2017.¹

Investment Strategy

We employ a fundamental research, value-oriented, long-term investment approach. We focus on the market price of a company's securities relative to our evaluation of its long-term earnings, asset value and cash flow potential. We also consider a company's profit and loss outlook, balance sheet strength, cash flow trends and asset value in relation to the current price of the company's securities. Our analysis considers the company's corporate governance behavior as well as its position in its sector, the economic framework and political environment. We invest in securities without regard to benchmark comparisons.

Manager's Discussion

During the 12 months under review, key stock contributors to the Fund's absolute performance included investments in Naspers, Samsung Electronics and Brilliance China Automotive Holdings.

Naspers is an internet and media group based in South Africa. It has sizable investments in some of the world's leading technology companies, including China-based Tencent Holdings and Russia-based Mail.ru Group (both Fund holdings). Shares of Naspers rose during the 12-month period, largely driven by positive sentiment in Tencent, one of the world's largest and most widely used internet service portals. Tencent reported strong year-over-year growth in quarterly earnings throughout 2017, driven by its online gaming, advertising and social networking segments. Investors also viewed positively Naspers's addition of new investments in the online food delivery segment in 2017.

Samsung Electronics is a major South Korea-based manufacturer of consumer electronics. It is one of the world's largest manufacturers of mobile phones, smartphones, tablets and televisions. The company is also a leading supplier of memory chips for high-end phones and is a key provider of OLED (organic light-emitting diode) displays. Its share price increase was driven by solid quarterly corporate sales and

Top 10 Countries

12/31/17

	% of Total Net Assets
China	23.5%
South Korea	17.3%
Taiwan	10.4%
South Africa	8.2%
Russia	7.3%
India	6.7%
Brazil	4.9%
Thailand	3.9%
Indonesia	3.1%
UK	3.0%

earnings results reported in 2017, a new shareholder return policy for 2018-2020, including plans to boost its dividends, and a cancelation of existing company-held treasury shares. News that Samsung Electronics dethroned Intel (not a Fund holding) to become the world's largest chip producer in 2017 in revenue terms also contributed to investor sentiment.

Brilliance China Automotive manufactures and sells automobiles for the Chinese domestic market, predominantly through its joint venture with German luxury car manufacturer BMW (nota Fund holding). The company reported strong sales volume and profit growth in 2017, supported by generally robust demand. The rise of China's upper middle class has continued to drive luxury car demand in the country, as buyers pay more attention to vehicle performance and product quality. The announcement of a joint venture between Brilliance China Automotive and French automobile manufacturer Groupe Renault (not a Fund holding) to manufacture and sell light commercial vehicles under the Jinbei, Renault and Huasong brands further supported share price performance.

In contrast, key detractors from the Fund's absolute performance included positions in Habib Bank, IMAX and Glenmark Pharmaceuticals.

Habib Bank is Pakistan's biggest bank and one of the country's largest companies in asset terms. News of a significant fine by the New York State Department of Financial Services on the bank's New York branch for failure to comply with New York laws and regulations designed to combat money laundering, terrorist financing and other illicit financial transactions weighed on the bank's profits and share price. Additionally, following Pakistan's upgrade from the MSCI Frontier Markets Index to the MSCI EM Index, the Pakistani market corrected

sharply due to political turmoil and weaker-than-expected foreign investment inflows.²

IMAX is one of the world's leading entertainment technology companies, specializing in immersive motion picture technologies. Its systems are used globally, and it has a notable market position in China. Disappointing corporate results for the first two quarters of 2017 pressured the US-based company's shares. Revenues and gross profit margin declined in the second quarter compared to the year-ago period, following a decline in first-quarter gross margin. Third-quarter results, however, were better than expected, with revenue, earnings and gross margin all exceeding market forecasts, driven by a successful cost-cutting program and higher sales, leading its share price to rebound from period lows. The company also announced a new share-repurchase program to enhance shareholder value.

Glenmark Pharmaceuticals is an India-based manufacturer of generic drugs and pharmaceutical ingredients. Glenmark produces formulation products in areas such as oncology, respiratory and cardiology. It also researches and develops its own chemical and biological entities. In addition to India, the US is its main market. Its share price declined significantly in May 2017 as the company announced a weaker-than-expected first-quarter operating performance with disappointing revenue growth. Sales in India were impacted by the government's demonetization efforts (recall of large-denominated currency notes from circulation), with price pressures also evident in other key markets. Better-than-expected second-quarter results and approval from the US Food & Drug Administration for a birth control pill in late 2017 provided investors with some reasons to remain optimistic.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the US dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer US dollars. This can have a negative effect on Fund performance. Conversely, when the US dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended December 31, 2017, the US dollar declined in value relative to most currencies. As a result, the Fund's performance was positively affected by the portfolio's investment predominantly

Top 10 Holdings

12/31/17

Company Sector/Industry, Country	% of Total Net Assets
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage & Peripherals, South Korea</i>	7.7%
Naspers Ltd. <i>Media, South Africa</i>	7.1%
Brilliance China Automotive Holdings Ltd. <i>Automobiles, China</i>	6.2%
Taiwan Semiconductor Manufacturing Co. Ltd. <i>Semiconductors & Semiconductor Equipment, Taiwan</i>	6.1%
Alibaba Group Holding Ltd. <i>Internet Software & Services, China</i>	3.7%
Tencent Holdings Ltd. <i>Internet Software & Services, China</i>	3.4%
Unilever PLC <i>Personal Products, UK</i>	3.0%
ICICI Bank Ltd. <i>Banks, India</i>	2.3%
Itau Unibanco Holding SA <i>Banks, Brazil</i>	2.0%
Hon Hai Precision Industry Co. Ltd. <i>Electronic Equipment, Instruments & Components, Taiwan</i>	1.9%

in securities with non-US currency exposure. However, one cannot expect the same result in future periods.

During the 12-month period, we increased the Fund's holdings in Russia, South Korea, Mexico and Peru as we identified companies in these countries with what we considered solid fundamentals. In sector terms, we increased holdings in financials and consumer discretionary and made some purchases in energy.³ Key purchases included new investments in Sberbank of Russia, Russia's leading bank, and Russia-based Gazprom, the world's largest gas producer. Additionally, we increased the Fund's holdings in South Korea-based POSCO, one of the world's biggest steel producers, and Grupo Financiero Santander Mexico, a major financial services company in Mexico.

Conversely, we reduced the Fund's holdings in India and Brazil to focus on securities we considered to be more attractively valued within our investment universe. We also made some sales in China and South Africa. In sector terms, we reduced holdings in industrials and consumer staples and made some

2. Please see Index Descriptions following the Fund Summaries.

3. The financials sector comprises banks, capital markets, diversified financial services and insurance in the SOI. The consumer discretionary sector comprises auto components; automobiles; distributors; hotels, restaurants and leisure; internet and direct marketing retail; media; and textiles, apparel and luxury goods in the SOI. The energy sector comprises oil, gas and consumable fuels in the SOI.

sales in information technology (IT).⁴ Key sales included closing the Fund's position in Remgro, a South African holding company with interests in food, finance and health care. We also reduced investments in the aforementioned Tencent Holdings and in Brazilian financial conglomerate Itau Unibanco Holding.

Thank you for your participation in Templeton Developing Markets VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2017, 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.

4. The industrials sector comprises construction and engineering, distributors, trading companies and distributors, and transportation infrastructure in the SOI. The consumer staples sector comprises beverages, food and staples retailing, food products and personal products in the SOI. The IT sector comprises electronic equipment, instruments and components; internet software and services; IT services; semiconductors and semiconductor equipment; and technology hardware, storage and peripherals in the SOI.

Class 2 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract Level: (1) transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes; and (2) 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 table below shows Fund-level ongoing expenses and can help you understand these costs 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 table below provides information about the actual account values and actual expenses in the columns under the heading “Actual.” In these columns the Fund’s actual return, which includes the effect of ongoing Fund expenses but does not include the effect of ongoing Contract expenses, is used to calculate the “Ending Account Value.” You can estimate the Fund-level expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*). Then multiply the result by the number under the headings “Actual” and “Fund-Level Expenses Paid During Period” (*if Fund-Level Expenses Paid During Period were \$ 7.50, then $8.6 \times \$ 7.50 = \64.50*). In this illustration, the estimated expenses paid this period at the Fund level are \$64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Under the heading “Hypothetical” in the table, information is provided 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. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other mutual funds offered through the Contract. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds offered through the Contract.

Please note that expenses shown in the table are meant to highlight ongoing costs at the Fund level only and do not reflect any ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. In addition, 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.

Share Class	Beginning Account Value 7/1/17	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/17	Fund-Level Expenses Paid During Period 7/1/17–12/31/17 ^{1,2}	Ending Account Value 12/31/17	Fund-Level Expenses Paid During Period 7/1/17–12/31/17 ^{1,2}	
Class 2	\$1,000	\$1,158.60	\$8.76	\$1,017.09	\$8.19	1.61%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include any ongoing expenses of the Contract for which the Fund is an investment option or acquired fund fees and expenses.

Financial Highlights

Templeton Developing Markets VIP Fund

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$ 7.42	\$ 6.37	\$ 9.27	\$10.26	\$10.58
Income from investment operations ^a :					
Net investment income ^b	0.08	0.05	0.06	0.15 ^c	0.13
Net realized and unrealized gains (losses)	2.92	1.08	(1.63)	(0.97)	(0.22)
Total from investment operations	3.00	1.13	(1.57)	(0.82)	(0.09)
Less distributions from:					
Net investment income	(0.11)	(0.08)	(0.20)	(0.17)	(0.23)
Net realized gains	—	—	(1.13)	—	—
Total distributions	(0.11)	(0.08)	(1.33)	(0.17)	(0.23)
Redemption fees	—	—	—	— ^d	— ^d
Net asset value, end of year.	\$10.31	\$ 7.42	\$ 6.37	\$ 9.27	\$10.26
 Total return ^e	 40.65%	 17.79%	 (19.42)%	 (8.09)%	 (0.73)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.36%	1.38%	1.33%	1.36%	1.35%
Expenses net of waiver and payments by affiliates	1.35% ^f	1.36%	1.32%	1.36% ^g	1.35%
Net investment income	0.86%	0.79%	0.74%	1.51% ^c	1.25%
Supplemental data					
Net assets, end of year (000's)	\$105,493	\$82,596	\$77,000	\$114,487	\$145,707
Portfolio turnover rate	10.76%	26.78%	71.69%	82.87%	44.59%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.04 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.11%.

^dAmount rounds to less than \$0.01 per share.

^eTotal 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.

^fBenefit of expense reduction rounds to less than 0.01%.

^gBenefit of waiver and payments by affiliates rounds to less than 0.01%.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL HIGHLIGHTS

Templeton Developing Markets VIP Fund (continued)

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$ 7.36	\$ 6.32	\$ 9.20	\$10.19	\$10.50
Income from investment operations ^a :					
Net investment income ^b	0.05	0.04	0.04	0.12 ^c	0.10
Net realized and unrealized gains (losses)	2.91	1.06	(1.61)	(0.96)	(0.21)
Total from investment operations	2.96	1.10	(1.57)	(0.84)	(0.11)
Less distributions from:					
Net investment income	(0.09)	(0.06)	(0.18)	(0.15)	(0.20)
Net realized gains	—	—	(1.13)	—	—
Total distributions	(0.09)	(0.06)	(1.31)	(0.15)	(0.20)
Redemption fees	—	—	—	— ^d	— ^d
Net asset value, end of year.	\$10.23	\$ 7.36	\$ 6.32	\$ 9.20	\$10.19
Total return ^e	40.41%	17.44%	(19.60)%	(8.39)%	(0.92)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.61%	1.63%	1.58%	1.61%	1.60%
Expenses net of waiver and payments by affiliates	1.60% ^f	1.61%	1.57%	1.61% ^g	1.60%
Net investment income	0.61%	0.54%	0.49%	1.26% ^c	1.00%
Supplemental data					
Net assets, end of year (000's)	\$270,433	\$205,151	\$192,120	\$250,813	\$274,683
Portfolio turnover rate	10.76%	26.78%	71.69%	82.87%	44.59%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.04 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.86%.

^dAmount rounds to less than \$0.01 per share.

^eTotal 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.

^fBenefit of expense reduction rounds to less than 0.01%.

^gBenefit of waiver and payments by affiliates rounds to less than 0.01%.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL HIGHLIGHTS

Templeton Developing Markets VIP Fund (continued)

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$ 7.39	\$ 6.34	\$ 9.22	\$10.20	\$10.50
Income from investment operations ^a :					
Net investment income ^b	0.05	0.03	0.03	0.12 ^c	0.10
Net realized and unrealized gains (losses)	2.92	1.06	(1.62)	(0.97)	(0.21)
Total from investment operations	2.97	1.09	(1.59)	(0.85)	(0.11)
Less distributions from:					
Net investment income	(0.08)	(0.04)	(0.16)	(0.13)	(0.19)
Net realized gains	—	—	(1.13)	—	—
Total distributions	(0.08)	(0.04)	(1.29)	(0.13)	(0.19)
Redemption fees	—	—	—	— ^d	— ^d
Net asset value, end of year	\$10.28	\$ 7.39	\$ 6.34	\$ 9.22	\$10.20
Total return ^e	40.30%	17.32%	(19.70)%	(8.48)%	(1.07)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.71%	1.73%	1.68%	1.71%	1.70%
Expenses net of waiver and payments by affiliates	1.70% ^f	1.71%	1.67%	1.71% ^g	1.70%
Net investment income	0.51%	0.44%	0.39%	1.16% ^c	0.90%
Supplemental data					
Net assets, end of year (000's)	\$7,199	\$6,377	\$7,109	\$11,106	\$15,225
Portfolio turnover rate	10.76%	26.78%	71.69%	82.87%	44.59%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.04 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.76%.

^dAmount rounds to less than \$0.01 per share.

^eTotal 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.

^fBenefit of expense reduction rounds to less than 0.01%.

^gBenefit of waiver and payments by affiliates rounds to less than 0.01%.

Statement of Investments, December 31, 2017

Templeton Developing Markets VIP Fund

	Industry	Shares	Value
Common Stocks 95.5%			
Belgium 0.9%			
Anheuser-Busch InBev SA/NV	Beverages	31,970	\$ 3,572,244
Brazil 1.2%			
^a B2W Cia Digital	Internet & Direct Marketing Retail	148,600	919,652
B3 SA - Brasil Bolsa Balcao	Capital Markets	55,400	380,990
M. Dias Branco SA	Food Products	136,200	2,142,227
Mahle-Metal Leve SA	Auto Components	136,600	984,360
			4,427,229
Cambodia 1.0%			
NagaCorp Ltd.	Hotels, Restaurants & Leisure	4,824,000	3,741,713
China 23.5%			
^a Alibaba Group Holding Ltd., ADR	Internet Software & Services	82,310	14,192,713
BAIC Motor Corp. Ltd., H	Automobiles	1,686,100	2,196,957
^a Baidu Inc., ADR	Internet Software & Services	14,556	3,409,161
Brilliance China Automotive Holdings Ltd.	Automobiles	8,909,300	23,833,092
China Life Insurance Co. Ltd., H	Insurance	539,000	1,693,678
China Mobile Ltd.	Wireless Telecommunication Services	490,500	4,975,409
China Petroleum & Chemical Corp., H	Oil, Gas & Consumable Fuels	5,918,000	4,340,303
CNOOC Ltd.	Oil, Gas & Consumable Fuels	2,000,500	2,872,909
COSCO Shipping Ports Ltd.	Transportation Infrastructure	1,091,638	1,135,951
Dah Chong Hong Holdings Ltd.	Distributors	1,746,100	809,037
Inner Mongolia Yitai Coal Co. Ltd., B	Oil, Gas & Consumable Fuels	441,500	636,202
NetEase Inc., ADR	Internet Software & Services	11,526	3,977,277
Ping An Bank Co. Ltd., A	Banks	1,636,500	3,345,108
Ping An Insurance Group Co. of China Ltd., A	Insurance	524,863	5,645,787
Poly Culture Group Corp. Ltd., H	Media	229,200	462,927
Tencent Holdings Ltd.	Internet Software & Services	252,800	13,136,922
Uni-President China Holdings Ltd.	Food Products	2,937,400	2,458,846
Weifu High-Technology Co. Ltd., B	Auto Components	334,339	715,079
			89,837,358
Czech Republic 0.4%			
Moneta Money Bank AS.	Banks	390,403	1,510,788
Hong Kong 2.8%			
Dairy Farm International Holdings Ltd.	Food & Staples Retailing	149,333	1,173,757
MGM China Holdings Ltd.	Hotels, Restaurants & Leisure	1,731,200	5,240,454
Sands China Ltd.	Hotels, Restaurants & Leisure	807,600	4,170,906
			10,585,117
Hungary 1.2%			
Richter Gedeon Nyrt	Pharmaceuticals	177,170	4,637,170
India 6.7%			
Bajaj Holdings & Investment Ltd.	Diversified Financial Services	35,390	1,589,529
Biocon Ltd.	Biotechnology	552,287	4,648,243
Coal India Ltd.	Oil, Gas & Consumable Fuels	256,918	1,058,217
Glenmark Pharmaceuticals Ltd.	Pharmaceuticals	292,323	2,723,357
ICICI Bank Ltd.	Banks	1,806,409	8,884,906
Infosys Ltd.	IT Services	119,268	1,946,792
Reliance Industries Ltd.	Oil, Gas & Consumable Fuels	89,710	1,294,289
Tata Chemicals Ltd.	Chemicals	171,000	1,959,509
^a Tata Motors Ltd., A	Automobiles	401,271	1,534,308
			25,639,150

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Templeton Developing Markets VIP Fund (continued)

	Industry	Shares	Value
Common Stocks (continued)			
Indonesia 3.1%			
Astra International Tbk PT	Automobiles	10,115,100	\$ 6,187,973
Bank Danamon Indonesia Tbk PT	Banks	5,707,000	2,923,431
Perusahaan Gas Negara (Persero) Tbk PT	Gas Utilities	6,697,400	863,862
Semen Indonesia (Persero) Tbk PT	Construction Materials	2,764,700	2,017,360
			<u>11,992,626</u>
Kenya 0.4%			
Equity Group Holdings Ltd.	Banks	3,712,900	1,439,108
Mexico 1.3%			
Grupo Financiero Santander Mexico SAB de CV, B, ADR	Banks	545,057	3,984,367
Nemak SAB de CV	Auto Components	1,426,300	1,035,133
			<u>5,019,500</u>
Nigeria 0.0%†			
Nigerian Breweries PLC	Beverages	170,327	63,873
Pakistan 0.6%			
Habib Bank Ltd.	Banks	1,550,000	2,338,302
Peru 1.1%			
Compania de Minas Buenaventura SA, ADR	Metals & Mining	299,680	4,219,494
Philippines 0.3%			
BDO Unibank Inc.	Banks	327,469	1,073,787
Russia 7.3%			
Gazprom PJSC, ADR.	Oil, Gas & Consumable Fuels	666,900	2,941,029
LUKOIL PJSC, ADR.	Oil, Gas & Consumable Fuels	95,300	5,453,066
^{a,b} Mail.Ru Group Ltd., GDR, Reg S.	Internet Software & Services	179,485	5,187,116
MMC Norilsk Nickel PJSC, ADR	Metals & Mining	137,400	2,574,876
Sberbank of Russia PJSC, ADR	Banks	402,166	6,808,670
^a Yandex NV, A	Internet Software & Services	150,078	4,915,055
			<u>27,879,812</u>
Singapore 0.1%			
DBS Group Holdings Ltd.	Banks	25,706	477,603
South Africa 8.2%			
Massmart Holdings Ltd.	Food & Staples Retailing	293,714	3,312,603
MTN Group Ltd.	Wireless Telecommunication Services	80,702	891,007
Naspers Ltd., N.	Media	97,448	27,180,907
			<u>31,384,517</u>
South Korea 17.3%			
Daelim Industrial Co. Ltd.	Construction & Engineering	50,242	3,878,619
Fila Korea Ltd.	Textiles, Apparel & Luxury Goods	33,470	2,558,756
Hankook Tire Co. Ltd.	Auto Components	21,600	1,104,916
Hankook Tire Worldwide Co. Ltd.	Diversified Financial Services	37,500	664,012
Hanon Systems.	Auto Components	292,362	3,807,314
Hite Jinro Co. Ltd.	Beverages	64,320	1,452,266
Hyundai Development Co-Engineering & Construction.	Construction & Engineering	126,830	4,580,674
iMarketKorea Inc.	Trading Companies & Distributors	70,490	595,025
Interpark Holdings Corp.	Internet & Direct Marketing Retail	142,053	524,360
KT Skylife Co. Ltd.	Media	176,060	2,218,533
LG Corp.	Industrial Conglomerates	19,524	1,664,536
Naver Corp.	Internet Software & Services	2,573	2,097,210
POSCO	Metals & Mining	13,592	4,234,070
Samsung Electronics Co. Ltd.	Technology Hardware, Storage & Peripherals	12,367	29,522,067

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Templeton Developing Markets VIP Fund (continued)

	Industry	Shares	Value
Common Stocks (continued)			
South Korea (continued)			
SK Hynix Inc.	Semiconductors & Semiconductor Equipment	96,260	\$ 6,899,065
Youngone Corp.	Textiles, Apparel & Luxury Goods	22,200	655,159
			<u>66,456,582</u>
Taiwan 10.4%			
Catcher Technology Co. Ltd.	Technology Hardware, Storage & Peripherals	341,000	3,770,115
FIT Hon Teng Ltd.	Electronic Equipment, Instruments		
	& Components	1,759,800	1,191,543
Hon Hai Precision Industry Co. Ltd.	Electronic Equipment, Instruments		
	& Components	2,327,500	7,468,838
Largan Precision Co. Ltd.	Electronic Equipment, Instruments		
	& Components	14,000	1,897,057
Pegatron Corp.	Technology Hardware, Storage & Peripherals	973,800	2,363,353
Taiwan Semiconductor Manufacturing Co. Ltd.	Semiconductors & Semiconductor Equipment	3,001,000	23,215,340
			<u>39,906,246</u>
Thailand 3.9%			
Kasikornbank PCL, fgn.	Banks	619,500	4,545,916
Kiatnakin Bank PCL, fgn.	Banks	1,009,800	2,457,066
Land and Houses PCL, fgn.	Real Estate Management & Development	4,853,900	1,564,813
PTT Exploration and Production PCL, fgn.	Oil, Gas & Consumable Fuels	584,500	1,794,596
Siam Commercial Bank PCL, fgn.	Banks	306,400	1,411,115
Thai Beverage PCL, fgn.	Beverages	4,816,500	3,313,032
			<u>15,086,538</u>
United Kingdom 3.0%			
Unilever PLC.	Personal Products	206,804	11,521,633
United States 0.8%			
^a IMAX Corp.	Media	134,442	3,112,332
Total Common Stocks (Cost \$243,258,667)			<u>365,922,722</u>
^c Participatory Notes 0.6%			
Saudi Arabia 0.6%			
Deutsche Bank AG/London, Samba Financial Group, 8/03/20.	Banks	88,055	546,132
HSBC Bank PLC, Saudi Basic Industries Corp., 1/22/18.	Chemicals	66,324	1,803,869
Total Participatory Notes			
(Cost \$1,923,033)			<u>2,350,001</u>
Preferred Stocks 3.7%			
Brazil 3.7%			
^d Banco Bradesco SA, 3.687%, ADR, pfd.	Banks	627,815	6,428,826
^d Itau Unibanco Holding SA, 3.67%, ADR, pfd.	Banks	589,962	7,669,506
Total Preferred Stocks (Cost \$6,333,451)			<u>14,098,332</u>
Total Investments before Short Term			
Investments (Cost \$251,515,151)			<u>382,371,055</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Templeton Developing Markets VIP Fund (continued)

	Shares	Value
Short Term Investments (Cost \$1,128,203) 0.3%		
Money Market Funds 0.3%		
United States 0.3%		
^{e,f} Institutional Fiduciary Trust Money Market Portfolio, 0.89% . . .	1,128,203	\$ 1,128,203
Total Investments (Cost \$252,643,354)		
100.1%		383,499,258
Other Assets, less Liabilities (0.1)%		(374,154)
Net Assets 100.0%		<u>\$383,125,104</u>

See Abbreviations on page TD-23.

[†]Rounds to less than 0.1% of net assets.

^aNon-income producing.

^bSecurity was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2017, the value of this security was \$5,187,116, representing 1.4% of net assets.

^cSee Note 1(c) regarding Participatory Notes.

^dVariable rate security. The rate shown represents the yield at period end.

^eSee Note 3(e) regarding investments in affiliated management investment companies.

^fThe rate shown is the annualized seven-day yield at period end.

Financial Statements

Statement of Assets and Liabilities

December 31, 2017

	Templeton Developing Markets VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$251,515,151
Cost - Non-controlled affiliates (Note 3e)	1,128,203
Value - Unaffiliated issuers	\$382,371,055
Value - Non-controlled affiliates (Note 3e)	1,128,203
Receivables:	
Capital shares sold	293,848
Dividends	1,047,093
Foreign tax refund	24,025
Other assets	37
Total assets	384,864,261
Liabilities:	
Payables:	
Capital shares redeemed	374,617
Management fees	396,461
Distribution fees	116,462
Deferred tax	662,038
Accrued expenses and other liabilities	189,579
Total liabilities	1,739,157
Net assets, at value	\$383,125,104
Net assets consist of:	
Paid-in capital	\$279,397,363
Undistributed net investment income	1,595,154
Net unrealized appreciation (depreciation)	130,180,412
Accumulated net realized gain (loss)	(28,047,825)
Net assets, at value	\$383,125,104
Class 1:	
Net assets, at value	\$105,492,696
Shares outstanding	10,227,498
Net asset value and maximum offering price per share	\$10.31
Class 2:	
Net assets, at value	\$270,433,425
Shares outstanding	26,441,621
Net asset value and maximum offering price per share	\$10.23
Class 4:	
Net assets, at value	\$ 7,198,983
Shares outstanding	700,382
Net asset value and maximum offering price per share	\$10.28

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statement of Operations

for the year ended December 31, 2017

	Templeton Developing Markets VIP Fund
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	\$ 7,749,797
Non-controlled affiliates (Note 3e)	16,602
Total investment income.	<u>7,766,369</u>
Expenses:	
Management fees (Note 3a)	4,358,250
Distribution fees: (Note 3c)	
Class 2	615,493
Class 4	23,821
Custodian fees (Note 4)	115,586
Reports to shareholders	165,956
Professional fees	80,869
Trustees' fees and expenses	1,428
Other.	<u>43,857</u>
Total expenses	5,405,260
Expense reductions (Note 4)	(92)
Expenses waived/paid by affiliates (Note 3e)	<u>(13,236)</u>
Net expenses	5,391,932
Net investment income	<u>2,374,437</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	15,797,502
Foreign currency transactions	<u>74,401</u>
Net realized gain (loss)	<u>15,871,903</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	98,134,621
Translation of other assets and liabilities	
denominated in foreign currencies	20,125
Change in deferred taxes on unrealized appreciation	<u>(392,645)</u>
Net change in unrealized appreciation (depreciation)	<u>97,762,101</u>
Net realized and unrealized gain (loss)	<u>113,634,004</u>
Net increase (decrease) in net assets resulting from operations	<u>\$116,008,441</u>

*Foreign taxes withheld on dividends.	\$ 1,176,928
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FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statements of Changes in Net Assets

	Templeton Developing Markets VIP Fund	
	Year Ended December 31,	
	2017	2016
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 2,374,437	\$ 1,776,761
Net realized gain (loss)	15,871,903	10,092,119
Net change in unrealized appreciation (depreciation)	97,762,101	34,428,227
Net increase (decrease) in net assets resulting from operations.	116,008,441	46,297,107
Distributions to shareholders from:		
Net investment income:		
Class 1	(1,158,124)	(875,959)
Class 2	(2,409,152)	(1,674,699)
Class 4	(56,318)	(44,436)
Total distributions to shareholders	(3,623,594)	(2,595,094)
Capital share transactions: (Note 2)		
Class 1	(8,439,257)	(6,421,627)
Class 2	(13,542,309)	(17,591,736)
Class 4	(1,401,998)	(1,794,556)
Total capital share transactions	(23,383,564)	(25,807,919)
Net increase (decrease) in net assets.	89,001,283	17,894,094
Net assets:		
Beginning of year	294,123,821	276,229,727
End of year	\$383,125,104	\$294,123,821
Undistributed net investment income included in net assets:		
End of year	\$ 1,595,154	\$ —
Distributions in excess of net investment income included in net assets:		
End of year	\$ —	\$ (1,674,192)

Notes to Financial Statements

Templeton Developing Markets 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 eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Templeton Developing Markets VIP Fund (Fund) is included in this report. 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 may differ 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. 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 Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time 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 4 p.m. Eastern time. 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

Templeton Developing Markets VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

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 Fund's NAV is not calculated, 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. Participatory Notes

The Fund invests in Participatory Notes (P-Notes). P-Notes are promissory notes that are designed to offer a return linked to the performance of a particular underlying equity security or market. P-Notes are issued by banks or broker-dealers and allow the Fund to gain exposure to common stocks in certain foreign markets without registering with the market regulator. Income received from P-Notes is recorded as dividend income in the Statement of Operations. P-Notes may contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract. These securities may be more volatile and less liquid than other investments held by the Fund.

d. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund 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 December 31, 2017, 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

Templeton Developing Markets VIP Fund (continued)

years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

e. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except for certain dividends from 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. Distributable earnings are determined according to income tax regulations (tax basis) and 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, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

f. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

g. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. Shares of Beneficial Interest

At December 31, 2017, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2017		2016	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	1,136,991	\$ 10,043,847	1,670,412	\$ 11,807,302
Shares issued in reinvestment of distributions	132,055	1,158,124	130,351	875,960
Shares redeemed	(2,176,842)	(19,641,228)	(2,747,707)	(19,104,889)
Net increase (decrease)	(907,796)	\$ (8,439,257)	(946,944)	\$ (6,421,627)
Class 2 Shares:				
Shares sold	6,636,331	\$ 58,458,562	6,851,485	\$ 48,325,937
Shares issued in reinvestment of distributions	276,596	2,409,152	251,080	1,674,699
Shares redeemed	(8,351,598)	(74,410,023)	(9,617,120)	(67,592,372)
Net increase (decrease)	(1,438,671)	\$(13,542,309)	(2,514,555)	\$(17,591,736)

Templeton Developing Markets VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Year Ended December 31,			
	2017		2016	
	Shares	Amount	Shares	Amount
Class 4 Shares:				
Shares sold	85,028	\$ 793,112	84,033	\$ 595,503
Shares issued in reinvestment of distributions	6,437	56,318	6,622	44,436
Shares redeemed	(253,881)	(2,251,428)	(348,788)	(2,434,495)
Net increase (decrease)	(162,416)	\$ (1,401,998)	(258,133)	\$ (1,794,556)

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 trustees of the following subsidiaries:

Subsidiary	Affiliation
Templeton Asset Management Ltd. (TAML)	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 TAML based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.250%	Up to and including \$200 million
1.235%	Over \$200 million, up to and including \$700 million
1.200%	Over \$700 million, up to and including \$1 billion
1.150%	Over \$1 billion, up to and including \$1.2 billion
1.125%	Over \$1.2 billion, up to and including \$5 billion
1.075%	Over \$5 billion, up to and including \$10 billion
1.025%	Over \$10 billion, up to and including \$15 billion
0.975%	Over \$15 billion, up to and including \$20 billion
0.925%	In excess of \$20 billion

For the year ended December 31, 2017, the gross effective investment management fee rate was 1.243% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with TAML, FT Services provides administrative services to the Fund. The fee is paid by TAML based on the Fund's average daily net assets, and is not an additional expense of the Fund.

Templeton Developing Markets VIP Fund (continued)

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.25% 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. During the year ended December 31, 2017, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio, 0.89%	4,395,622	55,728,619	(58,996,038)	1,128,203	\$1,128,203	\$16,602	\$ —	\$ —

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2017, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains, if any. At December 31, 2017, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:	
Short term	\$17,661,798
Long term	7,528,497
Total capital loss carryforwards	<u>\$25,190,295</u>

During the year ended December 31, 2017, the Fund utilized \$8,216,255 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2017 and 2016, was as follows:

	2017	2016
Distributions paid from ordinary income	<u>\$3,623,594</u>	<u>\$2,595,094</u>

Templeton Developing Markets VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2017, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	<u>\$256,909,704</u>
Unrealized appreciation	\$139,816,903
Unrealized depreciation	<u>(13,227,349)</u>
Net unrealized appreciation (depreciation)	<u>\$126,589,554</u>
Distributable earnings - undistributed ordinary income	<u>\$ 3,003,976</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of corporate actions.

6. Investment Transactions

Purchases and sales (excluding short term securities) for the year ended December 31, 2017, aggregated \$37,048,792 and \$58,443,812, respectively.

7. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

The United States and other nations have imposed and could impose additional sanctions on certain issuers in Russia due to regional conflicts. These sanctions could result in the devaluation of Russia's currency, a downgrade in Russian issuers' credit ratings, or a decline in the value and liquidity of Russian stocks or other securities. Such sanctions could also adversely affect Russia's economy, possibly forcing the economy into a recession. The Fund may be prohibited from investing in securities issued by companies subject to such sanctions. In addition, if the Fund holds the securities of an issuer that is subject to such sanctions, an immediate freeze of that issuer's securities could result, impairing the ability of the Fund to buy, sell, receive or deliver those securities. There is also the risk that countermeasures could be taken by Russia's government, which could involve the seizure of the Fund's assets. These risks could affect the value of the Fund's portfolio. While the Fund holds securities of certain issuers impacted by the sanctions, existing investments satisfy the applicable terms and conditions of the sanctions. At December 31, 2017, the Fund had 7.3% of its net assets invested in Russia.

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 matured on February 9, 2018. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 9, 2018, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 8, 2019, for a total of \$2 billion.

Templeton Developing Markets VIP Fund (continued)

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2017, 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 December 31, 2017, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities: ^a				
Equity Investments ^b	\$ 380,021,054	\$ —	\$ —	\$ 380,021,054
Participatory Notes	—	2,350,001	—	2,350,001
Short Term Investments	1,128,203	—	—	1,128,203
Total Investments in Securities	\$ 381,149,257	\$ 2,350,001	\$ —	\$ 383,499,258

^aFor detailed categories, see the accompanying Statement of Investments.

^bIncludes common and preferred stocks.

10. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those that have already been disclosed in the financial statements.

Abbreviations

Selected Portfolio

ADR American Depositary Receipt
GDR Global Depositary Receipt

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Templeton Developing Markets VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton Developing Markets VIP Fund (the "Fund") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian and transfer agent. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 15, 2018

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

Tax Information (unaudited)**Templeton Developing Markets VIP Fund**

At December 31, 2017, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Internal Revenue Code (Code). This election will allow shareholders of record as of the 2018 distribution date, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

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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: Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

See www.franklintempletondatasources.com for additional data provider information.

Bloomberg Barclays US Aggregate Bond Index is a market capitalization-weighted index representing the US 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.

Bloomberg Barclays US Government Index: Intermediate Component is the intermediate component of the Barclays US Government Index, which includes public obligations of the US Treasury with at least one year to final maturity and publicly issued debt of US government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US government.

Citigroup World Government Bond Index is a market capitalization-weighted index consisting of investment-grade world government bond markets.

Consumer Price Index (CPI) is a commonly used measure of the inflation rate.

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 allocation of assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including US and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/17, there were 316 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP Equity Income Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the 12-month period ended 12/31/17, there were 75 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 US Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General US Government Funds classification in the Lipper VIP underlying funds universe. Lipper General US Government Funds invest primarily in US government and agency issues. For the 12-month period ended 12/31/17, there were 56 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 US) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the US.

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 Frontier Markets Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in frontier markets.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

Russell 1000® Growth Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 1000® Value Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index is market capitalization weighted and measures performance of the 2,000 smallest companies in the Russell 3000® Index, which represent a small amount of the total market capitalization of the Russell 3000® Index.

Russell 2000® Value Index is market capitalization weighted and measures performance of those Russell 2000® Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2500™ Index is market capitalization weighted and measures performance of the smallest companies in the Russell 3000® Index, which represent a modest amount of the Russell 3000® Index's total market capitalization.

Russell 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 represents 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 US 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.

Special Meeting of Shareholders

MEETING OF SHAREHOLDERS: OCTOBER 30, 2017

(UNAUDITED)

A Special Meeting of Shareholders of Franklin Templeton Variable Insurance Products Trust was held at the offices of Franklin Templeton Investments, One Franklin Parkway, San Mateo, California on October 30, 2017. The purpose of the meeting was to elect Trustees of Franklin Templeton Variable Insurance Products Trust and to vote on the following proposals: for each of the Funds, except Franklin Founding Funds Allocation VIP Fund and Franklin VolSmart Allocation VIP Fund, to approve the use of a “manager of managers” structure whereby the Fund’s investment manager would be able to hire and replace subadvisers without shareholder approval; for Franklin Rising Dividends VIP Fund, to approve a new Investment Management Agreement with Franklin Advisers, Inc.; for Templeton Developing Markets VIP Fund, to approve a new Subadvisory Agreement with Franklin Templeton Investment Management Limited; and for each of the Funds, to approve an amended fundamental investment restriction regarding investments in commodities. At the meeting, (i) the following persons were elected by the shareholders to serve as Trustees of Franklin Templeton Variable Insurance Products Trust: Harris J. Ashton, Terrence J. Checki, Mary C. Choksi, Edith E. Holiday, Gregory E. Johnson, Rupert H. Johnson, Jr., J. Michael Luttig, Larry D. Thompson, and John B. Wilson; and (ii) all other proposals voted on were approved by shareholders. No other business was transacted at the meeting.

The results of the voting at the meeting are as follows:

Proposal 1. To elect a Board of Trustees:

Name	For	Withheld
Harris J. Ashton	1,483,931,005	63,700,507
Terrence J. Checki	1,487,851,289	59,780,222
Mary C. Choksi	1,487,649,087	59,982,424
Edith E. Holiday	1,487,786,345	59,845,166
Gregory E. Johnson	1,490,898,162	56,733,349
Rupert H. Johnson, Jr.	1,485,176,267	62,455,244
J. Michael Luttig	1,488,062,993	59,568,519
Larry D. Thompson	1,486,098,183	61,533,328
John B. Wilson	1,489,011,786	58,619,724

Total Trust Shares Outstanding*: 1,598,054,299

Proposal 2. To approve the use of a “manager of managers” structure whereby the Fund’s investment manager would be able to hire and replace subadvisers without shareholder approval:

Franklin Flex Cap Growth VIP Fund

	Shares
For	13,749,224
Against	879,952
Abstain	1,118,404
Total Fund Shares Voted	15,747,580
Total Fund Outstanding Shares*	15,802,049

* As of the record date.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin Rising Dividends VIP Fund

	Shares
For	58,234,322
Against	5,102,328
Abstain	3,925,714
Total Fund Shares Voted	67,262,364
Total Fund Outstanding Shares*	69,031,623

Franklin Small-Mid Cap Growth VIP Fund

	Shares
For	23,115,445
Against	2,258,073
Abstain	1,396,522
Total Fund Shares Voted	26,770,040
Total Fund Outstanding Shares*	27,311,145

Franklin Small Cap Value VIP Fund

	Shares
For	53,566,894
Against	4,789,585
Abstain	3,897,280
Total Fund Shares Voted	62,253,759
Total Fund Outstanding Shares*	73,514,199

Franklin Strategic Income VIP Fund

	Shares
For	50,927,089
Against	5,281,784
Abstain	3,535,384
Total Fund Shares Voted	59,744,257
Total Fund Outstanding Shares*	60,841,388

Franklin U.S. Government Securities VIP Fund

	Shares
For	89,132,433
Against	7,353,649
Abstain	6,346,786
Total Fund Shares Voted	102,832,867
Total Fund Outstanding Shares*	109,725,751

Franklin Mutual Global Discovery VIP Fund

	Shares
For	27,411,088
Against	2,091,298
Abstain	2,391,763
Total Fund Shares Voted	31,894,149
Total Fund Outstanding Shares*	32,602,413

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin Mutual Shares VIP Fund

	Shares
For	173,288,690
Against	16,123,033
Abstain	11,727,399
Total Fund Shares Voted	201,139,121
Total Fund Outstanding Shares*	201,829,901

Templeton Developing Markets VIP Fund

	Shares
For	33,445,421
Against	2,083,042
Abstain	1,602,155
Total Fund Shares Voted	37,130,617
Total Fund Outstanding Shares*	38,665,160

Templeton Foreign VIP Fund

	Shares
For	90,056,367
Against	6,884,702
Abstain	5,875,891
Total Fund Shares Voted	102,816,960
Total Fund Outstanding Shares*	113,425,059

Templeton Global Bond VIP Fund

	Shares
For	153,662,270
Against	14,159,085
Abstain	9,838,114
Total Fund Shares Voted	177,659,469
Total Fund Outstanding Shares*	188,040,251

Templeton Growth VIP Fund

	Shares
For	77,388,057
Against	7,366,622
Abstain	5,511,620
Total Fund Shares Voted	90,266,300
Total Fund Outstanding Shares*	91,604,126

Franklin Growth and Income VIP Fund

	Shares
For	6,587,641
Against	468,056
Abstain	110,295
Total Fund Shares Voted	7,165,992
Total Fund Outstanding Shares*	7,208,893

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin Income VIP Fund

	Shares
For	331,527,467
Against	31,877,033
Abstain	26,008,222
Total Fund Shares Voted	389,412,722
Total Fund Outstanding Shares*	392,023,197

Franklin Large Cap Growth VIP Fund

	Shares
For	5,389,158
Against	481,087
Abstain	485,968
Total Fund Shares Voted	6,356,213
Total Fund Outstanding Shares*	6,415,938

Franklin Global Real Estate VIP Fund

	Shares
For	10,375,756
Against	709,592
Abstain	684,561
Total Fund Shares Voted	11,769,909
Total Fund Outstanding Shares*	11,847,583

Proposal 3. To approve a new Investment Management Agreement with Franklin Advisers, Inc:

Franklin Rising Dividends VIP Fund

	Shares
For	61,230,619
Against	1,892,274
Abstain	4,139,471
Total Fund Shares Voted	67,262,364
Total Fund Shares Outstanding*	69,031,623

Proposal 4. To approve a new Subadvisory Agreement with Franklin Templeton Investment Management Limited:

Templeton Developing Markets VIP Fund

	Shares
For	34,067,321
Against	1,503,503
Abstain	1,559,793
Total Fund Shares Voted	37,130,617
Total Fund Shares Outstanding*	38,665,160

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Proposal 5. To approve an amended fundamental investment restriction regarding investments in commodities:

Franklin Flex Cap Growth VIP Fund

	Shares
For	13,865,526
Against	747,561
Abstain	1,134,493
Total Fund Shares Voted	15,747,580
Total Fund Outstanding Shares*	15,802,049

Franklin Rising Dividends VIP Fund

	Shares
For	59,751,082
Against	2,758,376
Abstain	4,752,906
Total Fund Shares Voted	67,262,364
Total Fund Outstanding Shares*	69,031,623

Franklin Small-Mid Cap Growth VIP Fund

	Shares
For	23,646,532
Against	1,565,814
Abstain	1,557,694
Total Fund Shares Voted	26,770,040
Total Fund Outstanding Shares*	27,311,145

Franklin Small Cap Value VIP Fund

	Shares
For	54,478,087
Against	3,057,279
Abstain	4,718,393
Total Fund Shares Voted	62,253,759
Total Fund Outstanding Shares*	73,514,199

Franklin Strategic Income VIP Fund

	Shares
For	52,089,907
Against	3,535,016
Abstain	4,119,335
Total Fund Shares Voted	59,744,257
Total Fund Outstanding Shares*	60,841,388

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin U.S. Government Securities VIP Fund

	Shares
For	90,516,652
Against	4,962,770
Abstain	7,353,445
Total Fund Shares Voted	102,832,867
Total Fund Outstanding Shares*	109,725,751

Franklin Mutual Global Discovery VIP Fund

	Shares
For	28,033,432
Against	1,252,638
Abstain	2,608,079
Total Fund Shares Voted	31,894,149
Total Fund Outstanding Shares*	32,602,413

Franklin Mutual Shares VIP Fund

	Shares
For	177,273,923
Against	10,129,961
Abstain	13,735,237
Total Fund Shares Voted	201,139,121
Total Fund Outstanding Shares*	201,829,901

Templeton Developing Markets VIP Fund

	Shares
For	34,011,236
Against	1,427,546
Abstain	1,691,835
Total Fund Shares Voted	37,130,617
Total Fund Outstanding Shares*	38,665,160

Templeton Foreign VIP Fund

	Shares
For	91,743,616
Against	4,425,178
Abstain	6,648,165
Total Fund Shares Voted	102,816,960
Total Fund Outstanding Shares*	113,425,059

Templeton Global Bond VIP Fund

	Shares
For	157,121,313
Against	8,459,106
Abstain	12,079,050
Total Fund Shares Voted	177,659,469
Total Fund Outstanding Shares*	188,040,251

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Templeton Growth VIP Fund

	Shares
For	79,782,773
Against	4,136,520
Abstain	6,347,006
Total Fund Shares Voted	90,266,300
Total Fund Outstanding Shares*	91,604,126

Franklin Growth and Income VIP Fund

	Shares
For	6,699,033
Against	291,508
Abstain	175,451
Total Fund Shares Voted	7,165,992
Total Fund Outstanding Shares*	7,208,893

Franklin Income VIP Fund

	Shares
For	338,299,973
Against	18,075,707
Abstain	33,037,042
Total Fund Shares Voted	389,412,722
Total Fund Outstanding Shares*	392,023,197

Franklin Large Cap Growth VIP Fund

	Shares
For	5,515,296
Against	284,582
Abstain	556,334
Total Fund Shares Voted	6,356,213
Total Fund Outstanding Shares*	6,415,938

Franklin Global Real Estate VIP Fund

	Shares
For	10,531,666
Against	347,186
Abstain	891,057
Total Fund Shares Voted	11,769,909
Total Fund Outstanding Shares*	11,847,583

Franklin Founding Funds Allocation VIP Fund

	Shares
For	122,854,798
Against	4,270,018
Abstain	14,343,426
Total Fund Shares Voted	141,468,242
Total Fund Outstanding Shares*	142,224,672

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin VolSmart Allocation VIP Fund

	Shares
For	13,979,495
Against	469,722
Abstain	1,491,733
Total Fund Shares Voted	15,940,951
Total Fund Outstanding Shares*	15,940,951

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of US registered portfolios overseen in the Franklin Templeton Investments fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	139	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since October 2017	113	Hess Corporation (exploration of oil and gas) (2014-present).
Principal Occupation During at Least the Past 5 Years: Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the Board of Trustees of the Economic Club of New York (2013-present); member of the Board of Trustees of the Foreign Policy Association (2005-present) and member of various other boards of trustees and advisory boards; and formerly , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	139	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present)
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	139	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (November 2016), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and formerly , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison – United States Treasury Department (1988-1989).				
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	139	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company) (2006-present); and formerly , Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	139	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).

Principal Occupation During at Least the Past 5 Years:

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015; previously 2011-2012); and **formerly**, Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	113	None
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Principal Occupation During at Least the Past 5 Years:

President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing) (2002-present); serves on private and non-profit boards; and **formerly**, President, Staples International and Head of Global Transformation (office supplies) (2012-2016); Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	153	None
Principal Occupation During at Least the Past 5 Years: Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 43 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and formerly , President, Franklin Resources, Inc. (1994-2015).				
**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, and Trustee	Chairman of the Board since 2013, and Trustee since 1988	139	None

Principal Occupation During at Least the Past 5 Years:

Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.

Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 28 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since June 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; and formerly , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton Investments (2009-2017).				
Edward B. Jamieson (1948) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2010	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.				
Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 45 of the investment companies in Franklin Templeton Investments.				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; and formerly , Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				

*We base the number of portfolios on each separate series of the US registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

Shareholder Information

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the US 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 US Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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Annual Report
Franklin Templeton
Variable Insurance Products Trust

Investment Managers

Franklin Advisers, Inc.
Franklin Advisory Services, LLC
Franklin Mutual Advisers, LLC
Franklin Templeton Institutional, LLC
Templeton Asset Management Ltd.
Templeton Global Advisors Limited
Templeton Investment Counsel, LLC

Fund Administrator

Franklin Templeton Services, LLC

Distributor

Franklin Templeton Distributors, Inc.

Franklin Templeton Variable Insurance Products Trust (FTVIP) shares are not offered to the public; they are offered and sold only to: (1) insurance company separate accounts (Separate Account) to serve as the underlying investment vehicle for variable contracts; (2) certain qualified plans; and (3) other mutual funds (funds of funds).

Authorized for distribution to investors in Separate Accounts only when accompanied or preceded by the current prospectus for the applicable contract, which includes the Separate Account and the FTVIP prospectuses. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.

December 31, 2017

Annual Report

International Stock 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 International Stock Portfolio

Highlights

- International stocks posted strong gains in the past year.
- The International Stock Portfolio returned 27.88% and slightly outperformed its MSCI benchmark for the 12-month period ended December 31, 2017.
- We buy and hold companies with durable franchises, as we believe they will generate steady earnings and cash flow growth over the long term.
- We are finding high-quality companies with attractive growth prospects, although it has become more difficult to find companies with significant dislocations between valuations and growth expectations.

The views and opinions in this report were current as of December 31, 2017. 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 International Stock Portfolio

Dear Investor

International stocks posted steady gains over the last 12 months. The MSCI All Country World Index ex USA increased 27.77% for the year ended December 31, 2017. Sector performance was uniformly positive, led by information technology, materials, industrials and business services, and consumer discretionary. Each of these sectors advanced better than 28%. Your portfolio slightly outperformed the benchmark due to favorable stock selection and, to a lesser extent, sector and regional allocation decisions. We focus on companies that are taking market share and outgrowing their peers. We believe that the portfolio is well positioned to generate long-term growth.

Performance Review

Performance Comparison

Periods Ended 12/31/17	Total Return	
	6 Months	12 Months
International Stock Portfolio	8.43%	27.88%
MSCI All Country World Index ex USA	11.63	27.77
Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average	10.78	30.23

The International Stock Portfolio returned 27.88% for the 12 months ended December 31, 2017. As shown in the Performance Comparison table, your portfolio slightly outperformed the MSCI All Country World Index ex USA but underperformed its Lipper peer group.

The portfolio's performance versus the MSCI index benefited from stock selection in the financials, consumer staples, and telecommunication services sectors. However, stock selection in the industrials and business services and consumer discretionary sectors hurt relative results. Sector allocation decisions—an overweight to information technology and an underweight in energy—contributed to relative performance, while our overweight allocation in health care detracted.

Market Environment

Market Performance

Periods Ended 12/31/17 (In U.S. Dollar Terms)	Total Return	
	6 Months	12 Months
China	23.50%	54.33%
India	15.12	38.76
Hong Kong	12.02	36.17
France	10.15	29.90
Germany	10.73	28.49
Japan	12.97	24.39
Switzerland	3.81	23.62
United Kingdom	11.21	22.38

Source: RIMES Online, using MSCI indexes.

Stocks gained steadily during the period. Risk-on sentiment benefited stocks around the globe. Developed Europe (the largest region in the MSCI benchmark) produced about a 26% return, outperforming stocks in North America and Japan. Developed Asia performed slightly better, and emerging markets generated exceptionally strong gains.

The improvement in global growth that took hold at the end of 2017 is expected to continue despite some recent softening in several major economies' manufacturing surveys. Although manufacturers continued to project expansion, growth in the U.S. appears to be nowhere as robust as in Japan and Europe. European growth is benefiting from improving global trade, as concerns about political risks abated. Emerging markets economies could also thrive with the support of invigorated growth in the large, commodity-linked economies such as Brazil and Russia. Demand from China remained strong, and the expected slowdown never materialized, which was a key driver of the market rally in 2017.

Monetary policies remain generally supportive despite the interest rate normalization process underway in the U.S., the UK, and Canada. However, the prospect of the European Central Bank (ECB) prematurely tightening is a potential risk to our 2018 outlook. In October, the ECB announced plans to scale back its monthly asset purchase program from €60 billion to €30 billion beginning in early 2018, but it also clarified that it would continue reinvesting the proceeds of its bond purchases from maturing bonds for "as long as

necessary” to support growth and would not raise rates until after its bond purchases have ended. The Bank of Japan (BoJ) is fully committed to its current easy money policies. However, an inflation pickup in 2018 may alter the BoJ’s quantitative easing program. Expectations for increased fiscal and corporate spending have declined, though pending tax proposals in the U.S. could generate additional earnings growth.

Emerging markets equities outperformed developed markets. The MSCI Emerging Markets Index returned 37.75%. Most emerging Asian markets generated strong gains, with China, South Korea, and India among the best. In emerging Europe, all major countries posted positive returns in dollar terms for the year, but regional heavyweight Russia rose only about 6%. All Latin American markets produced solid returns, although stocks in Mexico lagged.

Portfolio Review

The portfolio has tilted toward more defensive sectors in the past 12 months, with overweights in health care and consumer staples. The shift was driven entirely by stock selection—additions to companies that offered the best risk/reward potential. We also remain vigilant about valuations, which have moved higher across much of the market. Unfortunately, this tilt proved incorrect in the last six months, as markets have broadly continued to grind higher and worrisome data points have been brushed aside or ignored.

Our information technology sector holdings were the strongest absolute and relative performance contributors for the 12 months ended December 31, 2017. Three of the portfolio’s 10 best absolute performance contributors for the year were technology holdings: **Tencent Holdings**, **Taiwan Semiconductor Manufacturing**, and **Alibaba Group Holding**. Over the past six months, we’ve made substantial additions to existing positions in IT, such as **Scout24 Holding**, **NAVER**, and **Alibaba**, and added several solid, attractively valued growth companies, including **Murata Manufacturing**, **Largan Precision**, and **Sea**. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

ASML Holding, which was another solid performer for the year, is a good example of the kind of company we believe can be a strong long-term performer. The company, which makes the critical tools that enable chipmaking regardless of the end market application, has benefited from the broad tailwind in the industry

over the past year. Smartphone and auto customers provided strong demand for chips that are smaller and faster and consume less power. Given its dominant market share, we feel ASML is well positioned to benefit from a number of secular trends, including autonomous vehicles and cloud computing.

Sector Diversification

	Percent of Net Assets	
	6/30/17	12/31/17
Financials	18.6%	18.4%
Information Technology	16.3	17.7
Consumer Staples	14.1	14.5
Health Care	15.9	14.3
Industrials and Business Services	11.1	11.9
Consumer Discretionary	8.4	8.3
Materials	4.1	3.8
Telecommunication Services	4.3	3.7
Energy	3.1	2.7
Utilities	1.5	1.6
Real Estate	0.7	0.7
Other and Reserves	1.9	2.4
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

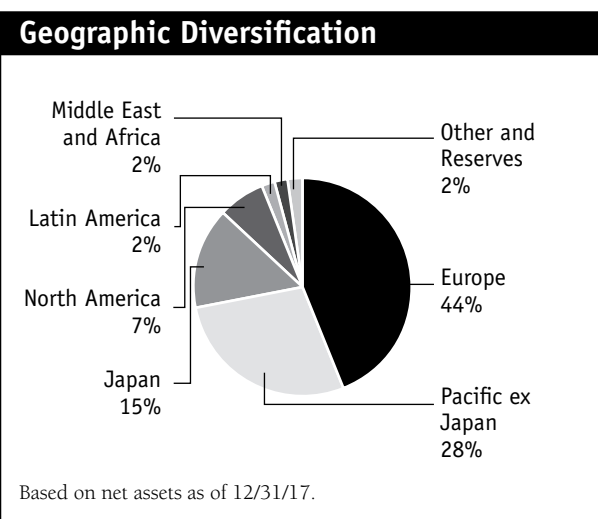
Financials, the portfolio’s largest allocation, is also our largest underweight versus the MSCI benchmark. We do not own most of the banks in Australia and Japan that are in the benchmark because they are richly priced and lack the growth characteristics that we view as attractive. The sector produced the portfolio’s second-best absolute performance contribution, and our holdings outperformed, thanks to solid stock selection. Our underweight compared with the benchmark also generated a modest positive contribution to relative performance.

Within the banking segment, we initiated positions in **Erste Group Bank**, **Credicorp**, and **National Bank of Abu Dhabi**—firms that we believe have strong growth prospects and dominant market positions and should benefit from higher rates in growing emerging economies. We also favor strong asset-gathering franchises, such as **Julius Baer** and **Banco Mediolanum**. We eliminated **Royal Bank of Scotland**, **ING Groep**, **Aviva**, **Banco Itau**, and **Turkiye Garanti Bankasi**. Although each had generated gains, we found other ideas in the sector that we think can produce better growth.

Our health care allocation has remained approximately twice the size of the benchmark's weight because we are finding companies that offer a compelling blend of above-average, stable growth at reasonable valuations. Stock selection was particularly good, but our overweight allocation detracted from our comparison with the benchmark. Several of our health care holdings in Europe, Japan, and the U.S. were pressured by stock-specific concerns relating to drug sales and pipeline issues.

Within the pharmaceuticals industry, **Bayer**, our largest holding in the sector, posted standout performance. We remain optimistic that Bayer's merger with Monsanto will result in strong growth for several years. Although the shares have rallied off their lows following the Monsanto acquisition, we still find the valuation attractive relative to the quality of the business. Our large positions in **Roche Holding** and **Shire** also contributed solid gains for the year. We eliminated two of our poorest 12-month performers, **WuXi Biologics** and **CSL**, during the period. Both stocks produced modest gains but significantly underperformed in the strong market rally.

From a regional perspective, stock selection in emerging markets and North America contributed to relative performance. On a country basis, stock selection in China, Spain, Canada, and the U.S. generated solid performance contributions. Stock selection in the UK, the Netherlands, and Hong Kong hurt our comparison with the benchmark, although our holdings in each of those markets posted double-digit gains.



We have become somewhat concerned about inflows to some emerging markets, including Mexico and Brazil, and rising populism in others. We remain modestly underweight in emerging markets as a result. We have narrowed our underweight to China somewhat, primarily through additions to information technology and consumer staples holdings. We have become more positive on the government's ability to smooth the economic transition and maintain industrial demand. As always, we are focused on finding companies that we think will continue to post durable growth. We utilize a top-down overlay to complement our bottom-up stock selection process, and we believe that our best insights will come at the company level, rather than from trying to time the impact of macroeconomic events.

Portfolio Outlook

While it is clear that the world is generally experiencing economic growth, we worry that the current "Goldilocks" environment—low but positive growth coupled with modest inflation, which has spurred markets to new highs—will give way at some point. Either growth will disappoint or inflation will accelerate.

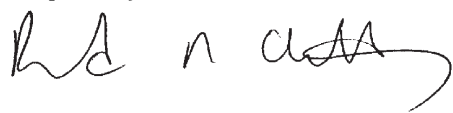
In addition, global central banks, after years of indirectly and directly supporting asset prices through large quantitative easing programs, are starting to shrink their balance sheets. While the central banks may be able to remove stimulus without upsetting equities, it is purely mathematical that what has been a tailwind for asset prices will gradually become a headwind as we move through 2018.

Regionally, we have modestly increased our Japan weighting after finding several stock-specific ideas, such as air conditioner manufacturer **Fujitsu General**. At the same time, we slightly reduced our emerging markets exposure, given their less favorable risk/reward metrics following the strong rally. In our view, the key risks to the global market environment include the negative impacts from protectionist trade policies; possible monetary policy missteps; political instability in the U.S., the UK, and Europe; energy price volatility; and geopolitical risks associated with the Middle East and the Korean Peninsula.

We will continue to rely on our bottom-up research platform and seek high-quality businesses that are facing temporary headwinds and, therefore, offer mispriced growth. As a result of this contrarian approach to investing, periods of strong momentum markets, such as in the last six months, can present a challenging environment for the strategy. However, we remain confident that over time, our long-term focus on areas the crowd is less focused on, and where our research indicates mispricing, will yield good returns for investors.

As always, we will continue to work diligently on your behalf. Thank you for your support and confidence in T. Rowe Price.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard N. Clattenburg", with a long, sweeping horizontal line extending to the right.

Richard N. Clattenburg
Chairman of the Investment Advisory Committee

January 8, 2018

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 International Investing

Portfolios that invest overseas generally carry more risk than those that invest strictly in U.S. assets. Portfolios investing in a single country or in a limited geographic region tend to be riskier than more diversified portfolios. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

Glossary

Lipper averages: The averages of available mutual fund performance returns for specified periods in categories defined by Lipper Inc.

MSCI All Country World Index ex USA: An index that measures equity market performance of developed and emerging countries, excluding the U.S.

Note: MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

Portfolio Highlights

Twenty-Five Largest Holdings

Company	Country	Percent of Net Assets 12/31/17
British American Tobacco	United Kingdom	2.2%
Nestle	Switzerland	2.2
Tencent Holdings	China	2.2
Bayer	Germany	2.1
CK Hutchison Holdings	Hong Kong	2.0
Roche Holding	Switzerland	1.9
AIA Group	Hong Kong	1.9
Priceline	United States	1.7
Taiwan Semiconductor Manufacturing	Taiwan	1.6
Seven & i Holdings	Japan	1.5
Alibaba Group Holding	China	1.5
Shire	United Kingdom	1.5
Fresenius	Germany	1.4
Erste Group Bank	Austria	1.4
Samsung Electronics	South Korea	1.4
Sampo	Finland	1.4
Mitsubishi Electric	Japan	1.4
Essity	Sweden	1.4
Nippon Telegraph & Telephone	Japan	1.4
NAVER	South Korea	1.4
Housing Development Finance	India	1.4
Thales	France	1.3
Canadian Natural Resources	Canada	1.2
Grifols	Spain	1.2
NTPC Limited	India	1.2
Total		39.8%

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.

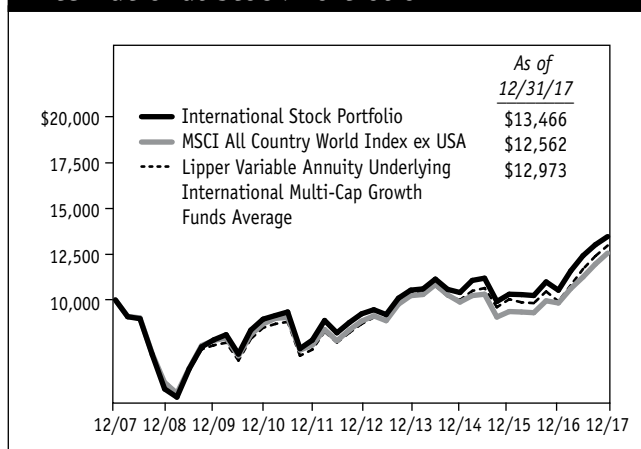
Performance and Expenses

T. Rowe Price International Stock Portfolio

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.

International Stock Portfolio



Average Annual Compound Total Return

Periods Ended 12/31/17	1 Year	5 Years	10 Years
International Stock Portfolio	27.88%	7.83%	3.02%

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). 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.

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.

International Stock Portfolio

	Beginning Account Value	Ending Account Value	Expenses Paid During Period*
	7/1/17	12/31/17	7/1/17 to 12/31/17
Actual	\$1,000.00	\$1,084.30	\$5.52
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.91	5.35

*Expenses are equal to the fund's annualized expense ratio for the 6-month period (1.05%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184), and divided by the days in the year (365) to reflect the half-year period.

Financial Highlights

T. Rowe Price International Stock Portfolio

For a share outstanding throughout each period

	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	\$ 14.27	\$ 14.67	\$ 15.26	\$ 15.72	\$ 13.90
Investment activities					
Net investment income ⁽¹⁾	0.17	0.17	0.14	0.15	0.17
Net realized and unrealized gain / loss	3.80	0.14	(0.28)	(0.35)	1.78
Total from investment activities	3.97	0.31	(0.14)	(0.20)	1.95
Distributions					
Net investment income	(0.19)	(0.16)	(0.15)	(0.17)	(0.13)
Net realized gain	(0.70)	(0.55)	(0.30)	(0.09)	—
Total distributions	(0.89)	(0.71)	(0.45)	(0.26)	(0.13)
NET ASSET VALUE					
End of period	\$ 17.35	\$ 14.27	\$ 14.67	\$ 15.26	\$ 15.72

Ratios/Supplemental Data

Total return⁽²⁾	27.88%	2.13%	(0.90)%	(1.24)%	14.05%
Ratio of total expenses to average net assets	1.05%	1.05%	1.05%	1.05%	1.05%
Ratio of net investment income to average net assets	1.04%	1.15%	0.88%	0.94%	1.13%
Portfolio turnover rate	34.0%	39.5%	37.3%	45.3%	53.1%
Net assets, end of period (in thousands)	\$ 382,759	\$ 310,621	\$ 305,031	\$ 329,646	\$ 355,918

⁽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.

The accompanying notes are an integral part of these financial statements.

Portfolio of Investments[†]

T. Rowe Price International Stock Portfolio
December 31, 2017

	Shares	\$ Value
(Cost and value in \$000s)		
AUSTRALIA 1.9%		
Common Stocks 1.9%		
Amcor	363,613	4,357
South32	1,134,179	3,074
Total Australia (Cost \$4,562)		7,431
AUSTRIA 1.4%		
Common Stocks 1.4%		
Erste Group Bank	125,332	5,431
Total Austria (Cost \$4,170)		5,431
BELGIUM 1.2%		
Common Stocks 1.2%		
Anheuser-Busch InBev	26,175	2,922
KBC	20,211	1,722
Total Belgium (Cost \$4,027)		4,644
BRAZIL 0.9%		
Common Stocks 0.9%		
BB Seguridade Participacoes	408,031	3,501
Total Brazil (Cost \$3,642)		3,501
CANADA 4.1%		
Common Stocks 4.1%		
Alimentation Couche-Tard Series B	61,186	3,193
Canadian Natural Resources	129,400	4,624
Canadian Pacific Railway	18,133	3,313
Magna International (USD)	44,793	2,538

	Shares	\$ Value
(Cost and value in \$000s)		
Seven Generations Energy Class A (1)	138,980	1,966
Total Canada (Cost \$12,956)		15,634
CHINA 7.0%		
Common Stocks 5.6%		
Alibaba Group Holding ADR (USD)(1)	33,100	5,708
China Mengniu Dairy (HKD)	929,000	2,760
China Overseas Land & Investment (HKD)	812,000	2,606
Ctrip.com International ADR (USD)(1)	51,333	2,264
Tencent Holdings (HKD)	159,400	8,250
		21,588
Common Stocks - China A shares 1.2%		
Gree Electric Appliances (CNH)	209,300	1,404
Kweichow Moutai (CNH)	28,774	3,079
		4,483
Convertible Preferred Stocks 0.2%		
Xiaoju Kuaizhi, Class A-17 Acquisition Date: 10/19/15, Cost \$343 (USD)(1)(2)(3)	12,518	638
		638
Total China (Cost \$11,538)		26,709
DENMARK 0.5%		
Common Stocks 0.5%		
GN Store Nord	60,800	1,964
Total Denmark (Cost \$1,272)		1,964

T. Rowe Price International Stock Portfolio

	Shares	\$ Value
(Cost and value in \$000s)		
FINLAND 1.4%		
Common Stocks 1.4%		
Sampo, A Shares	98,077	5,383
Total Finland (Cost \$4,286)		5,383
FRANCE 5.5%		
Common Stocks 5.5%		
Air Liquide	26,338	3,311
Airbus	21,701	2,157
BNP Paribas	21,689	1,613
Dassault Aviation	2,069	3,217
Sanofi	5,327	459
Schneider Electric	40,639	3,445
Thales	45,166	4,861
Total	32,354	1,786
Total, Rights, 1/3/18 (1)	32,354	—
Total France (Cost \$16,701)		20,849
GERMANY 7.3%		
Common Stocks 7.3%		
Bayer	63,587	7,902
Beiersdorf	13,171	1,544
Fresenius	69,867	5,434
Linde (1)	9,768	2,290
Merck	28,145	3,021
Scout24 Holding	72,658	2,961
Telefonica Deutschland Holding	545,072	2,728
Wirecard	18,822	2,092
Total Germany (Cost \$19,677)		27,972
HONG KONG 5.1%		
Common Stocks 5.1%		
AIA Group	862,400	7,335
CK Hutchison Holdings	619,384	7,761

	Shares	\$ Value
(Cost and value in \$000s)		
Jardine Matheson Holdings (USD)	72,200	4,381
Total Hong Kong (Cost \$13,997)		19,477
INDIA 4.9%		
Common Stocks 4.9%		
Axis Bank	429,031	3,777
Housing Development Finance	194,028	5,196
Infosys	139,770	2,270
NTPC Limited	1,643,037	4,535
Power Grid Corp of India	482,815	1,512
Wipro	307,464	1,497
Total India (Cost \$11,264)		18,787
INDONESIA 1.6%		
Common Stocks 1.6%		
Bank Central Asia	2,431,900	3,924
Sarana Menara Nusantara	6,820,300	2,009
Total Indonesia (Cost \$3,201)		5,933
ITALY 1.0%		
Common Stocks 1.0%		
Banca Mediolanum	435,393	3,765
Total Italy (Cost \$3,349)		3,765
JAPAN 15.2%		
Common Stocks 15.2%		
Astellas Pharma	279,800	3,554
Bridgestone	28,600	1,324
Chugai Pharmaceutical	57,300	2,929
CyberAgent	37,000	1,442
Fujitsu General	120,600	2,644
Inpex	169,200	2,106
Japan Tobacco	111,600	3,594
Kansai Paint	57,400	1,489
Koito Manufacturing	38,400	2,688
Mabuchi Motor	10,000	541

T. Rowe Price International Stock Portfolio

	Shares	\$ Value
(Cost and value in \$000s)		
Mitsubishi Electric	323,700	5,365
Murata Manufacturing	17,400	2,330
Nippon Telegraph & Telephone	111,700	5,251
Olympus	34,000	1,301
Renesas Electronics (1)	117,300	1,360
Seven & i Holdings	138,600	5,742
Sumitomo	258,700	4,388
Suzuki Motor	38,300	2,217
Terumo	31,000	1,467
Tokio Marine Holdings	74,500	3,388
Yahoo! Japan (4)	683,300	3,130
Total Japan (Cost \$44,233)		58,250
MALAYSIA 0.3%		
Common Stocks 0.3%		
Astro Malaysia Holdings	1,995,700	1,307
Total Malaysia (Cost \$1,775)		1,307
MEXICO 0.6%		
Common Stocks 0.6%		
Grupo Financiero Santander Mexico Series B, ADR (USD)	321,670	2,351
Total Mexico (Cost \$2,914)		2,351
NETHERLANDS 1.8%		
Common Stocks 1.8%		
Altice, Class A (1)(4)	115,444	1,211
ASML Holding	18,771	3,263
NXP Semiconductors (USD)(1)	19,300	2,260
Total Netherlands (Cost \$2,594)		6,734

	Shares	\$ Value
(Cost and value in \$000s)		
PERU 0.3%		
Common Stocks 0.3%		
Credicorp (USD)	5,556	1,152
Total Peru (Cost \$877)		1,152
SINGAPORE 0.3%		
Common Stocks 0.3%		
Sea, ADR (USD)(1)	97,200	1,296
Total Singapore (Cost \$1,412)		1,296
SOUTH AFRICA 0.6%		
Common Stocks 0.6%		
FirstRand	436,975	2,366
Total South Africa (Cost \$1,456)		2,366
SOUTH KOREA 3.8%		
Common Stocks 3.8%		
LG Household & Health Care	2,372	2,633
NAVER	6,431	5,224
Netmarble Games (1)	6,391	1,123
Samsung Electronics	2,267	5,386
Total South Korea (Cost \$8,434)		14,366
SPAIN 2.4%		
Common Stocks 2.4%		
Amadeus IT, A Shares	61,547	4,429
Grifols, ADR (USD)	201,107	4,609
Total Spain (Cost \$5,611)		9,038
SWEDEN 2.8%		
Common Stocks 2.8%		
Essity, B Shares (1)	184,819	5,252
Hexagon, B Shares	67,849	3,404

T. Rowe Price International Stock Portfolio

	Shares	\$ Value
(Cost and value in \$000s)		
Svenska Handelsbanken A Shares	137,208	1,875
Total Sweden (Cost \$8,080)		10,531
SWITZERLAND 6.5%		
Common Stocks 6.5%		
Ams	4,775	433
GAM Holding	18,146	293
Julius Baer	66,587	4,072
Nestle	96,326	8,282
Roche Holding	29,223	7,389
UBS	245,922	4,518
Total Switzerland (Cost \$20,618)		24,987
TAIWAN 2.0%		
Common Stocks 2.0%		
Largan Precision	13,000	1,745
Taiwan Semiconductor Manufacturing	781,000	5,980
Total Taiwan (Cost \$4,015)		7,725
THAILAND 0.6%		
Common Stocks 0.6%		
CP ALL	953,300	2,252
Total Thailand (Cost \$1,042)		2,252
UNITED ARAB EMIRATES 1.1%		
Common Stocks 1.1%		
DP World (USD)	89,396	2,234
National Bank of Abu Dhabi	713,351	1,989
Total United Arab Emirates (Cost \$2,385)		4,223

	Shares	\$ Value
(Cost and value in \$000s)		
UNITED KINGDOM 12.2%		
Common Stocks 12.2%		
AstraZeneca, ADR (USD)	36,800	1,277
BAE Systems	204,339	1,579
British American Tobacco	126,344	8,541
Burberry	48,502	1,169
Capita	204,914	1,107
ConvaTec	958,539	2,643
Experian	48,694	1,073
Liberty Global, Series C (USD)(1)	75,939	2,570
Liberty Global Plc LiLAC Class C (USD)(1)	83,568	1,662
LivaNova (USD)(1)	25,645	2,050
Lloyds Banking Group	2,084,158	1,911
London Stock Exchange	21,467	1,098
Prudential	147,537	3,779
Reckitt Benckiser	37,153	3,466
Shire	108,220	5,608
Smith & Nephew	181,723	3,144
Vodafone	1,326,762	4,194
Total United Kingdom (Cost \$42,998)		46,871
UNITED STATES 3.3%		
Common Stocks 3.3%		
MasterCard, Class A	24,100	3,648
Philip Morris International	23,071	2,437
Priceline (1)	3,774	6,558
Total United States (Cost \$6,521)		12,643
SHORT-TERM INVESTMENTS 2.3%		
MONEY MARKET FUNDS 2.3%		
T. Rowe Price Government Reserve Fund, 1.24% (5)(6)	8,732,067	8,732
Total Short-Term Investments (Cost \$8,732)		8,732

T. Rowe Price International Stock Portfolio

	Shares	\$ Value
(Cost and value in \$000s)		
SECURITIES LENDING COLLATERAL 0.9%		
Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.9%		
Short-Term Funds 0.9%		
T. Rowe Price Short-Term Fund, 1.49% (5)(6)	332,981	3,330
Total Investments through Securities Lending Program with JPMorgan Chase Bank		3,330
Total Securities Lending Collateral (Cost \$3,330)		3,330
Total Investments in Securities		
100.8% of Net Assets (Cost \$281,669)	\$	385,634

* Country classifications are generally based on MSCI categories or another unaffiliated third party data provider; Shares are denominated in the currency of the country presented unless otherwise noted.

(1) Non-income producing

(2) 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 fund 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 period-end amounts to \$638 and represents 0.2% of net assets.

(3) Level 3 in fair value hierarchy. See Note 2.

(4) All or a portion of this security is on loan at December 31, 2017 -- total value of such securities at period-end amounts to \$3,144. See Note 4.

(5) Seven-day yield

(6) Affiliated Company

ADR American Depositary Receipts

CNH Offshore China Renminbi

GBP British Pound

HKD Hong Kong Dollar

JPY Japanese Yen

USD U.S. Dollar

Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain / (Loss)
Bank of America Merrill Lynch	1/19/18	USD	1,868	GBP	1,421	\$ (51)
Citibank	1/19/18	USD	2,813	JPY	318,573 (17)
Net unrealized gain (loss) on open forward currency exchange contracts						<u>\$ (68)</u>

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 that is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the year ended December 31, 2017. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund	\$ —	\$ —	\$ 60
T. Rowe Price Short-Term Fund	—	—	— ⁺⁺
Totals	\$ —[#]	\$ —	\$ 60⁺

Supplementary Investment Schedule

Affiliate	Value 12/31/16	Purchase Cost	Sales Cost	Value 12/31/17
T. Rowe Price Government Reserve Fund	\$ 7,055	▯	▯	\$ 8,732
T. Rowe Price Short-Term Fund	2,717	▯	▯	3,330
			\$	12,062[^]

Capital gain/loss distributions from mutual funds represented \$0 of the net realized gain (loss).

++ Excludes earnings on securities lending collateral, which are subject to rebates and fees as described in Note 4.

+ Investment income comprised \$60 of dividend income and \$0 of interest income.

▯ Purchase and sale information not shown for cash management funds.

^ The cost basis of investments in affiliated companies was \$12,062.

Statement of Assets and Liabilities

T. Rowe Price International Stock Portfolio

December 31, 2017

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$281,669)	\$	385,634
Receivable for investment securities sold		618
Dividends receivable		452
Foreign currency (cost \$142)		143
Cash		50
Receivable for shares sold		42
Other assets		627
Total assets		<u>387,566</u>

Liabilities

Obligation to return securities lending collateral		3,330
Payable for investment securities purchased		509
Investment management and administrative fees payable		396
Payable for shares redeemed		154
Unrealized loss on forward currency exchange contracts		68
Other liabilities		350
Total liabilities		<u>4,807</u>

NET ASSETS

\$ 382,759

Net Assets Consist of:

Accumulated undistributed net realized gain	\$	438
Net unrealized gain		103,894
Paid-in capital applicable to 22,061,837 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>278,427</u>

NET ASSETS

\$ 382,759

NET ASSET VALUE PER SHARE

\$ 17.35

The accompanying notes are an integral part of these financial statements.

Statement of Operations

T. Rowe Price International Stock Portfolio

(\$000s)

	Year Ended 12/31/17
Investment Income (Loss)	
Income	
Dividend (net of foreign taxes of \$612)	\$ 7,396
Securities lending	56
Total income	7,452
Investment management and administrative expense	3,740
Net investment income	3,712
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	18,845
Written options	26
Forward currency exchange contracts	151
Foreign currency transactions	33
Net realized gain	19,055
Change in net unrealized gain / loss	
Securities	62,744
Written options	(7)
Forward currency exchange contracts	(353)
Other assets and liabilities denominated in foreign currencies	27
Change in net unrealized gain / loss	62,411
Net realized and unrealized gain / loss	81,466
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 85,178

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

T. Rowe Price International Stock Portfolio

(\$000s)

	Year Ended	
	12/31/17	12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 3,712	\$ 3,536
Net realized gain	19,055	10,799
Change in net unrealized gain / loss	62,411	(7,412)
Increase in net assets from operations	85,178	6,923
Distributions to shareholders		
Net investment income	(3,963)	(3,325)
Net realized gain	(14,600)	(11,428)
Decrease in net assets from distributions	(18,563)	(14,753)
Capital share transactions*		
Shares sold	20,697	34,661
Distributions reinvested	18,563	14,753
Shares redeemed	(33,737)	(35,994)
Increase in net assets from capital share transactions	5,523	13,420
Net Assets		
Increase during period	72,138	5,590
Beginning of period	310,621	305,031
End of period	\$ 382,759	\$ 310,621
Undistributed net investment income	—	229
*Share information		
Shares sold	1,234	2,387
Distributions reinvested	1,081	1,037
Shares redeemed	(2,025)	(2,438)
Increase in shares outstanding	290	986

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

T. Rowe Price International Stock Portfolio
December 31, 2017

T. Rowe Price International Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The International Stock Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. The fund seeks long-term growth of capital through investments primarily in the common stocks of established non-U.S. companies. 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.

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 Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions 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. Income distributions are declared and paid annually. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be 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 respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. 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.

New Accounting Guidance In March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities, held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

On August 1, 2017, the fund implemented amendments to Regulation S-X, issued by the Securities and Exchange Commission, which require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Adoption had no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

NOTE 2 - VALUATION

The fund's financial instruments are valued and its 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. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

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) is an internal committee that has been delegated certain responsibilities 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 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. Forward currency exchange contracts are valued using the prevailing forward exchange rate and are categorized in Level 2 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 December 31, 2017:

(\$000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in Securities, except:	\$ —	\$ 251,144	\$ —	\$ 251,144
Canada	2,538	13,096	—	15,634
China	7,972	18,099	638	26,709
Mexico	2,351	—	—	2,351
Netherlands	2,260	4,474	—	6,734
Peru	1,152	—	—	1,152
Singapore	1,296	—	—	1,296
Spain	4,609	4,429	—	9,038
United Kingdom	7,559	39,312	—	46,871
United States	12,643	—	—	12,643
Short-Term Investments	8,732	—	—	8,732
Securities Lending Collateral	3,330	—	—	3,330
Total	\$ 54,442	\$ 330,554	\$ 638	\$ 385,634
Liabilities				
Forward Currency Exchange Contracts	\$ —	\$ 68	\$ —	\$ 68

There were no material transfers between Levels 1 and 2 during the year ended December 31, 2017.

Following is a reconciliation of the fund's Level 3 holdings for the year ended December 31, 2017. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at December 31, 2017, totaled \$160,000 for the year ended December 31, 2017.

(\$000s)	Beginning Balance 1/1/17	Gain (Loss) During Period	Ending Balance 12/31/17
Investments in Securities			
Convertible Preferred Stocks	\$ 478	\$ 160	\$ 638

NOTE 3 - DERIVATIVE INSTRUMENTS

During the year ended December 31, 2017, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral. As of December 31, 2017, the fund held foreign exchange derivatives with a fair value of \$68,000, included in unrealized loss on forward currency exchange contracts, on the accompanying Statement of Assets and Liabilities.

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the year ended December 31, 2017, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

(\$000s)	Location of Gain (Loss) on Statement of Operations		
	Written Options	Forward Currency Exchange Contracts	Total
Realized Gain (Loss)			
Foreign exchange derivatives	\$ —	\$ 151	\$ 151
Equity derivatives	26	—	26
Total	\$ 26	\$ 151	\$ 177
Change in Unrealized Gain/Loss			
Foreign exchange derivatives	\$ —	\$ (353)	\$ (353)
Equity derivatives	(7)	—	(7)
Total	\$ (7)	\$ (353)	\$ (360)

Counterparty Risk and Collateral The fund invests in derivatives, such as bilateral swaps, forward currency exchange contracts, or OTC options, that are transacted and settle directly with a counterparty (bilateral derivatives), and thereby expose the fund to counterparty risk. To mitigate this risk, the fund has entered into master netting arrangements (MNAs) with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also require the exchange of collateral to cover mark-to-market exposure. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs govern the ability to offset amounts the fund owes a counterparty against amounts the counterparty owes the fund (net settlement). Both ISDAs and FX letters generally allow termination of transactions and net settlement upon the occurrence of contractually specified events, such as failure to pay or bankruptcy. In addition, ISDAs specify other events, the occurrence of which would allow one of the parties to terminate. For example, a downgrade in credit rating of a counterparty would allow the fund to terminate, while a decline in the fund's net assets of more than a specified percentage would allow the counterparty to terminate. Upon termination, all transactions with that counterparty would be liquidated and a net termination amount determined. ISDAs include collateral agreements whereas FX letters do not. Collateral requirements are determined daily based on the net aggregate unrealized gain or loss on all bilateral derivatives with each counterparty, subject to minimum transfer amounts that typically range from \$100,000 to \$250,000. Any additional collateral required due to changes in security values is typically transferred the same business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. Collateral pledged by counterparties is not included in the fund's assets because the fund does not obtain effective control over those assets. For bilateral derivatives, collateral posted or received by the fund is held in a segregated account at the fund's custodian. While typically not sold in the same manner as to equity or fixed income securities, OTC and bilateral derivatives may be unwound with counterparties or transactions assigned to other counterparties to allow the fund to exit the transaction. This ability is subject to the liquidity of underlying positions. As of December 31, 2017, no collateral was pledged by either the fund or counterparties for bilateral derivatives.

Forward Currency Exchange Contracts The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. It uses forward currency exchange contracts (forwards) primarily to protect its non-U.S. dollar-denominated securities from adverse currency movements. A forward involves an obligation to purchase or sell a fixed amount of a specific currency on a future date at a price set at the time of the contract. Although certain forwards may be settled by exchanging only the net gain or loss on the contract, most forwards are settled with the exchange of the underlying currencies in accordance with the specified terms. Forwards are valued at the unrealized gain or loss on the contract, which reflects the net amount the fund either is entitled to receive or obligated to deliver, as measured by the difference between the forward exchange rates at the date of entry into the contract and the forward rates at the reporting date. Appreciated forwards are reflected as assets and depreciated forwards are reflected as liabilities on the accompanying Statement of Assets and Liabilities. Risks related to the use of forwards include the possible failure of counterparties to meet the terms of the agreements; that anticipated currency movements will not occur, thereby reducing the fund's total return; and the potential for losses in excess of the fund's initial investment. During the year ended December 31, 2017, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally between 1% and 2% of net assets.

Options The fund is subject to equity price risk in the normal course of pursuing its investment objectives and uses options to help manage such risk. The fund may use options to manage exposure to security prices, interest rates, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or a part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. Options are included in net assets at fair value, purchased options are included in Investments in Securities, and written options are separately reflected as a liability on the accompanying Statement of Assets and Liabilities. Premiums on unexercised, expired options are recorded as realized gains or losses; premiums on exercised options are recorded as an adjustment to the proceeds from the sale or cost of the purchase. The difference between the premium and the amount received or paid in a closing transaction is also treated as realized gain or loss. In return for a premium paid, call and put options give the holder the right, but not the obligation, to purchase or sell, respectively, a security at a specified exercise price. Risks related to the use of options include possible illiquidity of the options markets; trading restrictions imposed by an exchange or counterparty; movements in the underlying asset values; and, for written options, potential losses in excess of the fund's initial investment. During the year ended December 31, 2017, the volume of the fund's activity in options, based on underlying notional amounts, was generally less than 1% of net assets.

NOTE 4 - 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.

Emerging Markets The fund may invest, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in, issued by governments of, or denominated in or linked to the currencies of emerging market countries; at period-end, approximately 24% of the fund's net assets were invested in emerging markets. Emerging markets generally have economic structures that are less diverse and mature, and political systems that are less stable, than developed countries. These markets may be subject to greater political, economic, and social uncertainty and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars. Such securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Securities Lending The fund may lend its securities to approved borrowers 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 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 December 31, 2017, the value of loaned securities was \$3,144,000, including securities sold but not yet settled, which are not reflected in the accompanying Portfolio of Investments; the value of cash collateral and related investments was \$3,330,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated \$117,780,000 and \$125,379,000, respectively, for the year ended December 31, 2017.

NOTE 5 - 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 fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Reclassifications between income and gain relate primarily to per-share rounding of distributions. For the year ended December 31, 2017, the following reclassifications were recorded to reflect tax character (there was no impact on results of operations or net assets):

(\$000s)	
Undistributed net investment income	\$ 22
Undistributed net realized gain	(22)

Distributions during the years ended December 31, 2017 and December 31, 2016, were characterized for tax purposes as follows:

	December 31	
	2017	2016
Ordinary income	\$ 6,883	\$ 4,779
Long-term capital gain	11,680	9,974
Total distributions	\$ 18,563	\$ 14,753

At December 31, 2017, the tax-basis cost of investments, including derivatives, and components of net assets were as follows:

(\$000s)	
Cost of investments	\$ 286,518
Unrealized appreciation	\$ 105,583
Unrealized depreciation	(6,538)
Net unrealized appreciation (depreciation)	99,045
Undistributed ordinary income	1,745
Undistributed long-term capital gain	3,542
Paid-in capital	278,427
Net assets	\$ 382,759

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales, and the realization of gains/losses on passive foreign investment companies for tax purposes.

NOTE 6 - FOREIGN TAXES

The fund is subject to foreign income taxes imposed by certain countries in which it invests. Additionally, certain foreign currency transactions are subject to tax, and capital gains realized upon disposition of securities issued in or by certain foreign countries are subject to capital gains tax imposed by those countries. All taxes are computed in accordance with the applicable foreign tax law, and, to the extent permitted, capital losses are used to offset capital gains. Taxes attributable to income are accrued by the fund as a reduction of income. Taxes incurred on the purchase of foreign currencies are recorded as realized loss on foreign currency transactions. Current and deferred tax expense attributable to capital gains is reflected as a component of realized or change in unrealized gain/loss on securities in the accompanying financial statements. At December 31, 2017, the fund had no deferred tax liability attributable to foreign securities and \$1,636,000 of foreign capital loss carryforwards, including \$503,000 that expire in 2018, \$197,000 that expire in 2019, \$427,000 that expire in 2020, \$41,000 that expire in 2021, \$18,000 that expire in 2022, \$198,000 that expire in 2023, \$23,000 that expire in 2025, and \$229,000 that expire in 2026.

NOTE 7 - 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). Price Associates has entered into a sub-advisory agreement(s) with one or more of its wholly owned subsidiaries, to provide investment advisory services to the fund. The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 1.05% 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 other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). The Price Reserve 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. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. The Price Reserve 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 year ended December 31, 2017, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of T. Rowe Price International Series, Inc. and Shareholders of T. Rowe Price International Stock Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of T. Rowe Price International Stock Portfolio (one of the portfolios constituting T. Rowe Price International Series, Inc., hereafter referred to as the “Fund”) as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 7, 2018

We have served as the auditor of one or more investment companies in the T. Rowe Price group of investment companies since 1973.

Tax Information (Unaudited) for the Tax Year Ended 12/31/17

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

The fund's distributions to shareholders included:

- \$2,942,000 from short-term capital gains,
- \$11,680,000 from long-term capital gains, subject to a long-term capital gains tax rate of not greater than 20%.

For taxable non-corporate shareholders, \$5,617,000 of the fund's income represents qualified dividend income subject to a long-term capital gains tax rate of not greater than 20%.

For corporate shareholders, \$163,000 of the fund's income qualifies for the dividends-received deduction.

The fund will pass through foreign source income of \$5,805,000 and foreign taxes paid of \$445,000.

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>

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.

About the Portfolio's Directors and Officers

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting or potentially affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and business and regulatory affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

Independent Directors

**Name (Year of Birth)
Year Elected* [Number of
T. Rowe Price Portfolios
Overseen]**

Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years

Bruce W. Duncan (1951) 2013 [191]	Chief Executive Officer and Director (2009 to December 2016), Chairman of the Board (January 2016 to present), and President (2009 to September 2016), First Industrial Realty Trust, an owner and operator of industrial properties; Chairman of the Board (2005 to September 2016) and Director (1999 to September 2016), Starwood Hotels & Resorts, a hotel and leisure company; Director, Boston Properties (May 2016 to present); Director, Marriott International, Inc. (September 2016 to present)
Robert J. Gerrard, Jr. (1952) 2012 [191]	Advisory Board Member, Pipeline Crisis/Winning Strategies, a collaborative working to improve opportunities for young African Americans (1997 to present)
Paul F. McBride (1956) 2013 [191]	Advisory Board Member, Vizzia Technologies (2015 to present)
Cecilia E. Rouse, Ph.D. (1963) 2012 [191]	Dean, Woodrow Wilson School (2012 to present); Professor and Researcher, Princeton University (1992 to present); Member of National Academy of Education (2010 to present); Director, MDRC, a nonprofit education and social policy research organization (2011 to present); Research Associate of Labor Studies Program (2011 to 2015) and Board Member (2015 to present), National Bureau of Economic Research (2011 to present); Chair of Committee on the Status of Minority Groups in the Economic Profession (2012 to present); Vice President (2015 to present), American Economic Association
John G. Schreiber (1946) 2001 [191]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Cofounder, Partner, and Cochairman of the Investment Committee, Blackstone Real Estate Advisors, L.P. (1992 to 2015); Director, General Growth Properties, Inc. (2010 to 2013); Director, Blackstone Mortgage Trust, a real estate finance company (2012 to 2016); Director and Chairman of the Board, Brixmor Property Group, Inc. (2013 to present); Director, Hilton Worldwide (2013 to present); Director, Hudson Pacific Properties (2014 to 2016)
Mark R. Tercek (1957) 2009 [191]	President and Chief Executive Officer, The Nature Conservancy (2008 to present)

*Each independent director serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Edward C. Bernard (1956) 2006 [191]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and Vice President, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc.; Chairman of the Board, Chief Executive Officer, Director, and President, T. Rowe Price International and T. Rowe Price Trust Company; Chairman of the Board, all funds
Robert W. Sharps, CFA, CPA** (1971) 2017 [135]	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company

*Each inside director serves until retirement, resignation, or election of a successor.

**Effective April 1, 2017, Brian C. Rogers was replaced by Robert W. Sharps as an inside director of certain Price Funds.

Officers

Name (Year of Birth) Position Held With International Series	Principal Occupation(s)
Christopher D. Alderson (1962) President	Director and Vice President, T. Rowe Price International; Vice President, Price Hong Kong, Price Singapore, and T. Rowe Price Group, Inc.
Harishankar Balkrishna (1983) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Sheena L. Barbosa (1983) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Darrell N. Braman (1963) Vice President and Secretary	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
Richard N. Clattenburg, CFA (1979) Executive Vice President	Vice President, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Jai Kapadia (1982) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Paul J. Krug, CPA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Catherine D. Mathews (1963) Treasurer and Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Tobias F. Mueller (1980) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
David Oestreicher (1967) Vice President	Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Chief Legal Officer, Vice President, and Secretary, T. Rowe Price Group, Inc.; Vice President and Secretary, T. Rowe Price and T. Rowe Price International; Vice President, Price Hong Kong and Price Singapore

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With International Series	Principal Occupation(s)
Oluwaseun A. Oyegunle, CFA (1984) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly, student, The Wharton School, University of Pennsylvania (to 2013)
John W. Ratzesberger (1975) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly, North American Head of Listed Derivatives Operation, Morgan Stanley (to 2013)
Shannon H. Rauser (1987) Assistant Secretary	Employee, T. Rowe Price
Sebastian Schrott (1977) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Megan Warren (1968) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; formerly, Executive Director, JP Morgan Chase (to 2017)
Ernest C. Yeung, CFA (1979) Executive Vice President	Director, Responsible Officer, and Vice President, Price Hong Kong; Vice President, T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.



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